

Panorama of European Union trade
Data 1999-2006



2007 edition

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INTRODUCTION

'Globalisation' and 'internationalisation of economies' are terms which are commonly used to emphasise the interdependence of present day economies and the undeniable and increasing importance of international economic relations. While each of these terms of course covers a very wide range of world economic relations, they also include one of the oldest methods of exchanging things between countries: international trade. Growth in external trade, generally at a faster rate than world production, illustrates the growing interdependence of the world's economies.

Global economic integration creates opportunities for growth and for development. But it also increases pressure on global resources and on traditional industries and livelihoods. The European Union is committed to ensuring that the European economy is open to the world and competitive on the world stage. It supports a strong multilateral trading system as the most effective means of managing trade for the benefit of all.

The Panorama of European Union trade (1999-2006) deals solely with the trade in goods, i.e. agricultural products, energy and manufactured products. It does not cover the trade in services, which is covered by other Eurostat publications. The aim of this second issue of the Panorama is to provide the citizens of the European Union and economic decision-makers with essential information on EU and Euro area external trade, and trade between Member States. It makes use of annual statistics in an effort to highlight the main features and salient trends of the European Union's external trade between 1999 and 2006.

The statistics analysed in this publication are taken mainly from Comext, the Eurostat database dedicated to the results of the EU's external trade and that of Member States. In order to better assess the EU's position in the world market, additional information was drawn from Comtrade, the United Nations database. All data are taken from national sources but, as far as EU Member States are concerned, the methodology applied is harmonised at Community level.

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Chapter 1

The European Union in world trade



1. THE EUROPEAN UNION IN WORLD TRADE

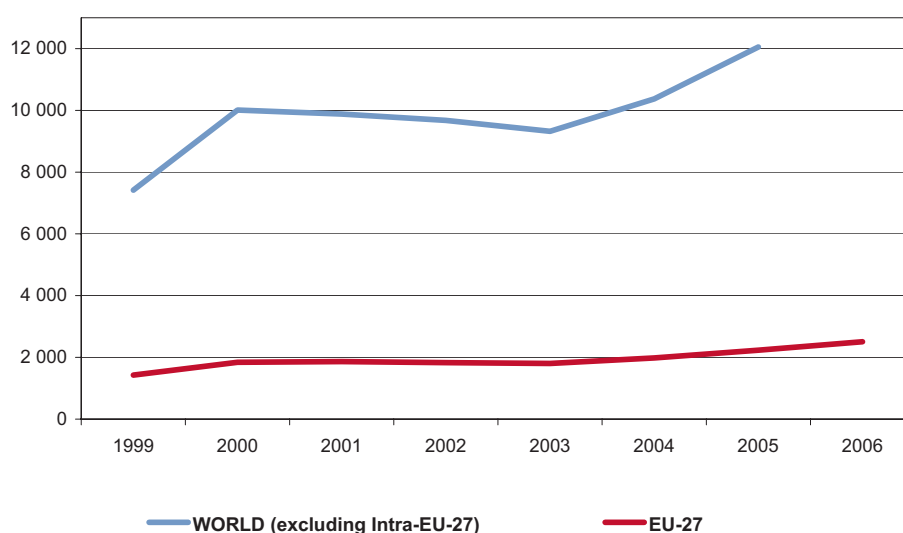
1.1 Evolution of world trade in goods 1999-2006

Extra-EU-27 holds a leading role in international trade

At the height of the high-technology boom, world trade – the total volume of import and export flows – grew by 35% from 1999 to 2000 and reached more than EUR 10 trillion in 2000. World trade contracted to EUR 9.3 trillion by 2003 and returned to growth thereafter, expanding by 11% from 2003 to 2004 and by 16% from 2004 to 2005. The European Union's (EU-27) share in world trade ranged

between 18.4% in 2000 and 19.4% in 2003. From 1999 to 2006 – the period covered by this publication – this share described a cyclical yet slightly declining pattern. With a share of 18.5%, the EU-27 was the largest contributor to world trade in 2005, having replaced the USA in first position in 2003. It must be noted that these figures are influenced by the rise in the ECU/EUR exchange rate with respect to the USD that has taken place since 2001. EU-27 trade figures presented in this chapter do not include intra-EU-27 trade, the size of which was close to double that of extra-EU-27 trade in 2006¹.

Fig. 1.1: World trade in goods (sum of Exports and Imports), 1999 to 2006 (EUR Bn)



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Note: World trade corresponds to Extra-EU-27 trade and trade of non-EU countries with partner world

The beginning of the millenium sees strong growth

Extra-EU-27 trade grew at an average annual rate of 7.8% from 1999 to 2005 compared to average world trade growth of 8.4% while, in contrast, China's trade expanded at 22.5% annually. The 1999 to 2006 period was one of particularly strong growth in international trade, participants gaining from a large number of bilateral and regional trade agreements encouraged by the institution of the World Trade Organisation in 1995. This period was also

characterised by continuing technical improvements that have greatly facilitated communications and data management as well as forming the bases of thriving markets in new products. Stabilising at around 3% in the late 1980s, real interest rates² gradually fell during the period under analysis. High flows of foreign direct investment (FDI) to emerging market and developing market countries have contributed to rapid industrialisation, boosting the demand for imports. Economies such as China's and India's have continued to enjoy strong growth, their demand for import goods sometimes exerting pressure on world markets.

¹ Please see Chapter 3 for details of intra-EU-27 trade.

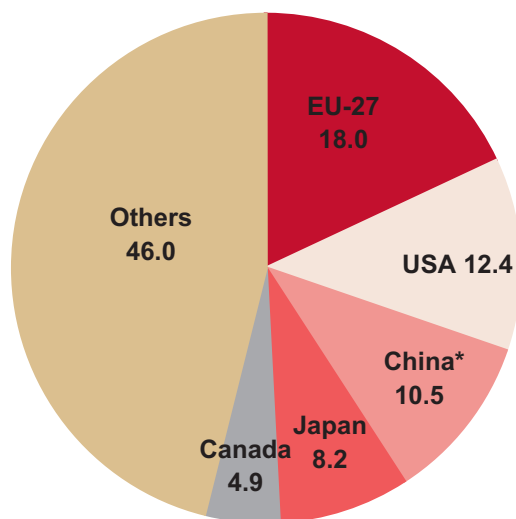
² US inflation-adjusted 10-year yield. See: UNCTAD World Economic Situation and Prospects 2007, p.29

Enlargement clearly reinforces the European Union

These were particularly important years of transition for the European Union which, in two waves of enlargements (2004 and 2007) grew by 12 Member States. This has inscribed new synergies on the topology of European trade, affecting individual Member States' trade specialisation patterns. Today forming the world's largest internal market, rich in the diversity of its constituent economies, the European Union appears to have become more resilient in the face of world swings in demand.

Fig. 1.1 shows an increasing contraction in world trade between 2000 and 2003 and, while the other developed nations' – USA, Japan and Canada – trade reduced at annual rates of around 6.7%, EU-27 trade fell annually by only 0.7%. In the twelve new Member States (2004 and 2007 enlargements), trade in fact grew at an average annual 8.1% between 2000 and 2003. From 2003 to 2005, EU-27 trade growth was lifted by new-Member-State annual average trade growth of 13.7% – at a par with World trade growth – compared to 11.1% in the EU-15. Taking full benefit of buoyant world conditions, the new Member States displayed trade growth of 25.9% between 2005 and 2006.

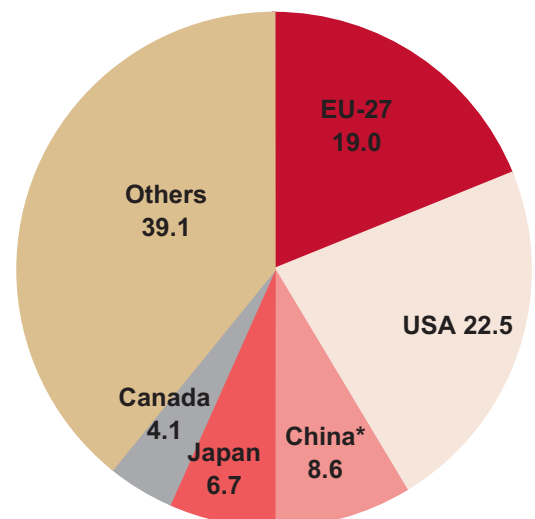
Fig.1.2: World: main exporters, 2005 (%)



* excluding Hong Kong
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The main world trading partners' shares in exports and imports are depicted for 2005. The EU-27 was the world's main exporter in 2005, driven by exports from Germany,

Fig.1.3: World: main importers, 2005 (%)

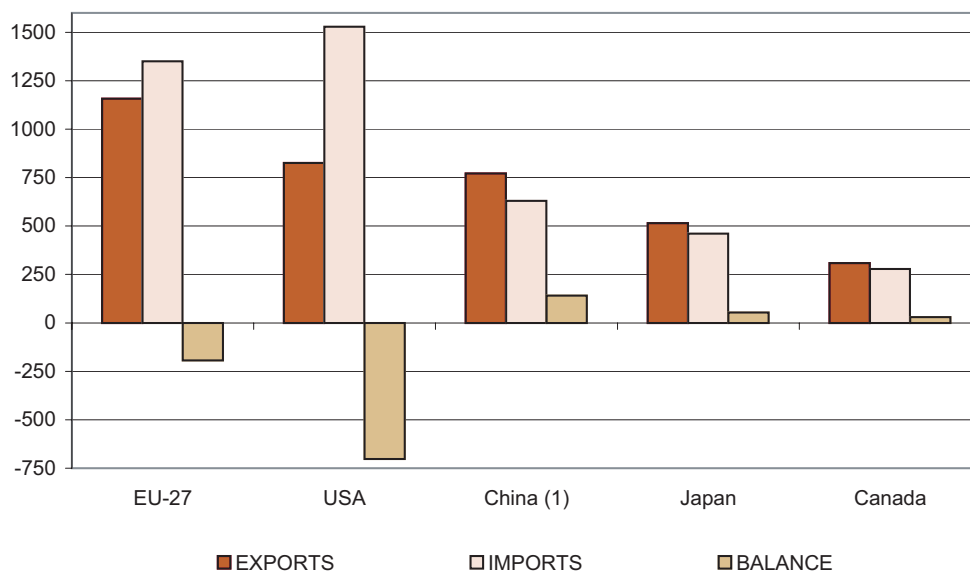


* excluding Hong Kong

the world's main exporting country³. The USA had a greater share in world imports than did the EU-27 in 2005 while China was third, both in terms of exports and imports.

³ See: "Exportweltmeister Deutschland dank des hohen Euro-Kurses" Statistisches Bundesamt – Wirtschaft und Statistik 4/2007

Fig. 1.4: Main world traders: exports, imports and trade balance, 2006 (EUR Bn)



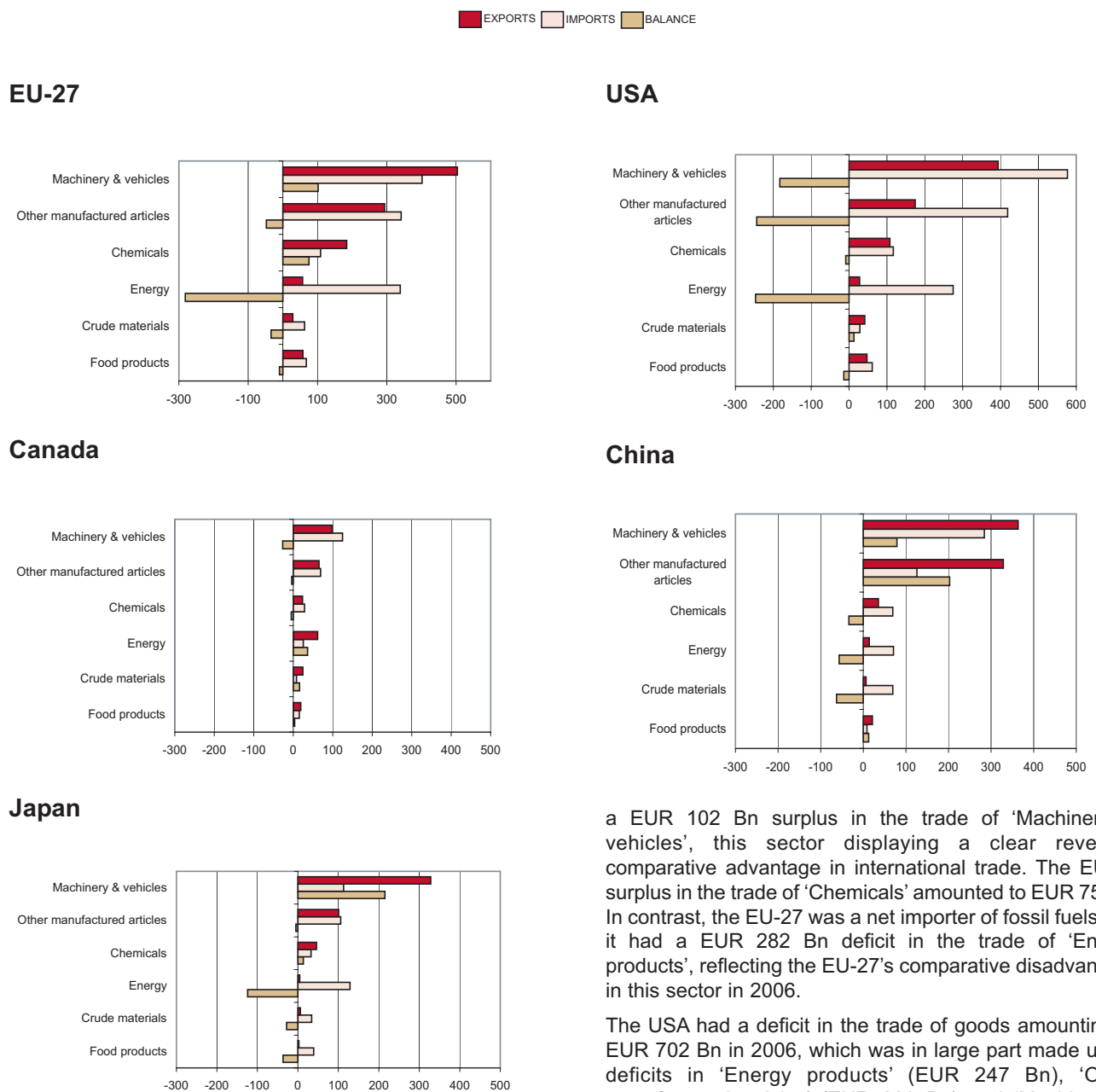
(1) excluding Hong Kong
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Contracting at the beginning of the period, the EU-27 deficit in the trade of goods grew again between 2002 and 2006, reaching a value corresponding to 7.7% of total extra-EU-27 trade in 2006. The USA's goods deficit, in comparison, was equivalent to 29.8% of its total trade in 2006. The EU-27's imports were strongly boosted by a substantial rise in commodity prices. For example, growing at an annual average 15%, the barrel price of Brent crude

oil, tripled from USD 20.2 in January 1999 to USD 62.2 in December 2006⁴. Currency gains in the EU-27's terms of trade due to an average yearly 2.3% depreciation of the US Dollar with respect to the Euro during this period were, for example, counterbalanced by 2.6% annual import volume growth in Petroleum, petroleum products and related materials (SITC 3.33).

⁴ Source: INSEE

Fig. 1.5: Main world traders: imports, exports and balance, by SITC product group, 2006 (EUR Bn)



TET00005 to TET00010

The statistical product classification applied throughout this publication is SITC Rev.3. Data are detailed to SITC-1 (Section) level and, in particular cases, to levels 2 (Division) and 3 (Group). In 2006, the EU-27's exports, imports and balances as well as those of the main world traders are further detailed here by SITC-1 Section (or combined Sections).

'Machinery & vehicles' (SITC 7), 'Other manufactured articles' (SITC 6+8) as well as 'Chemicals' (SITC 5) made up the EU-27's main exports in 2006, while 'Machinery & vehicles', 'Other manufactured articles' and 'Energy products' (SITC 3) were the main imports. The EU-27 had

a EUR 102 Bn surplus in the trade of 'Machinery & vehicles', this sector displaying a clear revealed comparative advantage in international trade. The EU-27 surplus in the trade of 'Chemicals' amounted to EUR 75 Bn. In contrast, the EU-27 was a net importer of fossil fuels and it had a EUR 282 Bn deficit in the trade of 'Energy products', reflecting the EU-27's comparative disadvantage in this sector in 2006.

The USA had a deficit in the trade of goods amounting to EUR 702 Bn in 2006, which was in large part made up by deficits in 'Energy products' (EUR 247 Bn), 'Other manufactured articles' (EUR 220 Bn) and 'Machinery & vehicles' (EUR 127 Bn).

