INSTITUTE FOR ECONOMIC AND SOCIAL PLANNING (IPEA)
ECONOMIC COMISSION FOR LATIN AMERICA AND THE CARIBBEAN (ECLAC)
- IPEA/ECLAC AGREEMENT -

PROTECTIONISM IN THE EUROPEAN COMMUNITY AGAINST BRAZILIAN EXPORTS

BRASÍLIA, 1985

INSTITUTE FOR ECONOMIC AND SOCIAL PLANNING (IPEA)
ECONOMIC COMISSION FOR LATIN AMERICA AND THE CARIBBEAN (ECLAC)
- IPEA/ECLAC AGREEMENT -

PROTECTIONISM IN THE EUROPEAN COMMUNITY AGAINST BRAZILIAN EXPORTS

BRASÍLIA, 1985

LC/BRS/CONV./L.04
Brasília. 1985

CONTENTS

PREFACE

This study on trade relations between Brazil and the European Community 1/ was undertaken within the framework of the IPEA-ECLAC Agreement 2/ as part of a joint research programme. The institutions share an interest in analysing recent developments in Brazilian exports to the industrialized countries and the relative importance of import restrictions to these trade flows.

The present study is the second of a series of studies on this theme and follows a study on trade relations between Brazil and the United States 3/. The first chapter provides a brief description of the competitive position of the EC in the world economy and on some structural and cyclical developments in the European economies. Chapter II presents an overview of recent developments in bilateral trade between Brazil and the EC. Chapter III gives an overview of the main areas of EC economic policy, especially industrial aid policies and the Common Agricultural Policy, and the role of interest groups in European policy making. Chapter IV describes the basic instruments which are used at the Community level to protect troubled industries against foreign competition. It also examines the Generalized System of Preferences (GSP) of the EC. Chapter V provides data and background information on EC import restrictions affecting Brazil and estimates their trade coverage. The main conclusions of this study are presented in the final Chapter (VI)

This study was prepared by Gerard de Groot, economist at the Development Research Institute (IVO) of the University of Tilburg, the Netherlands, and Rene Vossenaar of the ECLAC Brasilia office. The views and information provided in this document are the sole responsibilty of the authors.

1/ European Community (EC) refers to the adherents to the treaties forming the European Coal and Steel Community(ECSC), the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). Members are Belgium, France, Denmark, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, the Neherlands and the United Kingdom. On 1 January, 1986, the EC will be enlarged to 12 Member States with the accession of Portugal and Spain.

2/ Economic Commission for Latin America and the Caribbean (ECLAC) and the Institute for Economic and Social Planning (IPEA), related to the Planning Secretary of the Presidency of the Republic of Brazil.

3/ IPEA/ECLAC. Trade Relations Between Brazil and the United States. Brasilia, 1985. 149 pp. il.

I - THE EUROPEAN COMMUNITY AND THE WORLD ECONOMIC CRISIS

a) Introduction

The member states of the European Community (EC) are only recently emerging from the worst economic slowdown they have suffered since World War II. After decreasing 0.4% in 1981, real GNP in the EC increased 0.6% in 1982, 1.1% in 1983 and slightly more than 2% in 1984. (Economic growth is still considerably slower than in the United States and Japan.) The EC countries have successfully tried to reduce a series of imbalances, principally inflation and the deficits in public finance and on the current account of the balance-of-payments. The labour share in value added has shown a downward trend because of productivity gains and wage moderation. However, increased profits have not resulted in employment creating investment, and there are no signs of a significant improvement in the employment situation. Stagnating employment and the slowness of industrial restructuring --resulting, among other factors, in a disadvantageous position in high technology goods-- remain major structural problems which will continue to affect the external position of the EC and to be a major source of pressure for protection against foreign competition.

A series of factors have led to a gradual return of optimism. Inflation results are improving; the annual increase in consumer prices has been reduced from 11.1% in 1981 to 9.8% in 1982 and 7.5% in 1983 1/. The GNP deflator decreased from 9.8% in 1981 to 5.25% in 1984 2/.

The current account deficit of the EC decreased from $11.8 billion in 1981 to $1 billion in 1984 and is expected to attain a $9.5 billion surplus in 1985 3/.

Imbalances in government finance have been reduced by restrictive fiscal policies. In the eighties this has resulted in a decrease in the structural component of general government deficits in most EC countries in spite of a strong increase in debt interest payments as a percentage of GNP. The increase in actual deficits in many coutries can be attributed in most cases to cyclical factors (such as low tax receipts and high social security payments) 4/.

In recent years the international competitiveness of Community production improved significantly. Thanks to wage moderation and productivity gains, the increase in unit labour costs has diminished significantly in the eighties. Its annual rate of increase, which until 1982 was nevertheless still considerably higher than in the United States and Japan, was similar to that of the EC's principal competitors in 1983 and 1984 (Table I.1). In these two years the strong devaluation of EC currencies against the dollar thus fully contributed to the improvement of international competitiveness. Unit labour costs in a common currency decreased 12.7% in 1981, 4.5% in 1982, 5.4%

in 1983 and around 7% in 1984. (See also Table I.2).

Recent economic recovery in the EC has been sustained principally by a strong increase in world trade (some 9% in volume terms in 1984), due principally to the growth of U.S. imports, supported by the strength of the economic recovery in the United States and the high value of the dollar (in the third quarter of 1983, Community exports to the U.S. were 20% higher than in the same period of 1982).

EC export growth has nevertheless been slower than that of other regions. This can be explained, among other factors, by the disadvantageous geographical distribution of EC exports, principally the high share of OPEC and other developing countries --many of which have restricted imports because of decreasing export revenues and/or debt service problems-- in extra-EC exports 5/. Export market growth has also been slow because of the relative importance of intra-European trade. Export growth seems to have been affected by the inability of European countries to enlarge their shares in the markets of their trading partners through shifts in supply towards articles with more dynamic international trade patterns 6/.

The dependence of EC export growth on U.S. imports and certain doubts which may exist about the sustainability of the U.S. recovery and on the value of the dollar, give a certain degree of vulnerability to economic recovery in the EC. Other demand factors, principally private consumption and stockbuilding have contributed to the recovery, but domestic market growth is still slow.

Unemployment and stagnation in industrial production remain major structural problems in Europe. In the eighties unemployment in the EC has increased to post-war records, attaining 7.6% in 1981, 8.9% in 1982, 9.8% in 1983 and 10.25% in 1984 7/. Unemployment rates are particularly high in Belgium, the Netherlands and the United Kingdom. Not only the high level of unemployment, but also its persistence and its uneven distribution among different groups of the population have made bunemployment the most acute socioeconomic problem of the present decade. Youth unemployment is considerably higher than average unemployment in all EC countries, and --considering only the largest countries-- is especially high in Italy (32% in 1984), the United Kingdom (23%) and France (21%), feeding the fear of a "lost generation" 8/. There is also a markedly uneven distribution of unemployment between regions and industries. Especially in the older industrial centres, unemployment has reached record levels, affecting skilled workers in traditional industries such as textiles and shipbuilding.

In most EC countries, particularly France and West Germany, the immigration of a large number of foreign workers during the boom period is now aggravating the problem (Table I.3). There is increased pressure to repatriate foreign workers. Social tensions, especially in the old industrial and urban sectors where most migrant workers live, are manifest in growing rascism and the surge of (semi-) fascist political parties.

Unemployment is the combined result of trends in the labour force and in employment. In the period 1980-1983, the labour force increased by some 1.75 million people, accounted for almost exclusively by an increased entrance of women into the labour market (Table I.4). The growth of the labour force, to an important extent, is reduced by the difficult employment situation itself, discouraging the search for jobs and encouraging early retirement, prolongated stays in the educational system, etc. In other words, the growth of the labour force is to some extent underestimated, resulting in a similar underestimation of unemployment.

The number of jobs has stagnated or even decreased. Employment in Germany, the United Kingdom and France is currently below the levels registered at the time of the first oil crisis. In the period 1980-1983, three million jobs were lost in the Community. This is only to a very limited extent the result of reduced employment opportunities in agriculture. Problems have shifted to industry where four million jobs have been lost since 1980 (See again Table I.4). This is connected with a crisis in manufacturing and partly also the result of stagnation in the construction industry. Manufacturing employment decreased 7% between 1975 and 1980 and by a further 10% since 1980.

Stagnation in manufacturing production is another striking phenomenon of the present crisis which holds the Community in its grip. Manufacturing production rose only 3% a year between 1975 and 1980, decreased in 1981 (2.5%) and 1982 (1.5%), after which it slighty recovered in 1983 (1%)9/. In the same period productivity gains achieved by a faster reduction in employment than in production aggravated the employment situation.

As is usual in a period of crisis, the investment goods industry has been hit most severely. In the period 1975-1983, accumulated production growth (8.4%) lagged far behind that of intermediate and consumer goods (15%). These figures hide divergent trends in individual sectors. The best growth results were achieved in chemicals (31%) and electronic engineering (22.8%). The growth of production of transport equipment (16.8%) was also above average. However, production in man-made fibres and iron and steel stagnated completely, in the latter case principally since 1981 when production fell 13% with the implementation of production quotas in the framework of the Davignon plan. Production in textiles, clothing and footwear declined between 5 and 10% 10/.

b) The external position of the European Community

The European Community emerged from the sixties as the world's largest trading block. (The internal market of the Community is, also the largest in the world). Many individual member states occupy prominent positions as exporters. Germany, France, the United Kingdom, Italy and the Netherlands rank among the ten largest exporters in the world.

This prominent position can partly be explained by the success of the integration process which started slowly in the fifties, but gained enormously in importance in the sixties. In this period the Community clearly was one of the most dynamic parts of the world economy. The flourishing Common Market was of growing interest to other participants in the world economy and the EC became the most important trading partner for many regions of the world. Community growth was especially strong in the more dynamic production sectors in the world economy, while a large share of Community exports were shipped to the most dynamic markets such as a series of rapidly growing developing countries, especially in OPEC.

Currently, the Community faces a reverse situation with sluggish economic growth and a structural unemployment problem. Attempts to explain the economic crisis in the Community are manifold, but there is still a lack of clearcut answers.

Part of the answer obviously lies in the exhaustion of the dynamic impulses from the integration process. Further, there is a more structural explanation for the leveling off of growth trends such as the slowdown in the shift of labour from the (low productive) agricultural sector to the (high productive) manufacturing sector. On the contrary, the shift from industry to the (often less productive) service sector has become more important.

One of the principal reasons for the current problems facing the Community is the acceleration of real wage costs since the late sixties and a series of rigidities, especially in the labour market. This can be illustrated by the average annual increase in hourly earnings in manufacturing in the period 1972-1982 (which in most EC countries exceeded the OECD average of 11%): Greece (24.8%), Italy (22%), the United Kingdom (15.5%), France (14.9%), Denmark (13.4%) and Belgium (11.7%), compared to 8.3% in the United States and 11.1% in Japan 11/. As this increase was insufficiently or not compensated by productivity gains, unit labour costs in manufacturing in many EC countries increased much faster than in the United States and Japan 12/.

As a result, relative factor prices changed dramatically in favour of labour. A study by Artus and Peyroux shows that while in the United States the labour/capital price ratio increased about 10% between 1970 and 1978, in the same period it increased by around two thirds in France, the United Kingdom and Germany 13/. The disequilibrium in the cost ratio between capital and labour provoked strong substitution between production factors.

High wages and subsidization of capital costs (e.g., via investment premiums) may have led to an accumulation model with an excessive capital-intensive character, resulting in a decrease in capital productivity. As this decrease has not always been compensated by increased labour productivity, total factor productivity may have decreased in certain sectors.

Investment in fixed assests in the EC stagnated in the seventies. Taking 1975 as a base year, the volume index of investment in fixed assets in 1980 (the peak year) was 113.7, which implies an average growth of only 2.5% per year, and there were declines afterwards: -4.8% in 1981, -1.6% in 1982, and -0.9% in 1983 14/. As a result of stagnated investment, gross fixed capital formation as a share of GDP declined from around 23 in the early seventies to only 18.8% in 1983 15/.

This investment ratio is considerably lower than in Japan (28.4), but still higher than in the United States (16.9% in 1983, down from a record 19.8% in 1979). The decline in investment alone is thus insufficient to explain poor economic performance vis-a-vis the United States. As mentioned before, due to increases in the cost of labour relative to capital, a considerable part of investment in EC countries has been directed to capital deepening (labour-saving investment), rather than capacity expansion. Energy saving and environmental regulations have also absorbed a great part of investment at the expense of expansion of existing production capacity.

The building of the welfare states in Western Europe has changed attitudes towards work and economic growth ("zero growth" movement) and emphasized redistributive policies. Economic and social security was envisaged as a public good to be provided by the government.

Protection through interventionist policies has enabled economically obsolete industries to retain capital and employment, while entrepreneurs have been discouraged from taking risks in innovation and adaption to changed economic circumstances. The process of industrial change and restructuring in Europe has been much slower than, for instance, in the United States where resources were reallocated towards sectors where the United States has a competitive position (e.g., high technology goods and services).

The "backwardness" of EC industry in high technology goods has caused an increasing import penetration into the EC market of goods supplied by the United States and Japan and a decline of the share of high-technology products in EC exports, especially in intra-EC trade (Table I.6)

Decreased capital efficiency and high wage costs have made Community producers vulnerable to foreign competition. Wage increases accompanied by diminishing wage differentials among economic sectors and occupational groups severely affected the competitive position of labour intensive industries vis-a-vis foreign competition, especially the Newly Industrialized Countries (NICs).

c) The EC in a multipolar system

The integration process in Western Europe has had a profound influence on the international position of the European Community. At the political level it has become a normal occurrence for the chairman of the European Commission to attend the regular Summit Meetings; the EC had also gained a prominent economic position.

The gradual movement to a Common Market has given an important impetus to economic growth. This integration process has required structural change, and this has been facilitated by economic growth itself.

The composition of trade flows, particularly of imports, shows a number of characteristics which are to a large extent decisive for the way in which the external relations of the EC are taking shape. Especially in trade policy, one can speak of an important degree of differentiation according to the place of specific imports in the trade and production structure of the European Community.

For mineral resources, a large and often growing dependence on imports can be observed, particularly for bauxite and copper (Table I.7). For 6 out of 9 minerals considered in this table (tin, bauxite, copper, manganese, phosphate and nickel) the EC is for more than 50% dependent on imports from the Third World. Japan's import dependence is more or less the same, but that of the United States is much smaller. This picture is reinforced when oil is included. No less than 70% (approximately $100 billion) of all EC imports originating from developing countries in 1981 were mineral resources (SITC 2 and 3).

The picture for agricultural products is quite different. An important goal of the Common Agricultural Policy (CAP) is to make the EC largely self-sufficient in agricultural products. Table I.8 indicates that this policy has been successful. CAP has a considerable influence on the volume and direction of trade flows.

The EC is not only self-sufficient in many agricultural products, but increasingly dominates the world market as a net exporter, particularly in sugar and dairy products. Thus, EC imports of agricultural products consist mainly of feed grains, soy products and tropical products like coffee and cocoa, imported as raw materials and sold on the consumer markets of industrialized countries after processing. Over $15 billion of agroproducts (SITC 0, 1 and 4) imported into the EC in 1981 originated in developing countries.

With regard to industrial products, those with a low level of processing still face tariff barriers which often result in high effective protection. Import duties on other industrial products have been gradually reduced. However, for an increasing number of products there appears to be a reversal of this trend toward a more protectionist direction of a nontariff nature.

d) New protectionism

As a result of the slowdown in economic growth, the necessary adjustment process has become much more difficult. As a consequence, the successful macro-economic policy instruments of the fifties and sixties are no longer adequate to cope with changing circumstances. A period of dismal employment prospects has increased pressure on governments to intervene in the market to prevent a fast decline in no longer profitable activities. Selective intervention has been inspired by the fear that uncoordinated functioning of market forces could lead to the destruction of potentially viable activities. The result has been a rapid increase in the transfer of public funds to private companies. In this connection, the World Bank has concluded that by 1976, in countries like Norway, Belgium, France, the United Kingdom and the Netherlands, subsidies granted to industry had already reached such magnitude that they had the same effect as tariff protection, often being even more significant 16/. Subsidies have increased even more in the period after 1976.

Government intervention is the central element of the so-called new protectionism. Governments have a range of policy instruments at their disposal with which they can influence the allocation of production factors. Their use often leads directly or indirectly to changes in international trade flows. Not only industrial policies, but also for instance environmental, regional and employment programmes influence international competitive positions.

A second characteristic of new protectionism is the highly selective way in which trade flows are influenced: "The new protectionism is highly sector specific, and therefore at present cannot be described as the product of economic nationalism or neomercantilism. The sectors in which it is found are primarily the labour-intensive branches of manufacturing in which developing countries possess a clear comparative advantage" 17/. Selectivity has been implemented principally through nontariff trade barriers (NTBs) such as voluntary export restraints (VERs) and orderly marketing arrangements (OMAs).

NTBs are used in a discriminatory way with respect to different exporting countries, and it has been difficult to quantify their impact on trade flows. There are also great shortcomings in the knowledge of their occurrence. As noted by UNCTAD: "Even more important for future negotiations, however, is the fact that a definitive inventory of current restrictions does not exist. Many are not notified to multilateral institutions and, in some instances, are not even recorded by national authorities in the importing country" 18/.

In this study an effort will be made to fill --to some extent-- this gap in knowledge. More important, however, is the identification of the market for protectionism that has been created in the European Community. This market has a very complicated structure. There is not only room for a wide variety of pressure groups like consumers, trade unions and companies (whether large or small, operating at the international or local level, industrial or commercial, etc.). Members of these groups are further active in a double role as voters in a political system that in itself is far from monolithic.

In this connection, Verreijdt and Waelbroeck make an interesting distinction among four tiers of decision making, where each tier is subject to a different degree of control by interest groups and voters 19/.

a) At the bottom, an enormous number of decisions which are individually small but important in the aggregate are taken at the level of the bureaucracy. According to Messerlin there is a clear tendency at this level to act as protectionists toward newly emerging competitors instead of being free trade oriented 20/. However, overt protectionist measures are seldom used; instead preference is given to complicated subsidy arrangements or hidden nontariff barriers. These decisions are almost invisible, and thus represent an ideal area for exertion of pressure by special interest groups.

b) Elected politicians are the normal level of analysis of decision making in the market for protectionism. What they do is more visible than what is done within the bureaucracies and the influence of the general voters is correspondingly larger.

c) The European Commission feels the burden of a variety of pressure groups, although these often work in a complicated manner via the individual member states. Because legitimacy is the only source of its influence, the Community must be even more careful than governments in respecting the Treaties under which it was established and the GATT agreements which it helped to negotiate.

d) GATT is the top tier of the system. Initiatives at this level have been dominated by the USA, Japan and the EC.

According to Verreijdt and Waelbroeck, a key characteristic of this edifice is the changing balance between special and general interests as one moves up from one tier to the next. In their view the strengthening of the top tiers of the system has operated visibly in favour of a free exchange of goods and services across countries.

Because of the complexity of relations in such a manifold system it is hard to draw an unambiguous picture of the degree of protectionism in specific situations. For this reason, the present study not only presents a catalogue of restrictive trade practices facing Brazil and the estimation of their trade coverage, but also tries to uncover the underlying mechanisms and to unravel the trends in protectionism which Brazil is expected to face in the eighties.

Table I.1

RELATIVE UNIT LABOUR COSTS

	Labour costs in the whole economy					Manufacturing labour costs					Effective exchange rate
	Wage sum per employee	Labour productivity	Unit labour costs	relative unit labour costs: national currency	relative unit labour costs: common currency	Wage sum per employee	Labour productivity	Unit labour costs	relative unit labour costs: national currency	relative unit labour costs: common currency	
					Percentage change over previous year						
					European Community						
1971	12.4	3.7	8.4	1.1	1.9	12.1	2.8	8.9	3.3	4.1	0.8
1972	10.9	4.3	6.3	0.5	1.8	11.2	5.6	5.2	1.5	2.8	1.3
1973	14.2	4.5	9.3	-0.1	1.8	15.5	6.5	8.4	2.0	3.8	1.8
1974	16.5	1.5	14.8	-0.1	-2.8	16.1	2.7	13.2	-3.2	-5.8	-2.7
1975	16.4	-0.1	16.4	4.3	6.8	17.9	-1.7	19.9	5.8	8.3	2.4
1976	12.5	5.1	7.0	-0.8	-9.2	14.6	8.7	5.4	1.3	-7.2	-8.4
1977	10.3	2.2	8.0	0.8	1.7	10.4	2.6	7.6	1.9	2.8	0.9
1978	9.8	2.7	6.9	0.0	2.9	10.0	2.9	6.9	1.8	4.7	2.9
1979	10.9	2.4	8.3	1.8	7.8	11.0	4.4	6.4	2.0	8.0	5.9
1980	13.5	1.3	12.1	4.0	6.2	12.9	1.7	11.0	3.6	5.9	2.2
1981	12.1	1.3	10.7	2.7	-12.7	11.0	2.7	8.2	0.9	-14.1	-14.9
1982	8.9	1.7	7.1	0.8	-4.5	9.0	2.2	6.7	-0.4	-5.7	-5.3
1983	6.4	1.8	4.6	0.1	-5.4	7.5	3.8	3.5	1.4	-4.1	-5.4
					United States						
1980	9.7	-0.6	10.3	0.5	0.2	10.8	-0.5	11.4	2.1	1.8	-0.3
1981	9.6	0.0	6.2	-1.4	10.6	9.7	3.3	6.1	-1.6	12.2	14.0
1982	5.8	2.2	3.5	-1.4	5.8	7.6	0.4	7.1	-0.9	11.1	12.1
1983	6.8	1.9	4.8	1.1	3.3	7.7	7.6	0.2	-2.4	4.8	7.3
					Japan						
1980	6.4	3.3	3.0	-7.1	-10.9	8.4	10.6	-1.9	-12.0	-15.6	14.0
1981	6.7	2.3	3.8	-5.0	8.4	6.9	4.6	2.1	-3.6	-8.3	-4.8
1982	5.1	2.0	3.1	-4.0	-8.7	4.8	3.2	0.7	-1.8	9.6	11.7
1983	3.7	1.0	2.7	-2.1	9.3	4.7	7.2	-2.3	-4.9	1.3	6.6
					Index Numbers (1975=100) European Community						
1960	22.3	56.3	39.6	92.7	90.6	21.8	52.6	41.4	82.1	80.3	97.8
1970	51.8	87.2	59.4	94.6	91.2	50.8	85.7	59.3	91.5	88.2	96.5
1980	171.6	114.4	150.0	105.8	108.9	174.4	121.9	143.1	111.0	114.1	102.9
1984	236.3	122.5	192.9	109.7	83.4	242.4	138.0	175.9	114.7	87.2	76.0

Source: "Arbeidskosten in de industrie en de economie" (Bijzondere Studies en Adviezen). In: De Economie van de Gemeenschap.

Table I.2

MAJOR EC COUNTRIES. U.S. AND JAPAN: COMPETITIVE POSITIONS
RELATIVE UNIT LABOUR COSTS IN MANUFACTURING a)

(Indices 1970 = 100)

	1980	1981	1982	1983	1984
France	107	105	102	99	98
Germany	114	105	107	107	104
Italy	91	91	92	101	102
United Kingdom	140	143	135	125	122
Belgium	103	96	81	77	77
Netherlands	102	94	96	91	87
United States	66	72	79	81	88
Japan	114	121	102	111	112

Source: OECD Economic Outlook 36 (Table 51)

a) Calculated in a common currency

Table I.3

MIGRANT WORKERS IN THE EUROPEAN COMMUNITY IN 1980

Country	Number of employees (thousands)	Foreign workers in employment: Total as % employees	extra-EC origin as % of foreign workers	extra-EC origin as % of employees
EC (9)	87080	6.9	75	5
Belgium	3128	8.6	40	3
Denmark	2068	2.3	70	2
Germany	21806	9.5	72	7
France	17533	9.5	84	8
Ireland	853	0.4	75	3
Italy	14704	0.4	60	2
Luxembourg	137	38.0	36	14
Netherlands	4339	4.0	68	3
U.K.	22512	7.3	62	5

Source: Sixteenth General Report of the Activities of the European Communities. 1982. Pg. 132.

Table I.4

EUROPEAN COMMUNITY: EMPLOYMENT SITUATION IN 1980-83

(Thousands)

	1980	1981	1982	1983
Civilian labour force	114.972	115.668	116.277	116.495
Women in labour force(%)	36.8	37.2	37.5	37.8
Civilian employment	108.278	107.028	106.084	105.212
Civilian employees	89.867	88.471	87.531	86.495
Agriculture	2.265	2.148	2.094	2.034
Industry	37.763	36.203	34.940	33.741
Services	49.839	50.120	50.497	50.720
Number of unemployment		8.803	10.660	11.968
as % of labour force		7.6	9.2	10.3

Source: Eurostat.

Table I.5

GROWTH IN CIVILIAN EMPLOYMENT

	Agriculture		Industry		Services	
	1960/73	1973/81	1960/73	1973/81	1960/73	1973/81
EC	-4.5	-2.8	0.1	-1.4	1.8	1.5
United States	-3.4	-0.2	1.7	0.8	2.7	2.8
Japan	-4.8	-2.9	3.4	0.1	2.7	2.1

Source: Europese Economie. Nr 20. July. 1984. p13.

Table I.6

HIGH TECHNOLOGY GOODS: SPECIALIZATION COEFFICIENTS IN INTERNATIONAL TRADE

	1963	1970	1978	1981
EC(9)				
Total trade	1.01	0.94	0.88	0.78
Extra-EC trade	1.11	1.07	0.96	1.04
United States	1.27	1.18	1.27	1.19
Japan	0.72	1.07	1.27	1.37

Source: De Europese Economie. July. 1983. p126.

Table 1.7

IMPORT DEPENDENCE ON MINERAL RESOURCES

		EC(9)	United States	Japan
Bauxite	1960	55	67	94
	1977	77	86	93
Copper	1960	75	0	41
	1977	83	13	79
Tin	1960	86-89	85-93	85-86
	1977	77-85	88-94	90-95
Zinc	1960	68	46	16
	1977	60	55	57
Lead	1960	59	35	29
	1977	55	19	49
Iron ore	all years	50-55	+/-30	75-80
Nickel	all years	90-95	83-94	90-95
Manganese	all years	95-100	95-100	92-97
Phosphate	all years	+/-100	0	+/-100

Source: H. van den Huev: "De mijnbouwsector in ontwikkelingslanden" IVO. Tilburg. May 1981, p147.

Table 1.8

EC: SELF-SUFFICIENCY RATES FOR SELECTED CROPS a/

	1970	1974	1978	1980	increase 1970-80
Grains	91	91	92	98	+6
Potatoes	99	100	101	101	+2
Sugar	110	92	123	125	+15
Vegetables	99	93	94	n/a	n/a
Fruit	88	80	77	n/a	n/a
Skim milk powder	100	135	107	135	+35
Cheese	101	107	104	107	+6
Butter	107	93	118	120	+13
Meat	97	98	95	99	+2

Source: Eurostat

a/ EC production as a percentage of consumption.

Notes

1/ OECD Economic Outlook 36. December, 1984. Table 24

2/ OECD Economic Outlook 36. December, 1984 Table 26.

3/ OECD Economic Outlook 36. December, 1984. Table 28

4/ In an attempt to reduce governments deficits (and the public debt) the EC countries have tried to contain the growth of public expenditure. As a result, in the 1980s, fiscal policy has had a restrictive stance. Public finance has had a significant expansionary effect only in a few cases: United Kingdom in 1983, Italy in 1981 and 1984, Belgium in 1982 and Denmark in 1982 (According to the changes in the inflation-adjusted structural budget balance. See: OECD Economic outlook 36, December 1984, Table 3)

5/ Export market growth is calculated as the weighted sum of the growth of import volume in the foreign markets of each exporting country.

6/ The OECD has observed that "Positive supply effects from innovations that take advantage of new technologies appears stronger in the United States and in Japan than in Europe. Indeed, ..., Japan's foreign market share grew more in 1983 than that of Europe (and apparently increased further in 1984) despite much smaller gains in price competitiveness. This probably reflects a more rapid adaptation of Japanese supply to changing patterns of product demand in export markets. European countries in general have apparently been relatively less able to supply the goods and services demanded in recent upturn in world trade, although they have nonetheless broadly maintained their share of world markets." (OECD Economic Outlook 36. December, 1984. Page 13).

7/ OECD Economic Outlook 36. December, 1984. Table 14

8/ OECD Economic Outlook 36. December, 1984. Table 16

9/ Eurostatistics Data for Short-Term Economic Analysis, 12, 1984, p.31.

10/ IBID, p.32-34.

11/ OECD Economic Outlook 36. December, 1984. Table 20

12/ OECD Economic Outlook 36. December, 1984. Table 21

13/ P.Artus and C.Peyroux. Fonctions de production avec facteur energie: estimations pour les grands pays de l'OCDE, Annales de l'INSEE, 44 (Oct-Dec) 1981.

14/ Eurostatistics, IBID, and the European Economy, Supplement NR.19, March 1984, p.16

15/ OECD Economic Outlook 36. December, 1984. Table R3

16/ World Development Report, 1981, 28 pages.

17/ G.K. Helleiner: The new industrial protectionism and the developing countries; Trade and Development; an UNCTAD Review, no. 1, Spring 1979, 16 pages.

18/ UNCTAD: Protectionism and structural adjustment; TDIB/888, 15 January 1982, 17 pages.

19/ E. Verreijdt and J. Waelbroeck: European Community Protection Against Manufactured Imports from Developing Countries: A Case Study in the Political Economy of Protectionism: World Bank Staff Working Paper No. 321, October 1980, pp. 7-8.

20/ P.A. Messerlin: The Political Economy of Protectionism: The Bureaucratic Case; Weltwirtschaftliches Archiv, Band 117, Heft 3, 1981, 470 pages.

II. TRADE RELATIONS BETWEEN BRAZIL AND THE EUROPEAN COMMUNITY

a) Introduction

The European Community is one of Brazil's major trading partners. Bilateral trade with the EC currently represents about one fifth of Brazil's total foreign trade (one fourth of Brazil's nonoil trade); the EC absorbs one quarter of Brazil's exports and supplies one eigth of Brazil's total imports (one quarter of its nonoil imports).

Since the early seventies, the relative importance of Brazil's bilateral trade with the EC decreased significantly. This can be explained, among other factors, by rising oil prices which in the seventies absorbed an increasing part of Brazil's import capacity, by the strong growth of Brazil's exports to other developing countries, and --in recent years-- by the strong growth of Brazil's exports to the United States. The share of the EC in Brazilian imports decreased from around 30% in the early seventies to less than 13% in the eighties. Excluding crude oil, in the same period the EC share dropped from about one third to one quarter. The main reason for this reduction is that Brazilian imports from the EC are highly concentrated in manufactures (about 94%, see Table II.2), especially capital goods (more than half of the value of Brazilian imports originating in the EC are machines and transport equipment -SITC item 7-, again see Table II.2), and therefore severely affected by Brazilian import substitution, the sharp decline in investment and the strengthening of import restrictions in Brazil.

On the other hand, the EC's share in Brazilian exports has been more stable, although decreasing. Since its creation, the EC as a unit ranked first among Brazil's export markets, but it lost this place to the United States in 1984 (see below).

Exchange rate movements have an important impact on Brazil's exports to the EC. In the seventies the depreciation of the U.S. dollar against other convertible currencies contributed to an increase in the competitiveness of Brazilian export products in the EC market. The real exchange rate of the cruzeiro against a basket of currencies of EC member states (the nominal exchange rates divided by relative price indexes and weighted by the geographical distribution of Brazil's exports of manufactured products) depreciated more than 60% between 1971 and 1980, especially after the extraordinary devaluation of the cruzeiro in December, 1979 (Table II.9). Due to Brazil's exchange rate policy in 1980 and the appreciation of the U.S. dollar, the cruzeiro appreciated against the EC currencies in real terms in the last quarter of 1980. In spite of the fact that from that date the economic authorities managed to maintain the real value of the cruzeiro against the dollar, it increased almost 40% against the EC currencies between 1980 and 1982. The second extraordinary devaluation ,of the cruzeiro in February, 1983, after which the minidevaluations under the crawling peg system fully compensated for domestic inflation, improved the competitive position of Brazil's exports. However, the continuous appreciation of the U.S. dollar against EC currencies made the extraordinary devaluation insufficient to restore the export competitiveness in the EC market attained with the devaluation in December, 1979. The further appreciation of the dollar against EC currencies in 1984 and early 1985 seriously affects Brazil's exports, principally of industrial products, to the EC.

