



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 06.09.1996
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Proposal for a

COUNCIL REGULATION (EC)

on the implementation by the Commission of activities to promote market access for
Community industry to third countries

MULTILATERAL TRADE AND MARKET ACCESS

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. IMPROVING MARKET ACCESS IN THE CONTEXT OF COMMERCIAL POLICY

Community firms are exposed to a much greater degree of competition than before. In this context open markets worldwide are one of the keys to securing faster growth and more rapid job creation in Europe. Community firms encounter a multitude of obstacles abroad resulting from violations of international agreements, from insufficient enforcement of national laws, or unregulated practices. The Community must strive to achieve improved market access in third countries in parallel to the continued progressive opening of its own market, both by ensuring the full implementation by its partners of their intentional obligations, and through other market access actions. The Commission has given a comprehensive picture of the strategy which should be implemented by the Community in its Communication to the Council "The global challenge of international trade: A market access strategy for the European Union". The Commission should dispose of the necessary financial resources in order to carry out certain actions which are part of this strategy.

In the case of trade promotion actions aiming in particular at raising the profile of the Community industry, the activities carried out by the Commission shall be complementary to Member States' programmes. Community funded activity should reflect the division of labour which has grown up between Community, national and industry based trade promotion and co-operation programmes and concentrate on cases where it brings a clear value added. Community activities will focus on target markets in creditworthy countries, offering a growth potential, where entry costs are high and benefits can therefore be expected from a critical mass afforded by a pan European approach.

2. A COUNCIL REGULATION IS NOW NEEDED TO PROVIDE THE 'MARKET ACCESS PROGRAMME' WITH A LEGAL BASIS.

This point is a direct consequence of the Commission Communication to the Budgetary Authorities "on legal basis and maximum amounts"¹ as all budget lines exceeding 5 MECU now need a specific legal basis. In 1996 this threshold has been reached in the case of the B7-852 budget line, "market access in third countries".

3. THIS PROPOSAL INCLUDES THE FOLLOWING POINTS:

Articles 1 and 2 of the draft Regulation indicate the type of measures the Commission is authorised to undertake in relation to market access actions and by using the opportunities of the multilateral trade agreements. The Commission is also requested to ensure that such actions will be compatible with other Community policies.

Articles 4 and 5 lays down rules for a consultative committee to assist the Commission in the performance of its duties under the Regulation.

Article 6 indicates that Community actions may be accompanied by separate activities by Member States in the field of export promotion. The Regulation is not intended to modify the

¹ SEC(94) 1106 final

existing division of labour between Community, national and industry programs concerning these specific activities.

The form of the proposed legal act is a Regulation. The choice corresponds to the one mentioned under point IV, paragraph 3, letter c) of the "Declaration commune du Parlement européen, du Conseil et de la Commission de 1982" (J.O. C 194, 28.7.1982, p.1), according to which:

"The implementation of appropriations entered for significant new Community action shall require a basic regulation. If such appropriations are entered, the Commission is invited, where no draft regulation exists, to present one by the end of January at the latest".

Finally, the legal basis of the Regulation is Article 113 of the EC Treaty, since its object and purpose act is to gain market access in third markets and the activities mentioned under article 2 fall within the ambit of the Common Commercial Policy.

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THE COUNCIL OF THE EUROPEAN UNION

Having regard to the Treaty establishing the European Community and in particular Article 113 thereof,

Having regard to the proposal of the Commission¹,

Having regard to the opinion of the European Parliament,

Whereas the common commercial policy would be incomplete, if it were not accompanied on the Community level by specific activities designed to remove trade barriers and facilitate and market penetration for Community industry to third countries,

Whereas therefore new world-wide commercial opportunities for Community industry should be supported by a market access policy of the European Community,

Whereas the policy needs to be backed up by specific activities to identify and find ways to eliminate trade barriers, to indicate market opportunities, and to raise the profile of Community industry,

Whereas to this end it is necessary to adopt rules laying down the basic objectives to be achieved by the Commission as well as the means to achieve these goals,

HAS ADOPTED THIS REGULATION

Article 1

The Commission shall design and carry out a market access programme aimed at improving the access of Community products and cross-border services in third countries:

Article 2

1. The Commission of the European Communities shall, in particular, undertake, directly or indirectly, the following activities :

- analysis of the conditions of market access in third countries,
- establishment and development of databases as well as coordination and dissemination of information concerning trade barriers, international or national trade regulations.