Canada's trade displayed a surplus in 'Energy products' (EUR 36 Bn), but also in 'Crude materials' (SITC 2+4) and 'Food products' (SITC 0+1). These outweighed deficits in other product categories, of which EUR 27 Bn in 'Machinery and vehicles', resulting in an overall surplus of EUR 30 Bn.

China had trade surpluses in 'Other manufactured articles' (EUR 203 Bn) as well as in 'Machinery and vehicles', and 'Food products', which contributed to a total surplus of EUR 141 Bn. China displayed trade deficits in 'Crude materials', 'Energy' and 'Chemical products'.

Japan's main surplus was in 'Machinery & vehicles' (EUR 215 Bn), while its main deficit was in 'Energy products' (EUR 124 Bn).

1.2 The European Union's role in international product markets

Tab.1.6: Main world exporters: shares in SITC product groups, 2005 (EUR Bn)

| | Food products | Crude materials | Energy | Chemicals | Other manufactured articles | Machinery & vehicles | Products not classified elsewhere | TOTAL |
|--------------------|---------------|-----------------|--------|-----------|-----------------------------|----------------------|-----------------------------------|-------|
| EU-27 | 52 | 24 | 46 | 165 | 266 | 471 | 30 | 1053 |
| USA | 42 | 35 | 21 | 96 | 155 | 349 | 29 | 727 |
| China | 19 | 6 | 14 | 29 | 260 | 283 | 1 | 612 |
| Japan | 2 | 6 | 4 | 42 | 96 | 306 | 22 | 478 |
| Canada | 17 | 22 | 58 | 21 | 60 | 95 | 16 | 289 |
| Hong Kong | 2 | 2 | 1 | 11 | 94 | 123 | 2 | 235 |
| South Korea | 2 | 2 | 13 | 22 | 49 | 139 | 0 | 229 |
| Russia | 3 | 9 | 95 | 8 | 31 | 8 | 41 | 194 |
| Singapore | 3 | 1 | 23 | 21 | 21 | 108 | 8 | 185 |
| Mexico | 9 | 2 | 26 | 6 | 36 | 92 | 1 | 172 |

TET00005 to TET00010

The EU-27 leading trader in many sectors

The EU-27's leading position as a worldwide trader is further emphasised when one looks at its position in the trade of goods by SITC-1 product category, both among the world's ten main exporters and ten main importers. EU-27 total exports were the highest, amounting to EUR 1 053 Bn in 2005. The EU-27 was the main exporter in four out of six SITC-1 product sections: 'Food products', 'Chemicals',

'Other manufactured articles' and 'Machinery & vehicles', while the USA was the main exporter of 'Crude materials' and Russia was the main exporter of 'Energy products'. With a total of EUR 1 180 Bn the EU-27 was the world's second main importer of goods after the USA, and it had the highest imports of 'Food products' and 'Energy products'. The USA were the world's main importer of 'Chemicals', 'Other manufactured articles' and 'Machinery & vehicles', while China was the main importer of 'Crude materials'.

Tab. 1.7: Main world importers: shares in SITC product groups, 2005 (EUR Bn)

| | Food products | Crude materials | Energy | Chemicals | Other manufactured articles | Machinery & vehicles | Products not classified elsewhere | TOTAL |
|---------------------------|---------------|-----------------|--------|-----------|-----------------------------|----------------------|-----------------------------------|-------|
| USA | 56 | 27 | 240 | 106 | 382 | 533 | 48 | 1392 |
| EU-27 | 63 | 53 | 273 | 96 | 290 | 379 | 26 | 1180 |
| China | 8 | 59 | 51 | 62 | 114 | 233 | 2 | 530 |
| Japan | 40 | 27 | 107 | 30 | 96 | 106 | 7 | 415 |
| Canada | 14 | 7 | 23 | 26 | 63 | 115 | 6 | 253 |
| Hong Kong | 7 | 2 | 6 | 15 | 84 | 126 | 1 | 241 |
| South Korea | 8 | 13 | 54 | 20 | 48 | 66 | 1 | 210 |
| Mexico | 9 | 6 | 10 | 20 | 46 | 86 | 2 | 178 |
| Singapore | 4 | 1 | 29 | 10 | 25 | 90 | 2 | 161 |
| Other Asia, n.e.s. | 5 | 6 | 23 | 18 | 32 | 60 | 2 | 146 |

TET00005 to TET00010

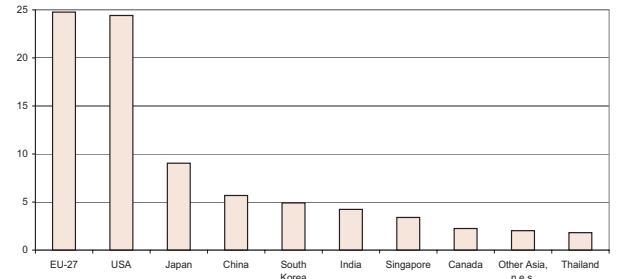
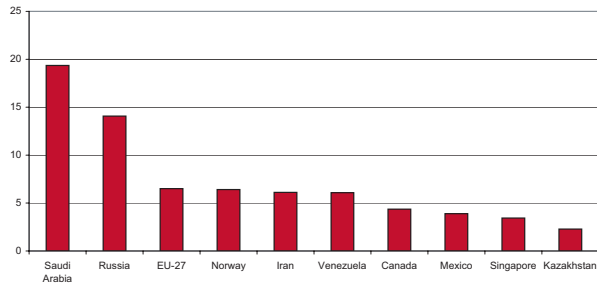
Machinery & vehicles is the main product section traded worldwide

'Machinery & vehicles' is a large SITC-1 product section that includes Machinery and equipment for Power-generating, for Specialised industries, Metalworking, General industry, Offices and Data-processing, Telecommunications, Sound-recording and reproducing,

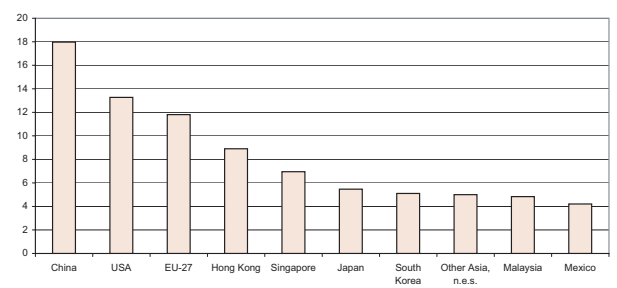
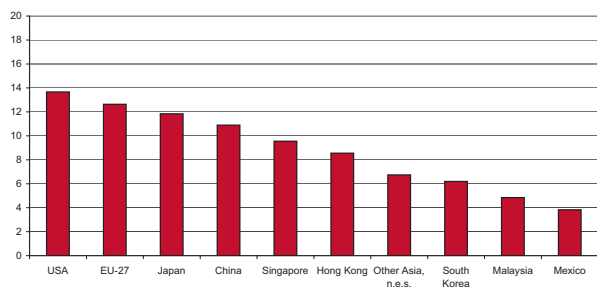
Electrical machinery apparatus and appliances, as well as Road vehicles and Other transport equipment. The volume of trade in this product group was the largest both in the exports and in the imports of all of the world's top ten exporting and top ten importing countries, except for Russia, whose main exported product section was 'Energy' (EUR 95 Bn), and Japan, the value of whose 'Energy' product imports (EUR 107 Bn) slightly exceeded those of its 'Machinery & vehicles' imports (EUR 106 Bn).

Fig. 1.8.1: Main products (SITC-2) exported (left) and imported (right) worldwide, share by main declaring country, 2005 (%)

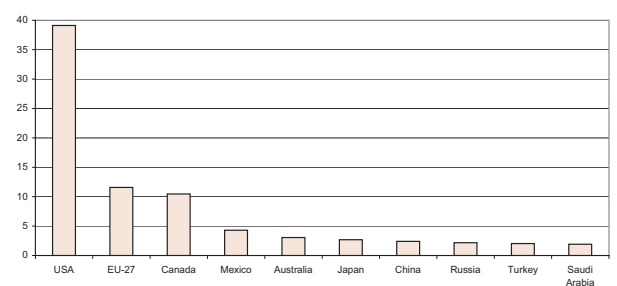
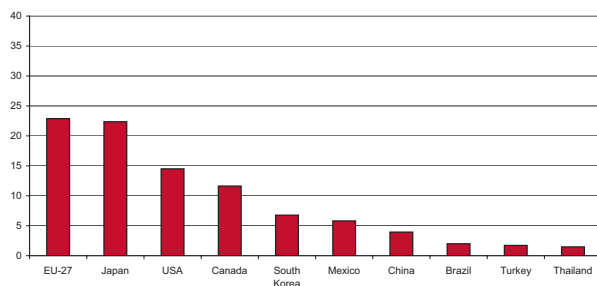
Petroleum, petroleum products and related materials (SITC 33)



Electrical machinery, apparatus and appliances, n.e.s., and electrical parts thereof (SITC 77)



Road vehicles (SITC 78)



Five of the six most traded product divisions were Machinery & vehicles

The six worldwide most traded SITC-2 product divisions are detailed by the ten main exporters and the ten main importers active in their trade. The trade balances of the six main trading countries in these product divisions are shown hereafter. It is interesting to note that five product divisions, all except for 'Petroleum, petroleum products and related materials', belonged to SITC-1 section 'Machinery & vehicles', the most traded product section worldwide.

Petroleum, petroleum products and related materials: EU-27 biggest importer

Owning refining capacity that has found high demand, EU-27 exporters benefited from conditions in this market, making the EU-27 third main exporter of 'Petroleum and its products' in 2005. Exports of EUR 42 Bn in 2005 made up

92% of EU-27 exports of 'Energy products'. Importing for a value of EUR 208 Bn of 'Petroleum and its products' (76% of 'Energy product' imports), the EU-27 was, by a narrow margin, the main importer worldwide before the USA (EUR 205 Bn).

Electrical machinery, apparatus and appliances: EU-27 second exporter and third importer

The EU-27 was the second main exporter of 'Electrical machinery, apparatus and appliances' worldwide in 2005 after the USA and before Japan. It ranked third in terms of imports after China and the USA. Total EU-27 exports in this product division amounted to EUR 70.4 Bn (15% of EU-27 'Machinery & vehicles' exports) while imports totalled EUR 72.7 Bn (19% of 'Machinery & vehicles' imports).

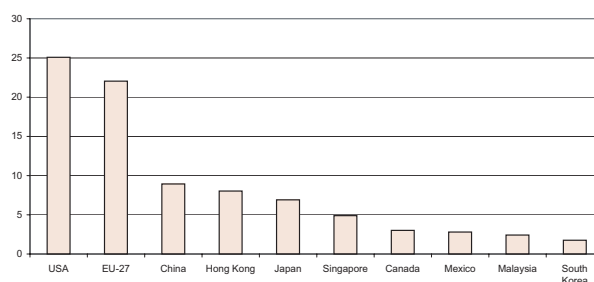
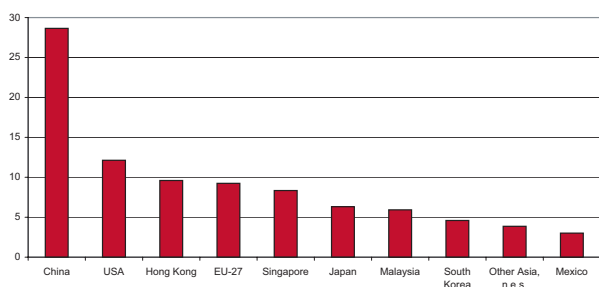
Road vehicles: EU-27 first exporter worldwide

The EU-27 was the first main exporter of 'Road vehicles' worldwide with exports of EUR 101.5 Bn in 2005. This is equivalent to 21.5% of EU-27 'Machinery & vehicles'

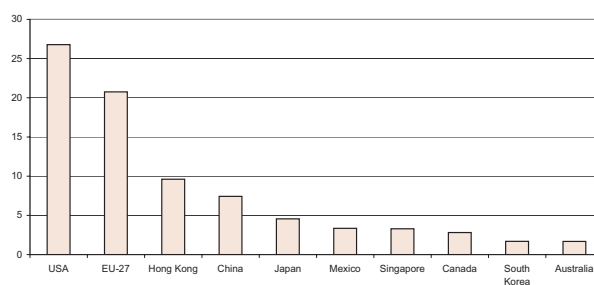
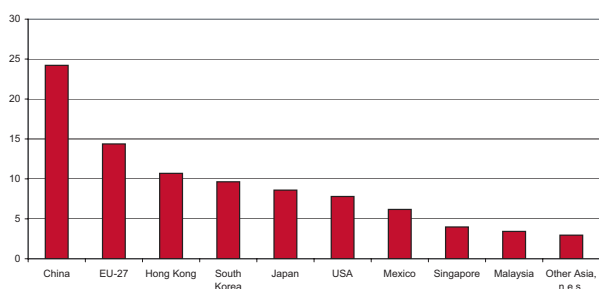
exports. These exports were close in size to those of Japan, which amounted to EUR 99.2 Bn. The EU-27 was the second main importer of 'Road vehicles' with EUR 47.4 Bn (12.5% of 'Machinery & vehicles' imports), behind the USA whose imports totalled EUR 160.3 Bn.

F Fig.1.8.2: Main products (SITC-2) exported (left) and imported (right) worldwide, share by main declaring country, 2005 (%)

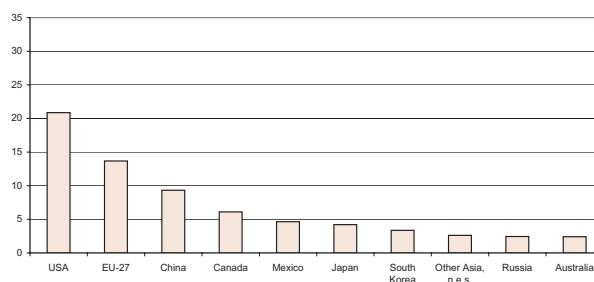
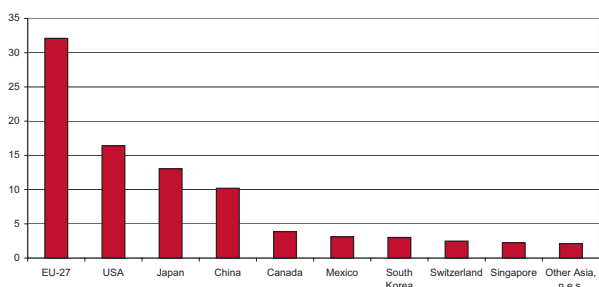
Office machines and automatic data-processing machines (SITC 75)



Telecommunications and sound-recording and reproducing apparatus and equipment (SITC 76)



General industrial machinery and equipment (SITC 74)



Office machines and automatic data-processing machines: EU-27 fourth exporter and second importer

In fourth position behind the clear export leader China, the EU-27 exported goods with a total value of EUR 28.7 Bn in this product division in 2005, contributing 6% to its total exports of 'Machinery & vehicles'. The EU-27 came second after the USA by importing EUR 71 Bn worth of these goods, which is 19% of total EU-27 'Machinery & vehicles' imports.

Telecommunications, sound-recording and reproducing: EU-27 imports exceed exports

The EU-27 was the second main exporter of 'Telecommunications and sound-recording and reproducing apparatus and equipment' after China in 2005, with total exports amounting to EUR 45.2 Bn, that is 10% of EU-27 'Machinery & vehicles' exports, compared to goods valued EUR 76.2 Bn exported by China. The EU-27 was also second main importer of this division's products after the USA. EU-27 imports of 'Telecommunications, sound-recording and reproducing' products rose to EUR 65.9 Bn, representing 17% of total 'Machinery & vehicles' imports.

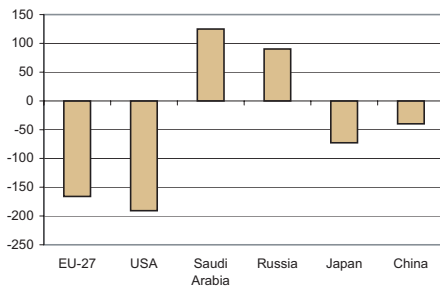
General industrial machinery and equipment: EU-27 export leader

The EU-27 was the first main exporter in this product

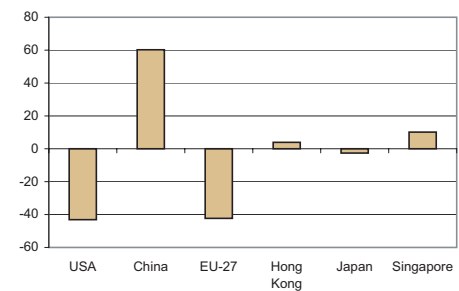
division worldwide and the second main importer. In 2005, exports of 'General industrial machinery and equipment' amounted to EUR 65.2 Bn and contributed 14% to the EU-27 total 'Machinery & vehicle' exports, while imports of EUR 28.5 Bn made up 7.5% of 'Machinery & vehicles' total.