The bilateral Brazil-EC trade balance traditionally has been in favour of Brazil, except for some years (principally in 1974/75). From those years on, the EC has registered a continuous and growing deficit in its bilateral trade with Brazil. The deficit of $3.8 billion registered in 1983 (according to Brazilian trade statistics, see Table II.1) is one of the largest bilateral trade deficits of the EC (next to that with Japan and some oil suppliers). In the present emphasis on bilateralism in international trade relations, the trade deficit vis-a-vis Brazil might be a motive for taking selective protectionist measures against this country, which in principle could be an additional explanatory factor for the decline in the share of Brazilian exports shipped to the EC. The low share of manufactures in Brazil's exports to the EC, as compared to its exports to the United States, could also be an indication of relatively more difficult market access.

However, in the early eighties Brazil has managed to increase its share in extra-EC imports, from 1.5% in 1980 to 1.7% in 1981, 1.9% in 1982 and 2.1% in 1983 (Table II.8). It seems that the reduction of the EC share in Brazilian exports must be attributed to the slow growth of extra-EC imports from all origins, rather than to selective trade restrictions imposed on imports from Brazil.

As a unit has, in recent years, the EC lost its first place as a market for Brazilian export products to the United States 1/. In the first six month of 1984 the United States contributed more to Brazil's merchandise trade surplus (badly needed for Brazil's foreign debt servicing) than the EC, in spite of the fact that Brazil has traditionally achieved large and growing trade surplusses with the EC, while its merchandise trade with the United States showed a deficit throughout the seventies.

The decreasing importance of the EC vis-a-vis the United States as an export market for Brazilian products can be explained principally by three factors: (1) economic recovery in the United States is much stronger than in the EC, (2) the appreciation of the U.S. dollar against the currencies of the EC countries, and (3) the sharp decrease in world market prices of primary products which had a greater impact on the value of Brazilian exports to the EC than to the United States (as in the first case, its share in total exports is much larger). (See Table II.5)

b) The EC as a market for developing countries

For most developing countries the EC is still the principal export market, although compared to other developed market economies the growth of imports from third countries into the EC has been slow. In part this is a result of reduced imports of oil, facilitated by the success of Western Europe's energy policies and the exploitation of the North Sea oil fields. The main reason however, is sluggish economic growth in the EC. In the seventies the relative importance of the EC as a market outlet decreased for all developing regions (Table II.6).

Compared to other countries in developing Americas, the EC played a large role in Brazil's exports in the seventies, while --for Latin American standards-- the United States was relatively underrepresented. (In 1980 Brazil shipped 27% of its exports --in value terms-- to the EC and 17% to the United States, while other member countries of the Latin American Association for Integration (ALADI) shipped 17% of their exports to the EC and 33% to the United States). This can be attributed mainly to the importance of the EC as an export market for agricultural products. In 1980 Brazil shipped about one third of its agricultural exports (SITC items 0+1+221+4) to the EC, a larger share than that of all developing countries together (29%), especially that of the other ALADI countries (26%). Among other major developing regions, only Africa shipped a larger share (57%) of its agricultural exports to the EC. On the contrary, in 1980 the EC absorbed only 16.5% of Brazil's exports of manufactures (SITC items 5-8), a lower share than that of other developing regions.

c) The role of agroindustrial product in Brazilian exports

In spite of an impressive export diversification achieved principally in the seventies, agricultural products still account for around 40% of the value of all Brazilian exports (Table II.5). Agricultural products still dominate Brazil's exports to centrally planned economies and represent more than 40% of its exports to developed market economies. In 1982 agroindustrial products accounted for more than half the value of Brazilian exports to the EC. Brazil's agricultural exports to other developing countries are relatively less important and heavily concentrated in products which are traded principally among developing countries, such as sugar and oils and fats. (see Table II.6).

The EC constitutes Brazil's most important export market for agricultural products, absorbing about one third of the value of agricultural exports (Table II.3). Only two products, coffee and animal feeding stuff, accounted for about two thirds of total agricultural exports in 1982. Other important food items are meat preparations, fruit juices (principally frozen concentrated orange juice), cocoa and unmanufactured tobacco. Exports of soya beans have decreased strongly after 1975 in favour of soya products with a higher level of elaboration.

In Table II.6 Brazil's principal agricultural exports by regions of destination are classified according to the dominant patterns of trade between north and south. (This classification is somewhat ambiguous, especially with respect to south-south trade; there is a tendency to self-sufficiency in the main regions and trade in these products is usually small compared to production).

Brazil is one of the major suppliers to the EC market for a series of agricultural products and for many products its share in extra-EC imports increased in the eighties, notably for green or roasted coffee (surpassing Colombia), coffee extracts and oil seed cakes (see Table II.7). Brazil's share in total extra-EC imports of agricultural products increased from 5.9% in 1970 to 10.1% in 1982.

These figures seem to indicate that at the aggregate level EC protectionism in agriculture has not affected Brazil more severely than other exporting countries. The Common Agricultural Policy directly affects Brazil's exports of products like sugar, fruits and vegetables (especially in the case of sugar eventhough exports to third markets are also affected). In the case of soybeans, domestic production in the EC is insignificant, although competition with EC producers exists, because different types of oils and fats can be substituted. For this reason Brazil's export possibilities are affected by CAP, which through support policies, tries to increase the degree of self-sufficiency within the EC. In the case of many tropical products, Brazil's exports to the EC suffer a disadvantageous position vis-a-vis CAP countries (principally in West Africa), which enjoy preferential tariff treatment. The reduction in Brazil's share in EC imports of cocoa in the second half of the seventies might be attributed to this factor.

d) Brazil's exports of raw materials to the EC

In raw materials, excluding fuels, (SITC item 2) Brazil's share in EC imports increased slightly during the seventies, however, imports from Brazil are erratic. Iron ore accounts for more than 50% of the value of EC imports from Brazil in this commodity class. Brazilian exports are hampered by the structural crisis in the European iron and steel industry. Trade flows are possibly more the result of attempts by large European steel corporations to control and diversify their supplies than of selective import controls imposed by the EC.

e) Brazil's exports of industrial products to the

The international division of labour has undergone profound changes in the past decade. A number of developing countries have made important inroads into the EC market in the seventies, especially the countries of South and South-East Asia. Although their overall import penetration rate is still small, the impact on the European market has been significant, mainly because trade has been concentrated in a relatively small number of product. like textiles, clothing and consumer electronics. Latin American countries generally lagged behind South-East Asia. Since 1970, Brazil --the number six developing country supplier of industrial products to the EC-- has increased its share in all extra EC imports and in imports originating in developing countries, in spite of which only about 1% of total extra EC imports of industrial products in 1982 originated in Brazil.

The most important manufactured products that Brazil exports to the EC are both traditional, and import sensitive, items such as textiles, iron and steel, footwear and clothing and "new" export products such as power machines and transport equipment. In recent years transport equipment constituted by far the most dynamic item of Brazilian exports to the EC, which can be attributed largely to the export of passenger vehicles by the FIAT concern.

The structure of Brazil's exports of industrial products to developed market economies show marked differences from that of most other NICs. An important characteristic is its relatively high level of diversification. The share of the largest product (defined at the two-digit level of SITC) in all industrial products imported into the EC from Brazil is less than 20% (textiles represented 15% in 1982 and transport equipment 18% in 1983), while clothing accounts for more than half of the value of EC imports from Korea and Hong Kong. The principal industrial products imported into the EC from Brazil in the period 1980-1983 and their average shares in the value of total imports of industrial products from Brazil are:

SITC	65	Textiles	17.3%
SITC	78	Transport equipment	16.2%
SITC	67	Iron and steel	11.2%
SITC	71	Power generating equipment	9.6%
SITC	61	Leather, leather manufactures	5.5%
SITC	85	Footwear, etc.	5.0%

Source: Table II.8

Compared to some other NICs (such as Mexico and Singapore), off-shore production, subcontracting and other forms of elaboration of imports from industrialized countries is a less significant source of trade for Brazil. One reason is the local content requirements in Brazil. This partly explains the relative underrepresentation of clothing and electronics in Brazil's exports to the EC and other industrialized countries 2/. Subsidiaries of EC based transnational corporations have a high participation in Brazil's exports of machines and transport equipment to the EC 3/.

Table II.1

BRAZIL: TRADE WITH THE EUROPEAN COMMUNITY a)

period	value of Brazil/EC trade ($ millions, FOB)			annual rate of variation (%)		trade with the EC as a % of total foreign trade		
	exports	imports	balance	exports	imports	exports	all imports	imports excluding crude oil
1960	341	350	-9	-3.4	16.7	26.9	28.0	..
1961	405	323	397	18.5	-7.6	28.8	25.0	..
1962	373	332	41	-7.8	2.7	30.7	25.4	..
1963	341	329	155	29.7	-0.9	34.4	25.4	..
1964	477	237	240	-1.4	-28.0	33.3	21.8	24.9
1965	522	207	314	9.4	-12.5	32.7	22.0	25.3
1966	554	285	269	6.2	37.4	31.8	27.4	24.2
1967	560	354	206	1.2	24.4	33.9	24.6	26.6
1968	597	509	89	6.6	43.5	31.8	27.4	29.6
1969	835	584	251	39.8	14.7	36.1	29.3	31.6
1970	967	739	228	15.9	26.7	35.3	29.5	31.7
1971	969	1003	-34	0.2	35.7	33.4	30.9	33.5
1972	1378	1356	23	42.2	35.2	34.5	32.0	34.9
1973	2311	1772	538	67.6	30.8	37.3	28.6	31.7
1974	2452	3159	-707	6.1	78.2	30.8	25.0	31.3
1975	2429	3052	-622	-0.9	-3.4	28.0	25.0	32.1
1976	3113	2513	600	28.1	-17.6	30.7	20.3	28.2
1977	3922	2326	1596	26.0	-7.4	32.4	19.3	27.6
1978	3799	2553	1246	-3.1	9.7	30.0	18.7	26.5
1979	4594	3276	1318	20.9	28.3	30.1	18.1	27.7
1980	5466	3515	1951	19.0	7.3	27.2	15.3	25.9
1981	5933	2978	2955	8.5	-15.3	25.5	13.5	25.9
1982	5443	2441	3002	-8.3	-18.0	27.0	12.6	24.8
1983	5687	1863	3824	4.5	-23.7	26.0	12.1	24.5
January-June								
1983	2816	929	1888	..	..	27.4	12.4	26.5
1984	3056	794	2263	8.5	-14.5	24.2	13.0	25.7

Source: Banco do Brasil/CACEX.
a) Including Greece.

Table II.2

BRAZIL: IMPORTS FROM THE EUROPEAN COMMUNITY a)

SITC	Description	value ($ millions, FOB) 1975	1980	1982	percentage breakdown 1975	1980	1982
	All commodities	3344.7	3837.1	2647.7	100.0	100.0	100.0
0+1+221+4	All food items	89.5	120.6	92.3	2.7	3.1	3.5
0	Food and live animals	72.9	109.6	83.4	2.2	2.9	3.1
022.2	Milk and cream dry	2.9	49.1	13.7	0.1	1.3	0.5
048.2	Malt. including flour	37.2	27.6	35.4	1.1	0.7	1.3
2(-221)+3	Crude materials	76.3	94.2	67.3	2.3	2.5	2.5
2(-221)	Crude materials. excl. fuel	41.6	54.5	35.6	1.2	1.4	1.3
3	Mineral fuels	34.7	39.7	31.7	1.0	1.0	1.2
5+6+7+8	Manufactures	3176.7	3612.3	2477.2	95.0	94.1	93.6
5	Chemicals	545.5	920.4	582.5	16.3	24.0	22.0
512	Organic chemicals	195.8	442.4	275.7	5.9	11.5	10.4
53	Dyes. tanning, colour products	36.2	59.9	37.7	1.1	1.6	1.4
541	Medical etc. products	46.8	57.8	50.2	1.4	1.5	1.9
561	Fertilizers manufactured	61.1	94.7	32.6	1.8	2.5	1.2
581	Plastic materials	58.9	90.3	63.3	1.8	2.4	2.4
599	Chemicals NES	50.9	65.2	50.3	1.5	1.7	1.9
6	Basic manufactures	805.7	502.9	377.9	24.1	13.1	14.3
67	Iron and steel	499.4	228.7	166.2	14.9	6.0	6.3
674	Plate. sheet	245.4	128.5	61.6	7.3	3.3	2.3
674.3	Thin uncoated	48.1	79.4	34.9	1.4	2.1	1.3
68	Non-ferrous metals	73.9	74.5	45.6	2.2	1.9	1.7
69	Metal manufactures NES	90.2	77.7	67.6	2.7	2.0	2.6
7	Machines. transport equipment	1703.3	2036.7	1399.1	50.9	53.1	52.8
71	Non electrical machinery	1184.8	1248.8	731.0	35.4	32.5	27.6
711	Power machinery non-electric	89.2	115.9	115.8	2.7	3.0	4.4
711.5	Piston engines non-air	10.6	69.4	52.7	0.3	1.8	2.0
715	Metalworking machinery	196.9	425.0	74.7	5.9	11.1	2.8
717	Textile. leather machinery	149.1	97.7	59.5	4.5	2.5	2.2
718	Machines for special industries	139.3	83.3	40.9	4.2	2.2	1.5
719	Machines NES Nonelectric	501.0	477.8	406.1	15.0	12.5	15.3
72	Electrical machinery	382.7	534.6	420.0	11.4	13.9	15.9
722	Power machines. switchgear	120.7	289.6	215.2	3.6	7.5	8.1
722.1	Electric power machinery	42.2	120.6	106.8	1.3	3.1	4.0
722.2	Switchgear, etc.	78.5	168.9	108.4	2.3	4.4	4.1
73	Transport equipment	135.5	253.0	248.1	4.1	6.6	9.4
732.8	Motor vehicle parts	45.9	71.0	65.2	1.4	1.9	2.5
734	Aircraft	15.5	107.1	173.8	0.5	2.8	6.6
8	Misc. manufactured goods	122.2	152.8	117.7	3.7	4.0	4.4
861	Instruments. apparatus	62.8	87.4	65.2	1.9	2.3	2.5
9	Goods not classified by kind	1.3	8.4	10.9	0.0	0.2	0.4

Source: United Nations. Commodity Trade Statistics. Statistical Papers, Series D.
a) Including Greece.

Table II.3

BRAZIL: EXPORTS TO THE EUROPEAN COMMUNITY a)

		value ($ millions, FOB)			percentage breakdown			exports to the EC as % share of tot. exports		
		1975	1980	1982	1975	1980	1982	1975	1980	1982
	All commodities	2412.0	5346.2	5422.7	100.0	100.0	100.0	27.8	26.6	26.9
	All food items	1539.1	3108.6	2803.8	63.8	58.1	51.7	32.8	33.4	35.1
0	Food and live animals	964.9	2640.7	2515.2	40.0	49.4	46.4	27.2	33.4	36.8
01	Meat and preparations	62.5	143.8	276.8	2.6	2.7	5.1	42.4	26.6	34.2
011	Fresh, chilled or frozen meat	30.1	33.2	118.7	1.2	0.6	2.2	44.4	11.5	22.4
013	Tinned or prepared meat	32.4	110.5	157.9	1.3	2.1	2.9	40.9	44.1	56.8
053.5	Fruit or vegetable juice	44.7	192.4	181.5	1.9	3.6	3.3	52.1	52.8	30.9
061.5	Molasses	14.7	56.0	1.1	0.6	1.0	0.0	32.3	68.0	100.0
071	Coffee	289.6	966.9	818.1	12.0	18.1	15.1	31.0	34.9	38.4
071.1	Coffee green	257.2	863.2	718.4	10.7	16.1	13.2	30.1	34.7	38.7
071.3	Coffee essences, extracts	32.3	103.7	99.7	1.3	1.9	1.8	40.5	36.1	36.1
072	Cocoa	72.5	112.5	112.2	3.0	2.1	2.1	24.7	16.1	26.2
081	Animal feeding stuff	298.1	1096.5	1039.7	12.4	20.5	19.2	58.8	68.3	59.0
081.3	Vegetable oil residues	270.3	1000.6	961.3	11.2	18.7	17.7	56.5	66.7	57.3
1	Beverages and Tobacco	82.2	149.2	210.8	3.4	2.8	3.9	53.8	48.3	43.3
121	Unmanufactured tabacco	81.3	145.5	209.3	3.4	2.7	3.9	56.7	50.2	44.5
221	Oil seeds, nuts, kernels	445.6	149.3	9.0	18.5	2.8	0.2	62.1	35.9	6.5
221.4	Soya beans	438.8	140.0	4.5	18.2	2.6	0.1	64.1	35.5	3.6
4	Animal or vegetable oils and fat	46.4	169.4	68.8	1.9	3.2	1.3	17.4	24.5	12.7
421.2	Soya bean oil	4.7	35.6	5.6	0.2	0.7	0.1	3.1	8.5	1.5
422.5	Castor oil	18.4	37.9	16.3	0.8	0.7	0.3	34.0	34.5	36.0
	Crude materials	454.1	981.4	1100.6	18.8	18.4	20.3	28.7	33.3	26.8
24	Wood, lumber and cork	30.5	77.3	64.3	1.3	1.4	1.2	34.5	36.0	45.4
26	Textile fibres	56.3	71.6	42.5	2.3	1.3	0.8	30.7	43.6	27.7
2(-221)	Crude materials, excl. fuels	449.0	971.2	991.7	18.6	18.2	18.3	32.5	37.3	37.3
281	Iron ore, concentrates	316.8	587.2	666.0	13.1	11.0	12.3	34.4	37.3	37.6
3	Mineral fuels, etc.	5.1	10.2	108.9	0.2	0.2	2.0	2.5	2.9	7.5
5-8	Manufactures	396.5	1255.2	1518.3	16.4	23.5	28.0	17.8	16.5	19.4
5	Chemicals	48.0	117.9	138.0	2.0	2.2	2.5	25.9	16.3	15.2
6	Basic manufactures	215.8	570.0	521.6	8.9	10.7	9.6	28.8	21.8	20.7
611	Leather	27.8	62.2	58.5	1.2	1.2	1.1	62.3	48.9	51.5
63	Wood, cork, manufactures	33.3	75.0	52.2	1.4	1.4	1.0	63.7	43.8	39.3
65	Textile varn, fabrics	99.6	213.8	171.3	4.1	4.0	3.2	36.7	32.7	32.8
67,68	Iron and steel, metals	29.1	175.5	183.2	1.2	3.3	3.4	14.5	17.9	16.6
67	Iron and steel	21.4	165.6	164.2	0.9	3.1	3.0	12.5	18.8	16.4
671	Pig iron, etc.	17.3	91.3	64.4	0.7	1.7	1.2	15.1	30.4	25.1
671.2	Pig iron, incl. cast iron	3.9	37.0	19.1	0.2	0.7	0.4	5.9	31.0	23.9
671.5	Other ferro-allovs	13.5	52.9	45.0	0.6	1.0	0.8	30.1	31.7	26.8
672	Iron, steel, primary forms	2.9	17.3	9.1	0.1	0.3	0.2	40.3	27.1	18.1
673	Iron, steel shapes	0.2	20.7	12.9	0.0	0.4	0.2	1.0	20.5	7.5
674	Iron, steel plate, sheet	0.3	27.6	69.7	0.0	0.5	1.3	2.0	11.5	18.9
7	Machines, transport equipment	68.6	398.0	709.2	2.8	7.4	13.1	7.7	11.7	20.5
711.5	Piston engines non-air	23.9	133.9	129.8	1.0	2.5	2.4	26.2	38.4	39.9
714.3	Statistical machines	3.6	21.8	31.7	0.1	0.4	0.6	7.0	13.9	18.3
724	Telecommunications equipment	7.5	22.9	27.5	0.3	0.4	0.5	11.8	15.4	15.2
73	Transport equipment	14.5	143.6	432.7	0.6	2.7	8.0	4.9	10.7	26.5
732	Road motor vehicles	13.1	116.8	377.1	0.5	2.2	7.0	4.8	11.2	33.5
732.1	Passenger vehicles	-	57.2	232.1	-	1.1	4.3	-	17.5	50.5
732.8	Motor vehicle parts	13.0	40.6	47.8	0.5	0.8	0.9	29.1	18.4	19.9
8	Misc. manufactured goods	64.1	169.3	149.5	2.7	3.2	2.8	16.4	19.5	16.0
84	Clothing	26.9	56.8	36.9	1.1	1.1	0.7	26.4	41.2	37.8
851	Footwear	16.8	75.7	57.8	0.7	1.45	1.1	10.2	19.5	11.5
9	Goods not classd by kind	22.3	1.0	-	0.9	0.0	-	12.5	0.4	-

Source: United Nations, Commodity Trade Statistics, Statistical Papers, Series D.

Table II.4

EXPORTS OF DEVELOPING COUNTRIES TO PRINCIPAL INDUSTRIALIZED COUNTRIES

	exports ($ millions, FOB)				percentage share of exports shipped to:					
	World		European Community a/		European Community a/		United States and Puerto Rico		Japan	
	1970	1980	1970	1980	1970	1980	1970	1980	1970	1980
All commodities (SITC 0-9)										
All developing countries and territories	54944	558960	18424	146206	33.5	26.2	18.4	20.9	10.8	13.9
OPEC	17985	306653	7732	91232	43.0	29.8	9.7	18.4	13.1	17.3
Non-OPEC	36959	252307	10692	54974	28.9	21.8	22.7	23.9	9.8	9.8
Latin America, Caribbean	17510	110463	4554	19729	26.0	17.9	32.4	33.5	5.4	4.0
ALADI	12632	79600	3765	15458	29.8	19.4	30.0	28.9	3.4	5.0
Brazil	..	20132	..	5346	..	26.6	..	17.4	..	6.1
Other ALADI-countries	..	59468	..	10021	..	17.0	..	32.8	..	4.6
Africa	12021	93524	7308	38478	60.8	41.1	6.7	31.5	4.0	2.0
West-Asia	10581	210711	3976	65573	37.6	31.1	2.2	9.6	19.5	20.2
South and South-East Asia	14355	142079	2420	21704	16.9	15.3	23.1	21.0	16.3	20.0
Oceania	476	2184	166	722	34.9	33.1	16.2	14.2	25.4	26.1
All food items (SITC 0+1+22+4)										
All developing countries and territories	14557	63276	5195	18143	35.7	28.7	23.7	16.5	5.5	6.6
OPEC	1147	4171	577	1287	50.3	30.9	17.3	18.9	6.4	7.3
Non-OPEC	13410	59105	4618	16856	34.4	28.5	24.2	16.4	5.5	6.6
Latin America, Caribbean	7179	31596	2334	8172	32.5	25.9	30.4	22.8	4.7	2.8
ALADI	4984	21943	1834	6419	36.8	29.3	30.7	22.8	4.1	2.8
Brazil	..	9314	..	3109	..	33.4	..	20.0	..	3.0
Other ALADI-countries	..	12629	..	3310	..	26.2	..	24.8	..	2.7
Africa	3562	10229	1889	5274	53.9	51.6	14.5	9.9	2.3	2.4
West-Asia	620	2768	199	770	32.1	27.8	9.5	4.6	1.1	1.5
South and South-East Asia	3045	17734	693	3607	22.8	20.3	21.0	10.5	12.1	16.5
Oceania	212	949	81	321	38.2	33.8	29.7	27.8	7.1	8.4
All manufactured goods (SITC 5+6+7+8)										
All developing countries and territories	13142	111240	3653	24764	27.8	22.3	25.2	23.5	7.0	7.1
OPEC	412	6851	140	1958	34.0	28.6	6.3	3.3	4.4	11.4
Non-OPEC	12730	104389	3513	22806	27.6	21.8	25.8	24.8	7.0	6.9
Latin America, Caribbean	3357	21464	1131	4192	33.7	19.5	27.8	20.2	4.3	5.1
ALADI	2701	18311	1003	3679	37.1	20.1	41.9	33.2	5.0	5.8
Brazil	..	7591	..	1255	..	16.5	..	18.2	..	3.8
Other ALADI-countries	..	10720	..	2424	..	22.6	..	43.9	..	7.2
Africa	2505	6070	1309	3470	52.3	57.2	1.2	8.4	10.2	5.8
West Asia	483	7055	86	1880	17.8	26.6	3.5	1.6	3.1	6.0
South and South-East Asia	6715	76298	1062	14993	15.8	19.7	34.6	27.7	7.5	7.9
Oceania	84	353	65	229	77.4	64.9	11.9	13.0	1.2	11.3
Manufactured goods, excluding iron and steel and non-ferrous metals (SITC 5+6-(67+68)+7+8)										
All developing countries and territories	8932	95965	1581	19829	17.7	20.7	30.2	24.6	4.4	6.2
OPEC	301	5189	82	1295	27.2	25.0	7.3	3.2	4.7	8.3
Non-OPEC	8631	90776	1499	18534	17.4	20.4	31.0	25.8	4.4	6.1
Latin America, Caribbean	1668	15399	267	2234	16.0	14.5	32.2	21.2	1.5	2.5
ALADI	1058	12583	166	1901	15.7	15.1	35.0	20.1	1.6	2.9
Brazil	..	6611	..	1080	..	16.3	..	16.5	..	3.7
Other ALADI-countries	..	5972	..	821	..	13.7	..	24.2	..	6.0
Africa	791	3748	278	2207	35.1	58.9	2.9	3.3	0.3	0.3
West Asia	451	6192	83	1519	18.4	24.5	3.5	1.8	3.1	6.4
South and South-East Asia	6011	70564	952	13856	15.8	19.6	35.3	28.5	5.9	7.3
Oceania	11	62	1	12	9.1	19.4	18.2	8.1	9.1	17.7

Source: UNCTAD, Handbook of International Trade and Development Statistics, Tables A1-A10.
United Nations, Commodity Trade Statistics, Statistical Papers, Series D.

a) excluding Greece.

Table II.5

BRAZIL: COMPOSITION OF EXPORTS BY SELECTED COMMODITY CLASSES AND REGIONS OF DESTINATION

Regions of destination	value ($ millions)			percentage breakdown		
	1975	1980	1982	1975	1980	1982
World						
All commodities a)	8491	19854	19923	100	100	100
All food items b)	4689	9314	7995	55	47	40
Crude materials c)	1580	2950	4104	19	15	21
Manufactured goods d)	2222	7591	7824	26	38	39
Developed market economies						
All commodities a)	5397	11757	12383	100	100	10(
All food items b)	3095	6127	5371	57	52	43
Crude materials c)	1168	2173	2868	22	19	23
Manufactured goods d)	1134	3457	4144	21	29	34
European Community e)						
All commodities a)	2407	5465	5423	100	100	100
All food items b)	1554	3164	2804	64	58	52
Crude materials c)	455	986	1101	19	18	20
Manufactured goods d)	398	1316	1518	17	24	28
United States-Puerto Rico						
All commodities a)	1308	3496	4140	100	100	100
All food items b)	622	1863	1516	48	53	36
Crude materials c)	239	253	778	18	7	19
Manufactured goods d)	447	1380	1846	34	40	45
Japan						
All commodities a)	670	1232	1304	100	100	100
All food items b)	259	278	243	39	23	19
Crude materials c)	330	665	754	49	54	58
Manufactured goods d)	81	289	307	12	23	23
Centrally planned economies						
All commodities a)	830	1381	1249	100	100	100
All food items b)	708	1010	949	85	73	76
Crude materials c)	80	190	172	10	14	14
Manufactured goods d)	42	181	129	5	13	10
Developing countries						
All commodities a)	2265	6419	6279	100	100	100
All food items b)	887	1881	1675	39	29	27
Crude materials c)	332	587	1052	15	9	17
Manufactured goods d)	1046	3952	3552	46	62	56

Source: United Nations, Commodity Trade Statistics. Statistical Papers. Series D.

a) excluded goods not classified by kind (SITC 9)

b) SITC 0+1+221+4

c) SITC 2-221+3

d) SITC 5-8

e) including Greece.

Table II.6

BRAZIL: AGRICULTURAL EXPORTS BY COMMODITY GROUPS ACCORDING TO DOMINATING WORLD TRADE PATTERNS AND DESTINATION (1980)

SITC		$ millions, FOB		percentage breakdown by countries or regions of destination						
		World	EC	World	DMEC a/	EC	USA	Japan	DC b/	CPE c/
	All selected commodities	9127	3034	100	100	100	100	100	100	100
	North-South trade	256	4	3	-	-	-	1	13	1
04	Cereals and preparations	20	2	-	-	-	-	1	1	-
02	Dairy products and eggs	13	-	-	-	-	-	-	1	-
11	Beverages	13	2	-	-	-	-	-	1	-
011.4	Poultry	209	-	2	-	-	-	-	11	1
	South-North trade, traditional	3834	1229	42	50	41	57	73	11	46
071	Coffee	2773	967	30	39	32	42	62	7	22
072	Cocoa	697	113	8	7	4	12	9	1	22
074.1	Tea	12	2	-	-	-	-	-	-	-
075	Spices	58	-	1	1	-	-	-	1	1
12	Tobacco and manufactures	295	147	3	4	5	3	1	2	1
	South-North trade, new	2949	1581	32	37	52	17	25	17	29
013	Meat, tinned or prepared	251	111	3	3	4	5	1	2	-
03	Fish	133	4	1	2	-	5	10	1	-
051	Fruit and vegetables	544	221	6	7	7	7	2	5	-
081	Animal feeding stuff	1606	1097	18	19	36	-	8	8	26
221	Oils seeds, nuts, kernels	416	149	5	6	5	-	5	1	4
	South-South trade	2089	220	23	12	7	26	1	59	24
06	Sugar and preparations	1398	57	15	8	2	23		38	18
4	Oils and fats	691	164	8	4	5	2	1	21	6

Source: United Nations, Commodity Trade Statistics, Statistical Papers, Series D.

a/ Developed market economy countries.

b/ Developing countries.

c/ Centrally planned economies.

Table II.7

BRAZIL: SHARE IN EXTRA-EC IMPORTS BY COMMODITY CLASSES

	all extra-EC imports						imports from developing countries					
	1970	1975	1979	1980	1981	1982	1970	1975	1979	1980	1981	1982
All commodities												
Food, beverages and tobacco	5.9	5.5	7.4	7.9	9.8	10.1	12.5	12.4	13.8	14.9	19.2	19.2
Coffee	16.7	23.9	16.1	18.9	21.4	25.2	16.9	24.3	16.2	18.9	21.5	25.3
Cocoa	3.6	8.7	8.1	7.3	5.8	6.6	3.7	9.2	8.2	7.4	5.9	6.8
Tobacco	4.9	7.0	11.4	9.7	11.6	11.5	20.6	17.1	23.9	18.7	20.3	22.5
Fruits and vegetables	1.2	1.5	2.5	2.6	3.2	3.8	2.5	3.2	5.5	5.5	6.1	7.2
Fish	0.3	0.5	0.1	0.2	0.2	0.1	1.4	1.5	0.4	0.6	0.4	0.4
Animal feeding stuff	7.3	14.2	22.8	22.5	29.7	25.8	14.0	27.9	40.9	45.0	55.0	48.2
Sugar	5.9	9.6	6.0	6.3	6.1	0.4	7.8	10.8	6.8	7.0	7.0	0.5
Meat preserves	4.5	4.0	3.3	4.8	9.6	11.6	10.2	16.3	10.1	16.3	27.8	35.9
Soybeans	4.7	26.5	3.5	4.3	2.0		94.2	95.3	14.7	25.5	22.3	
Crude materials, including fuel, oils and fats	3.8	5.5	3.4		4.2	4.1	11.0	16.1	10.7		13.7	13.7
Oils and fats	5.7	2.9	5.6	5.9	5.3	3.2	10.3	4.8	8.0	8.8	7.9	4.9
Iron ore	14.9	20.3	25.0	27.6	31.9	30.3	27.9	39.4	52.8	55.0	54.3	55.5
Wood	0.9	1.5	1.5	1.4	2.0	1.8	2.8	5.2	5.3	5.4	7.7	6.7
Pulp	0.0	0.0	2.1	3.5	3.6	4.0	0.0	0.3	50.1	62.9	60.9	56.1
Chemicals	0.3	0.6	0.5	0.6	0.7	0.8	4.8	7.0	6.8	5.6	8.0	7.9
Machinery and transport equipment	0.3	0.3	0.7	0.7	0.9	1.2	18.4	7.6	8.6	8.7	10.3	13.2
Other manufactured goods	0.4	0.9	1.0	1.0	1.0	1.3	1.8	3.9	4.1	4.0	3.8	4.9

Source: data provided by OECD and Eurostat.