- studies concerning in particular implementation by third countries of their obligations under international trade agreements, or in connection with the preparation of negotiations,
 - organisation of, or participation in, trade fairs in third countries,
 - organisation of seminars and business fora, production and distribution of studies, information packs, publications, leaflets concerning any legal or economic aspect relating to access to third countries markets or international trade conditions,
 - any other activity destined to raise the profile of the Community industry; promote the image of Community products or services and support market openings.
2. In implementing the activities referred to in paragraph 1, the Commission shall ensure the consistency of the specific activities developed thereunder with the various aspects of other Community policies.

Article 3

In order to enable the Commission to carry out the market access activities, promote the European opportunities resulting from international trade agreements and other activities mentioned in this Regulation, the Commission shall dispose of the necessary financial resources. For that reason, the Commission of the European Communities will include annual proposals for its financial requirements, for the activities specified in article 2, under the normal budgetary procedures.

Article 4

The market access programme referred to under article 1 shall be adopted in accordance with the procedure laid down in Article 5.

Article 5

The Commission shall be assisted by an advisory committee for access to third country markets hereinafter referred to as "the Committee", composed of the representatives of the Member States and chaired by the representative of the Commission.

The representative of the Commission shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter, if necessary by taking a vote.

The opinion shall be recorded in the minutes; in addition, each Member State shall have the right to ask to have his position recorded in the minutes.

The Commission shall take the utmost account of the opinion delivered by the committee. It shall inform the committee of the manner in which its opinion has been taken into account.

Article 6

Without prejudice to other Community provisions, the actions developed by the Community under the present Regulation may be accompanied by separate activities by Member States in the field of export promotion.

Article 7

This regulation shall enter into force on

This regulation shall be binding in its entirety and directly applicable in all Member States.

Done in Brussels,

For the Council,

Financial Statement

Access to the markets of non-Community countries

1. TITLE

Access to the markets of non-Community countries

2. BUDGETARY HEADING: B7-852

3. LEGAL BASIS

- Article 113 of the Treaty of Rome
- Proposal for a Council regulation N° on the implementation by the European Commission of activities to promote market access for Community industry to third countries (O.J.C.)

4. DESCRIPTION OF OPERATION :

4.1 General objective:

European firms are exposed to a much greater degree of competition than before. In this context open markets worldwide are one of the keys to securing faster growth and more rapid job creation in Europe. European firms encounter a multitude of obstacles abroad resulting from violations of international agreements, from insufficient enforcement of national laws, or unregulated practices. The Community must strive to achieve improved market access in third countries in parallel to the continued progressive opening of its own market, both by ensuring the full implementation by its partners of their international obligations, and through other market access actions.

The Commission has given a comprehensive picture of the strategy which should be implemented by the Community in its Communication to the Council "The global challenge of international trade: A market access strategy for the European Union". The Commission should dispose of the necessary financial resources in order to carry out certain actions which are part of this strategy.

The activities to be carried out by the Commission are expanded upon in this Communication and shall be complementary to Member States' programmes.

The major actions which will be pursued under this line will be the following:

- Market opening actions - identifying trade restrictions in third countries, where appropriate take action to remove obstacles and assisting European industry by taking appropriate measures (through business cooperation or through legal instruments such as the Trade Barriers Regulation).
- Identification of market opportunities and development of appropriate market opening strategies.
- Raising the profile of European industry and promoting the image of European products.

4.2 Duration of the action; means foreseen for its renewal:

The general action undertaken will be of an indefinite duration. Although some actions dealing with a specific market access problem (e.g. the existence of a specific barrier to trade) may be temporary and continue until the problem has been resolved. In the case of promotional activities action will normally be supported for a maximum of three years (after which it will be assumed that the event should have become self-supporting).

5. CLASSIFICATION OF EXPENDITURE/REVENUE

5.1 *Non-compulsory expenditure ("DNO")*

5.2 *Differentiated appropriation ("CD")*

5.3 *Type of revenue involved:*

None

6. TYPE OF EXPENDITURE/REVENUE

- *100% subsidy*

Not normally but will be considered in exceptional cases (e.g. the establishment and operation of a market access data base)

- *subsidy for co-financing with other sources in the public or private sector?*

Yes, this may be envisaged as a method of funding. Subsidies not normally exceeding 50% will be provided to professional associations and other responsible organisations for market access activities elaborated in 9.1.

When dealing directly with EU enterprises, subsidies (in the form of financial incentives) will be given directly to companies to assist them in market promotion activities. Subsidies will be given for 50% of certain cost items normally resulting in a total subsidy not exceeding 1/3 of the total cost of a specific action.