Fig.1.9: Trade balance in main SITC-2 products, by main declaring country, 2005 (EUR Bn)

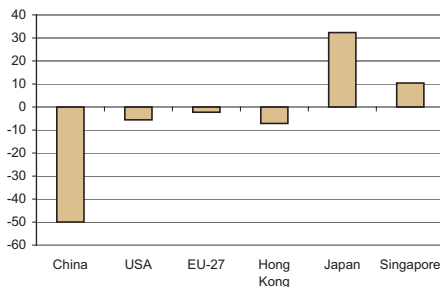
Petroleum, petroleum products and related materials (SITC 33)



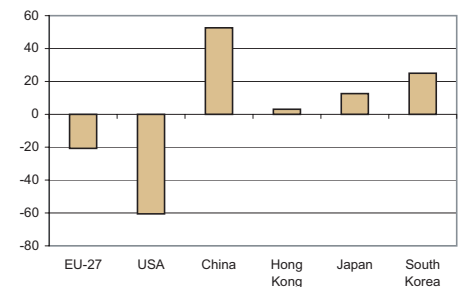
Office machines and automatic data-processing machines (SITC 75)



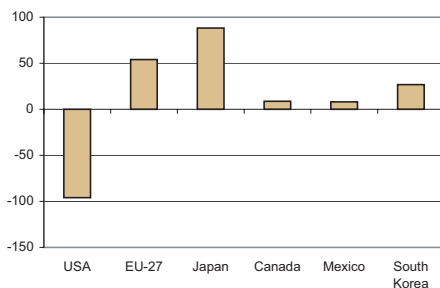
Electrical machinery, apparatus and appliances, n.e.s., and electrical parts thereof (SITC 77)



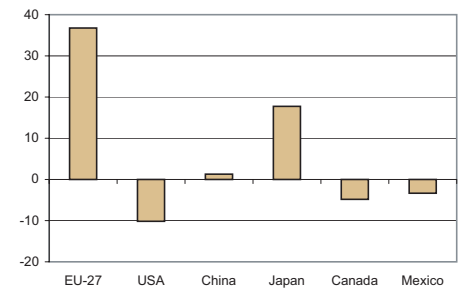
Telecommunications and sound-recording and reproducing apparatus and equipment (SITC 76)



Road vehicles (SITC 78)



General industrial machinery and equipment (SITC 74)



The EU-27 reveals comparative advantage in Road vehicles and Industrial machinery & equipment

The 2005 flows outlined on the two previous pages resulted in the balances depicted. As revealed by large surpluses, the EU-27 had a comparative advantage in the trade of a number of SITC-2 Divisions. The EU-27 was the second-largest net importer of 'Petroleum, petroleum products and

related materials' with a EUR 166.1 Bn deficit in 2005, which largely contributed to a EUR 226.7 Bn deficit in 'Energy products'. While EU-27 trade in 'Electrical machinery, apparatus and appliances, n.e.s. and electrical parts thereof' stood close to balance, the EU-27's surplus in the trade of 'Road vehicles' amounted to EUR 54.0 Bn, twice that recorded by South Korea and in second place worldwide after Japan (EUR 88.2 Bn).

The deficit in the trade of 'Office machines and automatic data-processing machines' (EUR 42.3 Bn) was close in size to that of the USA, the deficit in 'Telecommunications & sound-recording & reproducing apparatus & equipment'

amounted to EUR 20.7 Bn. The EU-27 held a leading position in the trade of 'General industrial machinery and equipment', where it recorded the highest surplus worldwide with EUR 36.8 Bn.

1.3 From EU-15 to EU-27: structural changes in EU trade

Tab. 1.10: Extra-EU exports, imports and trade balances – 2002, 2004 & 2006 (EUR Bn)

| | EXPORTS | | | | IMPORTS | | | | BALANCE | | |
|-------|---------|------|------|--------------------------------------|---------|------|------|--------------------------------------|---------|------|------|
| | 2002 | 2004 | 2006 | Average annual growth rate 2002-2006 | 2002 | 2004 | 2006 | Average annual growth rate 2002-2006 | 2002 | 2004 | 2006 |
| EU-15 | 997 | 1068 | 1310 | 7.0% | 989 | 1094 | 1430 | 9.7% | 8 | -26 | -120 |
| EU-25 | 904 | 969 | 1181 | 6.9% | 943 | 1032 | 1354 | 9.5% | -39 | -63 | -173 |
| EU-27 | 892 | 953 | 1157 | 6.7% | 937 | 1028 | 1350 | 9.6% | -45 | -75 | -193 |

One aggregate measures enlargement

In two historic enlargements – May 2004 and January 2007 – the European Union grew from being one made up of 15 Member States to one consisting of 27. As they relate to trade between partners in a union with different dimensions, care must be taken in relating the successive entities' trade statistics – EU-15, EU-25 and EU-27 – arithmetically. In order to compare developments and, for example, to measure the effects of enlargement, individual

Member States' exports and imports – dispatches and arrivals within the European Union – are therefore related to the EU-27 aggregate throughout this publication. This is calculated for all 27 present Member States, including for new Member States for the years previous to their accession to the European Union. Thus, while differentiating between older and newer members, their developments in their trade between 1999 and 2006 can be evaluated and compared.

Tab. 1.11: Extra-EU exports, imports and trade balances, by SITC product group – 2002, 2004 & 2006 (EUR Bn)

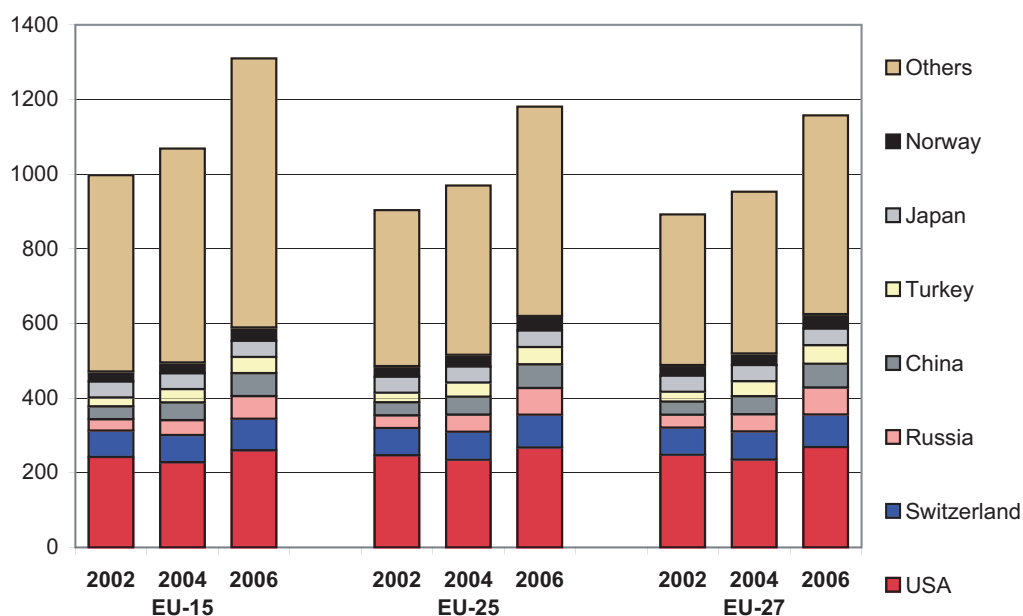
| | | EXPORTS | | | | IMPORTS | | | | BALANCE | | |
|-------|-----------------------------|---------|------|------|------------------------------|---------|------|------|------------------------------|---------|------|------|
| | | 2002 | 2004 | 2006 | Product share in total, 2006 | 2002 | 2004 | 2006 | Product share in total, 2006 | 2002 | 2004 | 2006 |
| EU-15 | Machinery & Vehicles | 453 | 487 | 579 | 44.2% | 357 | 395 | 460 | 32.2% | 95 | 92 | 119 |
| | Other manufactured articles | 268 | 282 | 340 | 26.0% | 278 | 298 | 381 | 26.7% | -9 | -15 | -41 |
| | Energy | 27 | 33 | 56 | 4.3% | 139 | 172 | 313 | 21.9% | -112 | -139 | -256 |
| | Chemicals | 155 | 167 | 204 | 15.6% | 81 | 89 | 112 | 7.8% | 73 | 78 | 93 |
| | Food products | 52 | 52 | 64 | 4.9% | 59 | 61 | 72 | 5.1% | -6 | -9 | -8 |
| | Crude materials | 20 | 22 | 31 | 2.3% | 46 | 49 | 64 | 4.5% | -26 | -27 | -33 |
| EU-25 | Machinery & Vehicles | 406 | 439 | 517 | 43.8% | 329 | 355 | 403 | 29.8% | 77 | 83 | 114 |
| | Other manufactured articles | 241 | 253 | 303 | 25.6% | 252 | 271 | 350 | 25.9% | -12 | -18 | -47 |
| | Energy | 26 | 32 | 55 | 4.6% | 148 | 181 | 334 | 24.7% | -122 | -149 | -279 |
| | Chemicals | 143 | 154 | 187 | 15.9% | 81 | 88 | 108 | 8.0% | 62 | 66 | 79 |
| | Food products | 51 | 49 | 59 | 5.0% | 58 | 58 | 67 | 5.0% | -8 | -9 | -8 |
| | Crude materials | 18 | 20 | 28 | 2.4% | 44 | 48 | 62 | 4.6% | -26 | -28 | -34 |
| EU-27 | Machinery & Vehicles | 402 | 430 | 504 | 43.5% | 329 | 355 | 402 | 29.8% | 72 | 75 | 102 |
| | Other manufactured articles | 235 | 246 | 294 | 25.4% | 244 | 262 | 341 | 25.3% | -10 | -16 | -48 |
| | Energy | 26 | 33 | 57 | 4.9% | 149 | 184 | 339 | 25.1% | -123 | -151 | -282 |
| | Chemicals | 141 | 153 | 184 | 15.9% | 81 | 89 | 109 | 8.1% | 60 | 64 | 75 |
| | Food products | 50 | 49 | 58 | 5.0% | 58 | 59 | 68 | 5.0% | -8 | -10 | -10 |
| | Crude materials | 18 | 21 | 29 | 2.5% | 45 | 49 | 63 | 4.7% | -26 | -27 | -34 |

EU-27 export and import distribution compared to EU-15 in 2006

The European Union's trade grew strongly between 2002 and 2006, both with the upswing in world trade taking place after 2003 and with the growing participation of the new Member States on the international stage, some of which simultaneously witnessed rapid internal economic development. The exports and imports of the three consecutive European Union aggregates are shown in the first table, and they are detailed by SITC-1 product section in the second table. For each European Union aggregate,

from 2002 to 2006, exports and imports rose in all SITC-1 sections. The make-up of extra-EU-27 exports in 2006 was close to that of extra-EU-15 exports, although somewhat smaller shares of 'Machinery & vehicles' and 'Other manufactured articles' were exported, while slightly higher shares of 'Energy', 'Chemicals' and 'Food products' as well as 'Crude materials' were exported. In 2006, compared to the group originally making up the EU-15, the EU-27 imported a higher proportion of 'Energy products' (25.1% compared to 21.9%), while lower shares of total imports were made up of 'Machinery & Vehicles' and 'Other manufactured articles'.

Fig. 1.12: From EU-15 to EU-27: exports to main extra-EU partners – 2002, 2004 & 2006 (EUR Bn)



Former extra-EU trade becomes intra-EU with enlargement

Although its international trade in goods grew between 2002 and 2006, the European Union has actually lost weight in world trade, given that the growing reciprocal exchanges of goods between the older EU-15 and those Member States that joined during the course of the 2004 and 2007 enlargements have been 'internalised'. What used to be extra-European Union trade has now become part of intra-European Union trade. Both components of European Union trade are analysed individually in the

following chapters. The accession of new Member States, a large number of which belong to central Europe, has opened the door to new trading partnerships for the European Union. In the case of EU-27 exports to Russia, for example, these went from making up 3.9% of total EU-27 exports in 2002 to 6.3% in 2006. Proportionally, the exports of all three entities, EU-15, EU-25 and EU-27 to all trading partners including Others grew, except exports to the USA, which went from making up 27.8% of EU-27 exports in 2002 to 23.2% in 2006. This drop in share is linked to lower exported volumes but also to lower revenues in euro at constant US dollar prices.

Chapter 2

Extra-EU-27 trade flows



2. EXTRA-EU-27 TRADE FLOWS

2.1 EU trading partners: exports, imports and trade balance

Goods deficit widens to EUR 193 Bn

Between 1999 and 2006, EU-27 exports grew at a rate of 7.8 % annually while imports grew at 8.9 %. At end of the 1990s, the EU-27's trade in goods peaked in 2000 and, from 1999 to 2000, the goods deficit grew rapidly from EUR 60 Bn to more than EUR 143 Bn. Exports thereafter stabilised while imports fell moderately until 2003 such that,

in 2001 and 2002, the EU-27's goods deficit was reduced again, reaching EUR 45 Bn in 2002. Driven by the worldwide economic upswing, both exports and imports rose again strongly between 2003 and 2006, imports growing during that period at an annual average rate of 13% compared to 10% in the case of exports. The goods deficit grew again, first more slowly, reaching EUR 75 Bn in 2004, then more rapidly, to reach EUR 193 Bn in 2006.

Tab. 2.1: Extra-EU-27 exports, imports and trade balances, by main partner, 1999 to 2006 (EUR Bn)

| | EXPORTS | | | | | Share in total Extra EU-27 exports 2006 (%) | IMPORTS | | | | Share in total Extra EU-27 imports 2006 (%) | TRADE BALANCE | | | |
|--------------|---------|------|------|------|-------|---|---------|------|------|-------|---|---------------|------|------|--|
| | 1999 | 2003 | 2005 | 2006 | 1999 | | 2003 | 2005 | 2006 | 1999 | | 2003 | 2005 | 2006 | |
| Extra EU-27 | 683 | 869 | 1053 | 1157 | 100.0 | 743 | 935 | 1180 | 1350 | 100.0 | -60 | -66 | -127 | -193 | |
| USA | 187 | 227 | 253 | 269 | 23.2 | 166 | 158 | 164 | 178 | 13.2 | 21 | 69 | 89 | 91 | |
| China | 20 | 41 | 52 | 64 | 5.5 | 53 | 106 | 160 | 194 | 14.4 | -33 | -65 | -109 | -131 | |
| Russia | 17 | 37 | 57 | 72 | 6.3 | 36 | 71 | 113 | 141 | 10.4 | -19 | -33 | -56 | -68 | |
| Switzerland | 64 | 71 | 83 | 87 | 7.5 | 55 | 59 | 67 | 72 | 5.3 | 9 | 12 | 16 | 15 | |
| Japan | 36 | 41 | 44 | 45 | 3.9 | 75 | 72 | 74 | 77 | 5.7 | -40 | -31 | -30 | -33 | |
| Norway | 24 | 28 | 34 | 38 | 3.3 | 30 | 51 | 67 | 79 | 5.9 | -7 | -23 | -33 | -41 | |
| Turkey | 22 | 31 | 45 | 50 | 4.3 | 16 | 27 | 36 | 42 | 3.1 | 6 | 4 | 9 | 8 | |
| South Korea | 12 | 16 | 20 | 23 | 2.0 | 21 | 26 | 34 | 39 | 2.9 | -9 | -10 | -14 | -16 | |
| India | 11 | 15 | 21 | 24 | 2.1 | 10 | 14 | 19 | 23 | 1.7 | 0 | 1 | 2 | 2 | |
| Canada | 17 | 22 | 24 | 27 | 2.3 | 14 | 16 | 17 | 20 | 1.5 | 3 | 6 | 7 | 7 | |
| Brazil | 14 | 12 | 16 | 18 | 1.5 | 14 | 19 | 24 | 27 | 2.0 | 0 | -7 | -8 | -9 | |
| Saudi Arabia | 10 | 14 | 16 | 18 | 1.5 | 8 | 13 | 23 | 24 | 1.7 | 2 | 1 | -7 | -6 | |
| Taiwan | 12 | 11 | 13 | 13 | 1.1 | 21 | 23 | 24 | 27 | 2.0 | -9 | -12 | -11 | -13 | |
| Singapore | 13 | 14 | 17 | 20 | 1.7 | 14 | 15 | 18 | 19 | 1.4 | -1 | -1 | -1 | 1 | |
| South Africa | 10 | 14 | 18 | 20 | 1.7 | 11 | 15 | 17 | 18 | 1.4 | -1 | -1 | 1 | 1 | |
| Others | 216 | 275 | 341 | 370 | 32.0 | 199 | 250 | 322 | 371 | 27.5 | 18 | 25 | 19 | -1 | |

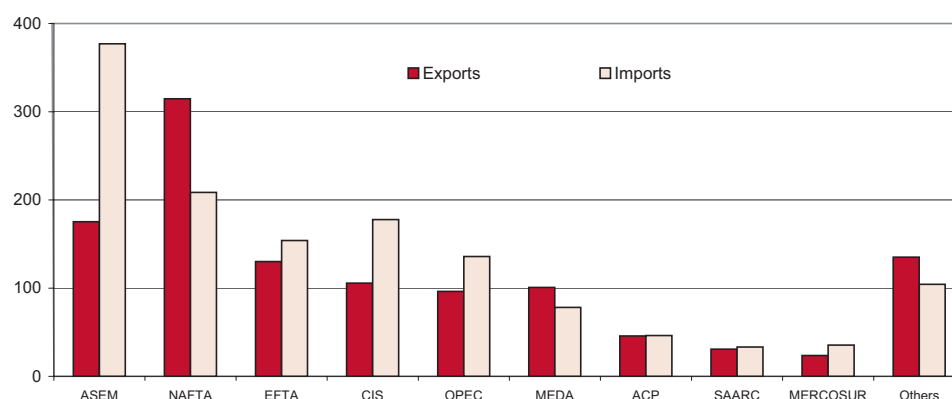
TET00040

ASEM and NAFTA principal trading zones with EFTA

The EU-27 had a deficit with ASEM of above EUR 200 Bn in 2006. Together with growing deficits vis-à-vis the CIS

and OPEC, which have played a growing role as suppliers of natural resources, and EFTA, these were to some extent counterbalanced by a growing surplus with respect to NAFTA, reaching EUR 106.2 Bn in 2006 compared to EUR 29.6 Bn in 1999, together with a growing surplus with Other countries.