Table II.8

SHARE OF BRAZIL IN EXTRA-EC IMPORTS

		Total extra-EC imports				imports from Brazil				share of Brazil (%)			
		1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983
		269852.9	303799.1	321466.9	328487.7	4126.7	5223.9	6119.4	6776.8	1.5	1.7	1.9	2.1
	All food items a)	30686.2	33648.2	36320.2	37930.5	2229.0	2924.4	3181.0	3874.3	7.3	8.7	8.8	10.2
0	Food and live animals	23907.9	26399.1	28381.9	29884.3	1916.0	2655.1	2937.1	3504.0	8.0	10.1	10.3	11.7
01	Meat and meat prep.	1928.4	2203.8	2496.4	2354.1	92.3	208.8	289.0	370.8	4.8	9.5	11.6	15.8
05	Vegetables and fruit	6515.9	7083.2	7616.7	7690.4	168.5	227.0	291.0	380.3	2.6	3.2	3.8	4.9
07	Coffee, cacao, etc.	5764.9	5389.4	6262.6	6734.8	803.2	893.0	1147.8	1324.0	13.9	16.6	18.3	19.7
08	Animal feeding stuff	3380.7	4231.9	4571.4	5629.4	762.5	1242.7	1179.1	1383.4	22.6	29.4	25.8	24.6
1	Beverages and tobacco	1928.6	1889.7	2273.4	2573.3	113.7	121.7	169.2	217.7	5.9	6.4	7.4	8.5
22	Oil seeds, oil nuts	3270.8	3728.0	3856.7	3629.8	107.2	62.3	17.6	92.3	3.3	1.7	0.5	2.5
4	Oils and fat	1578.9	1631.4	1808.2	1843.1	92.1	85.3	57.1	60.3	5.8	5.2	3.2	3.3
42	Vegetable oils	1155.7	1107.9	1203.1	1326.3	86.7	79.1	50.5	52.3	7.5	7.1	4.2	3.9
	Crude materials	109614.4	128169.3	130545.6	123919.2	920.7	1131.9	1279.4	1330.8	0.8	0.9	1.0	1.1
2	Crude mat. exc. fuels	24230.4	24637.9	24474.3	26576.9	901.5	1098.8	1165.9	1251.5	3.7	4.5	4.8	4.7
24	Wood and cork	5902.4	5131.4	5089.4	5813.8	84.4	105.3	89.5	119.5	1.4	2.1	1.8	2.1
25	Pulp and waste paper	3044.3	3784.4	3657.0	3656.5	108.9	134.8	145.5	155.6	3.6	3.6	4.0	4.3
28	Metalliferous ores	7015.4	6931.6	6584.6	6426.6	629.4	775.0	839.2	806.1	9.0	11.2	12.7	12.5
3	Mineral fuels	85384.0	103531.4	106071.3	97342.3	19.2	33.1	113.5	79.3	0.0	0.0	0.1	0.1
	Manufactures	109050.5	120656.5	130542.9	144778.2	940.4	1122.8	1565.8	1459.5	0.9	0.9	1.2	1.0
5	Chemicals	11373.8	13111.8	14381.5	16161.8	66.8	93.1	114.3	145.0	0.6	0.7	0.8	0.9
6	Basic manufactures	37647.7	35030.1	38158.3	40906.5	499.3	476.1	708.9	629.4	1.3	1.4	1.9	1.5
61	Leather, leather man.	1174.6	1059.6	1278.4	1314.4	55.8	53.8	82.5	88.7	4.8	5.1	6.5	6.7
65	Yarns, fabrics	6313.4	6205.7	6694.9	7297.7	200.0	198.1	236.8	246.9	3.2	3.2	3.5	3.4
67	Iron and steel	6262.9	4310.7	5710.1	5572.8	134.2	84.8	239.8	109.6	2.1	2.0	4.2	2.0
7	Machines, transp. equipm.	37852.9	47160.5	50909.4	58433.1	253.3	418.3	605.4	540.3	0.7	0.9	1.2	0.9
71	Power generating mach.	3096.5	4431.7	5409.8	5992.6	88.0	139.2	150.1	112.6	2.8	3.1	2.8	1.9
78	Road vehicles	7272.2	8424.7	9302.6	11091.6	78.9	148.5	329.0	265.2	1.1	1.8	3.5	2.4
8	Misc. manuf. goods	22176.1	25354.1	27093.7	29276.8	121.0	135.3	137.2	144.8	0.5	0.5	0.5	0.5
85	Footwear	1315.9	1410.3	1466.9	1702.9	59.0	70.4	66.1	60.8	4.5	5.0	4.5	3.6
9	Goods not classed by kind	5965.5	6514.6	6733.0	7029.8	9.6	4.7	52.4	16.6	0.2	0.1	0.8	0.2

Source: MINEXE
a) 0+1+22+4

Table II.9

BRAZIL: TRADE WEIGHTED REAL EXCHANGE RATE INDEX a/
(1980 = 100)

Period	Major trading partners b/	United States	EC c/	Japan	LAAI d/
1971	63.7	75.3	60.0	56.4	54.9
1972	65.3	75.3	65.0	63.6	54.7
1973	69.2	71.7	69.3	73.3	65.2
1974	72.7	75.3	70.5	77.0	70.1
1975	72.5	78.9	73.7	73.2	63.8
1976	72.9	80.3	70.0	73.7	66.5
1977	73.5	81.1	73.9	78.4	64.3
1978	77.0	81.7	80.3	91.2	67.5
1979	87.2	88.1	89.6	89.9	83.6
1980	100.0	100.0	100.0	100.0	100.0
1981	86.8	93.4	75.2	88.0	89.4
1982	77.6	91.6	68.8	75.7	70.8
1983	101.6	122.2	86.2	102.4	96.0
1984	98.5	123.4	79.9	101.1	88.3
1979-I	81.7	83.1	85.2	91.7	75.5
1979-II	84.4	86.7	86.6	88.7	78.8
1979-III	87.4	87.1	90.1	89.3	84.7
1979-IV	95.3	95.3	97.5	89.7	93.5
1980-I	111.3	112.0	113.8	104.9	108.9
1980-II	105.4	106.4	106.7	105.6	103.4
1980-III	98.0	97.1	99.1	100.3	97.9
1980-IV	92.6	92.2	88.9	96.6	95.6
1981-I	88.2	90.9	80.3	93.2	91.6
1981-II	85.2	92.8	74.1	87.2	86.7
1981-III	85.3	94.1	70.2	84.3	88.7
1981-IV	89.0	95.7	76.2	87.6	92.7
1982-I	84.7	94.3	73.3	82.8	84.4
1982-II	79.2	90.4	69.4	76.5	76.1
1982-III	73.3	88.9	65.6	71.0	64.2
1982-IV	76.7	93.3	67.6	73.7	67.8
1983-I	91.0	109.9	80.9	94.1	79.7
1983-II	105.6	126.1	91.1	106.1	96.5
1983-III	104.9	124.2	85.4	101.5	101.5
1983-IV	105.1	124.5	84.6	104.3	102.0
1984-I	103.3	125.2	84.7	105.7	95.8
1984-II	104.3	128.8	86.8	108.5	93.5
1984-III	97.6	123.2	77.9	98.7	87.8
1984-IV	94.2	120.4	73.1	95.0	84.8

a/ For the calculation of the real exchange rate index, the nominal exchange rate was divided by relative price indexes for industrial products.

b/ Obtained from a basket of the main 17 buyers of Brazilian manufactures in the developed market economies and Latin America, weighted by the average share of exports of manufactures to each country in the period 1977-1981. The basket includes Canada, Japan, Spain, Switzerland, the United States and the countries mentioned under 3) and 4).

c/ The basket includes Belgium, Luxembourg, France, Germany, Italy, the Netherlands and the United Kingdom.

d/ Latin American Association for Integration. The basket includes Argentina, Chile, Mexico, Paraguay, Uruguay and Venezuela.

Notes

1/ The EC as a unit also lost its first place to the United States as a source of direct foreign investment in Brazil.

2/ For instance, U.S. imports from Brazil under TSUS items 807.00 and 806.30 --duties on such imports apply only to value abroad but not to U.S. imports used in foreign production-- are very small.

3/ For Brazil vertical specialization --through the international division of the production process-- is achieved mainly by exports of automotive and electronic parts, especially to the U.S. market. Motor vehicle parts (SITC item 732.8) are also exported to the EC (Table II.3).

III - MAIN POLICY AREAS OF THE EUROPEAN COMMUNITY

a) Introduction

Since the foundation of the European Communities in the fifties, there has been a steady trend to delegate powers from the member states to the Council of Ministers and to the European Commission. Although this process was sometimes hesitant because of divergent national interests, in a number of fields a high level of integration was achieved, especially after the merger in 1967 of the specialized European institutions (ECSC, EEC and Euratom) into the European Community under a single commission. Due to its origin as a common market, coordination of trade policies plays an important role in the integration process of the EC.

In two specific fields --agriculture (see sections g-i) and coal and steel-- a high degree of European integration can be witnessed. Other industrial and service sectors have hardly been the object of Community policies. The most important Community policies refer to international trade and to the functioning of the internal market, principally through the common competition policy (see section b), which includes control of industrial aid policies of member states (section c). The EC also grants interest subsidies, loan guarantees and grants (section d). Restructuring programmes concerning two major industrial sectors are dealt with in more detail: iron and steel (section e) and textiles and clothing (section f). This chapter finishes with an analysis of the role of interest groups in EC policy making (sections j-l).

b) Competition policies

The European Community is committed to the market economy as the cornerstone of the common market and seeks to defend free competition. The underlying principle is that in a market economy it is essential to preserve the stimulus of fair and effective competition in order to obtain the benefits of free trade. This leads to a number of policy aims for the Commission: enforcement of competition rules; encouragement of industrial restructuring; improvement of the competitiveness of European industry; promotion of research and development and innovation; and acceleration of progress towards a single Common Market.

The Commission uses a two-sided approach. On the one hand it tries to remove distortions caused by anticompetitive practices or state aids which interfere with trade among member states (note that trade with third countries is _not_ subject to the Community's competition policy). On the other hand the common competition policy seeks to contribute to a better allocation of resources and raise the competitiveness of Community industry. The theory is that greater competitiveness secured by encouragement of research and development, in the long run, must enable the Community to overcome its economic problems, and, in particular, to combat structural unemployment. In this sense, competition policy has a strong indirect bearing on international trade flows. Two groups of actors are thus subject to Community control: member states as far as their aid activities are concerned and (individual) companies which may threaten market forces by collusive behaviour.

The powers of the Commission regarding competition policy are based on articles 3 and 85-94 of the Rome Treaty. Article 3 instructs the Commission to "institute a system ensuring that competition in the common market is not distorted". The EC's antitrust policy is based on articles 85 and 86. Articles 92 and 93 govern state aid and give the Commission powers to regulate industrial policy in member states (see next section).

Under certain conditions the Commission does not oppose collective action to reduce structural overcapacity. The Commission approves such arrangements only when they involve all or a majority of the undertakings in an entire sector and when they are aimed solely at achieving a coordinated reduction of overcapacity and do not in any other way restrict the commercial freedom of the firms involved. These arrangements must not be accompanied or achieved by unacceptable means such as price- or quota-fixing or market-sharing.

Examples of plans authorized by the Commission refer to the zinc and synthetic fibre industries. In June, 1983 the six major Community zinc producers requested authorization for a "shutdown agreement". This agreement provided that each company would volunteer to decrease its production capacity and would refrain from any capacity increase. Each company was to receive compensation to cover closure costs. In view of the heavy losses in the zinc industry and the fact that the agreement covered a fixed time period, the Commission approved the plan. However, the Commission decided that the agreement would be canceled if sustained improvement occurred in the sector. Indeed, the agreement was terminated in November after definite improvement (including increased prices) ocurred in the zinc market.

A second sectoral scheme concerned an agreement among the ten biggest European companies in the synthetic fibre industry. This agreement foresaw an average reduction in production capacity of 18%, in relation to which each company determined certain capacity reduction. Failure to carry out the capacity reductions agreed upon gave rise to compensation payments. The Commission approved the agreement, provided that the internal reporting system of the companies concerned was used only to exchange statistical information.

In general, while the Commission favours a flexible approach towards joint structural capacity reductions aimed at achieving a healthier structural situation in the sector concerned, it continues to take firm action against measures which involve unacceptable restriction of competition, for instance horizontal agreements such as those involving price-fixing and market-sharing.

In 1983, the Commission issued 22 formal decisions, while a series of cases were settled without a formal decision because the private agreements in question were either brought into line with the competition rules, were terminated, or expired. Many of these cases concerned distribution and licensing agreements. By the end of 1983, 4138 cases were pending, of which 3654 were applications or notifications, 283 were complaints from firms and 201 were proceedings initiated by the Commission. Of the applications and notifications, 62% concerned patent licensing agreements, 25% distribution agreements and 13% so-called "horizontal" agreements 1/.

An important aspect of Community policy is to prevent abusive commercial behaviour by dominant firms, especially when this is detrimental to small companies. The Commission has extensive powers to control mergers, although these powers are used discretely.

The Community controls mergers involving an aggregate turnover of more than 750 million ECU. Furthermore, any merger, regardless of the turnover involved, would be considered incompatible with the maintenance of effective competition in the common market if it gave any firm a market share of over 50% in a substantial part of the common market.

c) State aid

The deep economic recession in the Community has given rise to numerous attempts by individual member states to provide aid to domestic industries (see Table III.2). As the Commission states in its 16th General Report, "the resources devoted to State aid are an ever-increasing burden on national budgets at a time when the general tendency is to reduce budget deficits" 2/. The number of cases brought to the attention of the Commission has increased significantly in recent years, which reflects conjunctive developments and the particular situation in specific industrial sectors.

The Commission "takes account of the facts that certain forms of assistance, such as those designed to promote research or investment by small businesses, and those for the benefit of less-favoured regions may constitute a stimulus to economic development which is in the Community interest, while others may have a protectionist effect" 3/. The aim of the Commission therefore is to "ensure that the aid it authorizes will result in sound economic structures rather than in shoring up obsolete structures with the inevitable consequence of transferring difficulties of production and employment from one Member State to another" 4/.

Article 93 authorizes the Commission to determine whether or not aid programmes are compatible with the common market, according to the provisions set out in article 92. Aid that distorts competition is incompatible with the common market if it affects trade between member states. However, aid having a social character, aid to promote economic development in regions with very low income or employment levels, aid devoted to important projects of common Community interest and aid to facilitate the development of certain economic activities or areas --provided that such aid does not affect trading conditions in an undesirable way-- is compatible with the common market 5/.

In this control function the Commission is hampered by new forms of intervention by national governments. The Commission notes a tendency for the forms and administrative channels involved in granting aid to become more complex and difficult to control. This obscurity is caused mainly by a tendency to administer aid below the national level, not only for regional but also for general aid schemes.

The Commission fears that aid programmes, particularly where sensitive sectors are concerned, may lead to an increasing distortion of market conditions; the maintenance of excess and obsolete capacity and the transfer of the burden of restructuring to other member states, the danger of which is the provocation of retaliation. An additional problem in executing its control function is created by a tendency for member states to present aid schemes under the label of innovation, a priority area in Community policy.

For this reason strict competition rules have been established for state aid. The principal provisions stipulate that aid must not lead to increased production capacity, must be limited to individual cases, must be progressively reduced and linked to restructuring plans and must not transfer an industry or unemployment problem from one member state to another.

Permissible state aid is generally governed by aid codes. These codes allow governments to grant aid to troubled industries under certain conditions and for certain time periods. Aid codes have been developed for the steel, coal, textiles and clothing, synthetic fibres and shipbuilding industries.

d) Loans and grants

The European Community grants a range of loans, loan guarantees and grants.

Eligible regions within the EC are granted loans and grants through the European Regional Development Fund (ERDF) and the European Investment Bank (EIB). ERDF complements regional policies of the member states by providing grants for investment projects in eligible regions. The lion's share of ERDF aid is allocated to eligible member states under the quota section to finance industrial, tourist, service or infrastructure projects. The nonquota section assists regions that are suffering serious industrial decline or are adversely affected by Community policies. In 1982 an amount of 1.8 billion ECU ($1.76 billion) was expended among 3277 investment projects under the quota section, while the nonquota section absorbed 90.5 million ECU ($88.7 million) 6/.

By 31 December 1982, the EIB had lent over 25800 million ECU, since its inception in 1958 7/. In granting loans or guarantees, EIB gives priority to regional projects. Aid is given to projects which (1) stimulate economic development of less prosperous regions, (2) are of common interest to several member states or to the EC as a whole, and (3) lead to modernization or conversion of enterprise to overcome structural problems or to create new business activities. In recent years a large part of the aid was given to projects which served the objectives of the Community's energy policy.

Financing operations of the EIB in 1982 totalled 4695.7 million ECU, of which 3863.4 million ECU were from its own resources 8/. The Banks own resources are complemented by the "New Community Instrument" (NCI). Under this system the EC borrows in national and international capital markets and transfers these funds to EIB to finance special projects. In 1982 NCI loans totalled 791 million ECU, which were directed to meet the Community's priority objectives in the field of energy, infrastructure and the promotion of productive investments by small and medium-sized business 9/.

Loans granted within the Community amounted to 4244.2 million ECU, while operations outside the Community --principally for assistance to Mediterranean and ACP countries-- totalled 451.5 million ECU 10/. In 1982 interest subsidies (of 3% per year) were granted, out of the EC budget on over one third of the loans within the Community for investment projects in Italy (840.6 million ECU) and Ireland (331.3 million ECU) under an arrangement between the EIB and the European Monetary System (EMS) concerning interest subsidies and loans to these two countries 11/.

The European Social Fund (ESF) is designed to improve employment opportunities for workers by financing redeployment and resettlement. In 1982 the ESF expended 1.5 billion ECU 12/.

e) The steel industry

Since its foundation in 1951, the ECSC Treaty has been the basis for regulation of the steel industry in the member states. After a period of spectacular growth in the fifties and sixties, crisis is the catchword to describe the events of the seventies and eighties 13/:

- steel production declined by 20% between 1974 and 1981 (from 156 to 125 million tons), and again by 10% in the three years following;
- prices collapsed between 1974 and 1977, falling by 50%, and recovered only after stringent Community measures;
- employment fell by over 30% between 1974 and 1981

(from 792 to 549 thousand), excluding workers who were temporarily laid-off. This trend has continued, with another 15% decline in employment following.

To combat this trend the Community has chosen a multisided approach of renewal, restructuring and reduction of production capacity in order to restore the viability of the European steel industry in the long term. The formulation and agreement upon such an approach has faced great difficulties in view of the many conflicting interests, not only of the individual member states, but also of the companies and employees. Italy in particular has been accused of failure to cooperate (even to have having increased production capacity), while in France steelworkers' resistance to redundancy layoffs has have created a major political problem for the Mitterrand government.

The policy of the European Community has gone through several stages in which both the weight of the policy instruments and the way they are used have varied. From May, 1977 until July, 1980 minimum internal prices and guidance prices, according to the sensitivity of the products involved, were in effect in order to enforce the price increases which were considered necessary. Since July, 1981, minimum prices have applied not only to production but also to distribution companies.

The powers of the European Commission were greatly enhanced in 1980 by the declaration of "the state of manifest crisis" in the steel industry, thus authorizing the Commission to set price and production levels for producers. These production quotas (calculated on a quarterly basis) are very strictly controlled and enforced as the only way to prevent cut-throat price competition in the European steel market.

In the view of the European Commission these price and production restrictions may not be endangered by uncontrolled imports from third countries. In order to prevent that minimum prices, which domestic producers are requested to change, permit foreign suppliers to capture a large part of the domestic market agreements have been reached with 15 major exporting countries (among them two Third World suppliers, Brazil and South Korea). Under these Voluntary Export Restraints, these countries are subject to export ceilings. In return they are allowed to sell steel products at prices between four and six percent below those which Community producers are requested to charge. The Community will also refrain from taking antidumping measures against these countries.

Other suppliers are faced with a surveillance system, extended by the publication of reference prices based on the production cost of the best organized companies. This makes it much easier to control import prices and, if necessary, to start antidumping procedures. In this way imports have been stabilized around 11 million tons, while exports are around the 30 million tonnes level (for 1984 these figures were 10 and 22 million tons, respectively).

The third major element of this package (also called the Davignon Plan) is a guided restructuring of the European steel industry, the goal of which is to establish an equilibrium between demand and production capacity. The European Commission is not in a position to take any direct steps in this area, or even to make concrete suggestions. What it can do is try to maintain a certain equilibrium between individual government and company plans. Therefore, investment plans must be approved by the Commission. State aid to companies is submitted to an examination by the Commission and is allowed only within the *framework of a detailed restructuring programme.*

These programmes are subject to severe restrictions. They are designed to restore the competitiveness and financial viability of companies under normal market conditions. They must result in a reduction of production capacity and may under no circumstances create additional capacity for market segments without growth potential. Further more, the amount and degree of aid must be reduced over time (no support is allowed after 1985) and the aid may not lead to a distortion in competitive relations nor to a change in trade flows incompatible with Community interests.

A tight time table was set for the approval of aid programmes: notification of the Commission before 30 September, 1982, with final decisions to be made by 1 July, 1983. It proved to be almost impossible for many member states to meet this time schedule, and the Commission was informed of their final aid plans only in the last days before the deadline. Approval was therefore given only on the condition that sufficient further restructuring would be carried out to insure that by the end of 1985 the programmes undertaken would be viable.

On 29 June, 1983 the Commission adopted nine decisions regarding aid to the steel industry, one for each member state (with the exception of Denmark, which had initiated no new aid programme after approval of its plans in 1981). The Commission determined that "In all important cases these plans were sufficient neither to restore the viability of the undertakings concerned by 1986 nor to achieve a general reduction of capacity of sufficient magnitude to enable the industry as a whole to recover the minimal degree of utilization of capacity necessary to make it viable. Consequently, the Commission made its decisions on the aids subject to further restructuring; it gave the Member States until 31 January, 1984, to submit their final plans" 14/.

Authorization of aid was subject to two major conditions: further reduction in net capacity of at least a specified amount had to be carried out, and by the end of 1985 the financial viability of the aided undertaking had to be demonstrated. The minimum additional-capacity reductions required by the Commission are shown in Table III.3 and amount to 8.3 million tons. This means that for the whole period 1980-1985 a capacity reduction of at least 26.7 million tons of hot-rolled products is expected. The Commission states that capacity reduction will probably be even greater than this since many companies will find themselves obliged to carry out further rationalization in order to restore their viability. It is thus expected that the initial target of a 30 to 35 million ton capacity reduction will be achieved in a five year period 15/.

This 20% capacity reduction is expensive. Aid payments authorized by the Commission up to 29 June, 1983 under the first and second aid codes amounted to some 11 billion ECU, of which some 20% were grants and interest relief and some 60% capital and loan participations. The amount of further aid authorized by the Commission on 29 June, 1983 comes to almost double this amount, or 22 billion ECU, of which some 30% are grants, interest relief grants and subsidized loans. The largest financial burden in the first round was incurred by the French and British governments (3.5 and 3 billion ECU, respectively). The final round will see Italy on top with the staggering amount of 8.5 billion ECU, followed at a distance by France (3.9 billion ECU) and West Germany (3.6 billion ECU) 16/.

f) Textiles and clothing

As shown in Table III.4, employment in the textile and clothing industry declined by some three quarters of a million jobs between 1975 and 1982. Perhaps surprisingly, the decline was larger in textiles than in clothing, mainly due to positive development in this latter sector in Italy . Both sectors are faced with sluggish demand growth and strong competition from imports (Table III.5), although part of the problems are directly related to the competitive nature of this industry within the European Community. Productivity gains have also contributed to the loss of employment.

Because of the problems confronted by textile and clothing companies, these sectors are among the most supported in the EC. Trade policies have attracted much attention since the Multi-Fibre Arrangement is at present the most flagrant case of selective protectionism.

As in all sectoral aid programmes, the initiative lies with the member state governments, while the Commission must limit itself to the role of conciliator and mediator among divergent national interests. A problem which affects the Commission in its control function is the overlapping of different support schemes such as regional aid, general investment premiums and the specific aid programmes. It has therefore become standard practice to limit total support from all sources to a given maximum. The extent of the national aid programmes can be illustrated by examination of some recent national aid programmes.

The Belgian scheme met with heavy resistance because of the amounts involved and the uncertain time period. Approval of the scheme was given only under the following conditions:

- the 1983 budget for aid payments had to be limited to 4 billion BFR (approximately 80 million ECU);
- government loans were not to cover more than 50% of the total costs;
- the synthetic fibre industry and the following other sensitive sectors were not to be eligible: worsted yarn spinning, tights, velvet and corduroy, and tufted carpets;
- all planned awards to firms employing more than 150 people in eleven further sectors, which are sensitive or in which Belgian industry is already extremely competitive (by Community standards), should be subject to prior notification. In several cases these notifications led to refusals by the Commission for those parts of the planned awards that amounted to pure replacement investment as being incompatible with the common market 17/.

In 1982, the French government proposed a 2 billion FF (350 million ECU) scheme to support its textile and clothing industry, principally through a reduction of up to 12% in social security contributions 18/. The Commission came to the conclusion that this scheme would violate article 92 of the Rome Treaty since aid was not restricted to sound firms nor limited by a requirement for the firms to undertake restructuring measures to adjust to new market conditions. The Commission disapproved the plan, which led to a conflict with the French government (also in the Court of Justice). The French government decided unilaterally to initiate payments under the scheme, which were stopped only after two negative determinations by the Court of Justice.

In 1983, the Commission approved a revised plan. The main elements of this plan were:

- the total budget for all aid to the textile and clothing industry in 1983/84 (specific, general and regional) was limited to 1.2 billion FF (200 million ECU);
- no alternative aid should be available under other schemes;
- the extent of aid should be limited to 25% of investment costs;
- the maximum rate of relief of social security contributions should be reduced from 12% to 10%;
- aid should be granted only for restructuring investment and to viable enterprises, which could raise at least 50% of the investment costs out of their own resources;
- the synthetic fibre industry and the following aditional sensitive sectors should not be eligible: wool tops, woollen yarn, worsted yarn, and tights;
- all awards to firms employing over 150 people and belonging to one of the following sectors should be subject to prior notification: men's outerwear, brassieres, velvet and corduroy, woven wool fabrics, babies' knitted underwear, and workwear;
- total production capacity in the textile and clothing

industry and its subsectors should be reduced.

Regarding further French aid schemes extending to 1983-1985 which were to be financed through levies, the Commission decided that they were incompatible with the goals of the common market.

The Netherlands government proposed an aid scheme involving, among other forms of aid, grants for up to 20% of the cost of investment in buildings, plant and machinery 19/. The scheme was intended to help firms manufacture new products or higher quality products, or finance investment in research and development facilities. A fund with a budget of 10 million guilders (4 million ECU) was also planned to support joint research and development projects of clothing firms. Finally, the scheme included loans from the National Investment Bank (backed by state guarantees). The budget for grants is 55 million guilders (or 20 million ECU), while loans are expected to require a budget of between 100 and 150 million guilders.

After objections from the Commission, substantial changes were made, including a doubling (to 50%) of the percentage of investment funds that firms must raise themselves , the exclusion of capacity increases, and assurances of nonavailability of other (additional or alternative) aid for the same sector. The Dutch government also agreed to make a series of sensitive sub-sectors (cotton yarn, worsted yarn, tights and synthetic fibres and yarn) ineligible for aid under the programme and committed itself to notifying the Commission in advance of proposed awards to firms employing 150 or more people in the following sectors: cotton fabrics, nightwear, brassieres, velvet and corduroy, and men's outerwear.

From these examples it becomes clear that control by the Commission is tightening. Not only are the amounts of aid programmes being restricted (and approved only in case of sufficient auto-financing by the private companies involved), but there are a number of other restrictions. Sensitive sectors are no longer eligible.

These restrictions may have consequences for the discussions about a possible renewal of the Multi-Fibre Arrangement. One of the stated aims of MFA is to create a breathing space for restructuring programmes. Since these are now well underway, the European Commission may induce a more tolerant attitude in the Community in the coming negotiations regarding the renewal of the MFA. However, it must be noted that many interested parties have been trying to influence the negotiating position of the Community.

g) The Common Agricultural Policy

Through a number of mechanisms, farm incomes in the EC are isolated from the level and fluctuations in world market prices. Support for agrarian incomes is financed through a guarantee fund within the European Development Fund. This fund covers both internal measures such us subsidies for temporary storage, support for producers, intervention measures and levies on producers, and external measures such as export subsidies.

In 1973 the guarantee fund had a budget of approximately 3.9 billion ECU. This budget increased to 16.5 billion ECU for 1984. By far the most important costs are export subsidies (which interfere directly with trade programs of third countries) and support measures for EC farmers. Together these two items account for 80-85% of the guarantee funds budget (see Table III.6).

The EC's agricultural policies have led to vehement reactions from third countries, the US government and producers in particular. For a number of years CAP has been a major source of disagreement between the European Community and the United States in international trade policy meetings, e.g., within GATT.

An important result of the common agricultural policy is the strong increase in the degree of self-sufficiency of the European Community (e.g., in meat, grain and sugar) resulting in a marked decline in imports. Since there is only limited scope for product differentiation of agricultural products intra-industry trade is almost nonexistent. Thus the decline in EC imports of agricultural products has caused a decline in the volume of world trade.

CAP strongly affects Brazil's agricultural export possibilities to the Community itself and to third markets due to the impact of CAP on the volume of world trade and the level and stability of world market prices of agricultural commodities. Due to the strong increase of self-sufficiency rates, imports of products covered by CAP are residual. Internal community prices are very high and isolated from fluctuations in the world markets, while imports are used as an adjustment mechanism. Internal price fluctuations are thus transferred to exporting countries. The application of import restrictions is erratic and unpredictable. The dumping of excess production with strong export subsidies on the world markets is an additional disruptive factor.

h) Main instruments of the EC's agricultural policy

CAP aims at structural improvement of the conditions in European agriculture on the one hand and acceptable levels of income for the agrarian population on the other. Three major instruments were indicated in the Rome Treaty: introduction of market arrangements, price policy and the establishment of a common fund.

From the beginning the main emphasis has been on support for farm incomes, although it was understood that in the long run income policies should be based on sectorial policies of a more structural nature (e.g., improvement in labour productivity, increase in the average size of farms). In practice, however, Community policies have been aimed mainly only at supporting agricultural incomes, while structural measures have been left to national governments.

Two methods can be followed to raise income levels in agriculture: direct income allowances or increases in prices. The second method is favoured in the EC.

Higher internal prices have to be accompained by a set of measures at the borders of the Community. Competition from cheaper foreign suppliers has to be controlled by import levies and exports of surplus production are possible only with a complicated system of export restitutions. Thus CAP rests on two pillars:

- guaranteed prices (based on average production costs in the Community);
- a "price sluice gate" at the border.