- *Interest subsidy: No*

- *Others*

Financing of market access events, acquisition of studies, trade promotion activities (e.g. fora, missions and Community pavilions), publications and conferences. It is envisaged that, following the appropriate provisions of the Commission's financial regulations, consultants will be directly contracted by the Commission services.

- *Should the action prove an economic success, is there provision for all, or part of, the Community contribution to be reimbursed?*

- *Will the proposed operation cause any changes in the level of revenue?*

No

7. FINANCIAL IMPACT ON APPROPRIATIONS FOR OPERATIONS

7.1 Method of calculating the total cost of the operation:

A wide range of different actions are foreseen to meet the objectives of the budget-line and costs will vary considerably depending on the nature of action undertaken. Even for similar types of action (e.g. studies) costs will vary considerably depending on the scope of the action and the degree of specialisation needed.

The costs of specific actions will be determined either:

- following invitations to tender issued by the Commission
- following requests for subsidies. In such cases, projects are selected according to how well they meet the criteria which have been established for selection. Subsidies are based on a percentage of total costs and usually the Community funding is limited to a maximum of 50%.

A. Analysis of market opportunities and trade barriers

Activities to be achieved through the use of studies. Past experience demonstrates that the total costs of studies and advise may range between 20.000 to 200.000 ECU.

B. Establishment and development of data-bases

Costs to be established following calls for tender. Total estimated average cost of 100.000 ECU per sector.

C. Production and dissemination of information

Costs will vary greatly according to the type of action undertaken. A large scale business seminar could cost up to 100.000 ECU, production and distribution of an information leaflet 10.000 ECU.

D. Market access actions

The cost of a business forum or trade mission will depend on the number of participants and the country in which the event is being held. Typically the total costs of events will be in the range of 100.000 to 300.000 ECU

The cost of a European Union participation in trade fairs can vary for the same reasons as for business fora. We estimate that the cost of participation, including the financial incentives to companies, range from 200.000 to 800.000 ECU or more.

7.2 Breakdown by elements of the operation

In MEUCU
(current prices)

Breakdown	Year 1996	1997	1998	1999	2000	2001 and following years	Total
A. Analysis of market opportunities and trade barriers	1,4	1,4					
B. Establishment and development of data-bases	0,6	0,6					
C. Production and dissemination of information	0,7	0,7					
D. Market access actions	3,8	3,8					
Total	6,5	6,5					

7.3 Indication of the timetable for commitment and payment appropriations

In MECU

	Year 1996	1997	1998	1999	2000	2001 and following years	Total
Commitment appropriations	6,5	6,5					
Payment appropriations							
Year 1996	6,0	2,5					
1997		3,5					
1998							
1999							
2000							
2001							
Total	6,0	6,0					

8. WHAT ANTI-FRAUD MEASURES ARE PLANNED IN THE PROPOSAL FOR THE OPERATION ?

Methods of control (submission of reports, etc.) will be included in all agreements or contracts between the Commission and beneficiaries. A close cooperation with the delegations of the Commission and the participation of a representative of the Commission at events in third countries will check on the spot the work to ensure that it corresponds with the terms of reference, contract provisions and required professionalism.

The checks take place before the final payment. The same rule applies to the financial incentives paid to participating companies. Where appropriate, agreements also require organisations to submit financial accounts certified by their auditors.

In those cases involving cooperation with EU industrial federations the accounts are further checked at the Annual General Meeting of the federations concerned.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1. Specific objectives of the proposed operation, population targeted

- *Specific objectives : links with the general objective*

- analysis of the conditions of market access in third countries - to be achieved through studies.
- establishment and development of databases as well as coordination and dissemination of information concerning trade barriers, international or national trade regulations,
- studies in the context of international trade agreements concerning in particular implementation by third countries of their obligations, or in connection with the preparation of negotiations,
- organisation of, or participation in, trade fairs, trade missions and business fora in non-Community countries,
- production and distribution of studies, organisation of seminars, information packs, publications, leaflets concerning any legal or economic aspect relating to access to third countries markets or international trade conditions,

- *Target population*

The target population are the exporting companies, business associations, chambers of commerce and public institutions of the European Union which will benefit, or have an interest in, market access in third country markets.

9.2. Reasons for the operation

- *Need for intervention from the Community budget*

Under Article 113 of the Treaty of Rome the Community has exclusive competence for commercial policy and subsidiarity does therefore not apply. Nevertheless the Member States are authorized to accompany the actions developed by the Community, under the proposal for a Council regulation N°, by separate activities destined to raise the profile of their industry. The Commission will also be assisted by a committee of an advisory nature composed of the representatives of the Member States and chaired by the Commission to discuss the Community market access activities.