Fig. 2.2: Extra-EU-27 exports and imports by economic zone¹, 2006 (EUR Bn)



¹ For the list of geographic and economic zones, please see Annex.

Main economic trading zones

ACP = African, Caribbean and Pacific countries

ASEM = Asian Europe Meeting

CIS = Commonwealth of Independent States

EFTA = European Free Trade Association

MEDA = Mediterranean countries in the Euro-Mediterranean Partnership

MERCOSUR = South American Common Market

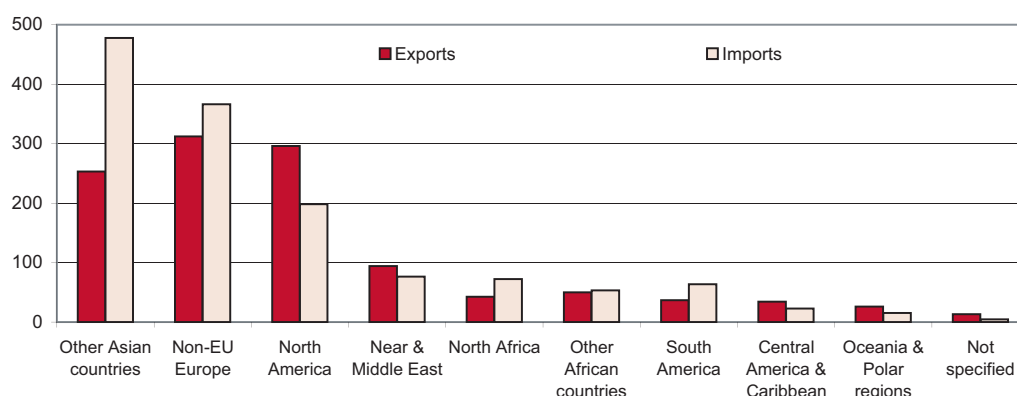
NAFTA = North American Free Trade Agreement

OPEC = Organisation of Petroleum Exporting Countries

SAARC = South Asian Association for Regional Cooperation

The countries belonging to these economic zones are listed in the Annex at the end of this publication.

Fig. 2.3: Extra-EU-27 exports and imports by geographic zone¹, 2006 (EUR Bn)



¹ For the list of geographic and economic zones, please see Annex.

USA and China major EU-27 partners

Taking goods and services together, the EU and the USA account for the largest bilateral trade relationship in the world. The diversification of EU-27 import markets has however contributed to the relative weight of NAFTA in EU-27 total goods imports falling from 25% in 1999 to 15% in 2006. The weight of the trading partner zone in exports fell less markedly, EU-27 exports to NAFTA making up 27% of EU-27 total in 2006 compared to 31% in 1999. While the USA remained the EU-27's main trading partner in terms of total trade, for the first time in 2006, China became the EU-27's main provider of goods imports. From 1999 to 2006, buoyant growth made for linear rise in EU-27 exports to China. High imports of mainly manufactured goods from China have however resulted in a growing trade deficit. China has become a growing destination of EU-27 exports to ASEM as it made up over a third of the exports to that economic zone in 2006 compared to a fifth in 1999. Similarly, over one half of EU-27 imports from ASEM came from China in 2006, compared to one quarter in 1999.

Exports to Russia boost Other Europe as second main destination

Spurred by growing demand from Russia, and strong EU-27 exports of 'Machinery & vehicles' there, Non-EU Europe replaced North America as the first continental entity for exports in 2006. The Other Asian countries

remained the third main destination of EU-27 exports during all of the 1999-to-2006 period. The Other Asian countries were the main geographical source of EU-27 imports throughout while, in 2002, Non-EU Europe replaced North America as the second main supplier of EU-27 imports.

Trade in Energy products and minerals gain in importance

Between 1999 and 2006, strong demand for raw materials coupled with rising world prices contributed to the EU-27 goods deficits growing by between 25% and 40% annually with suppliers such as Algeria, Libya and Kazakhstan as well as Chile. Over the entire period, EU-27 exports to OPEC countries grew by 11% annually while imports rose by 15%. Imports from OPEC countries however grew at an average 23% between 2004 and 2006 and, during that time period, imports from the Near and Middle East and North Africa also grew strongly, displaying annual average rates of 22% and 20% respectively. Imports from the South American continent grew at 17% between 2004 and 2006, while exports to South America grew at 14%, contrasting with a 5% contraction during the 1999 to 2003 period.

Trade dampens proportionately with traditional partners

While Switzerland remains the second main destination for EU-27 exports, it ranked sixth as provider of imports in

2006, compared to third in 1999. Japan's traditional position as one of the EU's main trading partners has been eroded as it went from being the EU-27's third partner for exports in 1999 to fifth in 2006, and from second provider of imports in 1999 to fifth in 2006.

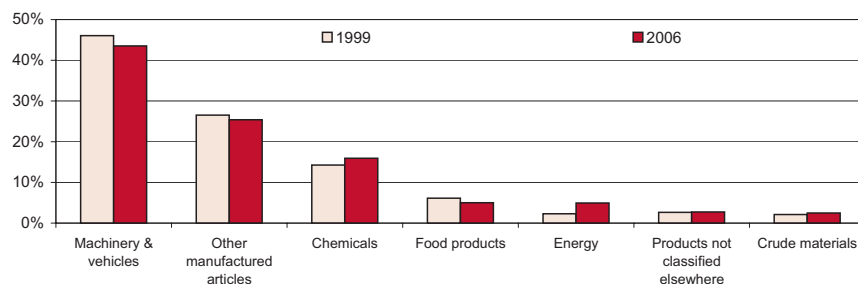
2.2 EU exports: what we sell and to which markets

Upswing in major products drives exports after 2003

Extra-EU-27 exports grew at an average 8% annually between 1999 and 2006. Stagnating in 2002, exports in the seven main SITC product groups had lost ground in 2003, except in 'Energy products'. A cyclical trend was most marked in the EU-27's two principal export product categories 'Machinery & vehicles' and 'Other manufactured

articles', the latter category mainly consisting of 'Iron and steel', 'Professional, scientific and controlling instruments and apparatus' and 'Non-metallic mineral manufactures'. After 2003, total exports rebounded, expanding at an annual average 10% until 2006, led by vigorous export growth in the three major product categories 'Machinery & vehicles', 'Other manufactured articles' and 'Chemicals' as well as by exports of 'Energy products', which more than doubled between 2003 and 2006.

Fig. 2.4: Extra-EU-27 exports by SITC product group, 1999 and 2006, shares in Extra-EU-27 total (%)



TET00061

Exports of 'Energy products' outperformed by growing at 20% annually over the entire period, while 'Food' exports grew at somewhat under 5%. While exporting some excess electricity production, due in part to gains in overall

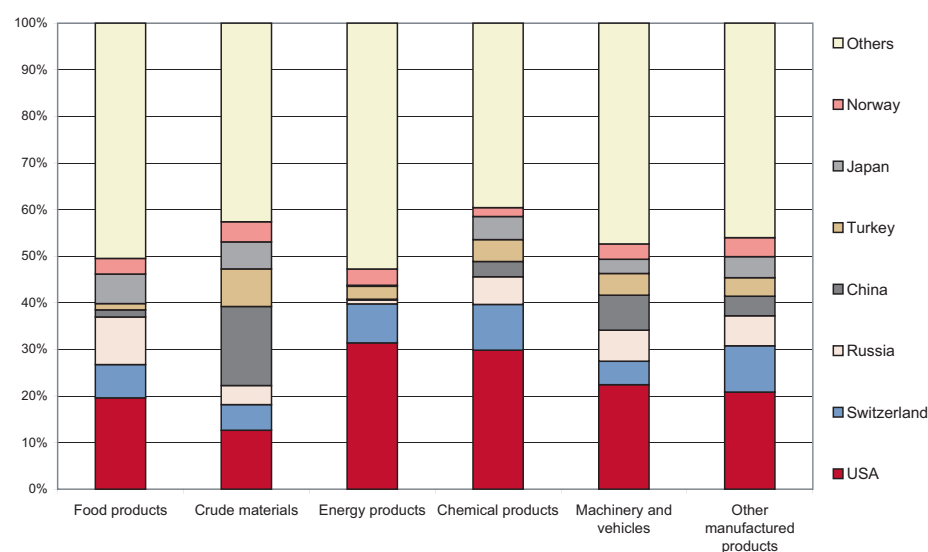
competitiveness and efficiency made in the central European new Member States, the EU-27 has been able to provide petroleum refining capacity, and to export 'Energy products' in reply to high world demand.

Tab. 2.5: Extra-EU-27 exports by SITC product group, 1999 to 2006 (EUR Bn)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|--------|--------|
| Total Extra EU-27 | 683.1 | 849.7 | 884.7 | 891.9 | 869.2 | 952.9 | 1053.2 | 1157.2 |
| Food products | 41.8 | 47.7 | 49.3 | 50.1 | 48.5 | 48.5 | 52.0 | 57.9 |
| Crude materials | 14.5 | 17.8 | 17.0 | 18.5 | 18.3 | 21.0 | 23.8 | 28.8 |
| Energy | 15.7 | 29.1 | 24.9 | 26.2 | 27.4 | 32.9 | 45.9 | 57.1 |
| Chemicals | 97.4 | 118.9 | 130.2 | 141.1 | 141.1 | 152.6 | 164.8 | 184.4 |
| Other manufactured articles | 181.2 | 224.1 | 232.7 | 234.7 | 223.9 | 246.2 | 265.8 | 293.8 |
| Machinery & vehicles | 314.6 | 393.5 | 412.0 | 401.5 | 391.6 | 430.1 | 470.9 | 503.7 |
| Products not classified elsewhere | 18.0 | 18.7 | 18.7 | 19.8 | 18.5 | 21.5 | 30.0 | 31.6 |

TET00048 to TET00053

Fig. 2.6: Extra-EU-27 exports by SITC group, 2006 (Share by main partner, %)



TET00041 to TET00046

Machinery & vehicles the most exported product

Making up 43.5% of EU-27 exports in 2006, 'Machinery & vehicles' were the category of products that was most exported Extra-EU-27. The USA remained by far the EU-27's main customer, with sales of 'Machinery & vehicles' to the USA growing by 20% over the seven-year period and making up 22.4% of exports in 2006, compared to 30% in 1999. While EU-27 exports of 'Machinery & vehicles' to Switzerland and Japan were constant, exports to Turkey and especially to Russia and China rose strongly between 1999 and 2006. Exports of 'Machinery & vehicles' to the latter two partners displayed average annual growth rates of 28% and 17% respectively.

Exports of Other manufactured products to all destinations grew

Making up 25.4% of EU-27 exports in 2006, exports of 'Other manufactured products' to the EU-27's top ten partners (mainly 'Iron and steel', 'Professional, scientific and controlling instruments and apparatus' and 'Non-metallic mineral manufactures') rose in all cases between 1999 and 2006. The USA and Switzerland remained first and second respectively as the EU-27's main export destinations of this product category, while sales to China and Russia grew at an impressive annual 22% in both cases. As with 'Machinery & vehicles', the exports of 'Other manufactured products' in fact witnessed a stagnant phase in 2001 and 2002, followed by a contraction in 2003. Driven by worldwide demand, the years 2004 to 2006 were then characterised by strong growth.

Russia and China a growing market for Chemical products...

Exports of 'Chemical products' displayed robust growth throughout the period, making up just under 16% of EU-27 exports in 2006, when around 50% of 'Chemical product' exports together went to the USA, Switzerland, Russia and China. While the USA developed its position as the leading destination for EU-27 'Chemical product' exports, with 30% of total in 2006, exports to Russia and China grew strongly at annual rates of 26% and 20% respectively between 1999 and 2006.

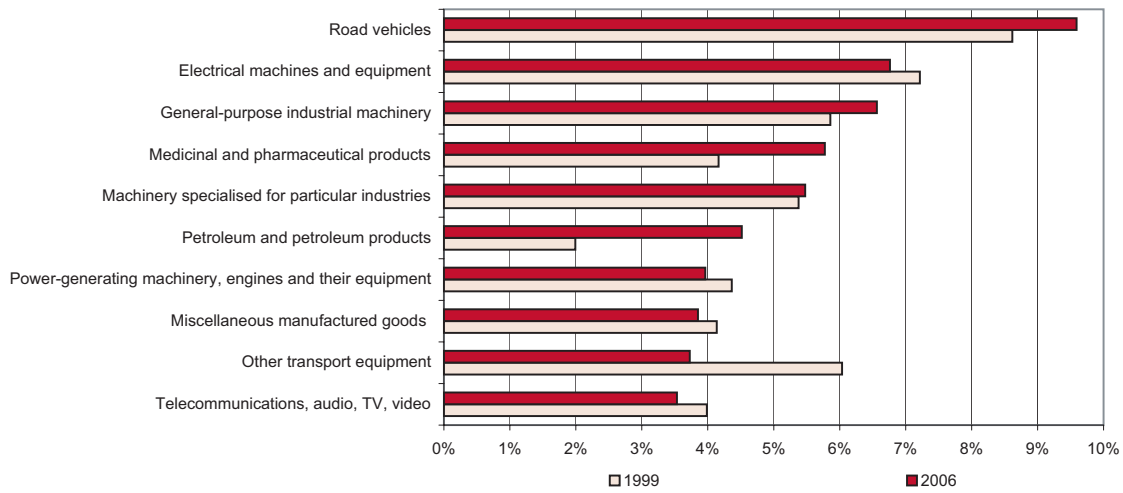
... as well as Food products and Crude materials

Despite a stagnant phase in 2003 and 2004, exports of 'Food products' grew over the entire period. The USA remained the EU-27's main export partner for 'Food products' between 1999 and 2006. Total EU-27 exports in this category to China rose by 14% and to Russia by 11%, making Russia the destination of 10% of EU-27 'Food' exports in 2006 and thus the EU-27's second main partner for this product.

Energy products and Crude materials gain in importance

A large share of 'Energy' exports went to the USA (31%) in 2006, followed by Switzerland (8%), while China purchased the largest proportion of EU-27 'Crude materials' exports (17%) followed by the USA (13%). These markets have seen particularly high price rises over the period under analysis.

Fig. 2.7: Top-10 products (SITC-2) exported by the EU-27 in 2006: shares in total extra-EU exports, 1999 and 2006 (%)



Vehicles, machinery and medicinal products export best

We turn to the Top ten products exported by the EU-27 at SITC-2 classification level. They made up 53.8% of EU-27 total exports in 2006 compared to 51.7% in 1999. 'Road vehicles' and 'Electrical machines & equipment' have remained first and second best-selling EU-27 products on

international markets. In third position, 'Other transport equipment' was replaced by 'General-purpose industrial machinery'. 'Medicinal & pharmaceutical products' strengthened their share in extra-EU-27 total exports from 4.2% in 1999 to 5.8% in 2006, rising from seventh to fourth most exported SITC-2 product. Led by strong price rises, exports of 'Petroleum products' by the EU-27 jumped into sixth position, making up 4.5% of EU-27 exports in 2006 compared to 2.0% in 1999.