This system has led to uniform prices and a common market for the whole community in which market regulations play a crucial role. However, there are large differences in the arrangements concerning specific products:

- in most cases the core of market organization is an intervention arrangement: farmer prices are guaranteed for grain, sugar and dairy products (surpluses can be sold to an intervention agency at fixed prices); somewhat more flexible arrangements (e.g., support for storage only) exist for pork, wine and certain fruits and vegetables;
- for four agricultural products (certain fruits and vegetables, flowers, eggs and poultry) the internal market is protected against external competition, but prices, supply and demand within the Community itself are left to the market mechanism;
- finally, in a few isolated instances, direct support to farmers is given by paying them a fixed amount per hectare or per head of cattle.

The functioning of the internal agricultural market is thus based on import levies (for certain products) and on a number of other mechanisms which permit internal prices to exceed the world market level (see also Table III.7).

A system of levies and restitutions is the major instrument, although nontariff barriers also play an increasingly important role. Levies on agricultural imports have shown a remarkable growth: from 540 million ECU in 1973 to 1.8 billion ECU in 1980. Still, this growth has not been large enough to offset the even larger increase in the expenses for export restitutions. The part of restitutions financed by import levies declined from 46% in 1973 to less than 30% in 1980. In the same period, export restitutions grew from 1.2 billion ECU to 5.4 billion ECU, with 6.6 billion ECU estimated for 1984. Three product groups (grain, dairy products and pork) accounted for 85% of this amount in 1973, but the share of other product categories almost doubled to 29% in 1980. The largest increase can be noted in dairy products, whose share increased from 30% to 50% 20/.

Levies are raised in two ways: internationally negotiable tariffs and levies based on the autonomous common agricultural policy (see Table III.9). Important differences can be observed between nominal and effective tariff protection. Only for typically tropical products such as coffee, cocoa and oils and fats is there no difference, but, for instance, in the dairy sector effective production is multiplied several times by additional variable levies. Furthermore, levies can vary substantially over the years because of their function to compensate for differencies between world market and internal EC prices.

CAP has an important influence on the economic relations of the Community with third countries. In bilateral trade agreements and cooperation agreements with groups of countries (e.g., Mediterranean and ACP countries) trade in agricultural products plays a prominent role. The Community is thus faced with the difficult and often impossible task of reconciling the aims of its trade and development cooperation policies with those of CAP. The failure to do this in a systematic and coherent way has caused a considerable strain on the EC's external relations.

As a result, different suppliers face different EC tariffs for a wide range of agricultural products (see Table III.10 which shows duty rates faced by Brazil). This picture is even more complicated by the provisions of GSP and the existence of nontariff barriers.

Even without additional levies, within the framework of CAP, conventional import duties are still major obstacles to trade. According to an UNCTAD survey of some 50 selected agricultural products, 21 products face average nominal tariff rates of 5% or more in the EC (compared to 25 products in the U.S.), while eleven face rates of more than 10% 21/. These numbers will hardly change as a result of the Tokyo Round negotiations. Nontariff trade barriers (NTB) are much harder to quantify. According to the same UNCTAD study, NTBs are used extensively in France, Japan, the EC and Switzerland and principally affect meat, fish, vegetables, fruit, sugar and cereals. The picture for the European Community is further complicated by the existence of national measures apart from those at the community level. For a total of 75 products, no less than 155 nontariff measures are mentioned by UNCTAD, varying from quotas to minimum price systems and compliance with certain standards (health, sanitary and technical); 63 are Community measures. Of these, one third are discretionary import licensing and one third variable levies (these two measures often are taken together). Another 7 are excise duty charges on import value, while 4 cases of quotas or voluntary export restraints were mentioned (Table III.8). Important differences exist between national and community measures. Variable levies (in the framework of CAP) are only available to the European Commission. On the other hand, restrictive trade practices as a result of the enforcement of certain standards are often practised at the national level. Since it is difficult to trace these types of measures, their numbers are probably underestimated. Many NTBs are applied selectively. No less than 47 of the 63 Community measures do not affect all suppliers. With regard to national measures, this is true in 61 out of 94 cases.

There is a heavy concentration of NTBs in fruit and vegetables: over 40% of the measures (or 69 cases) affect this small sector. Other relatively hard-hit sectors are meat, fish and grain products. Not surprisingly, only in sectors which do not compete with EC production, such as spices and raw materials (e.g. cotton), are these measures more or less absent.

i) The future of CAP

It can be concluded that the European Community possesses an impressive array of instruments to control international trade in agricultural products. In no other economic sector in the Community are internal and external policy measures so closely linked. CAP has had a tremendous influence on the EC's net trade position. The average yearly growth rate of production (1.5 to 2%) has exceeded that of consumption (0.5%) during the last two decades. The consequences of this are far-reaching, not only in trade but also in financial terms. During the last decade, agriculture claimed some 65-75% of the Community's budget. This did not create too many problems in the past since the funds earmarked for the Community (mainly a fixed share in the value added tax of the member states) were more than sufficient to provide the necessary funds for other priority areas (mainly regional and social policies). This is no longer the case, however. In 1983/84 the Community reached a crisis situation which could be solved only by a drastic increase in the Community's share national taxes and by a number of changes in its agricultural policies.

Agriculture needs to be ruled more by market forces under which it will be necessary to produce at more competitive prices. This means that the almost unlimited price guarantees for a number of products will have to be reduced or eliminated when insufficient sales possibilities exist. According to the Comission these stricter internal policies will have to be supplemented by a trade policy based on three elements:

- international cooperation with the most important exporting countries in order to prevent erosion of world market prices;
- the development of community export promotion measures on a sound economic basis;
- the exercise of the international rights of the Community, particularly within GATT, to revise practices concerning the protection of its external borders in those cases where the Community takes steps to reduce its own production.

These principles have led to a review of all those agricultural sectors which have a share of more than 2% in the expenditure of the guarantee fund. Nine product groups fulfill this criterion: dairy products, grains, beef, mutton, fruits and vegetables, oil seeds, olive oil, tobacco and wine. Important measures have already been adopted in the dairy sector.

Measures with regard to other sectors are less drastic, although a general cut in prices has been proposed. In the fruit sector, support for the processing of fruit juices will be reduced. This is particularly the case for orange juice where the support scheme has led to a situation in which even high quality fruit is processed to orange juice.

What will be the consequences of these changes for trade with developing countries in general, and with Brazil in particular? There will be increased pressure to reduce the significance of CAP in EC policy making. Such a reducion would not automatically lead to an increase in trade flows, however. Common market prices will remain considerably higher than world market prices, and import restrictions and subsidies will have to be maintained, but European farmers will have to pay a larger share of the price of this protection. Furthermore, it is clear that additional barriers are used to an increasing degree, leading to a further reduction in transparency and negotiability of international trade practices.

j) <u>The role of pressure groups</u>

1. The position, organization and influence of European interest groups

The main problem in trying to assess the extent to which European interest groups influence EC policies lies in the difficulty of establishing a direct relationship between the viewpoints of the various interest groups and the preparation and implementation of EC policies.

A major factor is the complex nature of the decision making process within the EC. Not only do the various community institutions contribute to the complex process of decision making, but individual member states also have an important voice in the decision making process.

In fact, supranational authority exists in only a few sectors. For most policy issues, decision making power stall rests with individual member states.

At the Community level, various institutions play a part in the decision making process: principally the Commission, the Council of Ministers, the European Parliament, the Economic and Social Committee (ESC) and the Court of Justice.

The Commission can be called the executive committee of the EC and the defender of Community interests. The Council of

Ministers, however, is the highest decision making body. Its members are the ministers of the member states of the area in question (e.g., finance, foreign affairs, agriculture). At present the European Parliament mainly has an advisory role. The Court of Justice interprets the law on the basis of cases brought before it. The Court, therefore, is not open to lobbying.

The Economic and Social Committee is the main institution representing socioeconomic interests at the Community level, although it does not have the same official status as the other bodies. At present, the complex division of jurisdiction between the EC as a supranational authority and the various member states and the important role of the Council results in a bias to make important decisions at a (joint) national level rather than at the Community level. This implies that, in practice there is not just one centre where discussions take place. Instead, the competence of the various institutions of the EC and the individual member states varies according to the issue. As a result, decision making powers rest with a continuously changing group.

However, it is not only the complex nature of the decision making process in the EC which makes the direct influence of interest groups on policies difficult to assess. The structure and organization of European interest groups make it difficult to find out which bodies hold the most important positions in influencing policies. Interest groups are active at various levels. First, there are the national interest groups, which tend to influence not only national policies but also seek, through national institutions, to influence EC policies. Secondly, there are "intermediary" interest groups which represent single industries. Lastly, there are central interest groups (usually referred to as umbrella organizations), which are active at the Community level. Interest groups try to exert influence at all levels of the decision making process, which corresponds with the complex nature of the decision making process within the EC. National interest groups still hold the dominant position in representing interests at all levels. Or, as Kirchner puts it, "Evidence from our study supports the view of most writers on European interest groups that these have neither the solidity nor the effectiveness of professional representation on the national level... in spite of a certain shift, the principal and original powers remain in the national units and groups" 22/.

In Kirchner's view, European interest groups are basically of a confederal type, representing either a group of similar interests from several countries or a combination of national and European industry committee groups 23/.

He also points out that "the European interest groups have access to the initiator of Community Policy (the Commission) but only indirectly to the decision making body (the Council of Ministers) which deals preferably with the affiliates of European interest groups" 24/.

A third reason why it is difficult to establish direct links between interest groups and outcomes is the coexistence of formal and informal contacts among the various institutions and interest groups.

It appears that an extensive network of informal contacts has been developed through periodic meetings organized by the Commission and by frequent encounters (visits, telephone calls, etc.) with the staff 25/. The importance of informal relations is confirmed by the Economic and Social Committee itself: "relations between the European interest groups and the Commission and the Council of Ministers are both formal and informal, with a greater emphasis on the latter" 26/.

Through informal contacts, policies can be influenced at early stages of preparation, but such links are obviously less visible than formal opinions and documents presented via formalized consultation mechanisms. As Richard Hill has stated in an interview, "in Brussels you start from several different and quite pleasing realities--namely that Commission officials are eminently approachable. They cover an enormous waterfront with a relatively limited staff. That means they cannot be experts on all subject. So they welcome input from outside. You can lobby as part of the completely open process of informing the people concerned on how the other side sees things" 27/.

In the same article Paul Bahr states: "People from all levels in the EEC, some very high up, ring me and say the Commission has asked me to do a paper on this subject but I don't know the field. Could you tell me who could give me some more information?". In those cases it is obvious that policy formulation on a given issue can be influenced from the very start, and persons well informed on certain subjects will often be the ones professionally involved in those issues. Informal lobbying should therefore not be underestimated, as the number of lobbyists indicates. Mr. Venables of the European Bureau of Consumer's Associations (BEUC) states in the article cited above that there are between 2000 and 3000 lobbyists in Brussels, 90% of them representing business interests 28/.

k) The central interest groups

Bearing in mind the above observations it can be expected that the opinions held by an umbrella organization will reflect the common viewpoint of its affiliates. This is particularly so since for most of the central organizations "the decision making process is ruled by unanimity". Conversely, the more the viewpoints within national organizations diverge the more difficult it becomes to present a common viewpoint which then automatically weakens their lobbying power.

In addition to the national organizations, some 400 intermediary interest groups are active, most of them directly or indirectly represented by central or umbrella organizations which operate at the Community level. A study by the ESC secretariat selected 22 central interest groups 29/:

1) Banking Federation of the European Community (BFEC);
2) Union of Industries of the European Community (UNICE);
3) European Centre for Public Enterprises;
4) Committee of Commercial Organizations of the EEC (COCCEE) (dissolved 7 December 1978);
5) Permanent Conference of Chamber of Commerce and Industry of the EEC;
6) Liaison Committee of Professional Road Transport Communities (LC/IRU);
7) European Insurance Committee (CEA);
8) The European Trade Union Confederation (ETUC)
9) Committee of Professional Agricultural Organizations in the European Communities (COPA);
10) General Committee for Agricultural Cooperation in the European Economic Community (COGECA);
11) Union of Craft Industries and Trades of the EEC (UACEE);
12) International Federation of Small and Medium Sized Commercial Enterprises (FIPMEC);
13) European Committee of Small and Medium Sized Industries (EUROPMI);
14) European Secretariat of the Liberal, Intellectual and Social Professions (SEPLIS);
15) Savings Bank Group of the EEC (GCECEE);
16) Association of Cooperative Savings and Credit Institutions of the EEC;
17) International Confederation of Executive Staffs (CIC);
18) International Organization of National and International Public Service Unions (CIF);
19) European Bureau of Consumers Association (BEUC);
20) European Community of Consumers' Cooperatives (EUROCOOP);
21) Committee of Family Organizations in the European Communities (COFACE);
22) European Environmental Bureau (EEB).

The focal point of the central interest groups (for formal representation) is the Economic and Social Committee. The ESC is "the Community organ in which interest representation at the European Community level is most fully institutionalized" 30/ and which "considers itself to be the body which is normally consulted by the Council and the Commission and the body which plays a general advisory role" 31/. According to the Treaty of Rome the ESC "shall consist of representatives of the various categories of economic and social activity" and "take account of the need to ensure adequate representation of the various categories of economic and social activity" (article 195 (2), first paragraph).

The ESC members are appointed on the basis of their personal capacity by the Council for a term of four years following proposals from the member states 32/. Members are not expected to be formally bound by instructions from the organizations to which they belong, but in practice their appointment is usually based on their positions within an interest group. The total number of members is 156 divided among three broad categories. Groups I consists of employers, group II of employees and group III of various interest groups.

Since members are appointed by their national governments the central organizations are not represented directly but indirectly. This weakens the position of the central interest groups vis-a-vis their national affiliates.

The assessment of the power of the various interest groups must be based primarily on indirect indicators. According to Kirchner, only four the central organizations are really well organized and developed: UNICE (industries), COPA (farmers), ETUC (trade-unions) and GCECEE (saving banks) 33/.

The study by the General Secretariat of the ESC using a number of indicators (budget, personnel, etc.) confirms this conclusion 34/.

COPA in particular appears to be a well developed and integrated lobby, which is not surprising, since the Common Agricultural Policy is one of the few areas where decisions are made at the Community level.

Since COPA is one of the few interest groups which practice majority voting, one can conclude that this particular interest group is indeed the spokesman of the European farmers.

It is obvious that the extent to which there is an established Community Policy in a certain sector is decisive for the level of development and integration of European interest groups.

The central interest groups are also directly involved via another consultative channel.

Another study by the General Secretariat of the ESC included a survey "to illustrate the ways in which economic and social interest groups put forward their points of view within the Community through the intermediary of consultative bodies <u>other than</u> the ESC" 35/. Some 50 advisory committees have been set up by the commission. "The guiding principle behind this consultation is that all interest groups... which have Community umbrella organizations and are directly affected by a Community regulation must have the opportunity to be involved in its implementation" 36/.

"The members are normally appointed by the Commission acting on a proposal from the trade and professional associations and workers' organizations organized at Community level..." 37/.

The main difference from the membership of ESC, therefore, is the appointing body (Council, Commission) and the preference for choosing from either national or central interest groups.

At the Community level the main interest groups are therefore active in three ways: via ESC; via the advisory committees and lastly, but certainly not to be underestimated, via informal contacts.

1) Viewpoints of the main interest groups on trade relations with developing countries

Since the ESC is the focal point for representation of interest groups at the Community level, its "opinions" can be considered to be the distillation of the different opinions of the interest groups. In general, therefore, ESC opinions have the character of compromises and present a general consensus on the issues involved.

Various documents have recently been published on trade relations with developing countries, concerning future relations wich ACP and non ACP countries, the GSP scheme and the Community's development policy in general.

In these documents a basic point of departure for determining future trade relations with developing countries is the notion that the world economy has become highly interdependent and that protectionist policies should be avoided. "It is also clear that the high degree of interdependence which the world economy has reached implies that any temptation towards solving the crisis through protectionist policies will not succeed; on the contrary, a reassessment of development policy must be seen in the context of an analysis of the world economy such as that put forward by the Brandt Commission" 38/.

In general, therefore, protectionism should be avoided, and not only on moral grounds. "The industrialized countries have pursued very restrictive policies. This also affects the North. Some 25% of the Community's exports go to the developing countries. In the United States one job in six in industry is dependent on exports to the developing world. The industrialized countries not only have a moral duty to help the developing countries, but it is also in their own interest to do so" 39/.

However, despite the general rejection of protectionism, this does not automatically lead to better access to EC markets for all developing countries. On the contrary, by differentiating trade policies vis-a-vis the various categories of developing countries, the EC makes further import penetration from the middle-income countries (in general the countries which have been most successful in export development) difficult because of their inherent threat to EC industries.

ESC supports this EC policy of hierarchical differentiation among developing countries. "The section agrees to apply a differentiation among various groups of developing countries on the basis of their economic development with the purpose of establishing a differentiation in trade regimes" 40/.

For that matter, "LDCs should be classified on the basis of their level of economic development and the trade arrangements with them varied accordingly (e.g., greater reciprocity in agreements with the relatively advanced countries)" 41/.

Not all of the 22 umbrella organizations have a clear viewpoint on future trade relations with developing countries. For most interest groups this is not considered a priority issue at all. Those with a clear interest in trade policy are the farmers' organizations, industry, workers' groups, traders and consumer organizations and trade.

A clear position against protectionism is taken by the consumers' organizations. Their main arguments are based on the disadvantages of import restrictions to the consumer. As they argue in a document on the Multi-fibre Arrangement, a restriction on imports will, in general, result in higher prices for the consumer and lead to a limitation in the choice of goods available 42/. They argue further that the poorer segments of society are especially hit by restrictions on cheaper products, and that exports are also hurt by creating limitations on the import capacity of affected developing countries.

They also point out the consequences to the consumer of the EC's Common Agricultural Policy: "The excessive burden of the CAP on taxpayers, which approaches 70% of the EEC budget and an annual cost of 125 pounds for a family of four will increase" as a result of proposed increases in farm prices 43/. They strongly oppose the artificially high prices the consumer must pay. (In 1980, EC sugar and butter prices were twice as high as world market prices; EC support prices for wheat were about 30% higher than in the U.S).

In the EC, overproduction in various food items results not in lower prices but in an extra burden for the consumer. In addition, export possibilities of developing countries are frustrated by the EC's subsidized exports of food surplusses.

Farmers' organizations are of course strong supporters of CAP. Less restrictions on imports and lower support prices go directly against their interests, and proposals for lower support prices have already led to strong protests. They favour protectionist policies in agriculture such as striving "to maintain and improve existing market regulations in agriculture" and "to extend existing market regulations to products like sheep and potatoes" 44/.

For industrial products, employers' organizations and workers' unions are the main parties involved.

Within the employers' organization there are different views on liberal versus protectionist policies 45/. Industries which compete with imports stand to gain from import restrictions, while others favour a more open trading system.

Within trading circles wide differences of interests prevent the formulation of a common standpoint. In fact, due to these problems, their umbrella organization was dissolved in 1978.

Trade unions also find themselves in a difficult position. On the one hand they favour aid programmes for developing countries, but on the other hand they feel that increased import penetration of low priced products from developing countries causes unemployment among their members. Thus they emphasize an inward-oriented development model for developing countries. The formulation differs slightly among several documents, but can be summarized as follows: developing countries should strive for self-reliant, inward-looking development, through a basic needs approach, instead of concentrating too much on exports to rich countries 46/.

In many cases they join the side of the employers and support protectionist policies, as they did in the case of the Multi-fibre Arrangement. Especially when cheap imports from developing countries are threathening particular industries, and therefore jobs, employers and employees join sides in seeking protectionist measures, preferably via their national governments. It is obvious that governments find it difficult to oppose such joint efforts. Thus the balance seems to favour keeping the restrictions as they are or extending them in particular cases. With employers active when they face strong import competition at a sectoral level, with trade unions strongly in favour of protecting employment and with farmers strongly dependent on maintaining import restrictions, there are influential forces against a more open trading system. Other interest groups like the consumers may voice a different opinion but they are less influential and powerful. Thus a profound change in the balance of power among the different interest groups (in particular a strengthening of the position of Europe's consumers and its export industries) may be necessary to create a shift towards a more liberal trade policy.

Table III.1

EC: TRENDS OF CONCENTRATION IN MANUFACTURING INDUSTRY
PERCENTAGE SHARE OF LARGEST FIRMS IN TURNOVER AND EMPLOYMENT a/

Year	Share in total turnover (%) b/				Share in total employment (%)			
	largest 10	largest 20	largest 40	largest 280	largest 10	largest 20	largest 40	largest 280
1972	6.3	10.3	15.6	31.0				
1973	6.7	10.9	16.4	31.6				
1974	7.3	11.9	17.5	32.6				
1975	7.3	11.7	17.3	32.8	8.1	13.1	19.4	36.7
1976	8.5	13.2	19.4	36.2	8.5	14.1	20.6	36.9
1977	8.3	13.0	18.7	35.2	8.9	13.6	19.1	36.1
1978	8.0	12.4	17.9	33.5	9.1	14.1	20.1	37.0
1979	8.1	12.7	18.5	34.6	9.4	14.5	20.8	38.4
1980	8.3	13.1	18.7	35.8	9.4	14.2	20.4	37.5
1981	8.7	13.6	19.2	36.6	9.6	14.4	20.4	38.1

Source: Commission of the European Communities. Thirteenth Report on Competition Policy. Brussels, 1984. p. 197.

a/ EC(10), NACE 2/4

b/ Total turnover figures for industry based on estimates of the Commission of the EC

Table III.2

POSITION TAKEN BY THE EUROPEAN COMMISSION CONCERNING STATE AID a/
1970-83

Year	Total	Approved b/	Procedure under art. 93(2) or art 8(3) of Dec. 2320/81 ECSC c/	Formal negative decisions published in the OJ
1970	21	15	6	1
1971	18	11	7	3
1972	35	25	11	3
1973	22	15	7	4
1974	35	20	15	--
1975	45	29	16	2
1976	47	33	14	2
1977	112	99	13	1
1978	137	118	19	--
1979	133	79	54	3
1980	105	72	33	2
1981	141 d/	79	62	14
1982	233 e/	104	129	13
1983	174 f/	101	73	21 g/

Source: Commission of the European Communities: Thirteenth Report on Competition Policy; Brussels, 1984, p.143.

a/ Excludes agricultural aid. The comparable figures for agricultural aid in 1983 are: Notified-101; No objections-69; Procedures under Article 93-2 18; Procedures under Article 169-0; Negative decisions-0; Notifications on which decisions pending-13; Also excludes transport aid.

b/ In some cases subject to conditions and/or modifications of the aid scheme originally notified.

c/ Completed proceedings. These procedures may have resulted in acceptance of the original proposal, acceptance of a modified proposal, or withdrawal of the proposal by the Member State after it became clear that the state aid in question was incompatible with the common market.

d/ Of which 23 were steel aid.

e/ Of which 95 were steel aid.

f/ Of which 27 were steel aid.

g/ Of which 9 were steel aid.

Table III.3

EC(9): CAPACITY REDUCTION IN THE STEEL INDUSTRY. 1980-85

	Production capacity in 1980		Net reductions made since 1980 and commitments by member states	Futher net reductions required in Commission decisions of 29-6-1983	Total net reductions 1980-85	
	1000 tons	%	1000 tons	1000 tons	1000 tons	% a)
Belgium	16 028	9.5	1 705	1 400	3 105	19.4
Denmark	941	0.6	66	--	66	7.0
FR Germany	53 117	31.6	4 810	1 200 b)	6 010 b)	11.3
France	26 869	15.9	4 681	630	5 311	19.7
Ireland	(57) c)	--				
Italy	36 294	21.5	2 374	3.460	5 834	16.1
Luxembourg	5 215	3.3	550	410	960	18.4
Netherlands	7 297	4.3	250	700	950	13.0
United Kingdom	22 840	13.5	4 000	500	4 500	19.7
EUR 9	168 601	100.0	18 436	8.300	26 736	15.9

Source: Commission of the European Communities: Thirteenth Report on Competition Policy. Brussels. 1984. p.155.

a) Percentage of 1980 production capacity.

b) Without taking into account the particular case of one company.

c) The information on which the Commission based its decision is not sufficient to provide precise figures.

Table III.4

EC: EMPLOYMENT IN THE TEXTILE, CLOTHING AND FOOTWEAR INDUSTRY

(thousands)

	1975	1980	1981	1982
EC	1984.9	1632.9	1532.8	1459.5
Germany	396.7	335.8	319.0	290.1
United Kingdom	485.6	395.4	336.4	317.3
Belgium	96.6	67.6	65.0	61.8
France	365.3	292.1	n/a	n/a
Italy	554.3	475.5	479.6	476.5
Netherlands	55.5	32.9	29.2	26.4
EC	1909.2	1766.3	1655.4	1583.9
Germany	395.8	356.9	341.2	312.4
United Kingdom	459.8	411.5	358.1	338.6
Belgium	86.5	54.1	49.8	47.3
France	367.3	320.5	296.5	282.6
Italy	517.6	552.2	547.1	543.2
Netherlands	42.4	30.3	26.4	23.5

Source: NIMEXE

Table III.5

EC: IMPORTS OF TEXTILES AND CLOTHING BY COUNTRIES OF ORIGIN

	1980	1983
Textiles (SITC 65)		
World	16.806	20.831
Intra-EC	10.439	13.462
Developed market economies	3.507	4.137
Centrally planned economies	548	744
Developing countries	2.258	2.416
Clothing (SITC 84)		
World	14.543	18.335
Intra-EC	6.751	9.036
Developed market economies	2.766	2.913
Centrally planned economies	897	1.149
Developing countries	4.116	5.222

Source: NIMEXE

Table III.6

EXPENDITURE OF THE EUROPEAN GUARANTEE FUND

Year	Total	Export restitutions	storage	support	other	income a/
			Million ECU			
1979	10.441	4.982	1.658	3.779	116	-94
1980	11.315	5.695	1.617	3.928	298	-223
1981	11.141	5.209	1.631	4.343	436	-478
1982	12.406	5.054	1.818	5.468	603	-537
1983 b/	14.087	6.388	1.874	5.941	468	-584
1984 c/	16.006	6.083	2.862	6.971	609	-519
			Percentage breakdown			
1979	100	47.7	15.9	36.2	1.1	-0.9
1980	100	50.4	14.3	34.7	2.6	-2.0
1981	100	46.8	14.6	39.0	3.9	-4.3
1982	100	40.7	14.6	44.1	4.9	-4.3
1983	100	45.3	13.3	42.2	3.3	-4.1
1984	100	39.9	19.1	41.2	3.1	-3.3

Source: Bulletin of the EC. Supplement 4/83.

a/ Special tax on milk products (of opposite sign).
b/ Revised budget.
c/ Draft budget.

Table III.7

EC: MARKET REGULATION SCHEMES 1982

	basic regulation	target price	threshold	sluice gate price	import levy	suple- mentary levy	import duty	market inter- vention	export refund	quota	quality standards
Grains and grain products	2727/75	X a/	X b/		X			X	X	X	X
Rice and preparations	1418/76	X c/	X		X			X			X
Sugar and iso glucose	1785/81	X b/	X		X			X	X	X	
Oil seeds/olive oil	136/66	X e/						X	X		
Oils and fats	1562/78	X d/	X		X			X			X
Wine	337/79			X f/a/			X		X		X g/
Pigs/pork	121/67			X b/	X		X	X	X		X
Beef/veal	805/68			X f/	X	X	X	X	X		
Poultry/eggs	122-123/67			X	X		X k/		X		
Milk/dairy products	804/68	X h/	X i/		X			X	X		
Mutton	1837/80			X a/b/	X		X	X g/	X	X j/	

Source:

a/ Reference price.
b/ Basic price.
c/ In France and Italy.
d/ Representative market price.
e/ Subsidy per ton.
f/ Guide price.
g/ Private storage aid.
h/ For raw milk only.
i/ Aid to be granted for skimmed milk and skimmed milk powder produced in the EC and used as animal feed or processed into casein.
j/ "Voluntary" quota from exporting country.
k/ Deepfrozen poultry.

Table III.8

NONTARIFF MEASURES AFFECTING AGRICULTURAL IMPORTS INTO THE EC

	Total	Communty level	National level
Total	157	63	94
Quotas	24	4	20
Import Licensing	47	21	26
Standards (health, sanitary, technical)	-	-	-
Surveillance licensing	8	5	3
Minimum price system	8	3	5
Variable levies	23	23	-
Fixed fiscal charges	23	7	16

Source: Calculations based on UNCTAD. Ibid.. p18-21.

Table III.9

EC: NOMINAL AND EFFECTIVE RATES OF PROTECTION FOR SELECTED PROCESSED AGRICULTURAL PRODUCTS, 1976

Product name	Tariff rate nominal	Tariff rate effective	Effective protection	Difference
Meat products	19.5	36.6	165.0	128.4
Preserved seafood	21.5	52.6	52.6	0
Preserved fruit and vegetables	20.5	44.9	74.7	29.8
Dairy products				
Cheese	23.0	58.8	276.0	217.2
Butter	21.0	76.5	1327.7	1251.2
Condensed and evaporated milk	21.3	44.3	334.4	290.1
Grain and grain products				
Corn milling	12.0	21.8	82.1	60.3
Rice milling	16.0	70.3	105.9	35.6
Prepared foods	5.6	0.0	-50.0	-50.0
Flour and cereal prep.	20.1	48.9	94.7	45.8
Bakery products	12.0	0.9	0.0	-0.9
Prepared and processed food				
Pickles and dressings	20.1	25.9	25.9	0
Roasted coffee	15.2	35.7	35.7	0
Cocoa powder and butter	13.6	76.0	76.0	0
Miscell. food products	12.0	6.7	6.7	0
Vegetable oils				
Unweighted average for:				
coconut oil	11.5	132.9	132.9	0
cottonseed oil	11.0	79.0	79.0	0
groundnut oil	11.3	139.7	139.7	0
soy bean oil	11.0	148.1	148.1	0
rapeseed oil	9.0	57.2	57.2	0
palm kernel oil	10.5	141.5	141.5	0

Source: UNCTAD (1978) and UNIDO (1981).

Table III.10

EC: TARIFFS LEVIED ON AGRICULTURAL PRODUCTS APPLICABLE TO IMPORTS FROM BRAZIL. 1980

Productgroup	custom tariff autonomous	custom tariff convential	GSP
oil seeds	free	free	free
recin oil			
15.07.15	free	free	free
15.07.17	8	8	6
groundnut oil	5	-	2.5
meat preparations	21	17	17
sugar melasse	part of EC sugar policy		
cocoa beans	5.4	3.0	3.0
cocoa butter	22	12	8.0
fruit preparations	21.0 a/	19.0	18.0
soluble coffee	30.0	18.0	9.0
coffee essence	-	-	9.0
food preparations	20.8	13.0	4.0
soy animal feed	free	free	free
tobacco	7.0	5.0	5.0

Source: Practische Gids. EEC/GSP 1980.

a/ Including levies on sugar component.

Notes

1/ Commission of the European Communities. Thirteenth Report on Competition Policiy. Brussels. 1984. P.69.

2/ Commission of the European Communities. Sixteenth General Report on the Activities of the European Communities. 1982. p. 104.

3/ Ibid. p. 104.

4/ Ibid. p. 104.

5/ For a description of industrial policy in the EC see: USITC. "Foreign Industrial Targeting and its Effects on U.S. Industries. Phase II: The European Community and Member States". Washington DC. April, 1984. (USITC Publication 1517)

6/ USITC Op. cit. p. 30.

7/ Commission of the European Communities. Sixteenth General Report 1982. p. 61.

8/ Ibid. p. 61-63.

9/ Commission of the European Communities. Sixteenth General Report 1982. point 102.

10/ Ibid. point 116

11/ Ibid. point 115

12/ USITC Op. cit. p. 33.

13/ Commissie van de Europese Gemeenschappen. Europese staalpolitiek. Een politiek tot gezondmaking van de staalindustrie. Notities over Europa. 2/85. Januarie 1985. p.3-6.

14/ Commission of the European Communities. Seventeenth General Report 1983.

15/ Thirteeth Report on Competition Policy. P.152

16/ Ibid, P.156-157

17/ Ibid, P.156-157

18/ Ibid, P.163-164. See also: SITC. Foreign Industrial Targeting and its Effects on U.S. Industries. Phase II: The European Community and Member States. p. 150.