For the reasons elaborated under 4.1 it is appropriate for the Commission to develop a strategy to achieve improved market access in third countries for European

industry: both by ensuring the full implementation by its partners of their international obligations, and through other market access actions. Community funded activity will concentrate on cases where it brings a clear value added. Community activities will focus on target markets, where entry costs are high and benefits can therefore be expected from a critical mass afforded by a pan European approach.

- *Choice of methods of intervention*

* *advantages over alternative measures (comparative advantages)*

* *analysis of similar operations at Community or national level*

* *results and expected multipliers*

Advantages that result from Community market access actions instead of isolated actions:

- Coordination of market opening measures at the EU level where negotiations and market opening initiatives such as use of the Trade Barriers Regulation will occur.
- Economies of scale in many cases.
- Avoiding duplication of activities by Member States (e.g. in the case of market studies)
- Better impact and higher credibility as Community actions are often carried out on a larger scale.
- The European Commission is in a position coordinate all market access information available in the Member States and establish data-bases which will provide the European industry with a competitive advantage.

- *Main factors of uncertainty which could affect the specific results of the operation.*

9.3 Monitoring and evaluation of the operation

- *Performance indicators selected*

* *Output indicators*

* *indicators of impact, following the objectives chosen*

- *Evaluation of results*

In the case of market opening measures, success can be quantified by the removal of barriers to trade in third markets. Progress in this regard will be regularly monitored by the officials concerned. Progress can for example also be measured in terms of the TRPM reports for a qualitative evaluation and with COMEXT for a statistical evaluation.

Market opening can also be measured by increased EU exports and this factor will be taken into consideration although export performance is subject to such a wide range of variables (e.g. changes in exchange rates) that this can never be the sole factor for evaluation.

In the case of actions realised through studies evaluation will be largely based upon an analysis of how successfully the results meet the original terms of reference.

In all cases a final analysis will be made jointly by all concerned Commission services. Relevant sectors of industry, Commission trade experts, industrial policy experts, delegations and country desks are requested to contribute to the analysis of projects.

In actions involving direct participation of enterprises success is subject to systematic performance indicators:

- Follow-up studies (3-6 months after the event) of the participants in business fora and missions to measure quantitatively and qualitatively the established contacts with their potential clients.
- Evaluation surveys are distributed to all participants at trade fairs to indicate the number of firms which found the event useful and which will be interested in participating again. The degree of active interest in the products or services on display by those attending and the volume of contracts for sales concluded are examined as performance indicators.

Details and frequency of the planned evaluation

To be decided according to the nature of the event and following the methods described above.

10. ADMINISTRATIVE EXPENDITURE (PART OF SECTION III OF THE GENERAL BUDGET)

The administrative resources needed will be mobilized through the Commission's annual decision on the allocation of resources, in light of the extra staff and funding allowed by the budgetary authority.

10.1 **Impact on the number of jobs: "Operation to be financed by redirecting some of DG's existing administrative resources"**

Types of jobs		Staff assigned to operation		Funding for these staff from:		Period of service
		permanent	temporary	existing budget of the relevant DG or dept.	additional resources (to be released in 1997)	
Permanent or temporary	A	6	-	6*	-	<i>indefinite</i>
	B	1	-	1	-	
	C	2,5	-	2,5*	-	
Other resources			2 nat. exp. (second ment)	2 nat. exp. (second ment)		
Total		9,5	2	11,5	-	

The operation would be compromised without extra funding either through a general redeployment of resources or new staff.

10.2 **Overall financial impact of extra staff: "Operation to be financed by redirecting some of DG's existing administrative resources" (See point 10.1)**

(ECU)

	Amount	Method of calculation
Permanent staff		
Temporary staff		
Other resources (state budget heading)		
Total		

10.3 **Increase in other operating expenditure as a result of the operation: "Operation to be financed by redirecting some of DG's existing administrative resources"**

(ECU)

Budget heading (number and title)	Amount	Method of calculation
A.2510	19 000	Document DG IX "Missions -couts indicatifs selon duree (en ecu)":
A.1300	5 730	<u>Additional missions:</u>
	19 240	1 missions to Korea (4 days)
	13 350	2 mission to Japan (3 days)
		5 missions to the United States (3 days)
Total	57 320	

* A number of officials are working part of their time on market access issues.

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