Fig. 2.8: Top-6 products (SITC-2) exported by the EU-27, 1999 to 2006 (EUR Bn)

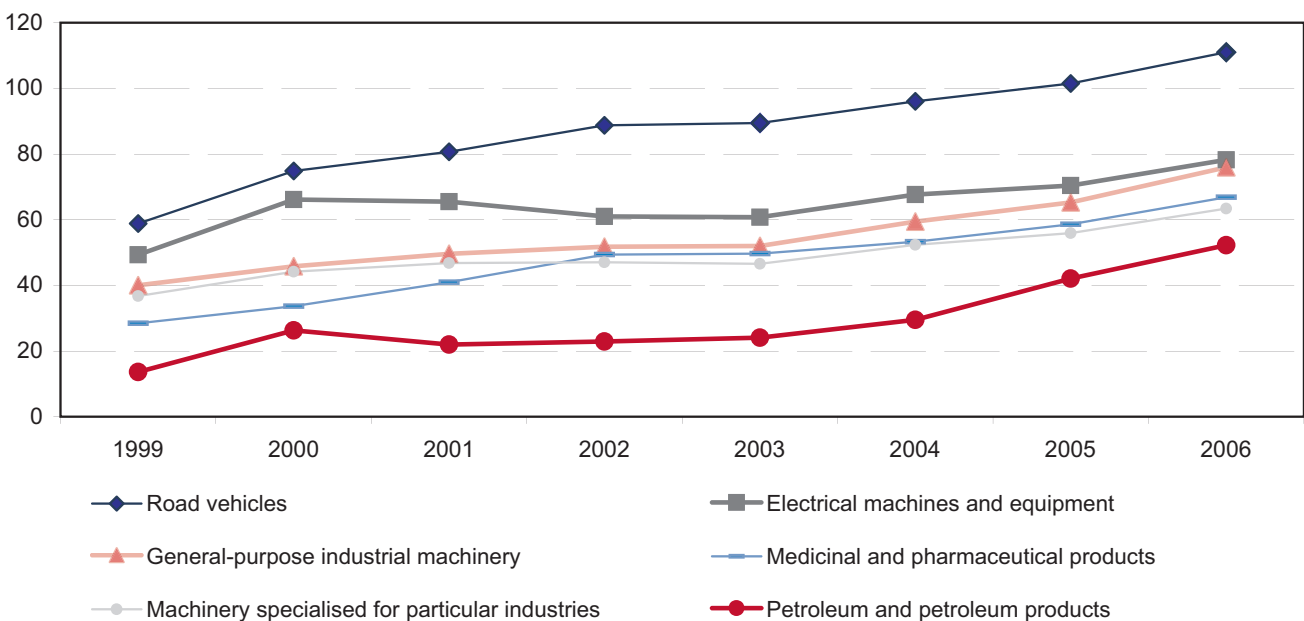
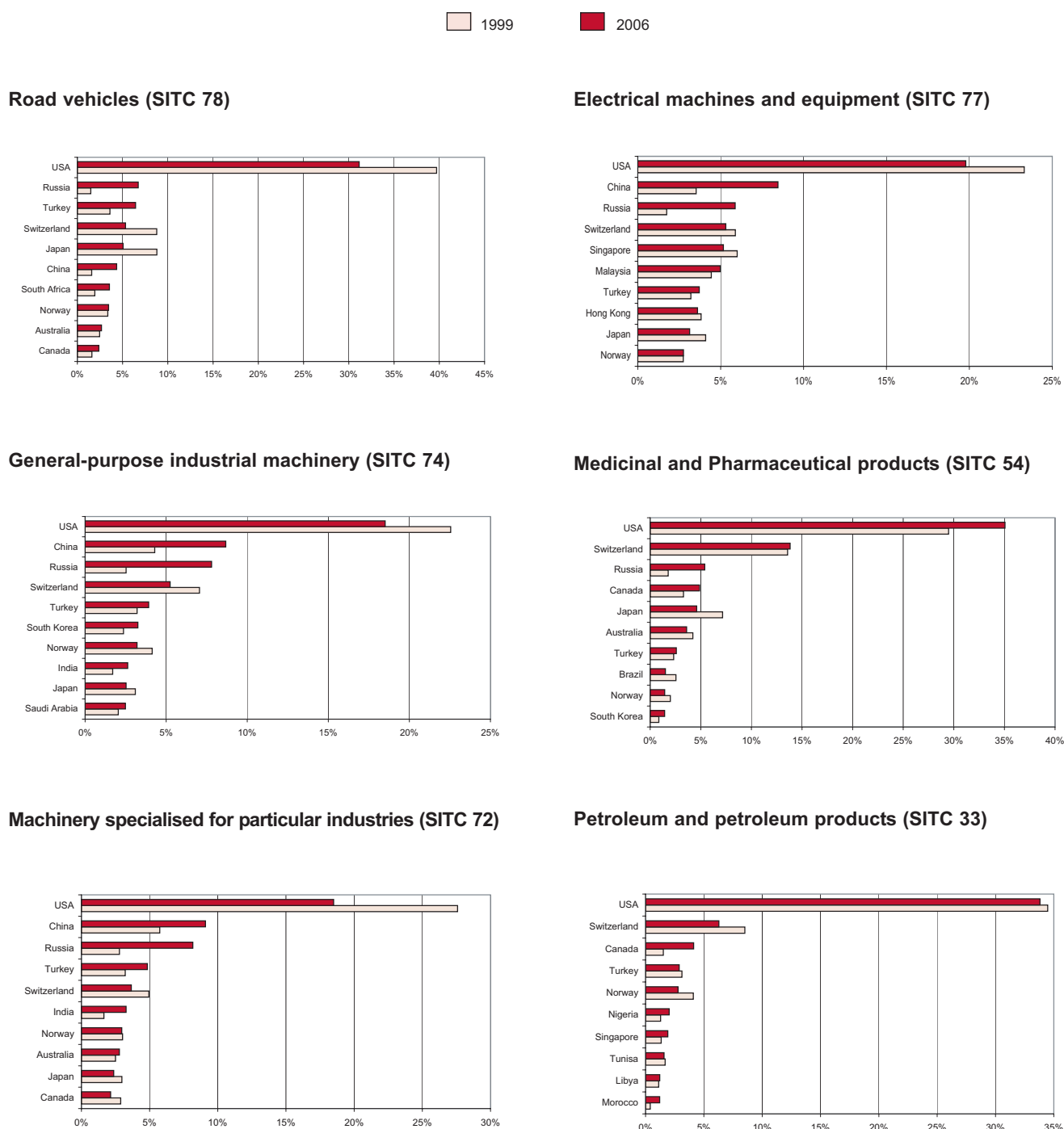


Fig. 2.9: Top-6 products exported to extra-EU-27 by main partner, 1999 & 2006 (% of total product exports)



Although remaining the EU-27's main customer for the top six products exported, the USA registered lower shares in EU-27 exports in 2006, except for 'Medicinal and Pharmaceuticals products' which grew at an annual rate of 15.8% from 1999 to 2006. Strong demand from Russia, China and Turkey has made these countries into significant trade partners of the automobile industry. From 1999 to 2006, these three countries also became significant export destinations for 'Electrical machines and equipment', and both 'General-purpose industrial machinery' and 'Machinery specialised for particular industries'. The value

of extra-EU-27 exports of 'Medicinal and pharmaceutical products' grew by close to 13% annually. Compared to 1999, greater shares of these products were sold to the USA, Russia and Canada. Driven by recent refining capacity developments in the EU-27 but also by substantially higher world energy prices, the export value of 'Petroleum and petroleum products' increased by 21% annually between 1999 and 2006. The USA remained the EU-27's main client, taking close to one third of these exports both in 1999 and 2006.

Fig. 2.10: Main products (SITC-3) exported by the EU-27, 1999 to 2006 (EUR Bn) – SITC division 78

781 Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of 10 or more persons, including the driver), including station-wagons and racing cars

784 Parts and accessories of the motor vehicles of groups 722, 781, 782 and 783

782 Motor vehicles for the transport of goods and special-purpose motor vehicles

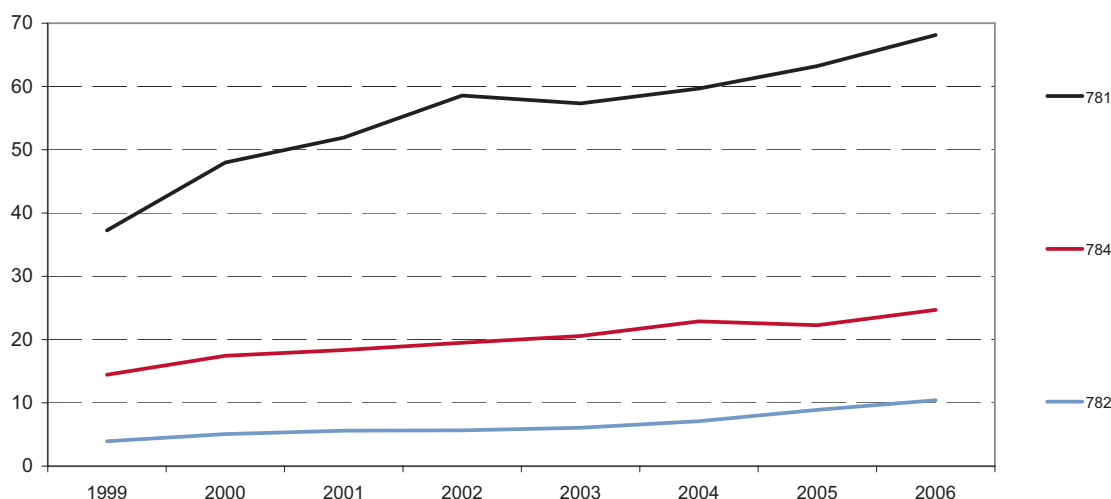
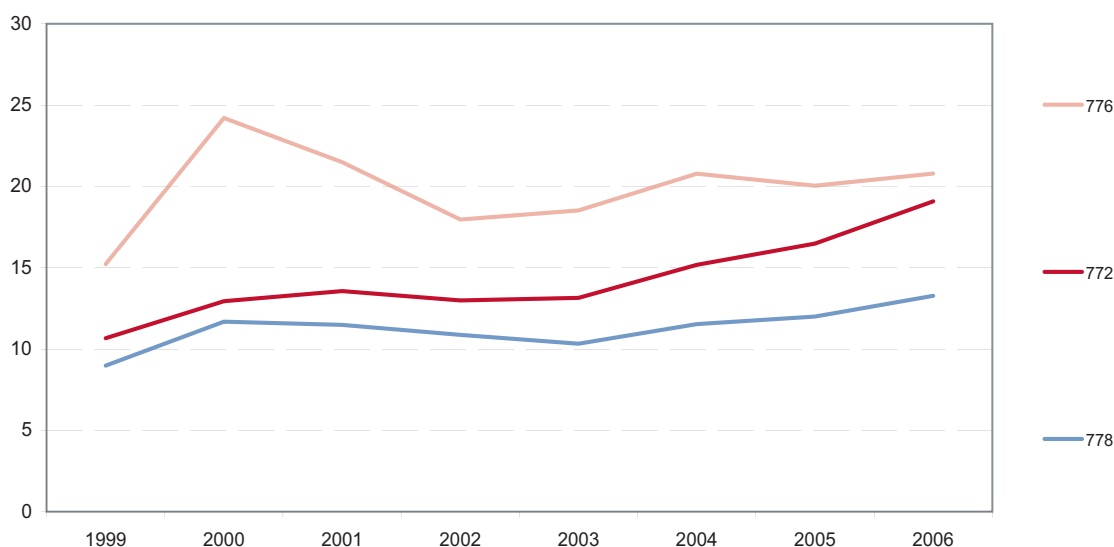


Fig. 2.11 Main products (SITC-3) exported by the EU-27, 1999 to 2006 (EUR Bn) – SITC division 77

776 Thermionic, cold cathode or photo-cathode valves and tubes (e.g. vacuum or vapour or gas-filled valves and tubes, mercury arc rectifying valves and tubes, cathode-ray tubes, television camera tubes); diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices; light-emitting diodes; mounted piezoelectric crystals; electronic integrated circuits and microassemblies; parts thereof

772 Electrical apparatus for switching or protecting electrical circuits or for making connections to or in electrical circuits (e.g., switches, relays, fuses, lighting arresters, voltage limiters, surge suppressors, plugs and sockets, lamp-holders and junction boxes); electrical resistors (including rheostats and potentiometers), other than heating resistors; printed circuits; boards, panels (including numerical control panels), consoles, desks, cabinets and other bases, equipped with two or more apparatus for switching, protecting or for making connections to or in electrical circuits, for electric control or the distribution of electricity (excluding switching apparatus of subgroup 764.1)

778 Electrical machinery and apparatus, not elsewhere specified.



'Motor cars': value of exports nearly doubles between 1999 and 2006

Going one step further in detail, SITC-3 product group level, among 'Road vehicles' it appears that 'Motor cars and other motor vehicles principally designed for the transport of persons' (SITC 781) has remained the best-selling product group by a large margin, progressing from

EUR Bn 37 in 1999 to EUR Bn 68 in 2006. It was followed by the group 'Parts and accessories of the motor vehicles' (SITC 784). Moving to 'Electrical machines and equipment', between 1999 and 2006, although the exports of 'Valves and tubes, diodes and transistors' (SITC 776) remained higher, the exports of 'Electrical apparatus for switching or protecting electrical circuits' (SITC 772) grew more strongly, at an annual rate of 8.7% compared to 4.6% for the former.

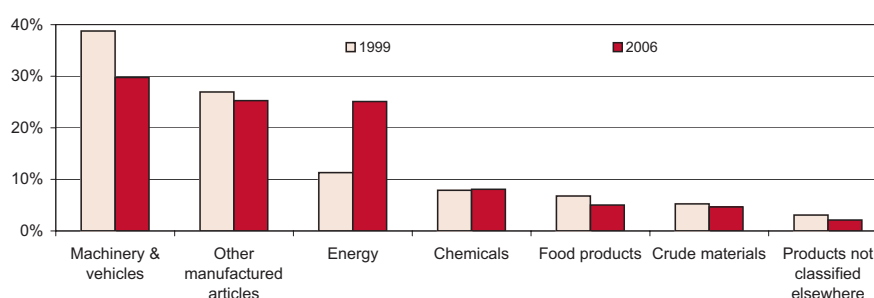
2.3 EU imports: what we buy and from which suppliers

Three product groups lead import growth after 2003

Between 1999 and 2006, Extra-EU-27 imports grew at an average 9%, that is by annually 1.1 percentage points more than exports. The value of imports of all SITC-1 product categories rose over the entire period, and the strongest average annual growth rates were displayed by 'Energy'

(22%), 'Chemicals' (9%) and 'Other manufactured articles' (8%), the latter product group mainly consisting of 'Articles of apparel and clothing accessories', 'Non-ferrous metals' and 'Iron and steel'. Having passed through a clear phase of contraction and stagnation, between 2000 and 2003, the three top EU-27 imports by SITC-1 product category, 'Machinery and vehicles', 'Other manufactured articles' and 'Energy', grew vigorously from 2003 to 2006, at annual rates of respectively 7%, 13% and 29%.

Fig. 2.12 Extra-EU-27 imports by SITC product group, 1999 and 2006, shares in Extra-EU-27 total (%)



TET00062

Energy price rise has clear impact on imports

Between 1999 and 2006, the yearly average USD price of Brent Crude, for example, rose by 265%. Due to a 300% rise in the EU-27's energy product import bill between 1999

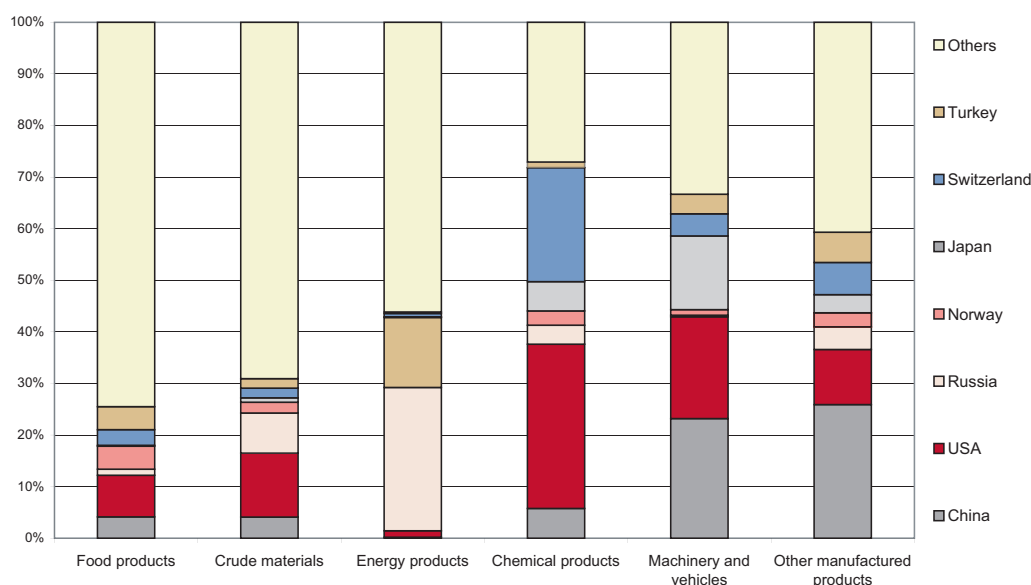
and 2006, 'Energy's' share in the EU-27's total imports of goods rose from 11% to 25% respectively. This strong proportional rise is explained by the pronounced increase in the world prices of energy products and, to a lesser extent, by the rise in demand from the new Member States' economies.