19/ Ibid, P.165-166

20/ Commission of the European Communities. The agricultural situation in the Community. Various years.

21/ UNCTAD. "Liberalization of barriers to trade in primary and processed commodities". Geneva, 1983.

22/ Kirchner, The Role of interest groups in the European Community. Hampshire, 1981.

23/ Kirchner, p.2

24/ Kirchner, p.1

25/ Kirchner, p.9

26/ General Secretariat of the ESC, European intrerest groups and their relationships with the ESC. 1980, p.6

27/ See: "Lobbying in the corridors of Europe"; International Management. June 1982. Richard Hill is director of a Brussels' communications consultancy.

28/ Venables. Cited in article mentioned in footnote 27.

29/ General Secretariat of the ESC, "European interest groups and their relationships with the ESC". 1980. p. 2

30/ Ibid. p.4.

31/ Kirchner, p. 149.

32/ Kirchner, Chapter 4

33/ Kirchner, p. 25

34/ General Secretariat of the ESC, "Community Advisory Committees for the representation of socio-economic interests", 1980. P.1

35/ Ibid.

36/ Ibid. p.6

37/ Ibid. p.7

38/ Commission of the European Communities, "Memorandum on the Community's Development Policy". (Com(82) 640 final), 19 October, 1983, p.1

39/ Ibid. p.8

40/ Ibid. p.19

41/ Commission of the European Community's, "Opinion of the ESC on the Memorandum on the Community's Development Policy". (Com(82) 649 final). 26 October 1983, p.8

42/ "The European Community, the consumer and the Multi-Fibre Arrangement"; BEUC 91.81 rev.1.

43/ "BEUC's comments on the 1983/84 farmprice proposals"; ref:16283. 4 February 1983, p.2

44/ General Secretariat of the ESC, "European interest groups and their relationships with the Economic and Social Committee". 1980, p.206.

45/ Ibid. p.45.

46/ See for instance: "Perspectives for the eighties". ESC advice. 1981, p.44 (translated from Dutch).

IV - SELECTIVE PROTECTIONISM IN THE EUROPEAN COMMUNITY

a) Toward a community policy

The decision of the contracting parties of the Treaty of Rome (1958) to create a customs union rather than a free trade area made it necessary to establish a common (external) customs tariff (CCT). For the next step --the creation of a common market-- it was necessary to establish a common commercial policy (CCP) including the harmonization of regulations concerning imports from third countries.

Article 113 of the Treaty provides the basis for CCP. Its wording is far from unambiguous, however. As a result, differences of opinion exist regarding both the coverage of CCP and the allocation of powers between the Community and member states.

According to the Commission of the European Communities, article 113 is not limited to the exchange of goods, but also includes services. A number of bilateral agreements (e.g., with Brazil, Mexico, Argentina and Uruguay) include provisions which deal with services. No further action, however, has been taken by the Community to regulate the exchange of services with third countries. With regard to some sectors, particularly agriculture and transport to a lesser extent, Community level policies provide a framework for international trade policy.

Formally, the Community has had sole power in commercial policy since the end of the transitional period (which terminated on 31 December, 1969). At that date, however, CCP was not fully established and the process according to which the Community was supposed to take over responsibility from the member states had still not been terminated. Especially with regard to those products which are particularly sensitive for some member states, policies for the most part remain national and thus divergent (e.g., with respect to the imports of cars from Japan). In accordance with article 113, the Community must authorize national measures in the area of commercial policy. This is especially relevant when national interests of member states are too divergent to establish uniform Community rules. Some third countries, like the members of the Council of Mutual Economic Assistance (CMEA), are unwilling to enter into formal agreements with the European Community as a unit, and trade relations with these countries are covered principally by national agreements.

b) Basic instruments

A series of instruments are available at the Community level to protect Community industry against foreign competition, principally import duties, quantitative restrictions, surveillance, anti-dumping and countervailing duties. There is no common industrial policy to facilitate adjustment to changes in the international division of labour as an alternative to import restrictions. At the Community level only commercial measures can be used.

The common customs tariff is the backbone of the EC's commercial policy. CCT is based on regulation No. 950/68 adopted in 1968. Article 72 of the ECSC Treaty contains a separate customs regime applicable to coal and steel products. Two types of duties can be distinguished in CCT: autonomous and conventional. Tariff negotiations are based on the former but conventional duties, which are actually levied, are normally lower. Duties are usually expressed in ad valorem terms, but a number of agricultural products also face variable levies and components within the framework of the Common Agricultural Policy. Although the EC has not negotiated most favoured nation status with all countries, conventional duties are used in trade with all third countries. A great number of countries have preferential status, such as the beneficiary countries of the EC's Generalized System of Preferences (GSP) program. Preferential treatment is also granted under a Free Trade Agreement with the European Free Trade Association (EFTA) and on the basis of association and cooperation agreements, for instance, with the Mediterranean and Lome countries. The result of this differential treatment of countries is a well established trade preference hierarchy at EC level (see Table IV.1).

There have been some changes in this hierarchy of preferential systems during the seventies, but the ranking of GSP beneficiaries --always near the bottom-- has not improved. Developing countries with only GSP status enjoy priviliged status vis-a-vis only two groups of countries: non-European developed market economies and state trading economies. As a rule no national tariffs remain (this picture is only slightly blurred by national quotas set within the GSP).

The EC has two main criteria for grantingg preferences: geo-political motives and the per capita income level in the recipient countries 1/. The former dominates in granting preferences within Europe (EFTA and future EC members) and in the Mediterranean (Israel, Maghreb and Mashraq countries).

c) Selective tariff protection

As a result of the Tokyo Round of negotiations the role of tariffs as a barrier to international trade has been further reduced. In an UNCTAD study, around 1980 the lowest actual import duties were found in the European Community 2/. The trade-weighted actual tariff rate for worldwide EC imports was 2.9%. The corresponding figure for the United States was 4.3% and for Japan 7.0%. Exports from developing countries faced an actual rate in the EC of 1.0%, compared to 3% in the U.S. and 4.2% in Japan. These rates take into account the arrangements which grant tariff preferences to various groups of countries. Most important for the EC are its agreements with EFTA, the Lome countries, most Mediterranean countries, and the Generalized System of Preferences.

As a result of these agreements there are large variations in average tariff protection vis-a-vis different groups of countries. According to a GATT study, in 1980 only 14% of the value of nonoil imports into the EC from Third World countries received MFN treatment (Table IV.2) 3/. Tariff preferences were granted on more than 50% of these imports, while one third received zero bound MFN rates.

For the two groups of developing countries --according to tariff treatment-- a striking difference exist with regard to agricultural products. More than 40% of agricultural imports into the EC from developing countries with only GSP status receive MFN treatment (positive rates or 0% unbound), while for ACP countries this share is less than 3% (Table IV.2). With regard to industrial products this difference does not exist; perhaps surprisingly, the share of EC imports of industrial products receiving MFN treatment is slightly higher for ACP countries.

Although the EC has an extensive system of preferences for developing countries, the resulting competitive advantage, vis-a-vis industrialized countries, remains rather small. This is mainly a result of high tariff protection still faced by some of the most important industrial export products of developing countries, principally textiles and clothing.

This points to a conclusion drawn by UNCTAD that aggregate figures hide an important aspect of reality: "while... in global terms, trade-weighted actual tariffs are low for a large part of world trade, the results none the less highlight the fact that, for a wide range of products, including a number of particular interest to exporting developing countries, tariff rates remain quite high" 4/.

d) <u>The Generalized System of Preferences (GSP)</u>

When the EC GSP program was introduced in 1971, its stated objective was the promotion of industrialization in developing countries 5/. This was not the only reason for the relative ommission of agriculture; the wish to protect domestic farmers also played an important role. Concentration on industrial products alone would have left out many of the least developed countries, so agricultural products were included. However, their treatment has consistently been less favourable than that of industrial products:

i) product coverage: there is a "negative" list of excluded industrial products, but only a "positive" list of included agricultural products;

ii) duties for agricultural products remain positive in most cases;

iii) products remain subject to the possible application of a safeguard clause (however, since the system was launched, these clauses have never been implemented).

Since the introduction of GSP there have been several improvements with regard to agricultural products: the number of products has increased rapidly and the preference margins have been deepened. As a result agriculture now makes up one quarter of the total GSP offer (against only 4% in 1972). Initially, the EC scheme covered only some 150 agricultural items compared to some 340 items in 1984. There have been no negative modifications for agricultural products (e.g., product withdrawals or increase in GSP rates) in the period 1981-1984.

Because so many agricultural products are excluded from the preference system, the number of sensitive products is much smaller than for industrial products. Preferential limits exist for only six agricultural products by way of a special quota or ceiling arrangements. These products are:

- raw and unmanufactured tobacco;
- cocoa butter;
- soluble coffee;
- preserved pineapple (of two types).

For tobacco the situation is complicated. It is even possible that use of GSP leads to a higher tariff than would the normal CCT. This can be explained by the sensitivity of this product within Community policy making. In fact, for a long time there have been doubts as to whether this product would be included at all. Use of the preference is intensive. Normally ceilings are surpassed and quotas fully utilized. Finally, it should be noted that the least-developed countries (e.g., Malawi) enjoy complete duty-free access under other preferential agreements.

For cocoa butter and soluble coffee, determination of the tariff quota falls under a trade agreement concluded between Brazil and the Community. Brazil is by far the most important GSP supplier of these products.

The general conclusion for agricultural imports must be that the influence of GSP has been rather limited, mainly because tariff reductions are rather small. Furthermore, GSP preference margins are low in comparison with those granted by other preferential agreements (see Table V.3). A third element is that tariff escalation may increase if tariff reductions are greater for intermediate than for processed products, leading to a higher rate of effective protection for the latter. Finally, serious nontariff barriers remain.

Of course, a major underlying theme in evaluating preference schemes is that they make sense only when a country receiving preferential treatment is able to supply products of a certain type, quality and price. Brazil has proven its capacity to do this for a wide range of agricultural products (particularly processed products) and as a result has been one of the main beneficiaries of the admittedly limited advantages of GSP. Thus, because of its competitive processing industries, Brazil has been able to overcome the discrimination in favour of ACP countries. Discrimination in favour of the Mediterranean countries is a different matter. Because of the treatment of the new members of the EC --Portugal and Spain-- Brazil is faced with heavy tariff discrimination in some very important fields (especially processed fruits).

For industrial products, the GSP principle has been completely duty-free access for developing countries. In those cases where it is felt that this principle would cause undue damage to industries within the Community, GSP imports can be limited by tariff quotas and/or ceilings (with the possibility of surveillance). In the first decade of operation of GSP, two types of limitations were possible, either product or country specific. In the former case Community tariff quotas were applied, and in the latter Community tariff ceilings (leading to the creation of "hybrid" products). This hybrid category was eliminated with the extension of GSP for another ten year period. This stems from the notion that products are not sensitive in themselves, but only when competitive developing countries (with regard to that particular product) are able to supply them in large quantities. The EC replaced the concept of "hybrid" products by a system of individual tariff quotas for individual beneficiary countries.

For a series of products tariff quotas are calculated by applying a formula which takes three factors into account:

- degree of world-wide competitiveness of the exporter;
- the exporter's competitiveness at the Community level;
- the degree of development of the exporting country (measured by its per capita income).

Textiles are a category by themselves. Nontariff trade barriers are not only prevalent, but they are also playing a pioneering role in the Community's revision of the function of GSP. In this sector there is an elaborated system of tariff quotas for all MFA participants, which in the eyes of the European Commission could well serve as an example for trade in all industrial products.

The Community is the only major industrialized trading partner that has included textiles in its GSP offer. At the same time this offer is limited since it has been used as a leverage in MFA negotiations. Only participants in MFA who have signed a bilateral agreement with the EC are entitled to GSP treatment for textiles and clothing.

In the new GSP, an element of graduation of developing countries, other than their competitiveness in certain markets, has been explicitly introduced into the Community's trade policy for the first time. It can be expected that this criterion (which is based on per capita income) will gain in importance. At the same time it seems reasonable to expect that the Community's GSP offer will continue to grow (although at a lower rate than the

25% of the first decade). Therefore one must conclude that this differentiation will lead to an increasing loss of preferences for Brazil vis-a-vis other developing countries.

To summarize, GSP products can be categorized in the following way 6/:

Agricultural Products (CCCN Chapters 1-24)

The GSP program for 1984 covers 334 items (falling under 90 CCCN four-digit headings) of which 88 enjoy duty-free entry; positive rates are applied to the remaining 246 items. With respect to only six items under four CCCN headings the benefits of GSP treatment are limited to imports within global quotas or ceilings. These CCCN headings are: unmanufactured tobacco (2401), cocoa butter (1804), soluble coffee (2102) and preserved pineapple (2006).

Industrial Products (CCCN Chapters 25-99)

i. Industrial products, other than textiles and steel:

Nonsensitive items

These items normally are subject only to statistical supervision. However, imports which exceed a reference figure and which cause or threaten to cause injury to a domestic industry can be excluded from the benefits of GSP duty-free treatment. In 1984, GSP exclusions on nonsensitive items affected Romania (23 items) and China (2 items).

Sensitive items

GSP imports of sensitive industrial products are subject to individual country quotas and/or ceilings. The list of sensitive products for 1984 includes 132 items. With respect to 58 of these products, ceilings have been established on imports into the Community as a whole. As soon as the ceiling is reached for a given product, MFN rates may be reintroduced for futher imports originating in the same beneficary country. With respect to 74 items, tariff quotas have been established and allocated among EC member states for those beneficiary countries considered most competitive. Quotas and ceilings are uniform for all beneficiary countries subject to them, but for most items quotas are smaller than ceilings. In 1984, 17 countries were subject to quota limitations with respect to one or more articles, resulting in a total of 118 quotas. Brazil was affected by tariff quotas with respect to 16 articles (compared to 7 in 1981, 10 in 1982 and 14 in 1983). Some other countries also faced a large number of tariff quotas in 1984: the Rep. of Korea (29); Hong Kong (23); China (16); Romania (12) and Singapore (6) 7/.

ii. **Textile products**

There are three categories of textile products:

MFA textile products

GSP eligibility is subject to signing a bilateral restraint agreement with EEC within the framework of MFA or similar undertakings (except for least developed countries).

Non-MFA textile products

There are no country restrictions.

Jute and coir manufactures

Applies to only 38 least developed countries plus India and Thailand in the case of jute products, and India and Sri Lanka in the case of coir products.

iii. **Steel products**

Steel products are divided into:

Sensitive products (six groups)

Certain beneficiary countries are subject to tariff quotas, allocated among member states.

Nonsensitive products (five groups)

Subject to individual country ceilings for the Community as a whole.

e) The role of nontariff barriers

The results of the Tokyo Round make clear that emphasis in international trade policy is shifting away from tariffs. Agreements were reached with regard to technical regulations and standards; government procurement, subsidies and countervailing duties and antidumping provisions were revised. The key issues of international trade in the eighties are: adjustment of basic industries, safeguards, liberalization of trade with developing countries, agriculture (particularly export subsidies), services, trade in high technology products, the agreements negotiated during the Tokyo Round and the MFN clause.

These priorities reflect the old and the new realities of the eighties:

- A point that will remain valid for the rest of the present decade is that the main emphasis in the fierce competitive battle will not be between North and South, but among OECD countries. Crucial conflicts will arise with regard to high technology products and services. Ailing industries will be approached primarily as a social problem because of their employment aspects;

- Services will play a major role in international trade relations, although until now they have been excluded from most multilateral negotiations. Because of the high degree of control of transnational corporations in this sector, steps to get a grip on international trade must be interrelated with attempts to increase undertakings with these corporations;

- Integration and interdependence of the world economy have increased rapidly in the past decades. At the same time, improvements in transport and communications technology have increased the possibilities for TNCs to make use of locational advantages. As a result, international trade flows have become much more sensitive to either direct (e.g., trade policies) or indirect (e.g., wage cost differentials) influences;

- Finally, the role of governments in the functioning of the economy has steadily increased. The production and distribution of goods and services is (directly and indirectly) influenced in many ways by government decisions, often arising from the wish (or the necessity) to correct the outcomes of the market. The result is a rather hybrid system in which governments often react in a secondary way to a multitude of pressures, but in which at the same time their influence seems to have become so all-embracing and complicated (certainly in the welfare states in Western Europe) that it seems almost impossible to get a clear picture of the results of a single policy instrument.

Because of the increase in government intervention, an exact listing of nontariff barriers is hardly possible. Almost every policy instrument has a bearing on relative prices and therefore on international trade flows. This section comments briefly on those policies which have a bearing on the speed and direction of the adjustment process.

Three levels of policy making can be distinguished. First, measures aimed primarily at domestic producers such as subsidies and industrial policies in general. Second, measures aimed at imports such as quota and administrative regulations. Finally, there are also often hidden barriers to trade within the market structure itself at the corporate level.

From the inception of the European Community a quarter of a century ago, efforts have been made to raise the scale of operations of European companies to be in a better competitive position against U.S. and Japanese giants. The influence of these attempts on international trade flows are far from unambiguous. On the one hand, as UNCTAD research has shown, the internationalization of productive processes and the bringing under corporate control of formerly independent companies have created barriers to access by other competitors. Particularly for consumer products, it appears that the marketing power of TNCs *creates an almost insurmountable barrier for new suppliers from* developing countries. On the other hand, increase in size has been an essential element in the internationalization process that has been so vital in establishing a new international division of labour. This includes internationalization of both producers (e.g., in electronics) and traders (e.g., in clothing).

However, since market flows play a dominant role here, one can speak of qualitatively different type of barriers to trade, although cartelization has a hybrid character when government guidance is involved. One can witness initiatives in this direction on a European scale in two sectors in particular. The European Commission implicitly tolerates private initiatives towards cartelization in the synthetic fibre industry, but plays a stimulating role in the Davignon plan concerning the steel industry. The aim in both cases is a reduction in overcapacity in a controlled way and to end cut-throat price competition. A second target is restoration of an internationally viable industry by stimulating investment which allows modernization of production capacity.

In the area of industrial policies, it is often far from clear what effect certain policy measures have in terms of effective protection. If all industrial activities are financed through taxation, then protection is bound to be much smaller than suggested by the amount of subsidization. Nevertheless, selectivity is often great enough to have a significant influence, thus changing the terms of trade not only between manufacturing and the rest of the economy, but also within manufacturing itself. For example, in the Netherlands the flow of subsidies to the manufacturing industry has increased to a level *comparable to an effective protection* of 4 to 5%, *thereby fully* compensating for the reduction in effective tariff protection which can be estimated at 4% for the same period 8/.

Although incomplete publication of data does not permit the construction of a detailed picture, it can be concluded that sectorial differences are considerable. Subsidies granted to the transport equipment industry at the end of the seventies and beginning of the eighties can be estimated at some 20% of value added per year. In textiles and clothing they represent no more than 4 to 5%. This suggests that an inverse relationship exists between the level of subsidization and the level of trade barriers. In at least some vital industries subsidies compensate for reductions in tariff protection.

The analysis is complicated because one can hardly speak of a coordinated industrial policy on a European scale. Member states have a large degree of autonomy in this field, although the European Commission, concerned with the fact that subsidies not only cause disruption of international trade flows but can also prevent a smooth functioning of the internal market, is gradually getting a tighter grip on national policies.

For a long time initiatives of the European Commission were not aimed at industrial adjustment or innovation, but were almost solely directed at an improved functioning of the internal market by eliminating technical and administrative barriers to trade, opening markets (especially with respect to government procurement), harmonization of corporate law, antitrust policies and a limited support to industrial investment, mainly in relation to regional policies (through the European Investment Bank.

However, a sectorial approach is slowly evolving. The most far-reaching powers of the Commission regarding industrial products are for iron and steel (a consequence of having the European Coal and Steel Community as one of its predecessors). As stated above, for agriculture, a full-fledged integration of the divergent policy aspects, including a reduction in national autonomy, has been reached in the Common Agricultural Policy. Nevertheless, in this key area the question is whether there is indeed an ongoing process of integration within the Community or a gradual falling apart. The burden of financing agricultural policy has led to an unprecedented crisis, increased by British demands for a very strict application of the principle of "juste retour" (equal returns to all member states). Thus it remains to be seen whether in the midterm there will be a policy for industrial sectors which results in more than a shadow of the transfer of powers to the European institutions that has taken place in agriculture.

The main reaction to the economic crisis has been a steady increase in national measures. Coordination at the Community level is evolving only very gradually. Action by the Commission is threefold: to assist industries in their restructuring programmes, to participate in solutions to social and regional questions (by creating new job opportunities to compensate for lost jobs) and to take care that member states are not exporting their problems to their neighbours. This means that national programmes must fulfil certain criteria before they are approved by the Commission: they must be of a temporary nature; they should lead to long-term solutions; and they should be limited to those companies where social problems are worst.

As a result, priorities differ from sector to sector:

- The steel industry has been declared to be in a state of permanent crisis by the European Commission. This gives far-reaching powers to the Commission to dictate individual company quotas for each quarter and to fix minimum prices. Community strategy consists of control over and abolishing of government subsidies, a reduction in production capacity, restriction of imports from the rest of the world and financing of regional and social measures connected with restructuring programmes (financial compensation for temporary unemployment, early retirement schemes, etc.);

- For cars (employing directly or indirectly 14% of the Community's manufacturing labour force), the major competitor is

Japan, with its highly automated production techniques. This calls for a productivity increase in European production, stimulated by Community support for research, machine tools, electronic parts, etc.;

- In _textile and clothing_ (10% of manufacturing employment) production has been hit by stagnating demand and import competition from the United States and Newly Industrializing Countries. Combined with increased productuvity this has resulted in an overall loss of employment of more than one million. Community support for these industries consists in financing of research and development and retraining of employees. The main policy instrument is the Multi-Fibre Arrangement;

- In _paper and paper products_ the problem is not so much competition but more a lack of resources. The main emphasis in Community efforts is therefore on creating a local resource base, including recycling;

- The spearpoint of Community initiatives is the new _information technology_. The bulk of the Commission's financial resources for industrial policies are dedicated to this sector in order to catch up with Japanese and U.S. competition. The creation of a homogeneous international market is essential. Concrete initiatives are Euronet (European service for transborder data transmission) and ESPRIT (a programme for research and development in information technologies). The explicit aim is to make European industry competitive within ten years.

Nevertheless, one must conclude that the influence of the European Commission on industrial restructuring is rather limited. Primary responsibility still lies with national governments. In this sense there is clearly a lack of coordination between trade and industrial policies since the first is much more of a European responsibility and therefore a compromise among the interests of the individual member states. Still, trade policies appear to be an integral part of every restructuring programme. However , including GSP preferences, tariffs are to a large extent the outcome of international negotiations, leading to limited short term flexibility. In a climate where governments make increasing efforts to get a grip on industrial adjustment, it should not come as a surprise that other measures are used to change international trade flows. Nontariff barriers are therefore often an essential complement to subsidies and an alternative to tariffs. The possibility of using them at the national instead of the Community level increases their attractiveness as a means to maintain a maximum amount of national autonomy. This means that almost by definition their transparency must be limited, for they can only serve their purpose when they are not internationally negotiable and not easy to transfer to supranational authorities.

f) Quantitative restrictions

The Common Rules for Imports state that "Importation into the Community of the products referred to in paragraph 1 shall be free, and therefore not subject to any quantitative restrictions", but there are exceptions to this rule:

- measures allowed under article XIX of GATT
- existing measures (transitional and final provisions) under article VI of GATT
- quantitative restrictions on a national basis listed in an Annex to this regulation. Formally national quotas could be maintained only with the explicit permission of the Community. The majority of these restrictions apply to imports of industrial products from non-GATT members (state trading countries) or concern agricultural products.

The Community has several instruments available to protect its industry against foreign competition. Countervailing and anti-dumping duties aim to correct allegedly unfair pricing of imported articles.

Quantitative restrictions are primarily aimed at controlling the total volume of imports. In principle, countervailing and anti-dumping duties are more selective because they apply to individual cases of allegedly unfair price competition. In practice, quantitative restrictions also show a considerable degree of selectivity.

Such restrictions can be imposed directly or indirectly via the so-called "surveillance mechanism". Products under surveillance can only be brought into free circulation within the Common Market after the granting of an import licence. Member states can only introduce intracommunity surveillance after authorization from the Commission, which is given only after an investigation is conducted.

During safeguard procedures, interested parties may provide information establishing the extent of injury. The factors used in judging the existence of actual injury are:

- the volume of imports and, in particular, its rate of increase;
- prices of imports;
- impact of imports on certain economic indicators (products, employment, market share, profits, etc.).

In order to determine whether a threat of serious injury exists, the Commission must take into account factors such as:

- the rate of increase in exports to the Community;
- actual and potential export capacity of exporting countries.

The procedure must take place within a specific time schedule. If substantial injury is found the Commission <u>may</u> propose restrictive measures to the Council which <u>may</u> adopt the proposal. In cases where delay in the adoption of restrictive measures would result in injury difficult to remedy in the future, the Commission may take these measures itself.

Although the imposition of quotas normally takes place at the Community level, member states are allowed to impose national quantitative restrictions as an interim measure. This means that member states have the right, even for products in otherwise liberalized EC trade, to restrict imports of a product for 1 1/2 months, and in some cases even for more than 3 1/4 months.

Since the Community has no administrative apparatus of its own, Community quotas are divided into national shares to be administered by the member states. A "quota administration committee" is made up of representatives of the member states and chaired by a Commission representative.

The imposition of quotas must be nondiscriminatory and the traditional pattern of imports must be preserved. However, the European Community shows a strong preference for selective safeguards. To avoid the application of GATT rules to these measures (such as the right to retaliation), many parties to GATT have resorted to Orderly Marketing Arrangements (OMAs) and Voluntary Export Restraints (VERs).

An important characteristic is the sensitivity of these procedures to influence from pressure groups. Especially in comparison with unfair trade regulations, it is clear that the rules for VERs and OMAs are much more general and adhoc. There is often great political pressure to impose import restrictions, which allow a certain degree of leeway to diverge from existing rules and regulations.

Quantitative import restrictions are normally established at the Community level, although some individual member quotas exist (mainly as leftovers from the early days of the Common Market; e.g., Italy's quota restrictions on car imports from Japan). The existing quotas mainly affect developing country exports of some agricultural products, textiles and clothing and footwear.

The number of article XIX actions taken by the European Community (or its member states) has been small (Table IV.3). Only five out of nine actions currently remain in force. In particular, the three safeguard actions connected with mushrooms have been effective in controlling imports from South Korea and Taiwan into the EC.

GATT has published sixteen Voluntary Export Restraints and Orderly Marketing Arrangements (see Table IV.4) of which seven remain in force. The amount of trade involved is quite substantial. The country most severely hit by VERs and OMAs is South Korea (six cases representing 275 million ECU in exports in 1982). Restrictions on mutton and goat meat exports from Argentina and Uruguay affect some 300 million ECU in trade. Argentina is also restrained in apples, with exports approaching 100 million ECU. The largest single case, however, concerns Thailand's manioc and tapioca exports of some 600 million ECU, 60% of which are shipped to the Netherlands in direct competition with European feedgrain producers. As a result, Dutch imports of these products from Thailand dropped by 30% between 1982 and 1983. The remaining cases, jute products from India and Bangladesh, involve much smaller amounts of trade. Close to 1,5 billion ECU of yearly EC imports has been subject to VERs and OMAs in the last five years.

The Multi-Fibre Arrangement is a kind of legalized deviation from GATT rules. Some $10 billion of clothing and textile exports from Third World countries, representing close to 40% of their industrial exports, is affected by this protectionist arrangement. Not all textile and clothing products are subject to quotas, and not every country is as severely hit as are the major exporters, but instead of the stability in international trade flows proclaimed as one of its original aims, a feeling of uncertainty reigns in international trade circles. Negotiations on the renewal of MFA (or rather the Protocol to extend its expiration date) set the stage for heavy debates among interested parties on the principles and practicalities of international trade relations. However, even more important to the practicalities are the bilateral negotiations which will follow the renewal of MFA.

At present, the Community has concluded agreements with Bangladesh, Brazil, Bulgaria, China, Colombia, Czechoslovakia, Egypt, Guatemala, Haiti, Hong Kong, Hungary, India, Indonesia, Macao, Malaysia, Mexico, Pakistan, Peru, the Philippines, Poland, Romania, Singapore, South Korea, Sri Lanka, Thailand, Uruguay and Yugoslavia. Negotiations with Argentina were unsuccesful.

A different set of negotiations was carried out with the Community's preferential suppliers, resulting in a series of arrangements of varying duration. Malta and Spain have arrangements for two years, Morocco and Tunisia for three years. The arrangement with Portugal includes the post-accession period and Cyprus has a one year agreement with the possibility of renewal. Agreements with respect to cotton yarn were concluded with both Turkey and Egypt, in addition to the bilateral MFA agreement.

All MFA agreements contain clauses provided for by the Protocol (and demanded by the European Council's negotiating directives) to deal with "import surges" within quotas, fraud, administrative procedures and the imposition of new quotas (the "basket extractor mechanism"). Moreover, the Community has maintained the right to unilateral action if an agreed upon solution cannot be reached on the basis of consultation.

The Community introduced a new element in its negotiating procedures by making GSP treatment for textiles and clothing dependent on the conclusion of bilateral agreements; thereby vividly demonstrating the limitations of unilateral, nonbinding, tariff preferences. Moreover, the Community has provided a breathing space for itself by concluding bilateral agreements with durations which extend beyond the time span of MFA and Protocol. This way the Community has both the instruments and the time available to continue with protectionist measures in this very sensitive field.

g) Anti-dumping and countervailing duty measures

A major instrument for the Community in dealing with allegedly unfair foreign competition is provided by the anti-dumping and countervailing duty procedures.

Any natural or legal person acting on behalf of a Community industry can file a complaint with either the Commission or a member state which shall forward it to the Commission. The Commission has the legal right to act upon its own initiative, but thus far this has never happened. The Commission consults an advisory committee (consisting of representatives of member states) in deciding whether it is justified to initiate a proceeding or not. As the EC is a signatory of the GATT code on subsidies and countervailing measures, the main elements of this consultation are:

- the existence of dumping or subsidization;
- the extent of injury;
- the casual link between dumping (or subsidization and injury;

It may take the Commission several months to decide whether a complaint is admissable. The initiation of a proceeding is announced in the Official Journal of the European Communities. Normally, interested parties are given thirty days to indicate their wish to provide information regarding the complaint. An investigation can easily take from six months to a year.

A product is considered to have been dumped when it is sold below its normal value. In establishing this normal value several indexes are used, e.g., prices on exports to third countries, and a constructed or adjusted value which takes into account sales at a loss in the home market (a reasonable profit is then calculated). This last calculation involves an extension to the definition of dumping used in the GATT anti-dumping code. This extended definition has been used in about onethird of the Community's decisions regarding dumping.

The Community uses the normal criteria for its determination of whether injury exists or not: volume, price level and growth rate of imports, indicators of the status of the Community industry in question (output, employment, profitability), and so forth. In its determination of wether or not a causual link exists between low priced imports and injury to the domestic industry of the same product, the Commission must investigate if EC industry has lost sales to allegedly unfair priced imports and if the factor price has been a major consideration for users to buy imported articles instead of EC production.

The investigations by the Commission may take place not only within the Community itself but also in nonmember countries, including the exporting country and other comparable countries. The Commission's powers for obtaining information are much less than for example in antitrust cases: the Commission has no power to force producers, importers or exporters to disclose information. To obtain the necessary information, oral hearings and also so-called "confrontation meetings" are held. In these meetings, opposing parties may present their views and discuss their opinions.

Often the proceedings are terminated with undertakings, which can take two forms:

- elimination or limitation of the subsidy;
- an increase in export price or a reduction in volume of exports.

If an undertaking is accepted by the Commission, the investigation will be terminated. The unfinished proceeding thus creates an uncertainty, particularly since an investigation can be reopened if the undertaking is violated.

If no undertaking is agreed upon and injury caused by dumping or subsidization is established, anti-dumping or countervailing duties will be levied. The amount of these duties is normally either the dumping or subsidy rate, calculated by the Commission. In the case of dumping the amount of this duty depends on the dumping margin, the difference between actual and normal export prices. The duty can be lower than the subsidy or dumping margin if a lower duty were sufficient to eliminate the injurious effects of unfair priced imports.

In the second semester of 1984 the European Communities adopted new rules governing protective measures against unfair trade practices. EEC Regulation 2176 and ECSC Regulation 2177 increased the powers of the Commission in this field. According to these regulations the Commission can, for instance, initiate anti-subsidy investigations against third countries even if the alleged subsidies are no longer granted. If injury is found, countervaling duties can be issued, but will be suspended immediately, a practice which increases uncertainty. In the case of an anti-subsidy proceeding against soya bean oil cakes originating in Brazil, initiated in March, 1984, the alleged subsidy --preferential financing of working capital for export production-- had already been eliminated. This case led to vehement protests by the Brazilian authorities, who claimed that this practice of the Commission is in clear violation of its obligations under GATT rules. Another new regulation (2641), known as the "new instrument of commercial policy" empowers the Commission to take measures against unfair trade practices by third countries in third markets.

In the period 1980-1982 no less than 131 anti-dumping and anti-subsidy procedures were initiated (Table IV.5) 9/. Considering that 71 procedures remained from previous years and that 53 cases were not completed before the end of 1982, a total of 149 procedures were completed in this period. In 35 cases no protective action was taken. In 18 cases no dumping or subsidy was found. Most other cases were terminated because no damage as a result of dumping or subsidization could be established.

When subsidization or dumping is found, procedures are, nevertheless, frequently terminated with the acceptance by the European Commission of undertakings offered by exporters in which they promise to eliminate the allegedly injurious effects of exports either by reducing the export volume or by raising their prices to levels acceptable to the Commission. In 1982, 35 procedures were ended this way versus only 7 in 1981 and 46 in 1980. The high figure for 1980 can be explained by the large number of complicated procedures initiated, but not resolved, in 1978 and 1979 as a precautionary measure under the ECSC steel policy.

To prevent further injury during a procedure, it has become standard practice to levy provisional anti-dumping duties once injury is found. Within two months (with a possible prolongation of another two months) the provisional duty must be made definitive (or an understanding must be agreed upon if the final injury determination is affirmative). In a total of 35 cases, provisional duties had been levied, indicating that in about half of these cases no definitive duties were levied.

The necessity of levying provisional duties is closely related to the time required to complete a procedure. The average duration for 1980 was 9.6 months, versus 8.7 months in the second half of 1982 10/. The Community claims that this period is in line with its major trading partners. Provisional duties are, on an average, levied (for those procedures initiated in 1982) 4.3 months after the start of the procedure, a considerable reduction compared to the 7.5 months for those procedures begun in 1980 11/ Only 7 of the procedures started in 1982 were not ended within one year, compared to 32 of the 1980 cases 12/.

In 25 cases definite duties were established.

In each year of the period 1980-82, over 40% of the new procedures involved chemical products. Engineering products were second in importance in 1980 and 1981, but in 1982 the number of procedures in this sector was almost negligible. In turn, procedures against iron and steel products increased to 15 in

1982 (5 cases involving Brazil, see also Table IV.6).

The large number of cases(9) initiated against Brazil in the period 1980-1982 put this country in fourth place after the United States (21), Chechoslovakia (12) and the German Democratic Republic (9) (Table IV.6) 13/. A total of 32 countries were involved in unfair trade proceedings, but 15 were involved in only one procedure each.

In addition to the 131 procedures which began in the period 1980-1982, the Commission reviewed 65 procedures concerning cases which had been terminated with either provisional or definitive duties or price undertakings. The Commission has the obligation, in accordance with GATT codes, to initiate new investigations if these are justified because of changing circunstances. In the period 1980-82, 24 new investigations were terminated. In 13 cases the price undertakings were modified. The other cases terminated in the imposition of a definitive duty (1), modification of definitive duties (2), cancelation of national anti-dumping duties (5) or maintenance of the measures in force (3) 14/

Table IV.I

EUROPEAN COMMUNITY: HIERARCHY OF EXTERNAL TRADE RELATIONS (1980)

Countries	Agreement	Trade provisions
(1) EEC (Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, United Kingdom)	Treaty of Rome (1957) Treaty of Accession (1973).	Free trade in all goods Common external tariff on imports from third countries
(2) EFTA (Austria, Finland, Iceland, Norway, Portugal, Sweden, Switzerland)	Free Trade Agreements (1973 for an unlimited period).	Free trade in all manufactures except paper and metals
(3) 59 African, Caribbean and Pacific countries (ACP)	Lome Convention (1975 for 5 years). Second EEC-ACP convention (1980 for five years, not yet ratified).	Duty-free access to the EEC for all industrial and many agricultural goods, though one or two products subject to safeguard clauses. Some concessions for leviable agricultural products. Quantitative restrictions on bananas, beef, sugar and rum. General safeguard clause.
(4) Applicants to the EEC		
Greece	Association Agreement (1962) providing for full customs union by 1984.	Duty-free access for all industrial goods, except steel and coal, and a range of agricultural goods. Volume of cotton products not restricted under MFA but limited by VER.
Spain	Preferencial Trade Agreement (1970) working towards customs union. Accession on 1 Jan. 1986	60% duty reductions on most industrial goods; some concessions on agricultural products. Cotton products limited by VER.
Portugal	Free Trade Agreement (1972)	Duty-free access for all industrial goods (under EFTA); some concessions on agricultural products. Cotton prod. covered by VER.
(5) Maghreb countries (Algeria, Morocco, Tunisia)	Preferential Trade and Co-operation Agreements (1976)	Duty-free access to the EEC for most industrial goods. Tariff concessions on some agricultural goods.
(6) Mashreq countries (Egypt, Jordan, Lebanon, Syria)	Preferencial Trade and Co-operation Agreements (1977) for an unlimited period. a/	Duty-free access to the EEC for most industrial goods. tariff concessions on some agricultural goods. Egypt's exports of cotton are restricted under MFA.

Table IV.1 continued

Countries	Agreement	Trade provisions
(7) Other Mediterranean countries	Association Agreements providing for full customs union with EEC	
Turkey	(1964 for unlimited period)	Duty-free access for industrial goods, except some textiles, coal, steel and petroleum products; some concession on agricultural products. Cotton products subject to VER.
Malta	(1971 for 5 years) b/	From 1978 duty-free access for industrial goods, some concessions on agricultural goods. Cotton products subject to VER.
Cyprus	(1973 for 4 years) b/	70-100% duty reductions on most industrial goods; some concessions on agricultural goods. Cotton products subject to VER.
	Preferential Trade and Co-operation Agreements.	
Israel	(1975 for unlimited period)	Duty-free acces for most industrial goods; substantial concessions on 85% of agricultural goods.
Yugoslavia	(1980 for 5 years)	Duty-free access for most industrial goods except textiles and nonferrous metals. Some concessions on agricultural goods, notably wine, tobacco, beef.
(8) Other LDCs (except Taiwan)	Generalised System of Preferences.	Duty-free access for industrial goods - for some 150 prod. duty-free treatment is subject to quotas or ceilings. Duty reductions on 300 agricultural goods, of which 5 are subject to quotas.
(9) People's Republic of China	Generalised System of Preferences.	Duty-free access as above but excluding certain agricultural and manufactured products.
(10) Developed countries which are GATT signatories, plus Taiwan	GATT. c/	MFN treatment.
(11) COMECON (excl. Romania and Cuba)		Least Favoured Nation treatment

Source: Ann Weston. The EEC's Generalised System of Preferencies, ODI, 1980. p.17. (updated).
a/ Subject to periodic review.
b/ Can be extended automatically.
c/ Binding subject to safeguards.

TABLE IV.2

EC(9) IMPORTS ACCORDING TO TARIFF TREATMENT IN 1980

	Imports ($ millions)					Percentage breakdown				
	Total	MFN sources	Tariff preferences			Total	MFN	Tariff preferences		
			Total	GSP pref. only	GSP and other pref.			Total	GSP pref. only	GSP and other pref.
Total imports excluded petroleum	268 223	109 683	60 969	41 444	19 525	100.0	100.0	100.0	100.0	100.0
MFN 0% bound	88 031	39 993	20 566	13 679	6 887	32.8	36.5	33.7	33.0	35.3
MFN dutiable or 0% unbound	180 192	69 690	40 403	27 765	12 638	67.2	63.5	66.3	67.0	64.7
Covered by free trade agreements	40 082	-	-	-	-	14.9	-	-	-	-
Covered by special preferences	25 477	-	7 016	-	7 016	9.5	-	11.5	-	35.9
Covered by GSP	20 069	-	20 069	20 069	-	7.5	-	32.9	48.4	-
Covered by LDC treatment	275	-	275	275	-	1	-	0.5	0.7	-
Other (MFN treatment)	83 116	69 690	8 560	7 421	1 139	31.0	63.5	14.0	17.9	5.8
CCCN Chapters 1-24	44 151	15 617	21 364	13 425	7 939	100.0	100.0	100.0	100.0	100.0
MFN 0% bound	10 804	6 225	4 190	3 484	706	24.5	39.9	19.6	26.0	8.9
MFN dutiable and 0% unbound	33 347	9 392	17 174	9 941	7 233	75.5	60.1	80.4	74.0	91.9
Covered by free-trade arrangements	826	-	-	-	-	1.9	-	-	-	-
Covered by special preferences	10 513	-	7 016	-	7 016	23.8	-	32.8	-	88.4
Covered by GSP	4 074	-	4 074	4 074	-	9.2	-	19.1	30.3	-
Covered by LDC treatment	105	-	105	105	-	0.2	-	0.1	0.8	-
Other (MFN treatment)	17 718	9 392	5 979	5 762	217	40.1	60.1	28.0	42.9	2.7
CCCN Chapters 25-99 excluding petroleum	224 072	94 066	39 605	28 019	11 586	100.0	100.0	100.0	100.0	100.0
MFN 0% bound	77 227	33 768	16 376	10 195	6 181	34.5	35.9	41.3	36.4	53.3
MFN dutiable and 0% unbound	146 845	60 298	23 229	17 824	5 405	65.5	64.1	58.7	63.6	46.7
Covered by free-trade agreements	39 256	-	-	-	-	17.5	-	-	-	-
Covered by special preferences	14 964	-	4 483	-	4 483	6.7	-	-	-	38.7
Covered by GSP	15 995	-	15 995	15 995	-	7.1	-	40.4	57.1	-
Covered by LDC treatment	170	-	170	170	-	-	-	0.4	0.6	-
Other (MFN treatment)	65 398	60 298	2 581	1 659	922	29.2	64.01	6.5	5.9	8.0

Source: 1980 Tariff Study files

a/ Including imports of all items subject to import levies.

b/ Including imports eligible for GSP or LDC treatment but accorded m.f.n. treatment because of quota and ceiling limitations and the nonutilization of GSP or LDC preferences.

c/ Including imports of duty-free items unbound or current duty-free items bound at positive rates (ceiling binding)

d/ ACP countries. Algeria, Cyprus. Egypt, Jordan. Lebanon, Morocco. Syria, Tunisia and Yugoslavia.

Table IV.3

EUROPEAN COMMUNITY: SAFEGUARD MEASURES BY THE EEC UNDER ARTICLE XIX, GATT

Product	Measure	Duration	Reference
1. Hard coal and hard coal products	repeal of general licensing (individual licensing introduced) (Federal Republic of Germany only)	September 1958 - now	L/855, L/920
2. Raw silk	Increased tariff (tariff quota) (Italy only)	May 1969 - now (Action terminated on silk waste in August 1969)	L/3231 + Add.1
3. Preserved cultivated mushrooms (CCCN 20.02A)	Suspension of import licences	May 1978 - May 1980	L/4678, L/4994 L/5105
4. Yarn of synthetic fibres (CCCN ex. 51.01A)	Quantitative restriction (United Kingdom only)	February 1980 - December 1980	L/4942 + Add.1-6
5. Cultivated mushrooms in brine (CCCN 07.03E)	Import licences (quantitative restriction)	April 1980 - now	L/4994 + Add.1
6. Preserved cultivated mushrooms (CCCN 20.02)	Import licences (embargo)	May 1980 - December 1980	L/4994 + Add.1
7. Dried grapes	Compensatory charge	October 1982 - now	L/5399 + Add.1-10
8. Tableware and other articles of a kind commonly used for domestic or toilet purposes, of stoneware	Global quota (United Kingdom and France)	January 1983 - April 1983	L/5447 + Add.1
9. Certain quartz watches	Global quota (France)	April 1984 - December 1986	L/5645

Source: GATT, Committee on Trade and Development. Part IV Consultations: Background information EEC. Note by the Secretariat. Geneva, 1984. Table 14. (COM.TD/W/402).

Table V.3

EC: IMPORT DUTY RATES FOR SELECTED AGRICULTURAL PRODUCTS APPLICABLE TO BRAZIL AND TO COUNTRIES WITH PREFERENTIAL AGREEMENTS

		1980 duties			1980 imports ($ millions)		Principal suppliers with preferential agreements
		Brazil		Preferential agreements 1/	Brazil	countries with preferential agreements	
		type	%				
08.02.22	Sweet oranges	MFN	4.0	0.8	11.5	61.9	Morocco, Cyprus, Israel, Spain
09.01.11	Unroasted coffee	MFN	5.0	free	810.7	1860.5	Ivory Coast, Cameroon, Kenya, Zaire
09.04.11	Pepper	GSP	2.0	free	10.0	5.2	Madagascar
15.07.70	Fixed vegetable oils	GSP	7.0	free	87.2	227.1	Senegal, Nigeria, Sudan, Papua N.Guinea
16.02.53	Prep.of bovine meat	GSP	17.0	free	86.9	11.5	Botswana
17.03.00	Molasses	MFN	n.a.	n.a.	84.9	65.8	Mauritius, Kenya, Ivory Coast, Fiji
18.03.00	Cocoa paste	GSP	11.0	free	14.6	93.3	Ivory Coast, Cameroon, Ghana, Nigeria
18.04.00	Cocoa butter	GSP	8.0	free	40.6	216.8	Ghana, Nigeria, Ivory Coast, Spain
20.07.61	Other fruit/veg. juices	GSP	9.0	free	10.3	2.5	Kenya
21.02.10	Extracts of coffee	GSP	9.0	free	136.6	12.3	Spain
21.07.21	Food preparations	GSP	9.0	free	23.9	3.5	Greece
24.01.10	Tobacco, Virginia type	GSP	n.a.	free	114.3	169.1	Malawi, Zimbabwe, Zambia, Greece
24.01.70	Other unmanuf. tobacco	GSP	n.a.	free	41.0	140.3	Greece, Turkey, Malawi, Cameroon

Source: GATT Tariff Assessment.

1/ Duty rate applicable under preferential agreements to countries other than signatories of free-trade area agreements.

Table IV.5

EC: ANTI-DUMPING AND ANTI-SUBSIDY INVESTIGATIONS

	against imports from all sources (1 Jan.1980 - 31 Dec.1982)				against imports originating in Brazil a/ (1 Jan.1980 - 31 Dec.1984)					
	1980	1981	1982	total	1980	1981	1982	1983	1984	total
Procedures under treatment at the start of the period	71	29	46	n/a	1	2	-	4	1	n/a
New procedures started	25	48	58	131	2	1	6	1	2	12
Procedures treated	96	77	104	n/a	3	3	6	5	3	n/a
Procedures ended by:										
- levying of definite duty	8	10	7	25	-	-	1 e/	2 g/	-	3
- acceptance of undertaking	46	7	35	88	-	2 c/	-	1 h/	-	3
- change in market situation	4	-	-	4	-	-	-	-	-	-
- no dumping established	7	7	3	17	-	-	-	-	-	-
- no subsidy established	1	-	-	1	1 b/	-	-	-	-	1
- no injury established	1	6	6	13	-	1 d/	-	-	-	1
- other reasons	-	1	-	-	-	-	1 f/	1 i/	-	2
Number of procedures terminated	67	31	51	149	1	3	2	4	-	10
Procedures in treatment at the end of the period	29	46	53	n/a	2	-	4	1	3 j/	n/a
Provisional duties levied	7	10	18	25	-	-	-	-	1 k/	1

Source: "First Annual Report of the Commission of the European Communities on the Community's Anti-dumping and Anti-subsidy Activities". COM(83) 519, Sept. 12, 1983 and Table V.7 of the present report.

a/ See also Table V.7.
b/ Stainless steel bars.
c/ Tubes and pipes of malleable cast iron.
Women's leather shoes.
d/ Hermetic compressors for refrigerating equipment.
e/ Cold rolled iron and steel plates; definite anti-dumping duty.
f/ Cold rolled iron and steel plates; anti-subsidy case suspended because definite anti-dumping duties were imposed.
g/ Hot rolled iron and steel plates; definite anti-dumping duty.
h/ Hardboard.
i/ Hot rolled iron and steel plates; countervailing duty suspended because definite anti-dumping duties had been imposed.
j/ Shovels.
Oxalic acid.
Oil cakes of soya beans.
k/ Oxalic acid.

Table IV.6

EC: ANTI-DUMPING AND ANTI-SUBSIDY INVESTIGATIONS. PROCEDURES STARTED IN 1980-1982

	1980	1981	1982	Total
i) By product				
Total	25	48	58	131
Chemicals	12	23	25	60
Textiles	2	1	-	3
Wood and paper	3	4	1	8
Engineering	6	18	2	26
Iron and steel (EC and ECSC)	1	1	15	17
Other metal products	-	-	6	6
Other products	1	1	9	11
ii) By country				
United States	8	6	7	23
Chechoslovakia	-	8	5	13
German Democratic Republic	-	6	6	12
Brazil	2	1	6	9
China	1	2	4	7
Hungary	1	5	1	7
Poland	-	6	1	7
Romania	-	4	3	7
Soviet Union	1	3	3	7
Spain	2	1	3	6
Japan	1	1	3	5
Yugoslavia	-	2	2	4
Canada	1	1	1	3
Venezuela	-	-	2	2
Singapore	2	-	-	2
Puerto Rico	2	-	-	2
Sweden	1	-	1	2
Other countries a/	3	2	10	15

Source: "First Annual Report of the Commission of the European Communities on the Community's Anti-dumping and Anti-subsidy Activities", COM(83)519. Sept. 12. 1983.

a/ Argentina, Australia, Bulgaria, Dominican Republic. Iceland. Israel. South Korea. North Korea, Virgin Islands. Malaysia. Norway, Austria, Turkey. Zimbabwe and South Africa. Each of these countries was subject to a single procedure.

Notes

1/ See also J. Verloren: No trade less aid: new view on its relations with ACP countries; Lome Briefing, No. 13, 1983.

2/ Protectionism and structural adjustment in the world economy. Report by the UNCTAD Secretariat. Geneva, 1980 (TD/B/888) p.9-10.

3/ GATT. Committee on Trade and Development. Part IV Consultations: Background Information. CEE. Note by the Secretariat. Geneva, 1984. (COM.TD/W/402).

4/ UNCTAD, p.7.

5/ See also: A. Pitrone: The EEC GSP Scheme in the 80s; European News Agency. Bruxelles, 1981. p.128-150.

6/ See also: GATT. Part IV Consultations (Section III:GSP).

7/ GATT. Ibid. Table 7.

8/ G. de Groot. Nieuw protectionisme in Nederland. Maandschrift Economie. 1982/4. p.173.

9/ Commission of the European Communities. First Annual Report of the European Communities on the Community's Antidumping and Antisubsidy Activities. COM(83) 519 def./2 (Annex K).

10/ First Annual Report. Point II.

11/ First Annual Report. Table 12.

12/ First Annual Report. Point 13.

13/ First Annual Report. Annex L.

14/ First Annual Report. Table 2.

V - TRADE COVERAGE OF EC IMPORT RESTRICTIONS FACING BRAZIL

a) Areas of trade conflict

The priciple areas of trade conflict between Brazil and the EC concern the EC's preferential trade agreements with a series of third countries, the Common Agricultural Policy, the prohibition of imports into the Community of sheep and pig meat originating in Brazil (for sanitory reasons), unfair trade proceedings, the ECSC policy concerning imports of iron and steel into the Community and the Multi-Fibre Arrangement. In this section these areas of conflict are commented on briefly. Section b) provides information on EC tariff protection affecting Brazil. In section c) an attempt is made to quantify the value of EC imports originating in Brazil, which were affected by EC trade restrictions in 1984.

i) EC preferential trade agreements

The EC maintains Free Trade Agreements and Preferential Trade and Cooperation Agreements with EFTA countries, Spain and Portugal, The Maghreb, Mashreq and other Mediterrenean countries and ACP countries. Brazil receives preferential treatment under GSP, but with respect to agricultural products the GSP program of the EC excludes many articles, while positive rates are applied to most GSP articles. In practice this means that Brazil is in a disadvantageous position in relation to ACP countries in agricultural products, the most important competitors being a series of West African countries. Table V.3 gives an indication of this for selected articles. It is difficult to quantify the impact of different tariff treatments on Brazil's export possibilties to the EC. As mentioned before (Chapter II, section c), the reduction of Brazil's share in EC imports of cocoa since 1975 might be attributed to the more favourable treatment received by ACP countries.

ii) The Common Agricultural Policy

Products covered by CAP account for only a small part of Brazil's exports of agricultural products to the EC. For this reason the trade coverage of variable levies and components is low. The overall impact of CAP on Brazil's exports is difficult to quantify. As mentioned in Chapter III, CAP has an important impact on the volume and price stability of world trade in agricultural products. The most conflictive element of CAP has been the export restitutions on sugar, which provoked a open Brazil-EC conflict in GATT in 1978.

iii) Unfair trade proceedings

In the period 1980-1984 EC producers initiated 12 anti-dumping and anti-subsidy proceedings against Brazil, involving EC imports from Brazil to an amount of 1.2 billion ECU (1982 trade, see Table V.6). This figure is heavily influenced by one, still unresolved at the end of 1984, anti-subsidy proceeding concerning oil cakes of soya beans. This investigation was carried out in spite of the fact that Brazil had already suspended the alleged subsidies at the time that the procedure was initiated. It was terminated in April, 1985 without the imposition of countervailing duties. Of the remaining cases, two groups of iron and steel articles were subject to both anti-dumping and anti-subsidy proceedings. In both cases subsidies were found, but countervailing duties were suspended because anti-dumping duties had already been imposed. In March, 1985 the EC and Brazil agreed to a "voluntary" export restraint agreement on iron and steel products which covers 1985 exports. In return the EC will suspend anti-dumping duties on coils, plates and sheets. As a result none of the definite anti-dumping or countervailing duties imposed on EC imports in 1984 will remain in force in 1985. However, price undertakings remain in force with respect to ladies leather footwear, tubes and pipes of malleable cast iron hardboard, and oxalic acid (by the principal Brasilian exporter of this product).

iv) Iron and steel products.

The European Commission has established minimum internal prices that Community producers are required to charge for iron and steel products covered by the ECSC policy. To prevent that foreign suppliers from capturing a large share of the Community market through lower prices, the volume and prices of imported steel articles are controlled by "voluntary" export restraint agreements negotiated with the main suppliers and basic prices imposed on other countries.

Under restrictive ECSC agreements, supplier countries are subject to ceilings. Within these ceilings they are permitted to sell carbon steel products at prices that are 6% below delivery prices for EC producers and to sell specialty steel product at prices that are 4% below delivery prices. Under these agreements the EC also suspends anti-dumping procedures.

On 1 April, 1985 Brazil agreed to a restrictive export arrangement covering 1985. In return the EC will suspend definite antidumping duties on coils, plates and sheets.

v) The Multi-Fibre Arrangement

Textiles are one of the principle commodity groups of Brazil's exports to the EC and at the same time a major target of the Community's protectionist policy. One might thus expect textiles to constitute a major area of conflict in Brazil-EC trade relations. In the bilateral agreements negotiated with Brazil within the framework of MFA, the EC has restricted flexibility provisions to a larger extent than originally foreseen in MFA, principally through the introduction of the surge mechanism and the elimination of "carry-forward" and "carry-over" facilities in the case of articles classified under group I. This group represented more than 80% of the value of EC imports of MFA articles originating in Brazil in 1982(Table v.9).

b) Tariff protection

This section presents data and background information on EC tariff protection affecting Brazil. The data base is a GATT study on "ad valorem" equivalents of EC tariffs in 1980, obtained for each tariff line by dividing tariff revenues by the corresponding import value. The GATT study also provides pre --and post-- MTN rates, as well as GSP rates. Average duties for tariff categories are estimated on the basis of EC imports from Brazil in 1980.

GATT study provides information on 610 tariff lines, representing $5.7 billion of EC imports originating in Brazil in 1980. The following tariff information is further analysed in this section:

MTN-B	base rate before the Tokyo Round
MTN-F	final rate (post Tokyo Round)
MFN-80	MFN rate applicable in 1980
GSP-B	GSP rate in 1980

It has not always been possible to assess ad valorem duties on imports subject to variable levies. For this reason Table V.1 is based on 594 tariff lines (excluding those without information on MFN-80 rates) and Table V.2 on 586 tariff items (excluding those without information on MTN-B or MTN-F rates)

A serious shortcoming of these figures is that GSP trade includes imports eligible for GSP treatment but accorded MFN treatment because of quota and ceiling limitations and non-utilization of the GSP preferences. This means that there exists an underestimation of average import duties and an overestimation of tariff preferences under GSP.

As mentioned in Chapter III, Brazil has been affected by tariff quotas on cocoa butter, soluble coffee and raw tobacco (Table V.6) and a number of industrial products.

Almost a quarter of Brazil's exports of industrial products other than textiles fall into categories for which tariffs were reintroduced in the period 1980-1983. The most affected categories are iron and steel, chemicals, leather and leather products. GSP exclusions add to uncertainty in the international trading system and reduces its transparency; it also affects export planning in developing countries.

Table V.1 provides information on the composition of imports by tariff categories and trade weighted average import duties in 1980 broken down by commodity classes. The average duty levied on EC imports from Brazil was 2.6%. In practice this rate was higher as a series of articles eligible for GSP received MFN treatment.

Tariffs on EC imports of agriculural products from Brazil are significant, the trade weighted average rate being 4.7%. The trade weighted average of GSP rates is 10% which is higher than the average MFN-80 rate on non-GSP articles. The average GSP rate is almost 7 percentage points lower than the MFN-80 rates for the same products, but in most cases significantly higher than other preferential rates (see Table V.3).

The average 1980 duties on EC imports of industrial products from Brazil is very low (0.3%). In 1980, 93% of the value of industrial imports from Brazil entered duty-free into the EC market, either on the basis of zero MFN rates (49%) or as GSP articles (44%). The average rate for dutiable MFN articles was 4.6%. Dutiable articles account for 10% of all industrial products (excluding mineral products) and are principally iron and steel products, textiles and hides, skins and leather products.

Even considering the restrictions mentioned above, these data seem to indicate that the GSP programme of the EC is relevant for Brazil. Industrial products receiving duty-free GSP treatment accounted for 68% of the value of imports of industrial products (excluding mineral products) from Brazil in 1980, or 76% when articles with zero MFN-80 rates are excluded. On GSP articles, Brazil enjoyed a trade weighted average tariff preference of 9.7% in comparison with countries receiving MFN treatment.

Table V.2 presents additional information, principally on pre- and post-MTN rates, permitting an evaluation of the likely effects of MTN on EC import duties facing Brazil. EC tariff concessions in MTN will reduce the simple arithmetic average MFN rate levied on imports from Brazil from 9.5% to 7.4%, and the trade weighted average rate from 5.2% to 4.3%. For GSP articles the reductions are from 10.3% to 7.3% (simple aritmethic average) and from 12.0% to 10.2% (trade weighted average). These reductions imply an erosion of tariff preferences that Brazil enjoys as a GSP country. It is expected, however, that the benefits that Brazil accrues from MTN tariff reductions outweigh the disadvantage of the erosion of preferences on GSP articles.

A series of GSP articles received MFN treatment because of quota and ceiling limitations. In 1984 these limitations affected EC imports from Brazil to an amount of some 300 million ECU, principally leather footwear, bovine leather, wood products and iron and steel coils, plates and sheets (Table V.5).

c) Trade coverage of EC import restrictions facing Brazil

This section provides estimates of the trade coverage of the main open EC import restrictions against Brazilian products, applied at the Community level in 1984. The following restrictions are considered:

1) variable levies on imports of agricultural products in the framework of CAP;
2) unfair trade (anti-subsidy and anti-dumping) proceedings;
3) restrictions under the Community policy regarding steel

(ECSC products);

4) limitations of imports of textiles and clothing under the bilateral agreement in the framework of MFA.

Trade subject to restrictions in 1984 is estimated and related to the value of total Brazilian exports to the EC on the basis of EC import statistics for 1982 (Table V.11) and Brazilian export statistics for 1982 and 1983 (Table V.10). (The relative importance of different import restrictions will change in 1985 when anti-dumping duties on iron and steel coils, sheets and plates will be eliminated in return for a restrictive bilateral trade agreement. This will, however, not change the total trade coverage of EC import measures).

These figures must be treated carefully. They do not indicate the intensity of the trade measures in question. The figures refer to actual trade realized in spite of import restrictions, and not to potential trade which would be possible in the absence of restrictions. (In the extreme case that import restrictions are prohibitive to trade, these restrictions can not be measured on the basis of trade figures).

i) Variable levies

GATT studies such as the GATT Tariff Assessment presented in section b) indicate that EC imports from Brazil suffering variable levies or components are heavily concentrated in a small number of product categories: meat, fruit preparations and juices, and --in some years-- tobacco, sugar and molasses. According to the GATT study, variable levies and components affected some $426 million of EC imports from Brazil in 1980 (14% of the value of all food items imported from Brazil).

Since only a minor part of Brazilian agricultural exports to the EC consist of products covered directly by CAP, the trade coverage of variable levies and components is small. According to preliminary research, on the basis of an inspection of the Official Journal of the European Communities, in 1984 variable levies and components were charged on EC imports from Brazil of fresh and chilled bovine meat, rye, broken rice, buckwheat, prepared or preserved pineapples, and some less important products, which represented a 1982 trade value of some 73 million ECU of trade (Table V.11). Brazilian export statistics indicate corresponding export values of $7.5 million in 1982 and $7.8 million in 1983 (Table V.10).

ii) "Unfair" trade proceedings

Unfair trade proceedings include both anti-subsidy and anti dumping actions. In the period 1980-1984, 12 unfair trade investigations were initiated against imports from Brazil, involving 10 product categories, of which two products were subject to both dumpiing and subsidy investigations:

year	number of cases initiated	EC imports from Brazil in 1982 (million ECU)
1980	2	6.4
1981	1	60.3
1982	6	129.7
1983	1	0.2
1984	2	1019.1
-----	--	------
Total	12	1215.6

Concerning the trade involved, by far the most important action has been an anti-dumping proceeding concerning oil cakes of soy bean. The action was initiated in October, 1983 against imports originating in Argentina and extended to imports from Brazil in March, 1984.

In the period 1980-1984 anti-dumping proceedings were initiated concerning imports of eight manufactured articles originating in Brazil, but the trade involved has been relatively small (Table V.6). Definitive duties were imposed in three cases (iron and steel plates and sheets and iron and steel coils for rerolling). One investigation (compressors) was terminated because no injury was found. In the anti-subsidy cases involving iron and steel products, subsidies and injury were found, but countervailing duties were suspended, as anti-dumping duties had already been imposed on the same articles. The remaining three investigations were terminated with price undertakings.

Anti-subsidy proceedings in the EC against Brazilian products have been few in comparison to such actions in the United States, but made up the lion's share of anti-subsidy proceedings in the EC. In the period 1980-1984, three anti-subsidy investigations were initiated against Brazil. In one case involving ladies' footwear, the investigation was terminated with a suspension agreement. Under this agreement Brazil has committed itself to offset with an export tax the allegedly injurious effects of export subsidies.

Brazilian exports to the EC subject to unfair trade proceedings amounted to more than $ 1 billion in 1982, of which $900 million corresponded to oil cakes of soya beans (Table V.10). Corresponding exports of manufactured goods amounted to $175 million.