Tab. 2.13: Extra-EU-27 imports by SITC product group, 1999 to 2006 (EUR Bn)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-----------------------------------|-------|-------|-------|-------|-------|--------|--------|--------|
| Total Extra EU-27 | 743.3 | 992.7 | 979.1 | 937.0 | 935.3 | 1027.5 | 1179.9 | 1350.2 |
| Food products | 50.3 | 54.8 | 58.1 | 58.1 | 57.3 | 58.9 | 63.0 | 67.8 |
| Crude materials | 38.9 | 49.2 | 48.0 | 44.5 | 43.1 | 48.5 | 52.7 | 62.9 |
| Energy | 84.1 | 161.1 | 157.8 | 149.1 | 157.9 | 183.6 | 272.5 | 338.8 |
| Chemicals | 58.7 | 70.5 | 76.9 | 80.8 | 80.5 | 88.6 | 96.4 | 108.9 |
| Other manufactured articles | 200.3 | 250.5 | 253.5 | 244.3 | 238.5 | 262.5 | 290.2 | 341.4 |
| Machinery & vehicles | 288.2 | 371.5 | 352.0 | 329.1 | 326.7 | 354.6 | 379.1 | 401.8 |
| Products not classified elsewhere | 22.9 | 35.0 | 32.8 | 31.1 | 31.3 | 30.9 | 25.8 | 28.6 |

TET00048 to TET00053

Fig. 2.14 Extra-EU-27 imports by SITC product group, 2006 (Share by main partner, %)



TET00041 to TET00046

China confirmed as major supplier of machinery and vehicles...

Making up just under 30% of Total extra-EU-27 imports of goods with EUR 402 Bn, 'Machinery and vehicles' were the main import in 2006. The product category's share in total imports has however fallen from 39% in 1999. In 2006, China was the EU-27's main provider of 'Machinery and vehicles', forming the source of 23% of those imports, up from 6% in 1999. Offshoring of European industries and record levels of foreign direct investment have contributed to China becoming a major world player in the 'Machinery and vehicles' manufacturing industry. Having replaced Japan in second position as EU-27 supplier in 2004, it substituted the USA in first position in 2006, also ahead of the other traditionally strong South- and East-Asian exporters and ASEM members South Korea and Taiwan.

... and of other manufactured goods

Totalling EUR 341 Bn, that is above one quarter of imports in 2006, 'Other manufactured products' (mainly 'Articles of apparel and clothing accessories', 'Non-ferrous metals' and 'Iron and steel') were the EU-27's second main imported product category. Supplying over a quarter of imports of 'Other manufactured products' in 2005 and 2006, China had become the EU-27's main supplier of those goods in 2001. EU-27 imports of 'Other manufactured products' from the USA declined in 2002 and 2003, and, by 2006, had not recovered to the record levels of 2000 and 2001. Throughout the period, Switzerland was proportionally the third main supplier of EU-27 imports of 'Other manufactured products'.

Russia main supplier of Energy products

In third position, just behind 'Other manufactured products', 'Energy products' worth EUR 339 Bn made up over a quarter of the EU-27's import bill in 2006. This proportion has strongly risen from 11% in 1999, growing especially between 2004 and 2006. Out of the Top ten sources of EU-27 imports, Russia and Norway were clearly the main providers of energy products to the EU-27 in 2006.

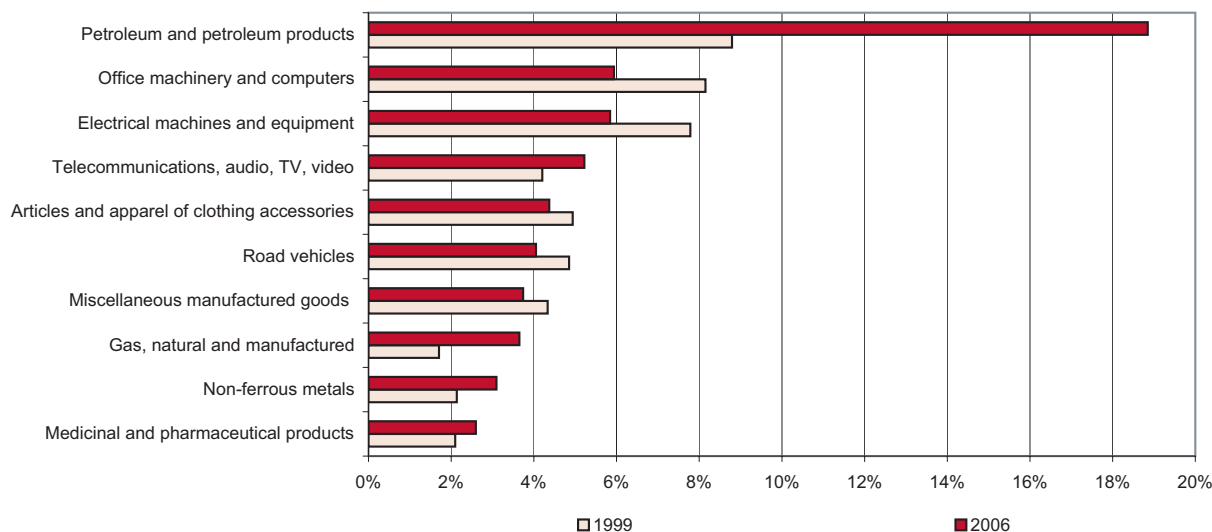
Chemical products mainly come from the USA and Switzerland

Endowed with high-technology industries such as pharmaceuticals, the USA and Switzerland remained in first and second position as suppliers of the EU-27's imports of 'Chemical products' throughout the seven-year period, together making up 54% of EU-27 imports in that category in 2006, compared to 58% in 1999.

Brazil main provider of Food and Crude materials

Brazil became the largest single provider of 'Food products' to the EU-27 in 2001 and of 'Crude materials' in 2004, closely followed in the latter category by the USA. Between 2004 and 2006, in many cases, crude materials witnessed strong price rises similar to that of crude oil.

Fig. 2.15 : Top-10 products (SITC-2) imported by the EU-27 in 2006: shares in total EU imports, 1999 and 2006 (%)



Value of petroleum imports soar

We turn to the Top ten products imported by the EU-27 at SITC-2 classification level. They together made up 57.4% of EU-27 total imports in 2006 compared to 49.0% in 1999. In first position as the EU-27's most-imported product, 'Petroleum & petroleum products' gained 1.4 percentage points (pp) annually on average, going from making up 8.8% of total imports in 1999 to 18.9% in 2006. 'Office machinery & computers' was the second-most imported product division. Compared to 8.2% in 1999, it made up

5.9% of total imports in 2006. 'Electrical machines and equipment' remained in third position, also losing weight in EU-27 total. Among the Top ten imported products, between 1999 and 2006, three went against the trend of losing shares in EU-27 total imports especially induced by the rise in petroleum imports. Up 1.0 percentage point (pp), 'Telecommunications, audio, TV, video' was the fourth main import in 2006, compared to seventh in 1999. 'Gas, natural and manufactured' gained 1.9 pp in EU-27 total imports, while 'Non-ferrous metals' gained 1.0 pp.

Fig. 2.16: Top-6 products (SITC-2) imported by the EU-27, 1999 to 2006 (EUR Bn)

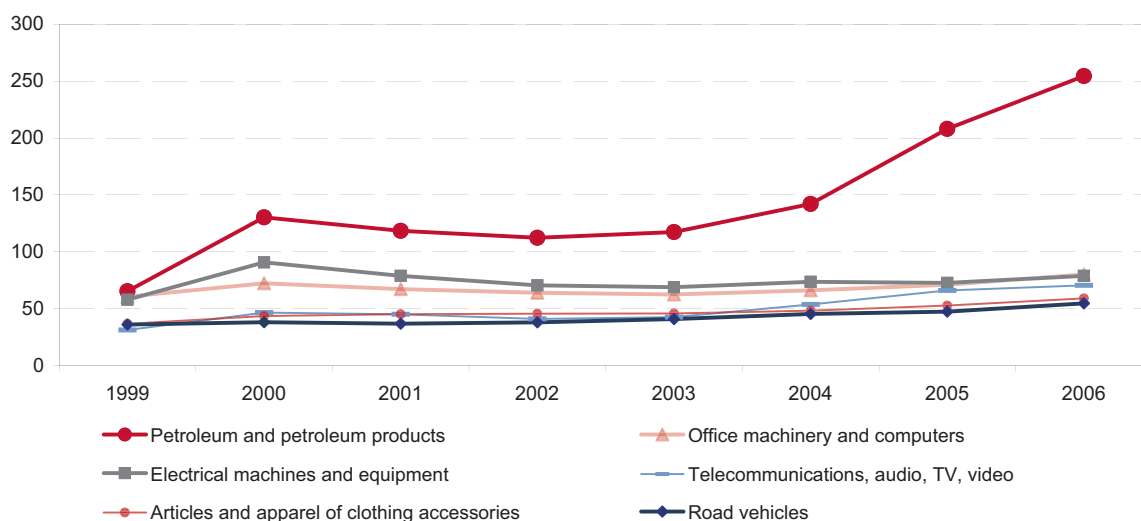
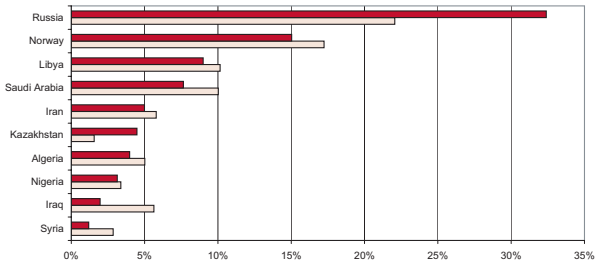


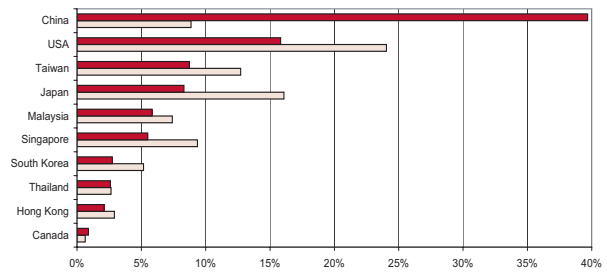
Fig. 2.17 : Top-6 products imported from extra-EU-27 by main partner, 1999 & 2006 (% of total product imports)

1999 2006

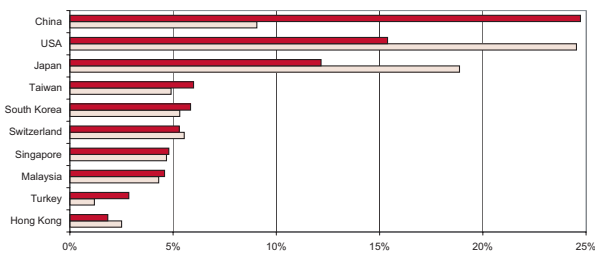
Petroleum and petroleum products (SITC 33)



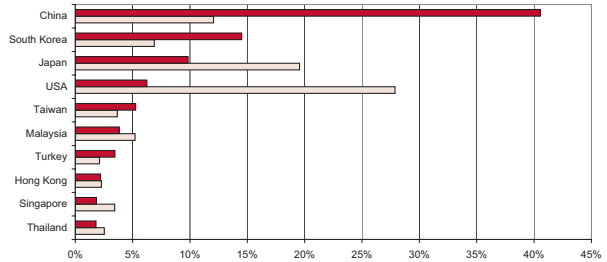
Office machinery and computers (SITC 75)



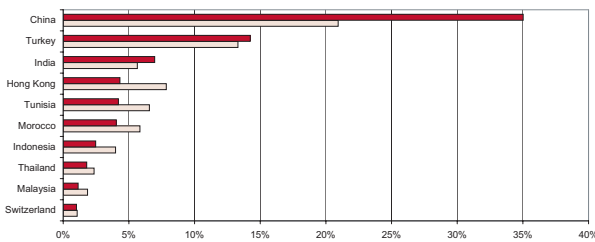
Electrical machinery and equipment (SITC 77)



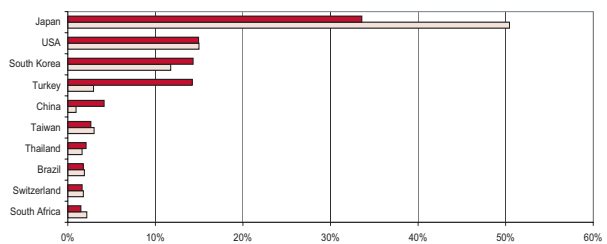
Telecommunications, audio, TV, video (SITC 76)



Articles and apparel of clothing accessories (SITC 84)



Road vehicles (SITC 78)



China now first provider of four out of six top products

Between 1999 and 2006, imports of 'Petroleum and petroleum products' grew by more than 21% yearly. Providing EUR 14 Bn worth of these in 1999 compared to EUR 82 Bn in 2006, Russia has become the main source of EU-27 imports in this product category. China has taken a leading role as a supplier of manufactured goods to the

EU-27. Indeed, by 2006 China had confirmed its leading position as provider of 'Articles and apparel of clothing accessories' and had gained the major share as provider of yet other three out of the six main imported product categories: 'Office machinery and computers', 'Electrical machinery and equipment' and 'Telecommunications, audio, TV, video'. In those three categories both the USA and Japan lost significant shares in the EU-27 import-market.

Fig. 2.18: Main products (SITC-3) imported by the EU-27, 1999 to 2006 (EUR Bn) – SITC division 33

333 Petroleum oils and oils obtained from bituminous minerals, crude

334 Petroleum oils and oils obtained from bituminous minerals (other than crude); Preparations, not elsewhere specified, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations; waste oils

335 Residual petroleum products, not elsewhere specified, and related materials

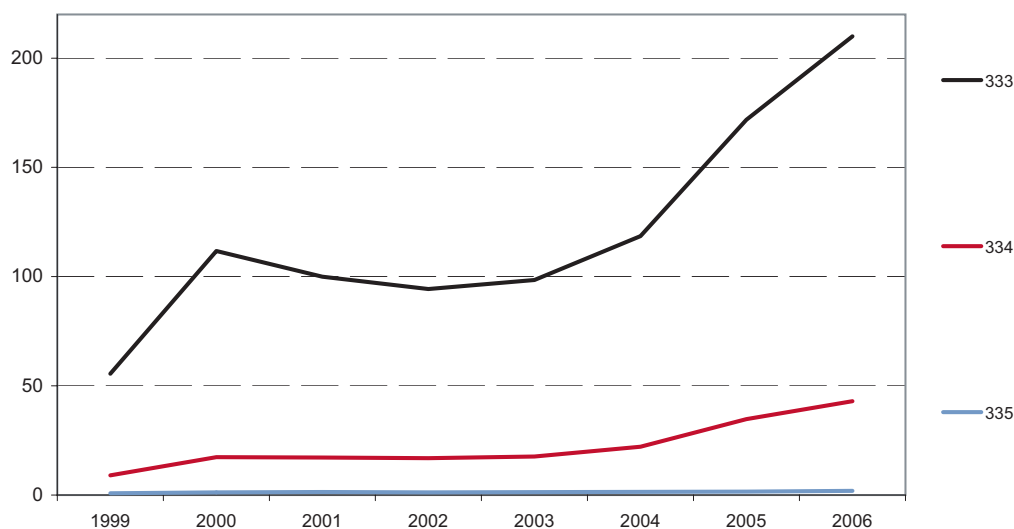
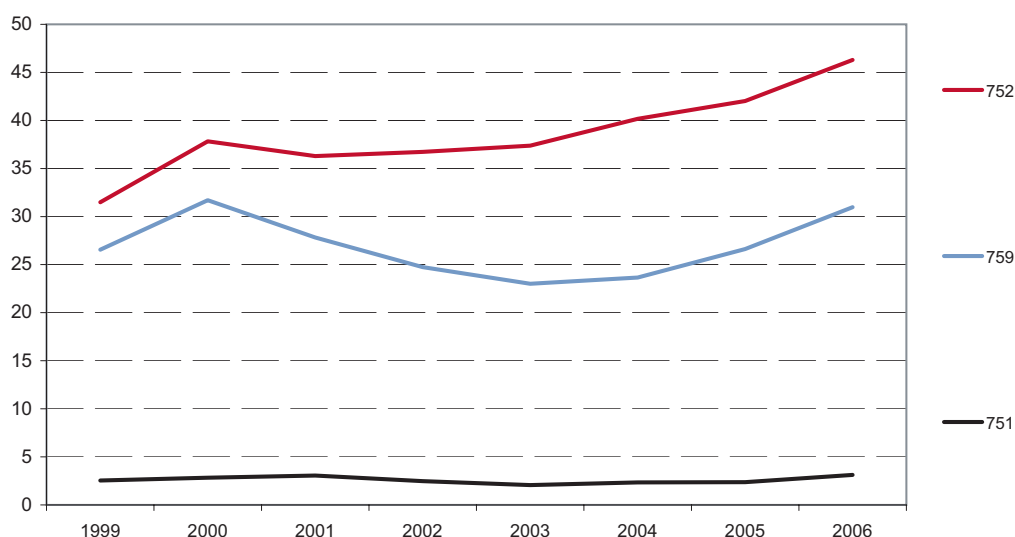


Fig. 2.19: Main products (SITC-3) imported by the EU-27, 1999 to 2006 (EUR Bn) – SITC division 75

751 Office machines

752 Automatic data-processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified

759 Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with machines falling within groups 751 and 752



Turning to the more detailed SITC-3 classification level, imports of 'Petroleum oils and oils obtained from bituminous minerals, crude' (SITC 333) have remained by far the highest-valued import product group going from costing EUR 56 Bn in 1999 to EUR 210 Bn in 2006, the main increase having occurred after 2003. With EUR 46 Bn

imported from outside the European Union in 2006, 'Automatic data-processing machines and units thereof' (SITC 752) was the second most valued import product category still ahead of the imports of 'Petroleum oils and oils obtained from bituminous minerals, other than crude' (SITC 334), valued at EUR 43 Bn.

2.4 Extra-EU trade by single Member State

Surpluses in 1999 were generally improved by 2006

From close to EUR 60 Bn in 1999, the EU-27 deficit in the extra-EU trade of goods grew to over EUR 140 Bn in 2000, then contracting to EUR 45 Bn in 2002. First increasing

slowly in 2003 and 2004, it then widened rapidly in 2005 and 2006, when it reached EUR 193 Bn, equivalent to close to one sixth of EU-27 exports. Of the eight Member States with a goods surplus in 1999, Austria, Ireland, Germany, Finland and Sweden had improved their surpluses by 2006, with Denmark and Malta remaining close to balance.

Tab. 2.20: Extra-EU-27 exports, imports and trade balance by Member State, 2006 (EUR Bn)

| | EXPORTS | | IMPORTS | | TRADE BALANCE |
|----------------|---------------|----------------------------------|---------------|----------------------------------|---------------|
| | 2006 | Share in Extra-EU-27 Exports (%) | 2006 | Share in Extra-EU-27 Imports (%) | 2006 |
| EU-27 | 1157.2 | 100 | 1350.2 | 100 | -193.0 |
| Belgium | 68.2 | 5.9 | 79.0 | 5.8 | -10.8 |
| Bulgaria | 4.8 | 0.4 | 6.0 | 0.4 | -1.2 |
| Czech Republic | 10.9 | 0.9 | 14.5 | 1.1 | -3.6 |
| Denmark | 21.4 | 1.9 | 19.3 | 1.4 | 2.2 |
| Germany | 321.1 | 27.8 | 262.3 | 19.4 | 58.9 |
| Estonia | 2.6 | 0.2 | 2.7 | 0.2 | -0.2 |
| Ireland | 32.1 | 2.8 | 18.4 | 1.4 | 13.7 |
| Greece | 6.1 | 0.5 | 21.5 | 1.6 | -15.3 |
| Spain | 47.3 | 4.1 | 98.3 | 7.3 | -51.0 |
| France | 135.8 | 11.7 | 132.6 | 9.8 | 3.2 |
| Italy | 129.6 | 11.2 | 150.2 | 11.1 | -20.6 |
| Cyprus | 0.3 | 0.03 | 1.7 | 0.1 | -1.4 |
| Latvia | 1.4 | 0.1 | 2.2 | 0.2 | -0.8 |
| Lithuania | 4.1 | 0.4 | 5.8 | 0.4 | -1.7 |
| Luxembourg | 1.9 | 0.2 | 6.3 | 0.5 | -4.4 |
| Hungary | 12.5 | 1.1 | 18.6 | 1.4 | -6.1 |
| Malta | 1.1 | 0.1 | 1.0 | 0.1 | 0.0 |
| Netherlands | 76.0 | 6.6 | 166.8 | 12.4 | -90.7 |
| Austria | 30.6 | 2.6 | 22.2 | 1.6 | 8.5 |
| Poland | 18.6 | 1.6 | 27.4 | 2.0 | -8.9 |
| Portugal | 7.8 | 0.7 | 12.9 | 1.0 | -5.1 |
| Romania | 7.7 | 0.7 | 14.9 | 1.1 | -7.3 |
| Slovenia | 5.8 | 0.5 | 4.3 | 0.3 | 1.6 |
| Slovakia | 4.4 | 0.4 | 8.9 | 0.7 | -4.5 |
| Finland | 26.2 | 2.3 | 19.8 | 1.5 | 6.4 |
| Sweden | 46.8 | 4.0 | 30.5 | 2.3 | 16.2 |
| United Kingdom | 132.3 | 11.4 | 202.3 | 15.0 | -70.0 |

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Rising Energy import bill deepens deficit

Over the 1999 to 2006 period, France's improved balance in 'Machinery and vehicles' and in 'Chemical products' was outweighed by a rising deficit in 'Energy products', bringing France's trade surplus from EUR 13 Bn in 1999 to EUR 3 Bn in 2006. In Italy, a marked increase in the 'Energy products' deficit together with a growing deficit in 'Other manufactured products' resulted in an overall deficit of EUR 21 Bn in 2006, compared to a surplus of EUR 9 Bn in 1999. Of the 18 Member States that were in deficit in 1999, 17 had worsened positions in 2006, only Slovenia building up a surplus of EUR 1.5 Bn over the period and Estonia approaching balance. Goods deficits were seen to grow most in Romania (+35.6% yearly), in Luxembourg (+25.6%) and in Spain (+22.5%).

Germany and the Netherlands are European export drivers

Between 1999 and 2006, the strongest gainers in shares of the EU-27 export market were Germany (+2.0 percentage points), the Netherlands (+1.2 pp) and Poland (+0.9 pp). Germany made export market share gains in all SITC-1 product categories apart from 'Chemical products', and particularly in 'Machinery and vehicles' and in 'Other manufactured products'. Active in the import and export of 'Energy products', as well as in refining, the Netherlands doubled their share in EU-27 exports of 'Energy products' from 7% in 1999 to 14% in 2006. Poland gained export market shares in 'Machinery and vehicles', in 'Other manufactured products' and in 'Food products'. France (-3.8 pp) and the United Kingdom (-3.3 pp) displayed the greatest total loss in their share of total exports. France's EU-27 export market shares were down in all sectors, especially in 'Machinery and vehicles', 'Energy products' and 'Food products'. The United Kingdom's share in the EU-27 export of 'Energy products' dropped strongly between 1999 and 2006. UK shares in EU-27 exports of 'Machinery and vehicles' and 'Food products' also fell.

The 'Rotterdam effect'

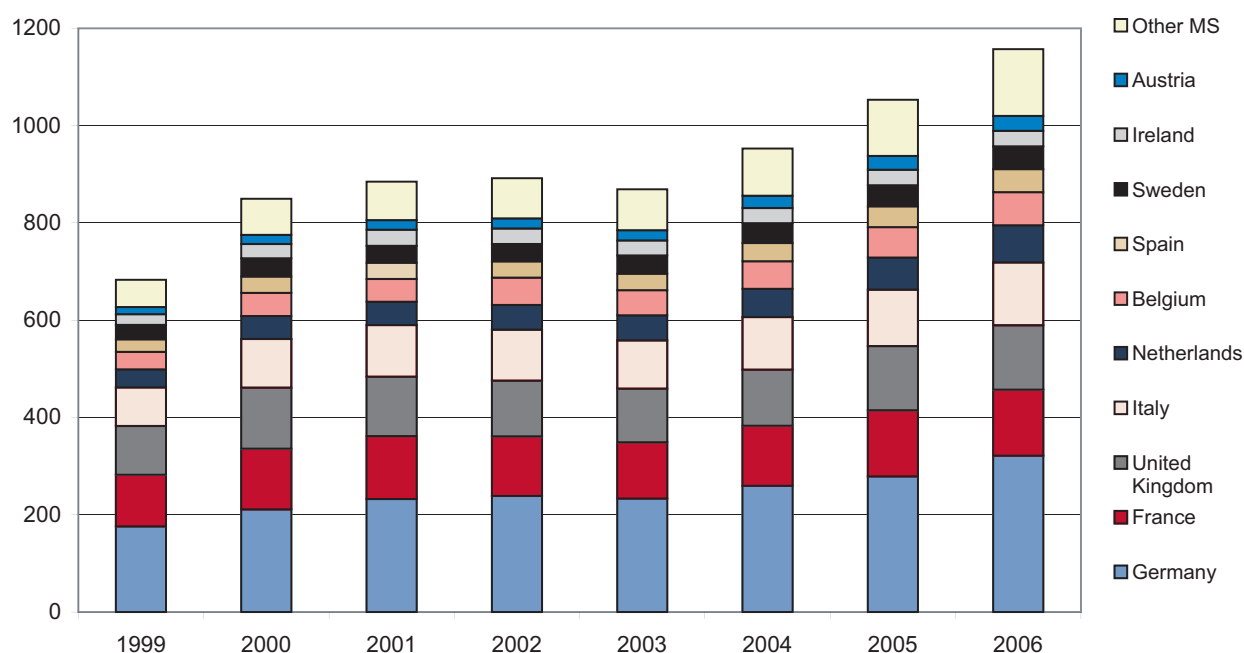
Dutch imports, and therefore the trade deficit, are over-estimated because of the so-called 'Rotterdam effect'. Goods destined for the rest of the EU arrive in Dutch ports and, according to Community rules, are declared as imports by the Netherlands (the country where these goods are released for free circulation). This then has a positive effect on the extra-EU balances of those Member States to which the goods are re-exported, as these shipments would be recorded, for Community statistics, as arrivals from the Netherlands, rather than imports from an extra-EU partner. To a lesser extent, Belgian trade figures are similarly over-estimated.

New Member States' exports grew rapidly

All twelve Member States that joined the European Union during the 2004 and 2007 enlargements contributed to total exports in greater or equal shares in 2006 compared to 1999. The ten Member States displaying the highest

annual average export growth rates were the ten Central European Member States. That group also corresponds to the Member States displaying the highest GDP growth rates over the period, together with Ireland. In leading position, while its GDP grew at 14% annually, Estonia displayed annual average export growth of 35% during the period.

Fig. 2.21: Extra-EU-27 exports by Member State, 1999 to 2006 (EUR Bn)



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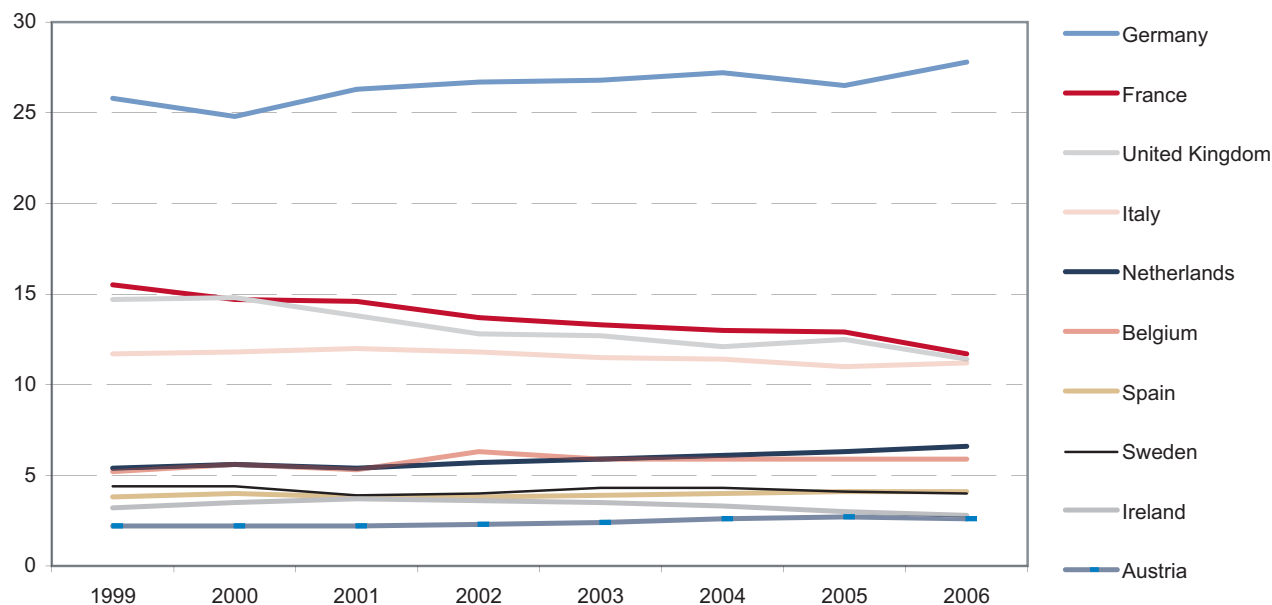
Export upswing after 2003

Reaching 24% between 1999 and 2000, EU-27 export growth slowed down in 2001, yet more in 2002, then receding in 2003. Between 2003 and 2006, exports increased rapidly again by over 10% annually on average. The launch of the euro in 2001, the worldwide economic upswing starting in 2003 and the enlargement to EU-25 in 2004 are widely recognised as being the major factors having contributed to export dynamism.

Exports decoupled from USA growth around 2003

It is interesting to note that between 1999 and 2002, EU-27 exports were closely correlated with the GDP of the main trading partner, the USA. Around 2003, this connection appears to have been decoupled, and the EU-27 exported increasing quantities to growing markets such as China and Russia in the following years, contributing to linear growth in EU-27 total exports of goods between 2003 and 2006.

Fig. 2.22: Top-10 Extra-EU-27 exporters, 1999 to 2006 (shares in Extra-EU-27 exports, %)



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Tab. 2.23: Extra-EU-27 exports by Member State, 1999 to 2006 (EUR Bn)

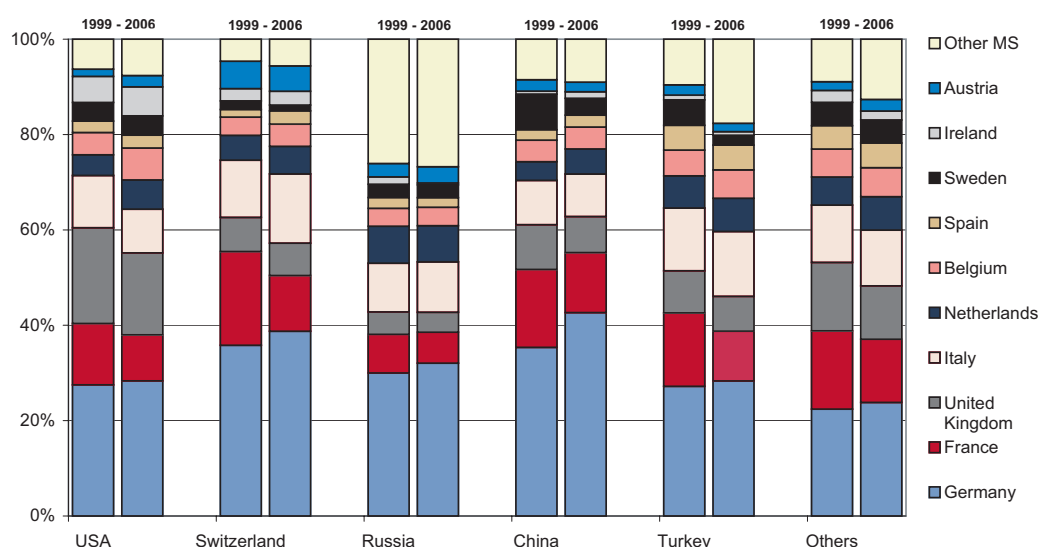
| | 1999 | 2003 | 2005 | 2006 |
|----------------|-------|-------|--------|--------|
| EU-27 | 683.1 | 869.2 | 1053.2 | 1157.2 |
| Germany | 176.0 | 233.3 | 278.8 | 321.1 |
| France | 106.0 | 115.5 | 136.0 | 135.8 |
| United Kingdom | 100.2 | 110.2 | 131.7 | 132.3 |
| Italy | 79.7 | 99.6 | 116.3 | 129.6 |
| Netherlands | 36.9 | 51.3 | 66.0 | 76.0 |
| Belgium | 35.8 | 51.6 | 62.6 | 68.2 |
| Spain | 25.9 | 34.2 | 42.8 | 47.3 |
| Sweden | 29.8 | 37.3 | 43.2 | 46.8 |
| Ireland | 21.9 | 30.9 | 31.9 | 32.1 |
| Austria | 14.7 | 21.2 | 28.3 | 30.6 |
| Finland | 13.7 | 18.7 | 23.2 | 26.2 |
| Denmark | 13.7 | 17.5 | 20.1 | 21.4 |
| Poland | 4.7 | 8.6 | 15.4 | 18.6 |
| Hungary | 3.7 | 6.0 | 9.7 | 12.5 |
| Czech Republic | 3.1 | 5.5 | 9.1 | 10.9 |
| Portugal | 3.6 | 5.3 | 6.1 | 7.8 |
| Romania | 2.2 | 3.9 | 6.7 | 7.7 |
| Greece | 3.5 | 4.2 | 5.3 | 6.1 |
| Slovenia | 2.1 | 3.6 | 4.9 | 5.8 |
| Bulgaria | 1.6 | 2.5 | 3.7 | 4.8 |
| Slovakia | 1.0 | 2.7 | 3.3 | 4.4 |
| Lithuania | 0.7 | 2.3 | 3.3 | 4.1 |
| Luxembourg | 1.0 | 1.3 | 1.5 | 1.9 |
| Estonia | 0.3 | 0.7 | 1.4 | 2.6 |
| Malta | 1.0 | 1.0 | 0.9 | 1.1 |
| Latvia | 0.4 | 0.5 | 1.0 | 1.4 |
| Cyprus | 0.2 | 0.2 | 0.3 | 0.3 |

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Export and GDP go hand-in-hand

In 1999, the EU-27's Top ten exporting Member States made up 91.8% of total exports, a share which, by 2006, had fallen to 88.1%. After 2003, exports were driven by growth in Germany as well as in the group of other Member States. Excluding some of the latter, over the entire period, Austria (+11.1%) and the Netherlands (+10.9%) displayed the highest average annual extra-EU-27 export growth rates. Among the older (EU-15) Member States, Spain, while it recorded the highest average GDP growth rate after Ireland from 1999 to 2006, replaced Sweden in 2006 as the seventh main EU-27 exporter.