With regard to the nine categories of industrial products involved in unfair trade investigation, in six cases more than half of the Brazilian exports were destined for a single national market within the Community. In spite of the small volume of these trade flows, this regional concentration might contribute to the strengthening of protectionist pressures against specific products.

In early 1985 anti-dumping proceedings were initiated against imports of wire rod (February) and tube fittings (March) originating in Brazil.

iii) Restrictions on imports of steel products

Imports of a wide range of steel products into the EC are controlled by either voluntary export restraint agreements or reference prices. The Commission has tried to negotiate export restraint agreements with its major foreign suppliers. In April, 1983 Brazil and the EC signed an agreement on imports into the Community of pig iron extending the arrangement of previous years (Bull. EC 4-1983, point 2.2.15). Negotiations surrounding a wider range of imports of iron and steel products into the Community broke off in July, 1983 as the Brazilian authorities did not accept the Commission's final proposal concerning a quantity of 103 thousand tons (Bull. EC 7/8-1983, point 2.2.24). In 1982 Brazilian steel exports to the EC, apart from pig and cast iron (SITC codes 672-676), amounted to 323 thousand tons. In April, 1984, the EC and Brazil signed an ECSC iron and steel arrangement only for pig iron. (Bull. EC 4-1984, point 2.2.8).

In February, 1985, a new pig iron arrangement was signed, establishing a ceiling of 252 thousand tons.

In April, 1985, Brazil agreed to a restrictive bilateral export arrangement covering 1985. In return, Brazil is allowed to sell steel products at prices below those which Community producers are required to charge (6% for carbon steel products and 4% for specialty steels), while anti-dumping duties will be suspended. This agreement will change the type of EC trade restrictions but not their trade coverage, as they apply to the same articles.

Under the arrangement, Brazil is allowed a ceiling of 150.000 tons. This is less than the 200.000 tons requested by Brazilian authorities on the basis of past trade patterns, but more than the 103.000 originally offered by the EC (see above). The agreement covers almost all iron and steel exports to the EC, excluding welded pipes and tubes and some other less important products. Of the global quota, some 60% will be provided by state enterprise (flat rolled products) and 40% by private firms (non-flat rolled products). The global quota is divided into individual member state quotas as follows (in thousand tons):

Germany	52.0
France	4.0
Italy	35.0
The Netherlands	3.0
Belgium/Luxembourg	7.0
United Kingdom	22.5
Denmark	5.0
Greece	20.5
Ireland	1.0
Total	150.0

Steel imports are thus subject to the following trade restrictions:

EC imports from Brazil in 1982 (million ECU)

type of restriction	in force in 1984	in force in 1985
- definite anti-dumping duties	113.2	-
- basic import prices	31.0	-
- price undertakings	2.9	2.9
- restrictive trade agreement	28.8	173.0
total	175.9	175.9

The 1982 trade value of 176 million ECU represents practically the whole value of Brazil's iron and steel exports to the Community. In 1983, Brazilian exports of steel plates and sheets decreased to almost negligible proportions after the imposition of anti-dumping duties.

iv) Trade in textiles

In this section data are provided on EC restrictions on imports of textiles from Brazil under the Multi-Fibre Arrangement (MFA). In the framework of MFA, the EC and Brazil signed bilateral agreements covering the periods 1 January 1978 to 31 December 1982 and 1 January 1983 until 31 December 1986, respectively. Both agreements apply to trade in textiles, wool and man-made fibres originating in Brazil and listed in Annex I of each agreement.

Both agreements established quantitative limits for a series of articles specified in Annex II of each agreement. Most quantitative limits refer to the Community as a whole (allocated to member states). However, certain limits exist for specific countries (regional limits, see Table V.9).

MFA products are classified in Groups I through III (Table V.8). Products which are not specified in Annex II of the agreements are subject to possible consultations with a view of reaching quantitative limits if imports into the Community exceed certain rates in relation to total imports into the Community in preceding years. These rates are 0.5% for Group I, 2.5% for Group II and 5% for Group III. (these rates correspond to the current bilateral agreement). As Table V.9 points out, in the current bilateral agreement the yearly growth of the quantitative limits for most product categories was reduced significantly as compared to the former agreement.

In 1982 EC imports of textiles and clothing originating in Brazil to an amount of \$248 million were subject to the provisions of the bilateral textile agreement, of which \$219 million faced quantitative limits (Table V.11). With respect to the value of all exports of manufactured textiles and clothing to the EC, the bilateral agreement covered 90% while exports subject to quantitative limits represented more than 70%.

v) Total trade coverage

In 1982 EC imports from Brazil were classified under 2034 tariff headings, at the six digit level of NIMEXE. Import restrictions in force in 1984 affected 261 of these items which, considering only those tariff headings under which EC imports from Brazil took place in 1982, results in a "frequency index" of 13% (Table V.11).

The total trade coverage --in value terms-- of open EC import restrictions against Brazilian products is presented in Tables V.10 (Brazilian export statistics) and V.11 (EC import statistics). EC imports from Brazil which in 1984 suffered trade restrictions, represented in 1982 1.5 billion ECU in 1982, out of a total value of 6.1 billion ECU (25%).

In the case of industrial products, "managed trade" amounted to almost 500 million ECU, or 26% of total manufactured imports from Brazil. The main products were textiles and clothing and steel products.

The high trade coverage of import restrictions on agricultural products (32%) is heavily influenced by soya bear oil cake. The corresponding import value exceeded one billion ECU in 1982. The trade coverage of variable levies and components on imports from Brazil is very low.

Table V.11 also presents data for individual member states of the EC. These figures must be treated even more carefully for a number of reasons. At this level the amount of trade is small and in some cases it is heavily affected by single product categories. Trade flows can also fluctuate significantly from year to year. Highly effective trade mesures by definition cannot be measured on the basis of trade flows. In interpreting these figures it must be considered that differences in the trade coverage figures between member states are probably more affected by the composition of Brazil's exports to each national market than by differences in national trade policies.

Managed trade represents a high share of Brazilian exports to France and the Netherlands due to the high participation of oil cakes of soya beans in Brazil's exports shipped to these countries. For the same reason the managed trade represents an even higher ratio of the exports of food items to these two countries. With respect to manufactured goods the ratio of managed trade to total trade varies from 13% in the case of Italy (mainly due to the high share of exports of machines and transport equipment, principally passenger vehicles) to 36% in the case of West Germany (the largest Community importer of textiles and clothing from Brazil) and 38% in the case of the group of smaller countries (Denmark, Ireland and Greece) together.

Table V.1

EUROPEAN COMMUNITY: AVERAGE 1980 IMPORT DUTIES LEVIED ON IMPORTS FROM BRAZIL BY COMMODITY CLASSES.

(GATT Tariff Assessment)

	CCCN Chapters	number of tariff lines				value of EC imports from Brazil in 1980					trade weighted average import duty					
						$ millions	percentage breakdown by tariff treatment				Brazil				MFN-80 rates only a)	
		total	MFN-80 duty-free	MFN-80 dutiable	GSP b)		MFN-80 duty-free	MFN-80 dutiable	GSP	GSP c)	total	MFN-80 total	MFN-80 dutiable	GSP b)	total	on GSP articles
Total	1-99	594	93	48	453	5436	47	24	29	(55)	2.6	2.5	7.3	3.0	5.2	11.8
Agricultural products	1-24	115	33	25	57	2890	45	39	16	(29)	4.7	3.6	7.7	10.0	5.8	16.8
Animal products	1-5	22	11	4	7	54	37	55	8	(13)	4.3	4.0	6.7	7.3	4.9	15.5
Vegetable products	6-14	45	13	12	20	1030	17	81	2	(2)	4.2	4.2	5.1	6.5	4.3	9.9
Oils and fats	15	11	4	-	7	128	16	-	84	(100)	5.6	0.0	-	6.6	8.0	9.5
Prepared foodstuffs	16-24	37	5	9	23	1678	63	17	20	(54)	4.9	3.3	15.8	11.4	6.5	19.7
Industrial products	25-99	479	60	23	396	2546	49	7	44	(86)	0.3	0.5	4.6	0.0	4.5	9.7
Mineral products	25-27	20	14	2	4	929	97	-	3	(100)	0.0	0.0	4.0	0.0	0.1	5.4
Nonmineral products	28-99	459	46	21	392	1617	22	10	68	(87)	0.5	1.4	4.6	0.0	7.1	9.8
Chemical products	28-38	59	3	2	54	70	14	3	83	(97)	0.3	1.6	9.1	0.0	9.8	11.5
Plastic mat., rubber	39-40	14	2	-	12	34	26	-	74	(100)	0.0	0.0	-	0.0	8.8	11.8
Hides, leather prod.	41-43	20	3	4	13	96	7	8	85	(91)	0.4	2.4	4.4	0.0	6.9	7.6
Wood and art. thereof	44-46	15	4	-	11	196	53	-	47	(100)	0.0	0.0	-	0.0	4.0	8.4
Paper and paper prod.	47-49	11	3	-	8	161	94	-	6	(100)	0.0	0.0	-	0.0	0.6	11.3
Textiles	50-63	95	9	3	83	356	9	12	79	(87)	0.4	1.8	3.2	0.0	10.1	12.3
Footwear, etc.	64-67	3	-	-	3	91	-	-	100	(100)	0.0	0.0	-	0.0	7.8	7.8
Art. of stone, ceramic	68-70	17	-	-	17	5	-	-	100	(100)	0.0	-	-	0.0	6.3	6.3
Precious stones, etc.	71-72	10	6	-	4	33	93	-	7	(100)	0.0	0.0	-	0.0	0.4	6.2
Base metals	73-83	70	4	12	54	208	2	52	46	(47)	2.7	4.9	5.1	0.0	5.9	7.0
Machinery	84-85	88	4	-	84	229	..	-	100	(100)	0.0	0.0	-	0.0	8.6	8.7
Transport equipment	86-89	18	3	-	15	121	9	-	91	(100)	0.0	0.0	-	0.0	10.2	11.1
Other manuf. articles	90-99	39	5	-	34	16	21	-	79	(100)	0.0	0.0	-	0.0	7.8	9.8

Source: ECLAC, on the basis of GATT, *Tariff Assessment*. Tariffs are MFN rates apliicable in 1980 (MFN-80).

a) Applying the MFN rate applicable in 1980 to imports of GSP articles from Brazil. This hypothetical rate indicates the average tariff preference that Brazil enjoyed under the EC GSP program in 1980, calculated on the basis of the structure of EC imports from Brazil.

b) Including imports eligible for GSP treatment but accorded MFN treatment because of quota and ceiling lintations or nonutilization of GSP preferences.

c) Imports of GSP articles as a percentage of total imports, excluding imports with zero MFN rate in 1980.

Table V.2

EUROPEAN COMMUNITY: IMPORT DUTIES CHARGED ON IMPORTS FROM BRAZIL

	Number of tariff lines	EC imports from Brazil (U.S. $ millions)	EC imports from Brazil percentage breakdown	EC import duties, ad valorem equivalents (%) a) simple arithmetic average MTN-B	MTN-F	MFN-80	GSP	trade weighted average MTN-B	MTN-F	MFN-80	GSP
			All commodities								
Total	586 b)	5264	100	9.5	7.4	9.1	1.8 c)	5.2	4.3	4.7	2.1 c)
MFN	139	3665	70	5.5	4.7	4.8	-	2.3	1.7	1.7	-
duty-free d)	76	2531	48	-	-	-	-	-	-	-	-
dutiable	63	1154	22	12.1	10.3	10.6	-	7.2	5.4	5.5	-
included in MTN offer	37	1091	21	5.8	2.6	3.4	-	6.5	4.5	4.7	-
excluded from MTN offer	26	63	1	21.1	21.1	20.9	-	20.7	20.7	20.6	-
GSP	447	1579	30	10.7	8.3	10.5	0.9	12.0	10.2	11.8	2.9
included in MTN offer	363	971	18	10.3	7.3	10.0	0.1	10.2	7.4	9.9	0.04
excluded from MTN offer	84	608	12	12.6	12.6	12.5	4.4	14.7	14.7	14.7	7.6
			Agricultural products (1-24)								
Total	107 b)	2718	100	12.6	12.0	12.0	8.9 c)	5.7	4.9	4.9	3.8 c)
MFN	56	2256	83	10.2	9.7	9.5	-	3.4	2.5	2.5	-
duty-free d)	26	1274	47	-	-	-	-	-	-	-	-
dutiable	30	982	36	19.1	18.1	17.8	-	7.8	5.7	5.7	-
included in MTN offer	10	928	34	5.6	2.6	2.5	-	6.8	4.7	4.7	-
excluded from MTN offer	20	54	2	25.8	25.8	25.5	-	23.1	23.1	23.1	-
GSP	51	462	17	15.1	14.6	14.8	8.0	17.1	16.8	16.8	10.0
included in MTN offer	7	13	-	12.7	8.9	10.7	5.1	16.0	6.3	6.7	2.9
excluded from MTN offer	44	449	17	15.5	15.5	15.4	8.5	17.1	17.1	17.1	10.2
			Industrial products (25-99)								
Total	479	2546	100	8.8	6.4	8.5	0.3 b)	4.6	3.5	4.5	0.3 b)
MFN	83	1429	56	2.3	1.3	1.6	-	0.6	0.4	0.5	-
duty-free d)	50	1257	49	-	-	-	-	-	-	-	-
dutiable	33	172	7	5.8	3.2	4.1	-	4.6	3.3	4.3	-
included in MTN offer	27	163	6	5.8	2.6	3.7	-	4.5	3.2	4.2	-
excluded from MTN offer	6	9	-	5.6	5.6	5.6	-	6.4	6.4	6.4	-
GSP	396	1117	44	10.1	7.5	9.9	0.0	9.9	7.5	9.7	0.0
included in MTN offer	356	958	38	10.2	7.3	10.0	0.0	10.2	7.4	10.0	0.0
excluded from MTN offer	40	159	6	9.3	9.3	9.3	0.0	8.0	8.0	8.0	0.0

Source: ECLAC, on the basis of GATT Tariff Assessment.

a) MTN-B : base rate before the Tokyo Round.

MTN-F : final rate (post Tokyo Round); the final post-MTN rates are those notified in schedule LXXII of the European Communities as annexed to the Geneva (1979) Protocol.

MFN-80: MFN rate applicable in 1980, as reported in the Common External Tariff for the year 1980

GSP : GSP rate in 1980.

Including articles eligible for GSP but accorded MFN treatment because of quota and ceiling limitations or nonutilization of GSP preferences.

b) Excluding articles for which no information on MFN-B or MFN-F rates has been provided.

c) Actual average tariff rate for EC imports from Brazil, calculated by applying the MFN-80 rates to MFN imports and GSP rates to GSP imports from Brazil. The figures in this column indicate the maximum preference margin that Brazil could have enjoyed as a GSP country. In practice Brazil's preference margin is less as GSP imports include trade eligible for GSP but accorded MFN treatment.

d) Zero MFN-80 rates.

Table V.3

EC: IMPORT DUTY RATES FOR SELECTED AGRICULTURAL PRODUCTS APPLICABLE TO BRAZIL AND TO COUNTRIES WITH PREFERENTIAL AGREEMENTS

		1980 duties			1980 imports ($ millions)		Principal suppliers with preferential agreements
		Brazil		Preferential agreements 1/	Brazil	countries with preferential agreements	
		type	%				
08.02.22	Sweet oranges	MFN	4.0	0.8	11.5	61.9	Morocco, Cyprus, Israel, Spain
09.01.11	Unroasted coffee	MFN	5.0	free	810.7	1860.5	Ivory Coast, Cameroon, Kenya, Zaire
09.04.11	Pepper	GSP	2.0	free	10.0	5.2	Madagascar
15.07.70	Fixed vegetable oils	GSP	7.0	free	87.2	227.1	Senegal, Nigeria, Sudan, Papua N.Guinea
16.02.53	Prep.of bovine meat	GSP	17.0	free	86.9	11.5	Botswana
17.03.00	Molasses	MFN	n.a.	n.a.	84.9	65.8	Mauritius, Kenya, Ivory Coast, Fiji
18.03.00	Cocoa paste	GSP	11.0	free	14.6	93.3	Ivory Coast, Cameroon, Ghana, Nigeria
18.04.00	Cocoa butter	GSP	8.0	free	40.6	216.8	Ghana, Nigeria, Ivory Coast, Spain
20.07.61	Other fruit/veg. juices	GSP	9.0	free	10.3	2.5	Kenya
21.02.10	Extracts of coffee	GSP	9.0	free	136.6	12.3	Spain
21.07.21	Food preparations	GSP	9.0	free	23.9	3.5	Greece
24.01.10	Tobacco, Virginia type	GSP	n.a.	free	114.3	169.1	Malawi, Zimbabwe, Zambia, Greece
24.01.70	Other unmanuf. tobacco	GSP	n.a.	free	41.0	140.3	Greece, Turkey, Malawi, Cameroon

Source: GATT Tariff Assessment.

1/ Duty rate applicable under preferential agreements to countries other than signatories of free-trade area agreements.

Table V.4

EC IMPORTS FROM BRAZIL OF AGRICULTURAL GSP ARTICLES FACING TARIFF QUOTAS

	1978		1979		1980		imports from Brazil as share of extra-EC imports (%)		Tariff quota c)
	volume a)	value b)	volume	value	volume	value	1978	1982	
Cocoa	7	24	6	29	14	60	14.9	29.2	22.0
Soluble coffee	14	82	18	98	20	94	93.3	83.3	19.1
Raw tobacco d)	53	102	56	115	59	165	11.3	15.9	61.2

Source: Calculations based on NIMEXE and EC data.

a) Import figures are based on NIMEXE classification, which is slightly different from tariff headings.

b) 1000 tons.

c) millons ECU.

d) excluding a ceiling of 2.55 tons for Virginia type tobacco.

Table V.5

EUROPEAN COMMUNITY: SPECIFIC GSP QUOTA LIMITATIONS AFFECTING BRAZIL INVOLVING INDUSTRIAL PRODUCTS OTHER THAN TEXTILES

			1980	1981	1982	1983	1984	EC imports from Brazil in 1982: value (million ECU)	EC imports from Brazil in 1982: volume (1000 tonnes)	Brazil's share in extra-EC imports (%): value	Brazil's share in extra-EC imports (%): volume	CCT
		Industrial products excluding textiles and steel products										
29.01	DII	Styrene		0	X0	0	X	4	7	4.5	5.1	14.1
29.08	BexI	Ethers	X0		X			0.3	1	7.4	10.0	13.0
29.14	AII	Monocarboxylic acids		0	X0	0	X	0	0	0.0	0.0	14.3
29.23	DIII	Oxygen function amino-compounds	X0	0	X0	X	X	0.3	0.2	7.5	10.0	10.7
29.27	A	Nitrile function compounds	X0	0	X0	X	X	0.5	0.3	0.4	0.3	14.4
35.03		Gelatin and gelatin derivates			0	0	X	0.6	0.3	3.8	7.5	12.0
41.02		Bovine cattle leather	0	X0	X0	X0	X	47	5	17.6	19.2	7.6
42.02		Travel goods	0	0	X0	X		2	2	4.3	14.3	6.6
44.11		Fire building board or wood	X0	X0	X0	X0	X	16	54	10.7	11.0	10.6
44.13		Wood, planed, etc.	X0	X0	X0	X0	X	7	8	2.8	1.3	4.6
44.15		Plywood		X0	X0			15	8	7.0	3.2	4.6
44.14		Wood sawn, sliced or peeled	0		X0	X0		18	22	2.5	1.9	11.9
44.25		Wooden tools		X		0		3	4	60.0	80.0	6.0
64.02	A	Footwear with uppers of leather	X0	X0	X0	X	X	66	3	7.2	3.9	8.0
84.41	AIb	Sewing machines	X0	X	X0			\ 4	1	4.5	12.5	6.0
84.41	AII	Sewing machines	X		X			/				
85.21		Valves and tubes	0					0	0	0.0	0.0	15.0
		ECSC products										
		ECSC products										
73.07		Blooms, billets, slabs and sheet bars		X	X	X		4	18	1.5	1.5	3.9
73.08		Iron or steel coils for re-rolling		X	X0	X	X	40	152	9.7	10.7	4.8
73.10		Bars and rods		X0			X	0	0	0.0	0.0	7.0
73.13		Sheets and plates of iron and steel		X	X0			\ 76	258	6.7	8.2	6.2
73.13	ABI	Sheets and plates of iron and steel	0	X0	X0	X		/				
73.15		Alloy steel and high carbon steel	X	X	X	X		11	9	1.6	1.3	6.8
74.07		Tubes and pipes of copper	X	X	X	X		1	1	0.9	2.4	7.3

Source: EC, Official Journal (various years)

a) X = individual quota specified for Brazil, either at the Community level or for individual member states.
0 = quotas used up by Brazil (No data available for 1984).

Table V.6

EUROPEAN COMMUNITY: UNFAIR TRADE PROCEEDINGS AGAINST PRODUCTS IMPORTED FROM BRAZIL (INITIATED IN THE PERIOD 1980-1985)

Description of articles	type of action	NIMEXE-code	EEC imports from Brazil in 1982 (1000 ECU)	Case History	Source
Tubes and pipes of malleable cast iron	anti-dumping	73.20-30	2942	Initiated: September, 1980	OJ C 249 of 26.09.80
				Terminated: June 1981 (with price undertakings)	OJ L 145 of 03.06.81
	anti-dumping			Initiated: March 1985	OJ C 77 of 23.03.85
Hermetic compressors for refrigerating equipment	anti-dumping	84.11-35:36	3438	Initiated: November, 1980	OJ C 296 of 14.11.80
				Terminated: April, 1981 (with negative injury determination)	OJ L 113 of 25.04.81
Women's leather shoes	anti-subsidy	64.02-32; 38;49;54;59	60298	Initated: September, 1981	OJ C 241 of 19.09.81
				Terminated: November 1981 (with price undertakings; export tax levied in Brazil)	OJ L 327 of 14.11.81
Iron and steel plates (cold-rolled of a thickness of less than 3 mm.).	anti-dumping anti-subsidy	73.13-43;45 47;49	40067	Anti-dumping:	
				Initiated: March, 1982	OJ C 70 of 19.03.82
				Provisional duty: May, 1982	OJ L 128 of 11.05.82
				Definite duty: November, 1982: (82.77 ECU per tonne)	OJ L 312 of 09.11.82
				Anti-subsidies:	
				Initiated: June, 1982	OJ C 146 of 10.06.82
Hardboard	anti-dumping	44.11-10;20	16484	Initiated: May, 1982	OJ C 113 of 05.05.82
				Terminated: February, 1983 (with price undertakings)	OJ L 47 of 19.02.83
Iron and steel plates (hot-rolled; of a thickness of not less than 3 mm.).	anti-dumping anti-subsidy	73.13-17; 19;21;23	31531	Anti-dumping	
				Initiated: July, 1982	OJ C 197 of 31.07.82
				Provisional duty: February, 1983	OJ L 45 of 17.02.83
				Definite duty: May, 1983 (72.20 ECU per tonne)	OJ L 131 of 20.05.83
				Anti-subsidies:	
				Initiated: July, 1982	OJ C 197 of 31.07.82
				Definite duty: July, 1983, but suspended as a definite anti-dumping duty had been imposed.	OJ L 205 of 29.07.83
Iron and steel coils for rerolling	anti-dumping	73.08-03;05 07;21;25;29 41;45;49	41556	Initiated: November, 1982	
				Provisional duty: March, 1983	OJ L 82 of 29.03.83
				Prov. duty amended: June, 1983	OJ L 160 of 18.06.83
				Definite duty: August, 1983: 164 ECU per tonne)	OJ L 210 of 02.08.83
Shovels	anti-dumping	82.01-10	188	Initiated: December, 1983	OJ C 348 of 23.12.83
				Terminated: December, 1984 (with price undertakings)	OJ L 330 of 18.12.84
Oxalic acid	anti-dumping	29.15-11	316	Initiated: March, 1984	OJ C 37 of 08.03.84
				Provisional duty: September, 1984	OJ L 239 of 07.09.84
				Definite duty: January, 1985	OJ L 26 of 31.01.84
Soya bean oil cake	anti-subsidy	23.04-40	1018744	Initiated: March, 1984	OJ C 76 of 17.03.84
				Terminated: March, 1985	
Wire rod	anti-dumping	73.10-11	1461	Initiated: February, 1985	OJ C 48 of 20.02.85
Total			1217025		

Source: Official Journal of the European Communities (see last column of the table).

Table V.7

EC: IMPORTS FROM BRAZIL OF ARTICLES WITH RESPECT TO WHICH UNFAIR TRADE MEASURES WERE TAKEN AGAINST THIRD COUNTRIES IN 1980-1983.

(million ECU)

Product	NIMEXE	Country	1982 imports from Brazil
Styrene	29.01-71	United States	4.2
Benzene	29.01-65	Puerto Rico United States	2.8
Plywood	44.15-20(ex);80(ex)	United States Canada	14.5
Builders' carpentry	44.23-51(ex)	Singapore Malaysia	1.5
Cotton yarn	55.05-21;98	Turkey	92.3
Pottery	69.08-85;99	Spain	1.1
Pig iron	73.01-21;23;25	Canada U.S.S.R. G.D.R.	26.4
Ferro-chmium	73.02-30	Norway Venezuela Yugoslavia Iceland Sweden	2.4
Total			145.2

Table V.8

EC: IMPORTS OF MFA ARTICLES FROM BRAZIL IN 1982

	value (million ECU)	breakdown (%) total	breakdown (%) MFA
Textiles and clothing (CCCN 50-63)	292.5	100.0	-
MFA articles	247.1	84.5	100.0
Group I	203.8	69.7	82.5
Group I A	177.3	60.6	71.8
Group I B	26.5	9.1	10.7
Group II	39.9	13.6	16.1
Group II A	9.8	3.4	4.0
Group II B	30.1	10.3	12.2
Group III	3.4	1.2	1.4
Group III A	2.3	0.8	0.9
Group III B	1.1	0.4	0.4
Of which subject to quotas	219.2	74.9	88.7

Source: Bilateral Agreement and NIMEXE.

Table V.9

EEC: QUANTITATIVE RESTRICTIONS ON IMPORTS OF TEXTILES AND CLOTHING ORIGINATING IN BRAZIL.

Bilateral Agreements in the Framework of the Multifiber Agreement

Category No.		Description of products	unit	reference period: 1.1.78-31.12.82 1978	1982	growth	reference period: 1.1.83-31.12.86 1983	1986	growth
		Community limits							
1		Cotton yarns. not for retail sale	tons	26900	27442	0.5	27644	27727	0.1
2		Cotton fabrics	tons	16500	16832	0.5	16893	17148	0.5
		of which: other than grey or bleached	tons	3021	3061	0.5	3072	3118	0.5
3		Woven fabrics of synthetic fibers	tons	n/a	n/a	n/a	1350	1433	2.0
4		Knitted shirts, singlets, T-shirts,	1000p.	10000	11699	4.0	n/a	n/a	n/a
		of which: shirts other than T-shirts	1000p.	300	360	4.0	n/a	n/a	n/a
6		Men's and women's woven trousers and men's shorts and breeches	1000p.	1600	1872	4.0	1935	2084	2.5
9		Cotton towelling, toilet and kitchen linen or cotton towelling	tons	3400	4133	5.0	4034	4567	2.0
13		Men's and women's knitted underpants. knickers and briefs	1000p.	4000	4679	5.0	4842	5138	2.0
20		Bed linen	tons	2100	2553	5.0	2656	2819	2.0
24		Men's knitted pyjamas	1000p.	225	263	4.0	1571	1767	4.0
25		Women's knitted underwear	1000p.	1018	1237	5.0			
30.B		Women's other woven underwear	tons	102	119	4.0	n/a	n/a	n/a
31		Brassieres	1000p.	1908	3276	4.5	2342	2486	2.0
39		Table linen, toilet and kitchen linen - other than from terry fabric	tons	1300	1642	6.0	1738	2012	5.0
46		Carded or combed wool or other fine animal hair	tons	7250	8393	5.0	9787	11656	6.0
		Regional limits							
3	UK	Woven fabrics of synthetic fibres	tons	364		4.0	n/a	n/a	n/a
4	France	Shirts, T-shirts	1000p.	n/a			327	351	2.4
	UK						2271	2438	2.4
7	UK	Blouses and shirt-blouses. for women, girls and infants	1000p.	105		4.0	150	156	1.3
24 and 25		Pyamas and nightdresses	1000p.	n/a			n/a	n/a	n/a
	Denmark	of which nightdresses					400	450	1.3
	France						25	28	4.0
26	BNL	Women's. girls' and infants' dresses	1000p.	365		5.0			
80	BNL	Babies' woven garment	1000p.	n/a			96	114	6.0

Source: Bilateral Agreement between EEC and Brazil. Annex II.

Table V.10

TRADE COVERAGE OF OPEN EC IMPORT RESTRICTIONS AFFECTING BRAZIL ACCORDING TO BRAZILIAN TRADE STATISTICS

NBM-code	Description of affected products	Brazilian exports to the EC ($ millions, FOB)	
		1982	1983
	Total "managed trade"	1356.9	1427.8
a)	Varable levies and components	7.5	7.8
	Unfair trade proceedings	1082.4	1139.6
23.04.05.01	Oil cake of soya beans	906.3	996.6
29.15.02	Oxalic acid	0.2	0.2
44.11.01	Fibre building board, hardboard	13.2	8.4
64.02 b)	Leather footwear for ladies	108.4	124.5
73.08.00	Iron and steel coils for rerolling	0.0	0.0
	Iron and steel plates and sheets:		
73.13.01.01	of a thickness of more than 4.75 mm.	18.7	1.9
73.13.02.00	of a thickness of more than 3 but less than 4.75 mm.	9.5	3.1
	Iron and steel plates and sheets:		
73.13.03.02	cold-rolled, of a thickness of less than 3 mm.	22.3	0.2
73.20.01.01	Tubes and pipes of malleable cast iron	3.6	4.5
82.01.04.00 b)	Shovels	0.2	0.2
	Other ECSC trade restrictions c)	52.1	41.5
73.01.02.01	ECSC arrangement (pig iron)	19.1	13.4
d)	Basic import prices	33.0	28.1
e)	Multifiber Arrangement (MFA)	214.9	238.9
	Of which subject to quotas	177.3	190.9
53.05	Sheep's or lamb's wool, carded or combed (cat. 46)	27.1	33.6
55.05	Cotton yarns, not for retail sale (cat. 1)	68.4	74.0
55.08	Cotton toweling (cat. 9 and 39)	0.6	0.8
55.09	Other woven fabrics of cotton (cat. 2)	46.4	50.5
56.07	Woven fabrics of synthetic fibers (cat. 3)	6.5	4.4
60.04 (-60.04.01)	Under garments, knitted or crocheted (cat. 13, 24 and 25)	1.5	0.5
61.01.03	Trousers and men's breeches and shorts (cat. 6)	2.4	3.3
61.09.01	Brassieres (cat. 31)	0.8	0.3
62.02.01	Bed linen (cat. 20)	6.5	5.2
62.02.02	Table linen (cat. 39)	3.9	3.4
62.02.03	Toilet linen (cat. 39)	11.2	13.7
62.02.04	Kitchen linen (cat. 39)	2.0	1.2
	Other MFA	37.6	48.0

Source: Bank of Brazil/CACEX and Ministry of Finance of Brazil.

a) NBM headings 02.01.01.02; 10.02; 10.06.04; 10.07; 16.02.03; 20.06.01.01

b) Trade figures provided by Ministry of Finance on the basis of narrower definition.

c) Excluding iron and steel products facing antidumping duties.

d) CCCN headings 73.07; 73.10; 73.11; 73.12; 73.13 (excluding articles subject to antidumping proc.)

e) CCCN headings 51.01; 51.03; 51.04; 53.05; 53.06; 53.07; 53.10; 53.11; 55.04; 55.05; 55.06; 55.07 55.08; 55.09; 56.04; 56.05; 56.05; 56.06; 56.07 and chapters 58; 59; 61 and 62.

Table V.11

EC: TRADE COVERAGE OF OPEN TRADE RESTRICTIONS AFFECTING IMPORTS FROM BRAZIL ACCORDING TO EC IMPORT STATISTICS

	Number of tariff lines	Value of 1982 imports in million ECU							
		Eur-10	Germany	France	Italy	Neth.	Belg/L.	U.K.	D/Gr/Irl.
1. Total "managed trade"	261	1525.2	356.5	617.2	144.3	146.9	91.4	116.8	52.1
2. Agricultural products (CCCN 1-24)	13	1026.0	135.7	577.4	77.1	115.5	65.5	25.5	29.3
a. Variable levies and components	12	7.3	0.7	2.5	0.1	1.5	1.4	1.1	0.0
b. Unfair trade proceedings	1	1018.7	135.0	574.9	77.0	114.0	64.1	24.4	29.3
3. Industrial products (CCCN 28-99)	248	499.2	220.8	39.8	67.2	31.4	25.9	91.3	22.8
a. MFA	210	247.6	107.3	27.1	42.9	20.7	18.7	19.5	11.5
- Quotas	89	219.2	88.6	25.5	42.4	17.9	18.3	15.6	11.0
- Other restrictions	121	28.4	18.7	1.6	0.5	2.8	0.4	3.9	0.5
b. Iron and steel products	29	174.2	104.4	2.9	24.1	4.3	4.3	25.5	8.7
- ECSC arrangement (pig iron)	2	28.8	11.7	1.3	8.1	1.3	0.1	6.3	0.0
- Unfair trade proceedings	15	116.1	73.0	1.6	16.0	0.3	4.2	12.4	8.6
Of which: antidumping duties:	14	113.2	72.4	0.6	14.6	0.3	4.2	12.4	8.6
- Basic import price (ECSC)	12	29.3	19.7	0.0	0.0	2.7	0.0	6.8	0.1
c. Unfair trade proceedings a/	9	77.3	9.0	9.8	0.2	6.4	3.0	46.3	2.6
4. Total imports	2034	6119.4	1737.8	1143.6	1130.3	650.1	387.7	826.8	243.1
5. Agricultural products (CCCN 1-24)	337	3209.4	693.8	848.0	418.4	472.3	186.3	407.7	182.8
6. Industrial products (CCCN 28-99)	1640	1892.7	611.3	178.6	528.8	100.8	96.9	316.7	59.7
7. Mineral products (CCCN 25-27) or not specified	57	1017.3	432.7	117.0	183.1	77.0	104.5	102.4	0.6
"Managed trade" as % of total imports.									
8. All products (1 as % of 4)	13	24.9	20.5	54.0	12.8	22.6	23.6	14.1	21.4
9. Agricultural prod. (2 as % of 5)	4	32.0	19.6	68.1	18.4	24.5	35.2	6.3	16.0
10. Industrial prod. (3 as % of 6)	15	26.4	36.1	22.3	12.7	31.2	26.7	28.8	38.2

Source: Table V.12

a/ Excluding antidumping duties on ECSC products.

Table V.12

EC TRADE RESTRICTIONS AFFECTING IMPORTS FROM BRAZIL IN 1984. a/

NIMEXE	Description	Type of restriction	Source	1982 Imports from Brazil (1000 ECU)							
				Eur-10	Germ	Fran	Italy	Neth	Bel/L	UK	Other
02.01-15	Fresh or chilled bovine meat	Variable levies and comp.	OJ L 25 of 27.1.83	1121	40	-	-	-	-	1081	-
10.02-00	Rye	Variable levies and comp.	OJ L 2 of 4.1.83	472	-	-	-	-	472	-	-
10.06-50	Broken rice	Variable levies and comp.	OJ L 2 of 4.1.83	634	-	-	-	-	634	-	-
10.07-10	Buckweat	Variable levies and comp.	OJ L 4 of 26.1.83	4957	684	2345	128	1520	276	4	-
20.06-65	Prepared pineapples	Variable levies and comp.	OJ L 81 of 26.3.83	110	-	110	-	-	-	-	-
23.04-40	Soya bean oil cake	initiation antisubs. proceed.	OJ C 76 of 17.3.84	1018744	135045	574902	77021	113980	64104	24382	29310
29.15-11	Oxalic acid	initiation antidump. proceed.	OJ C 67 of 8.3.1984	316	7	83	99	26	51	37	13
44.11-10	Hardboard/unworked	price undertakings	OJ L 82 of 29.3.1984	12430	3676	1361	2	4611	6	2770	4
44.11-20	Hardboard/worked	price undertakings	OJ L 82 of 29.3.1984	4054	277	-	23	28	2853	707	166
51.01-27	Yarn of synthetic trextile fibres	MFA	Bil. Agreement/ANNEX I	704	704	-	-	-	-	-	-
53.05-10	Carded wool	MFA-quota	Bil. Agreement/ANNEX II	2410	-	-	-	-	-	-	2410
53.05-22	Tops of combed wool	MFA-quota	Bil. Agreement/ANNEX II	25238	7284	2957	10117	2029	1297	1441	113
53.07-08	Yarn of combed sheep's or lambs' wool	MFA	Bil. Agreement/ANNEX I	754	732	-	22	-	-	-	-
55.05-19	Cotton yarn not for retail sale	MFA-quota	Bil. Agreement/ANNEX II	545	16	-	17	-	-	512	-
55.05-33	Cotton yarn not for retail sale	MFA-quota	Bil. Agreement/ANNEX II	824	61	-	112	-	16	23	612
55.05-37	Cotton yarn not for retail sale	MFA-quota	Bil. Agreement/ANNEX II	319	-	-	116	-	41	-	162
55.05-41	Cotton yarn not for retail sale	MFA-quota	Bil. Agreement/ANNEX II	30989	14724	2821	4653	3556	3286	278	1671
55.05-45	Cotton yarn not for retail sale	MFA-quota	Bil. Agreement/ANNEX II	239	88	-	72	47	3	-	29
55.05-46	Cotton yarn not for retail sale	MFA-quota	Bil. Agreement/ANNEX II	27854	12880	4267	2457	3362	2212	828	1848
55.05-48	Cotton yarn not for retail sale	MFA-quota	Bil. Agreement/ANNEX II	168	-	-	33	-	-	-	135
55.05-61	Cotton yarn not for retail sale	MFA-quota	Bil. Agreement/ANNEX II	758	327	-	5	-	160	132	134
55.05-67	Cotton yarn not for retail sale	MFA-quota	Bil. Agreement/ANNEX II	12608	5242	448	540	893	4413	100	972
55.05-72	Cotton yarn not for retail sale	MFA-quota	Bil. Agreement/ANNEX II	17371	7263	1013	4462	308	4154	-	171
55.08-30	Terry toweling / printed	MFA-quota	Bil. Agreement/ANNEX II	531	-	-	-	-	-	-	531
55.09-04	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	210	97	-	113	-	-	-	-
55.09-06	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	118	118	-	-	-	-	-	-
55.09-08	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	193	175	-	-	13	-	2	3
55.09-10	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	2860	1457	70	1062	109	-	162	-
55.09-12	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	6001	1933	1180	2566	75	190	57	-
55.09-13	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	2614	504	393	460	683	-	571	3
55.09-14	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	2088	706	389	420	-	503	70	-
55.09-15	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	3699	2531	449	422	9	-	284	4
55.09-16	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	19629	5472	2240	8101	2167	173	1172	304
55.09-17	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	5887	1559	1946	1670	73	468	171	-
55.09-19	Other ven fabrics of cotton	NFA-quota	Bil. Agreement/ANNEX II	5036	1809	1271	105	302	-	1243	306
55.09-21	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	605	2	474	81	48	-	-	-

Table V.12 (Continuation)

EC TRADE RESTRICTIONS AFFECTING IMPORTS FROM BRAZIL IN 1984. a/

NIMEXE	Description	Type of restriction	Source	1982 Imports from Brazil (1000 ECU)							
				Eur-10	Germ	Fran	Italy	Neth	Bel/L	UK	Other
55.09-29	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	4363	854	34	52	99	-	3292	32
55.09-35	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	110	21	6	-	83	-	-	-
55.09-39	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	113	110	-	-	-	-	-	3
55.09-51	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	199	27	48	-	108	-	16	-
55.09-53	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	221	25	24	-	172	-	-	-
55.09-54	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	477	-	-	139	-	-	107	231
55.09-56	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	599	64	-	-	29	-	349	157
55.09-57	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	151	126	23	2	-	-	-	-
55.09-63	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	134	85	-	-	-	-	-	49
55.09-64	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	441	128	3	301	3	-	-	6
55.09-65	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	752	317	11	-	344	-	-	80
55.09-66	Other woven fabrics of cotton	MFA-quota	Bil. Agreement/ANNEX II	568	456	-	-	20	-	34	58
56.05-13	Yarn of <85% polyester fibres	MFA	Bil. Agreement/ANNEX I	967	339	242	78	-	199	109	-
56.05-46	Yarn of man-made fibres	MFA	Bil. Agreement/ANNEX I	100	45	-	-	-	-	55	-
56.07-30	Woven fabrics of man-made fibres	MFA-quota	Bil. Agreement/ANNEX II	8663	8	3681	3548	-	789	637	-
56.07-31	Woven fabrics of man-made fibres	MFA-quota	Bil. Agreement/ANNEX II	463	-	27	68	-	-	368	-
56.07-35	Woven fabrics of man-made fibres	MFA-quota	Bil. Agreement/ANNEX II	861	3	1	83	1	36	737	-
56.07-38	Woven fabrics of man-made fibres	MFA-quota	Bil. Agreement/ANNEX II	107	-	-	-	-	-	107	-
56.07.47	Woven fabrics of man-made fibres	MFA-quota	Bil. Agreement/ANNEX II	134	-	-	134	-	-	-	-
58.04-63	Woven pile fabrics	MFA	Bil. Agreement/ANNEX I	212	-	-	-	212	-	-	-
58.05-51	Narrow woven fabrics	MFA	Bil. Agreement/ANNEX I	132	3	3	102	-	-	12	12
58.06-10	Woven labels badges and the like	MFA	Bil. Agreement/ANNEX I	363	360	3	-	-	-	-	-
59.03-19	Bonded fibre and yarn fabrics	MFA	Bil. Agreement/ANNEX I	151	-	-	151	-	-	-	-
60.04-02	Cotton T-shirts for babies	MFA	Bil. Agreement/ANNEX I	106	76	-	-	2	-	21	7
60.04-11	Babies' garments of cotton	MFA	Bil. Agreement/ANNEX I	214	38	1	-	61	9	105	-
60.04-19	T-shirts of cotton	MFA	Bil. Agreement/ANNEX I	7321	4604	356	-	496	114	1688	63
60.04-56	Knickers and briefs	MFA-quota	Bil. Agreement/ANNEX II	103	4	99	-	-	-	-	-
60.04-71	Mens and boys' cotton shirts	MFA	Bil. Agreement/ANNEX I	2057	1660	130	-	126	1	116	24
60.04-73	Men's and boys' cotton pyjamas	MFA-quota	Bil. Agreement/ANNEX II	183	110	-	-	-	-	73	-
60.04-79	Men's and boys' cotton under garments	MFA	Bil. Agreement/ANNEX I	163	116	-	-	47	-	-	-
60.04-81	Women's girls' infants' cotton pyjamas	MFA-quota	Bil. Agreement/ANNEX II	741	255	-	-	244	-	234	8
60.04-83	Cotton nightdresses	MFA-quota	Bil. Agreement/ANNEX II	494	438	-	-	50	-	-	6
60.04-89	Women's girls' infants' under garments	MFA	Bil. Agreement/ANNEX I	210	117	37	-	8	-	23	25
60.05-08	Babies outer garments of cotton	MFA	Bil. Agreement/ANNEX I	208	79	5	-	12	1	111	-
60.05-17	Track suits of cotton	MFA	Bil. Agreement/ANNEX I	220	63	22	-	6	26	98	5
60.05-25	Cotton blouses and shirt blouses	MFA	Bil. Agreement/ANNEX I	1291	1165	10	-	7	20	89	-

Table V.12 (Continuation)

EC TRADE RESTRICTIONS AFFECTING IMPORTS FROM BRAZIL IN 1984. a/

NIMEXE	Description	Type of restriction	Source	1982 Imports from Brazil (1000 ECU)							
				Eur-10	Germ	Fran	Italy	Neth	Bel/L	UK	Other
60.05-34	Jerseys etc. of synth. textile fibres	MFA	Bil. Agreement/ANNEX I	112	16	-	-	1	-	95	-
60.05-36	Men's and boy's jerseys etc of cotton	MFA	Bil. Agreement/ANNEX I	364	139	62	-	55	3	105	-
60.05-41	Jerseys etc of synth. textile fibres	MFA	Bil. Agreement/ANNEX I	644	-	1	-	541	-	102	-
60.05-43	Women's girls' jerseys etc of cotton	MFA	Bil. Agreement/ANNEX I	1099	378	52	-	319	6	334	10
60.05-48	Cotton dresses	MFA	Bil. Agreement/ANNEX I	1019	851	73	-	6	5	68	16
60.05-91	Outer garments of cotton	MFA	Bil. Agreement/ANNEX I	957	710	47	-	1	1	189	9
60.05-99	Outer garments of other textile mat.	MFA	Bil. Agreement/ANNEX I	875	875	-	-	-	-	-	-
61.01-25	Indoor wear of cotton	MFA	Bil. Agreement/ANNEX I	1263	1143	20	-	68	-	16	16
61.01-31	Parkas anoraks etc of cotton	MFA	Bil. Agreement/ANNEX I	405	221	-	-	184	-	-	-
61.01-37	Coats and raincoats of man-made fibres	MFA	Bil. Agreement/ANNEX I	511	502	-	-	-	-	9	-
61.01-76	Trousers of man-made fibres	MFA-quota	Bil. Agreement/ANNEX II	3480	1802	-	3	596	-	648	431
61.02-23	Indoor wear of cotton	MFA	Bil. Agreement/ANNEX I	1926	1870	-	-	12	-	-	44
61.02-54	Dresses of cotton	MFA	Bil. Agreement/ANNEX I	197	193	-	-	-	-	4	-
61.02-72	Trousers and slacks of cotton	MFA-quota	Bil. Agreement/ANNEX II	425	51	-	-	-	-	298	76
61.02-82	Blouses and shirt-blouses of cotton	MFA	Bil. Agreement/ANNEX I	113	104	-	2	2	-	5	-
61.02-92	Women's girls' outer garments of cotton	MFA	Bil. Agreement/ANNEX I	119	101	2	-	1	-	9	6
61.03-15	Men's and boys' shirts of cotton	MFA	Bil. Agreement/ANNEX I	332	332	-	-	-	-	-	-
61.04-01	Babies' under garments of cotton	MFA	Bil. Agreement/ANNEX I	953	376	-	-	577	-	-	-
61.09-50	Brassieres	MFA-quota	Bil. Agreement/ANNEX II	888	29	801	-	6	-	52	-
62.02-13	Cotton bed linen containing no flax	MFA-quota	Bil. Agreement/ANNEX II	6031	5187	3	-	787	-	54	-
62.02-19	Bed linen of text mat other than cotton	MFA-quota	Bil. Agreement/ANNEX II	202	-	-	-	-	-	202	-
62.02-42	Cotton table linen containing no flax	MFA-quota	Bil. Agreement/ANNEX II	135	95	-	-	1	-	9	30
62.05-46	Printed cotton table linen	MFA-quota	Bil. Agreement/ANNEX II	3293	2785	33	-	418	-	-	57
62.02-65	Table linen of text mat oth than cotton	MFA-quota	Bil. Agreement/ANNEX II	278	189	6	-	5	-	62	16
62.02-71	Toilet & kitchen linen of terry toweling	MFA-quota	Bil. Agreement/ANNEX II	13696	10202	554	311	1216	191	1053	169
62.02-74	Other cotton toilet and kitchen linen	MFA-quota	Bil. Agreement/ANNEX II	851	624	22	-	13	60	98	34
62.02-85	Curtains & other furnish art of cotton	MFA	Bil. Agreement/ANNEX I	137	120	-	-	-	-	-	17
62.03-98	New sacks and bags of text mat	MFA	Bil. Agreement/ANNEX I	102	-	-	-	-	-	-	102
62.04-29	Camping goods/ woven	MFA	Bil. Agreement/ANNEX I	208	6	189	4	2	-	-	7
62.05-99	Other made-up text art N.E.S.	MFA	Bil. Agreement/ANNEX I	495	93	-	-	-	-	401	1
64.02-32	*Leather footwear for women*	*undertakings (export tax)*	OJ L 327 of 14.11.1981	4917	758	3865	-	54	-	121	119
64.02-38	Leather footwear for women	undertakings (export tax)	OJ L 327 of 14.11.1981	16799	1442	105	1	584	71	13896	700
64.02-49	Leather footwear for women	undertakings (export tax)	OJ L 327 of 14.11.1981	18826	1034	1629	4	482	-	14754	923
64.02-54	Leather footwear for women	undertakings (export tax)	OJ L 327 of 14.11.1981	3038	442	2060	2	49	-	475	10
64.02-59	Leather footwear for women	undertakings (export tax)	OJ L 327 of 14.11.1981	16718	1215	713	42	534	-	13550	664
73.01-23	Hematite pig and cast iron	ECSC arrangement	Bull.EC-4/83 point 2.2.8	26363	9471	1279	8140	1121	134	6218	-

Table V.12 (Continuation)

EC TRADE RESTRICTIONS AFFECTING IMPORTS FROM BRAZIL IN 1984. a/

NIMEXE	Description	Type of restriction	Source	1982 Imports from Brazil (1000 ECU)							
				Eur-10	Germ	Fran	Italy	Neth	Bel/L	UK	Other
73.01-27	Hematite pig and cast iron	ECSC arrangement	Bull.EC-4/83 point 2.2.8	2448	2228	-	-	150	-	70	-
73.07-12	Rolled blooms and billets	basic import price	OJ L 372 of 29.12.1981	1082	1082	-	-	-	-	-	-
73.07-21	Rolled slabs and sheet bars	basic import price	OJ L 372 of 29.12.1981	3304	-	-	-	-	-	3304	-
73.08-03	Iron and steel coils for rerolling	definite antidumping duty	OJ L 210 of 2.8.1983	150	-	-	150	-	-	-	-
73.08-05	Iron and steel coils for rerolling	definite anti-dumping duty	OJ L 210 of 2.8.1983	3414	282	-	1769	-	-	1363	-
73.08-07	Iron and steel coils for rerolling	definite anti-dumping duty	OJ L 210 of 2.8.1983	7343	372	-	5745	-	-	1226	-
73.08-21	Iron and steel coils for rerolling	definite anti-dumping duty	OJ L 210 of 2.8.1983	5231	3051	-	553	29	741	346	511
73.08-25	Iron and steel coils for rerolling	definite anti-dumping duty	OJ L 210 of 2.8.1983	10326	6850	-	928	-	1221	855	472
73.08-29	Iron and steel coils for rerolling	definite anti-dumping duty	OJ L 210 of 2.8.1983	13397	7974	-	4197	-	893	312	21
73.08-41	Iron and steel coils for rerolling	definite anti-dumping duty	OJ L 210 of 2.8.1983	740	262	-	155	-	93	57	173
73.08-45	Iron and steel coils for rerolling	definite anti-dumping duty	OJ L 210 of 2.8.1983	955	293	-	137	-	117	66	342
73.10-11	Wire rod	basic import price	OJ L 372 of 29.12.1981	1461	14	-	-	-	-	1447	-
73.10-16	Bars and rods	basic import price	OJ L 372 of 29.12.1981	356	356	-	-	-	-	-	-
73.13-19	Plates and sheets >4.75 mm thick	definite anti-dumping duty	OJ L 128 of 20.5.1983	28263	25355	-	311	363	719	-	1515
73.13-23	Plates and sheets >3 mm thick	definite anti-dumping duty	OJ L 128 of 20.5.1983	3268	2338	-	-	-	208	-	722
73.13-26	Plates and sheets <3 mm thick	basic import price	OJ L 372 of 29.12.1981	1728	1615	-	-	-	-	-	113
73.13-43	Plates and sheets <3 mm thick	definite anti-dumping duty	OJ L 312 of 9.11.1982	8003	5989	85	-	-	48	1078	803
73.13-45	Plates and sheets <2 mm thick	definite anti-dumping duty	OJ L 312 of 9.11.1982	22087	14008	383	-	-	50	4138	3508
73.13-47	Plates and sheets <1 mm thick	definite anti-dumping duty	OJ L 312 of 9.11.1982	9331	5622	204	-	-	-	2958	547
73.13-49	Plates and sheets <0.5 mm thick	definite anti-dumping duty	OJ L 312 of 9.11.1982	646	71	-	575	-	-	-	-
73.13-72	Sheets and plates	basic import price	OJ L 372 of 29.12.1981	12077	12077	-	-	-	-	-	-
73.20-30	Tubes & pipes of malleable cast iron	price undertakings	OJ L 145 of 3.6.1981	2942	552	964	1426	-	-	-	-
73.73-23	Wire rod of stainless or alloy steel	basic import price	OJ L 372 of 29.12.1981	200	200	-	-	-	-	-	-
73.73-33	Bars rods of stainless or alloy steel	basic import price	OJ L 372 of 29.12.1981	6476	2978	-	-	2647	44	803	4
73.73-39	Bars rods of alloy steel	basic import price	OJ L 372 of 29.12.1981	2595	1361	-	-	28	-	1206	-
82.01-10	Shovels	initiation antidump. proceed.	OJ C 348 of 20.12.1983	188	188	-	-	-	-	-	-
	Total (258 tariff lines)			1525122	356496	617150	144304	146899	91406	116752	52116

a/ Tariff lines with import value of less than 100000 ECU are not shown in the table.

VI - CONCLUSIONS

1. Latin America as a region has a low priority in EC trade policy. In 1980 only 5% of extra-EC exports --in value terms-- were shipped to the member countries of ALADI, while Africa, which receives a higher priority in EC policy because of geopolitical motives, absorbed 14% of EC exports. Community exports to the member countries of the Association of South-East Asian Nations (ASEAN) are almost as large as those to Latin America as a whole (the value of total imports of the ASEAN countries is only half that of developing America), while exports to the African Caribbean and Pacific (ACP) countries are one and a half times those to Latin America.

2. The low priority that Latin America receives in the EC's trade policy is reflected in its disadvantageous position in the complex system of external trade relations of the EC. The Community maintains free trade agreements or preferential trade and cooperation agreements with EFTA countries, Spain and Portugal, the Maghreb, Mashreq countries and other Mediterranean countries, and ACP countries. As a GSP country, Brazil receives preferential treatment vis-a-vis only two groups of countries: OECD countries outside Europe and state trading economies. It cannot be expected that Brazil's position will improve, as apart from geopolitical and economic motives, EC policy --supported by the Economic and Social Committee and interest groups-- tends to differentiate among developing countries on the basis of their level of economic development. In the long run, graduation and reciprocity demands vis-a-vis Brazil and other middle income countries in Latin America will increase, especially when their balance-of-payments situation improves. In the case of Brazil, the large trade deficit of the EC with this country will be an additional motive for Community pressure to open up the Brazilian market to EC exports.

3. Protectionist pressures in the EC will persist unabated in the near future. Unemployment will remain a social problem of the first order for at least the remainder of this decade, as the present recovery will be insufficient for a significant decrease in unemployment levels. Furthermore, the international competitiveness of European industry vis-a-vis its main competitors needs to be further improved, while at the same time large segments of European industry are going through a process of restructuring and it is doubtful whether this can be brought to a succesful conclusion without continued government support in many fields (including not only industrial aid programmes but principally industrial and trade policies, which among other goals, aim at a shift in the distribution of value added in favour of capital remuneration).

4. At the moment there is only mild opposition to specific protectionist measures in Europe. The traditional free trade ideology is still influential, but faces a powerful lobby when specific products are in question. Only in the case of textiles,

interest groups, namely consumer organizations, have requested more or less systematically the easing of protectionist measures, principally because of the anti-inflationary impact of low-priced imports. These organizations are, however, the weakest lobbyists surrounding the European Commission. A more powerful ally of Brazilian exporters to the EC could be sought in EC export circles, especially among those companies which would benefit most from a more open world trading system. Import restrictions in Brazil itself, however, reduce the attractiveness of the Brazilian market for European exporters.

5. The composition of Brazilian exports to the EC goes a long way in explaining Community protectionism against it. Selectivity in protectionism is mainly product specific, not country specific.

6. Agricultural exports still dominate Brazil's exports to the Common Market. Temperate zone products, which are the cornerstone of the Common Agricultural Policy account for only a small share of Brazil's exports to the EC. Restrictive import practices under CAP are therefore of limited importance. This may change, however, with the accession of Spain and Portugal to the EC, when the scope of CAP will be extended to provide more protection to subtropical products. However, the impact of CAP on volume and prices of world trade in agricultural products seriously affects Brazil's export possibilities. Restitutions on EC exports of sugar provoked open Brazil-EC trade conflict in GATT in 1978.

7. The share of manufactured products in Brazilian exports to the Common Market (around 20% in 1983) is relatively modest as compared to other NICs, especially those in Asia. Furthermore, these exports have achieved a relatively high level of diversification, thereby removing a major cause of selective protectionism.

8. However, two characteristics of Brazil's exports to the EC might contribute to protectionist pressures. In the first place, exports to the EC are often heavily concentrated in a single national market. With respect to EC imports originating in Brazil and subject to restrictive trade measures, Germany absorbs 53% of the iron and steel products (75% of plates and sheets subject to definite antidumping duties) and 44% of the MFA articles, while the United Kingdom accounts for 71% of the EC imports of ladies leather footwear. In the second place, exports to the EC are sometimes irregular and influenced by the market access that Brazil enjoys to other markets, especially the United States (e.g., in the case of footwear and some iron and steel products).

9. The trade weighted average import duty levied on EC imports from Brazil in 1980 was, in principle, 2.6% (excluding agricultural products subject to variable levies and components). In practice this rate was somewhat higher, as imports of a series of articles eligible for GSP were accorded MFN treatment, because

of quota and ceiling limitations.

10. The trade weighted average import duty on agricultural products imported into the EC from Brazil was 4.6%. Agricultural products eligible for GSP treatment faced an average GSP rate of 10%. With respect to agricultural products, Brazil, which has only GSP status, is in a disadvantageous position vis-a-vis CAP countries, which receive larger tariff preferences.

11. The average import duty on industrial products is very low. The average MFN rate levied on industrial articles eligible for GSP treatment, weighted according to the structure of EC imports originating in Brazil, was 9.8% in 1980. This figure indicates the potential tariff preference that Brazil enjoys vis-a-vis countries receiving MFN treatment. In practice the tariff margin is lower, because Brazil receives MFN treatment for some GSP articles when quotas and ceilings are exceeded.

12. EC trade restrictions affecting Brazil are principally of a nontariff nature. In 1982, EC imports originating in Brazil were classified under 2034 tariff headings at the six digit level of the NIMEXE classification. Nontariff trade barriers in force at the Community level in 1984 existed with respect to 261 tariff headings (13%), of which 210 corresponded to textiles and clothing affected by MFA restraints.

13. Open trade restrictions in force in 1984 affected 26% of the value of EC imports originating in Brazil (calculated on the basis of 1982 import statistics). By commodity groups, trade restrictions affected 32% of the imports of agricultural products and 26% of the imports of industrial products (no import restrictaons were found in the case of mineral products).

14. Restrictions on imports of industrial products originating in Brazil refer principally to the ECSC policy affecting iron and steel products (affecting some 174 million ECU in trade) and the bilateral agreement under MFA (affecting some 248 million ECU). Unfair trade proceedings, excluding anti-dumping duties imposed on imports of iron and steel products, affect a relatively small value of EC imports from Brazil (representing a 1982 import value of some 77 million ECU). In 1985 antidumping duties on iron and steel coils, plates and sheets will be suspended in return for Brazil's acceptance of a restrictive bilateral agreement on iron and steel products. Unfair trade proceedings were terminated with price undertakings in the case of footwear, pipes and tubes and hardboard.

BIBLIOGRAPHY

01. ARTUS, P. & PEYROUX, C. Fonctions de production avec facteur energie: estimations pour les grands pays de l'OCDE. Annales de L'Ins'ee. 44. Oct./Dec. 1981

02. COMMISSION OF THE EUROPEAN COMMUNITIES. First Annual Report on the Community's Anti-dumping and Anti-subsidy Activities. s.l., 1983 (COM(83)519).

03. ________________________, Memorandum on the Community's development policy. s.l., 1983 (COM(82)640 final).

04. ________________________, Opinion of the Economic and Social Committee on the Memorandum on the Community's development policy., s.l., 1983 (COM(82)649 final).

05. ________________________, Seventeenth General Report on the Activities of the European Communities. Brussels, 1983. 376 pp.

06. ________________________, Sixteenth General Report on the Activities of the European Communities. Brussels, 1982. 360 pp.

07. ________________________, Thirteenth Report on Competition Policy. Brussels, 1984.

08. COMMODITY TRADE STATISTICS; New York, United Nations, 1975, 1980, 1982 (Statistical Papers, Series D).

09. ECONOMIC AND SOCIAL COMMITTEE. General Secretariat. Community Advisory Committees for the Representation of Socio-Economic Interests. s.l., 1980.

10. ________________________. European interest groups and their relationships with the ESC. s.l., 1980.

11. ________________________, Perspectives for the eighties; advice s.l., 1981.

12. EUROPEAN BUREAU COMUMERS' ASSOCIATION. BEUC'S comments on the 1983/84 farmprice proposals. s.l., 1983 (16283).

13. THE EUROPEAN COMMUNITY. The consumer and the multifibre arrangement. s.l., European Bureau Consumers' Association, s.d. (91.81. Rev.1).

14. DE EUROPESE ECONOMIE, July 1983.

15. GATT. Arrangement regarding international trade in textiles.Bilateral Agreement between the EEC and Brazil. Geneva, 1984. 53 pp. (COM.TEX/SB/917).

16. ____________________. Committee on Trade and Development. Consultations.Background information EEC. Note by the Secretariat. Geneva, 1984 (Part IV. Table 14). (COM.TD/W/402).

17. HANDBOOK OF INTERNATIONAL TRADE AND DEVELOPMENT STATISTICS. Geneva, 1983.

18. HELLEINER, G.K. The new industrial protectionism and the developing countries. Trade and Development, and UNCTAD review n.1, Spring 1979.

19. HUEY, H. van den. De mijnbouwsector in ontwikkelingslanden Tilburg, Ivo, 1981.

20. IPEA/ECLAC. Trade relations between Brazil and the United States. Brasilia, 1985. 149 pp. il.

21. KIRCHNER, Emile & SCHWAIGER,Konrad. The role of interest groups in the European Community. s.l., 1981.

22. MESSERLIN, P.A. The political economy of protectionims the bureaucratic case. Weltwirtschaftliches Archiv. 117(3), 1981.

23. OECD ECONOMIC OUTLOOK. Paris, n.36, Dec. 1984.

24. OFFICIAL JOURNAL OF THE EUROPEAN COMMUNITIES (VARIOUS YEARS).

25. UNCTAD. Liberalization of barriers to trade in primary and processed commodities; agricultural trade expansion and protectionism with special reference to products of export interest to the developing countries. Geneva, 1983. (TD/B/C.1/239).

26. ____________________.Protectionism and structural adjustment in the world economy. Report by the UNCTAD Secretariat. Geneva, 1980. (TD/B/888).

27. UNITED STATES INTERNATIONAL TRADE COMMISSION. Foreign industrial targeting and its effects on U.S. industries Phase II. The European Community and Member States. Washington, 1980. (USITC Publication, 1517).

28. VERREIJDT, E. & WAELBROECK, J. European Community protection against manufactured imports from developing countries: a case study in the political economy of protectionism. Washington, D.C., World Bank, 1980. (World Bank Staff Working Paper, 321).

29. VERLOREN, J. No trade less aid: new view on this relations with ACP countries. s/, 1983 (Lome Briefing, 13).

30. WESTON, Ann. _The EEC'S Generalised System of Preferences._ s.l., ODI, 1980.

31. WORLD DEVELOPMENT REPORT. Washington, D.C., The World Bank, 1981.

ESCOPO EDITORA