Fig. 2.24: Main partner countries for exports - Shares of Top-10 Extra-EU-27 Exporters, 1999 and 2006 (%)



Exports to the USA rise though EU-27 exporters change

Making up 27% of the EU-27 total in 1999 and 23% in 2006, exports to the USA grew by over 5% yearly in monetary terms. During the seven-year period, in France (-3.2 pp), the United Kingdom (-2.9 pp) and Italy (-1.6 pp) the loss of shares in EU-27 exports to the USA was mainly attributable to reduced shares in the SITC-1 'Machinery and vehicles' product category, in the first two cases, and in 'Other manufactured products' in the latter. Shares in the exports to the USA were gained by the seven other Top ten exporters as well as by the group of Other Member States, and especially by Belgium (+2.0 pp), which mainly progressed in the 'Chemicals' category, and the Netherlands (+1.8 pp), exporting higher proportions of 'Energy products' as well as more 'Chemical products'.

France loses shares in Swiss market

With lower sales as a share of total, especially in 'Machinery and vehicles', but also in 'Energy products' and in 'Other manufactured products', France lost 8 pp of its share of EU-27 exports to Switzerland, as it went from contributing 19.7% of those exports in 1999 to 11.7% in 2006. Shares in the Swiss market were mainly gained by Germany (+3.0 pp) and by Italy (+2.5 pp).

Exports to Russia quadruple, led by Germany

Rising to EUR 72.2 Bn in 2006, four times their size in 1999, exports to Russia by the EU-27's Member States

varied less in the way they were distributed between 1999 and 2006 than they did with other main partners. Germany, Other Member States and Austria gained market shares at the expense of France, Ireland and the United Kingdom which, all three, especially lost ground in their exports of 'Food products'.

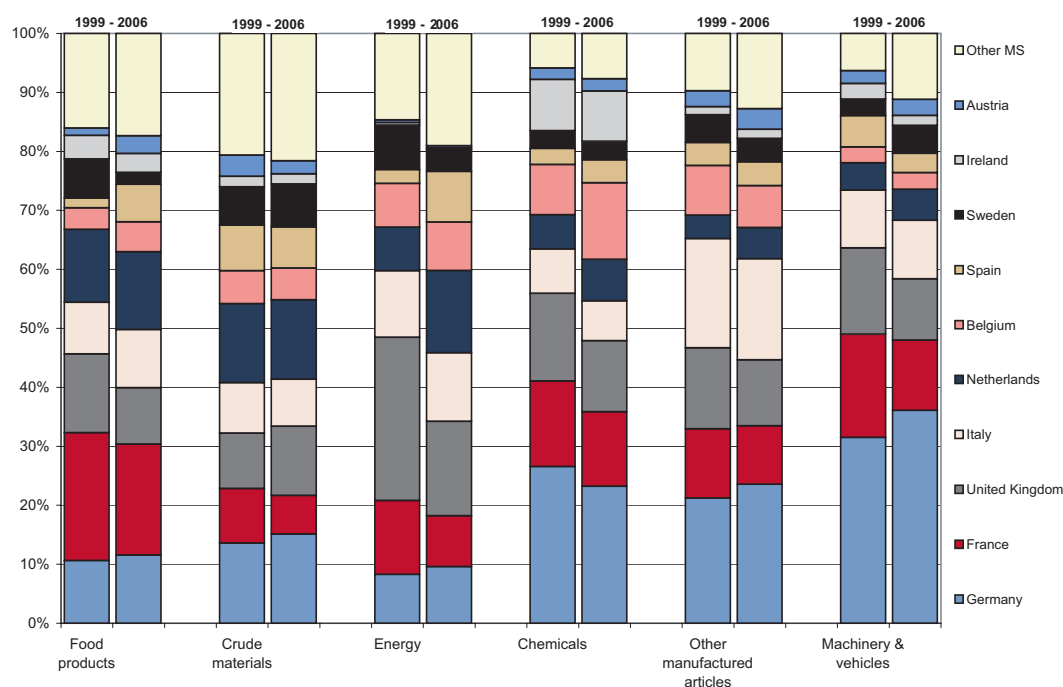
China second-strongest export growth market for EU-27

Total sales to China, the export destination displaying the second-strongest growth after Russia, grew at an annual average rate of 18.3% between 1999 and 2006. Gains in market shares, mainly in 'Machinery and vehicles' and in 'Other manufactured products', were made by Germany (+7.3 pp), the Netherlands (+1.3 pp) and Ireland (+0.8 pp), while shares were mainly yielded in 'Machinery and vehicles' by Sweden (-3.9 pp), France (-3.7 pp) and the United Kingdom (-1.8 pp).

Other Member States' exports to Turkey and Other destinations grow

Gains in shares of the EU-27's export market to Turkey were made over the 1999 to 2006 period by the group of Other Member States (+8.0 pp), Germany (+1.1 pp) and Belgium (+0.6 pp). France (-5.0 pp), Sweden (-3.3pp) and the United Kingdom (-1.5 pp) lost market shares, especially in 'Machinery and vehicles'.

Fig. 2.25: Extra-EU-27 exports by product group: shares of Top-10 EU-27 Exporters, 1999 and 2006 (%)



TET00048 to TET00053

Netherlands and Germany gain shares in most categories

Among the Top ten EU-27 exporters, between 1999 and 2006, only the Netherlands improved their market share in the export of each SITC-1 product category. One particularly notes the 6.5 pp increase of its share in Extra-EU-27 exports of 'Energy products', which rose from 7.4% in 1999 to 13.9% in 2006. Germany gained export market shares in every category apart from 'Chemicals'. Belgium and Spain recorded market share gains in every product category, except for 'Machinery and vehicles', Belgium making its biggest EU-27 export market gains in the 'Chemical products' category (+4.5 pp).

New Member States progress while France and the United Kingdom lose export market shares

The 'Other Member States' had higher EU-27 export market shares in every product category in 2006 compared to 1999, especially in 'Machinery and vehicles' (+5 pp) and in 'Energy products' (+4 pp). These gains are mainly attributable to the ten central European new Member States. France lost export-market shares in every product category over the seven-year period, notably in 'Machinery and vehicles' (-5.6 pp) and the United Kingdom lost export-market shares in every product category apart from 'Crude materials'. An 11.7 pp drop in the United Kingdom's share of EU-27 'Energy product' exports can be explained by the reduction in its domestic reserves.

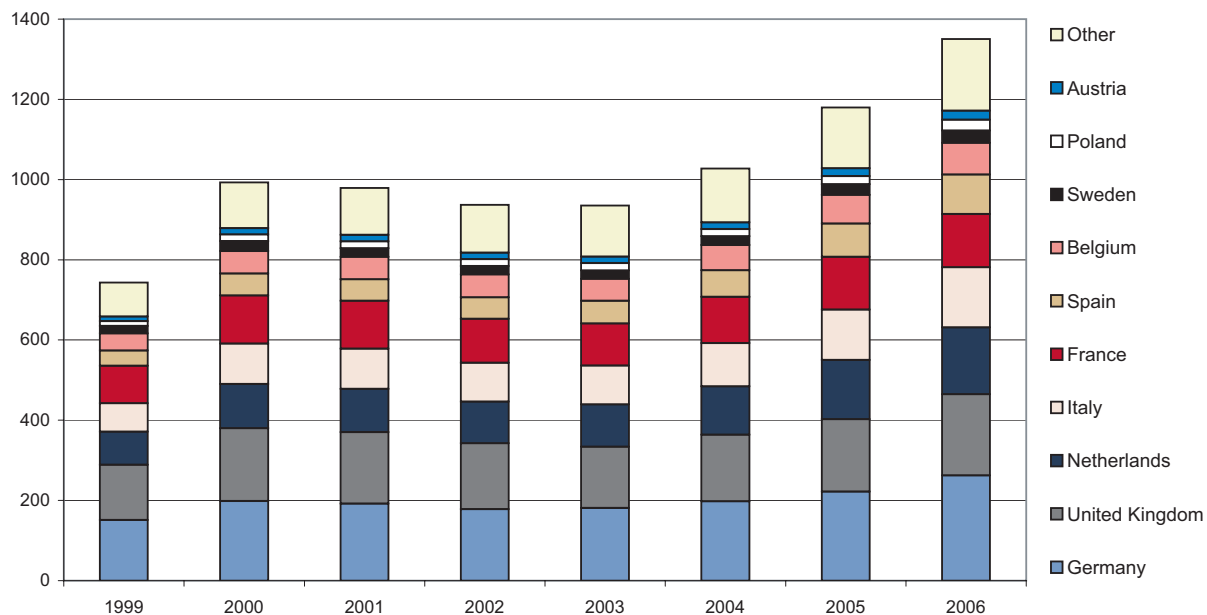
Variations in Member State trade balances

Germany was the Member State that gained most export market shares. Together with reductions in most of its SITC-1 EU-27 import shares (see Fig.2.30), this made for goods surplus growth from EUR 24.9 Bn in 1999 to EUR 58.9 Bn in 2006, at an annual rate of 13.1%, only outpaced by Austria (+17.2%) and Ireland (+13.7%). France's shares in EU-27 imports fell in all sectors, especially in 'Other manufactured products' and 'Energy products'. Losing a 2.7 pp import market share and a 3.8 pp export market share implied that the French surplus of EUR 13.1 Bn in 1999 was reduced over the period, at an annual average rate of 18.2%, to EUR 3.2 Bn in 2006.

New Member States have higher export than import growth

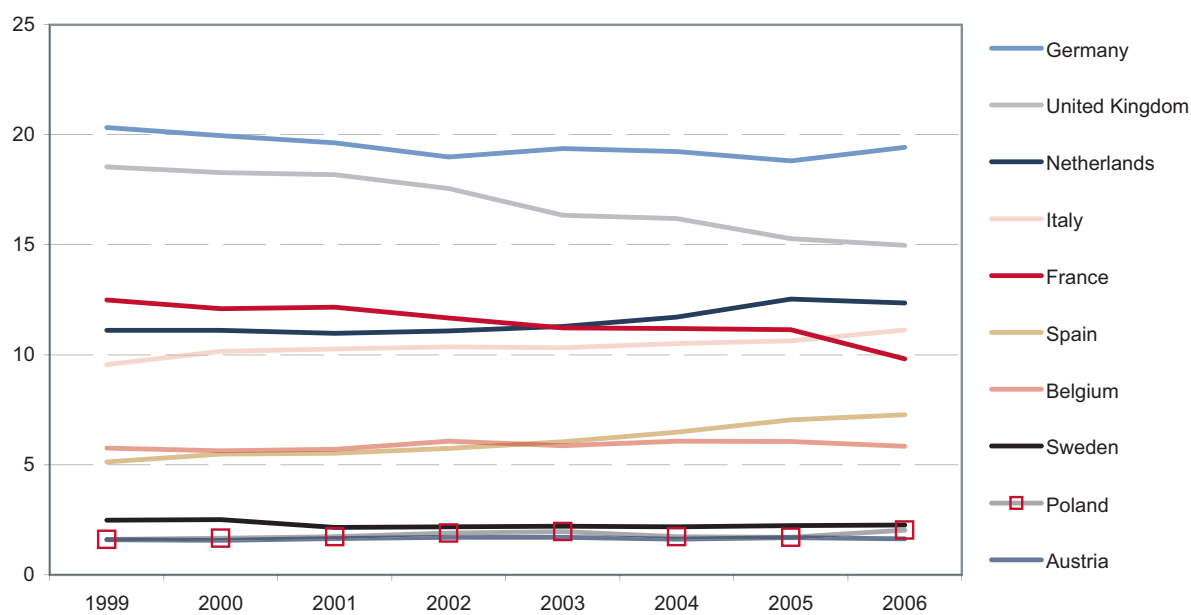
In the 10 central European new Member States (those of the two last enlargement waves, except Cyprus and Malta), the yearly average growth rates of exports were the highest, led by Estonia (34.6%), suggesting that GDP developments in those Member States were driven by the export of goods. It is interesting to note that, within the EU-27, 8 of the 12 new Member States had the greatest differential between the growth rate of exports and that of imports, the highest differential being recorded in Estonia (16.6%). The other Member States Latvia and Bulgaria displayed healthy differentials of 2.6 pp and 2.4 pp respectively, while Malta was at a par and Romania had a negative differential (-5.8 pp).

Fig. 2.26: Extra-EU-27 Imports by Member State, 1999 to 2006 (EUR Bn)



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Fig. 2.27: Top-10 Extra-EU-27 importers, 1999 to 2006 (shares in Extra-EU-27 imports, %)



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Tab. 2.28; Extra-EU-27 Imports by Member State, 1999 to 2006 (EUR Bn)

| | 1999 | 2003 | 2005 | 2006 |
|----------------|--------------|--------------|---------------|---------------|
| EU-27 | 743.3 | 935.3 | 1179.9 | 1350.2 |
| Germany | 151.1 | 181.2 | 221.9 | 262.3 |
| United Kingdom | 137.8 | 152.9 | 180.3 | 202.3 |
| Netherlands | 82.6 | 105.6 | 147.9 | 166.8 |
| Italy | 71.0 | 96.5 | 125.5 | 150.2 |
| France | 92.9 | 104.9 | 131.5 | 132.6 |
| Spain | 38.2 | 56.6 | 83.2 | 98.3 |
| Belgium | 42.8 | 54.9 | 71.5 | 79.0 |
| Sweden | 18.5 | 20.8 | 26.5 | 30.5 |
| Poland | 12.0 | 18.3 | 20.2 | 27.4 |
| Austria | 11.9 | 16.0 | 20.0 | 22.2 |
| Greece | 8.6 | 16.6 | 18.3 | 21.5 |
| Finland | 9.3 | 11.9 | 16.2 | 19.8 |
| Ireland | 16.3 | 17.7 | 18.4 | 18.4 |
| Denmark | 11.4 | 13.5 | 17.6 | 19.3 |
| Hungary | 7.4 | 15.0 | 16.1 | 18.6 |
| Czech Republic | 6.3 | 13.1 | 11.4 | 14.5 |
| Romania | 3.0 | 6.8 | 12.1 | 14.9 |
| Portugal | 7.9 | 8.6 | 11.5 | 12.9 |
| Slovakia | 2.7 | 5.1 | 6.2 | 8.9 |
| Luxembourg | 1.9 | 3.2 | 4.8 | 6.3 |
| Bulgaria | 2.3 | 4.1 | 4.7 | 6.0 |
| Lithuania | 1.7 | 3.8 | 5.1 | 5.8 |
| Slovenia | 2.1 | 2.9 | 3.4 | 4.3 |
| Estonia | 0.9 | 2.0 | 2.0 | 2.7 |
| Latvia | 0.7 | 1.1 | 1.7 | 2.2 |
| Cyprus | 1.2 | 1.4 | 1.6 | 1.7 |
| Malta | 0.9 | 0.9 | 0.7 | 1.0 |

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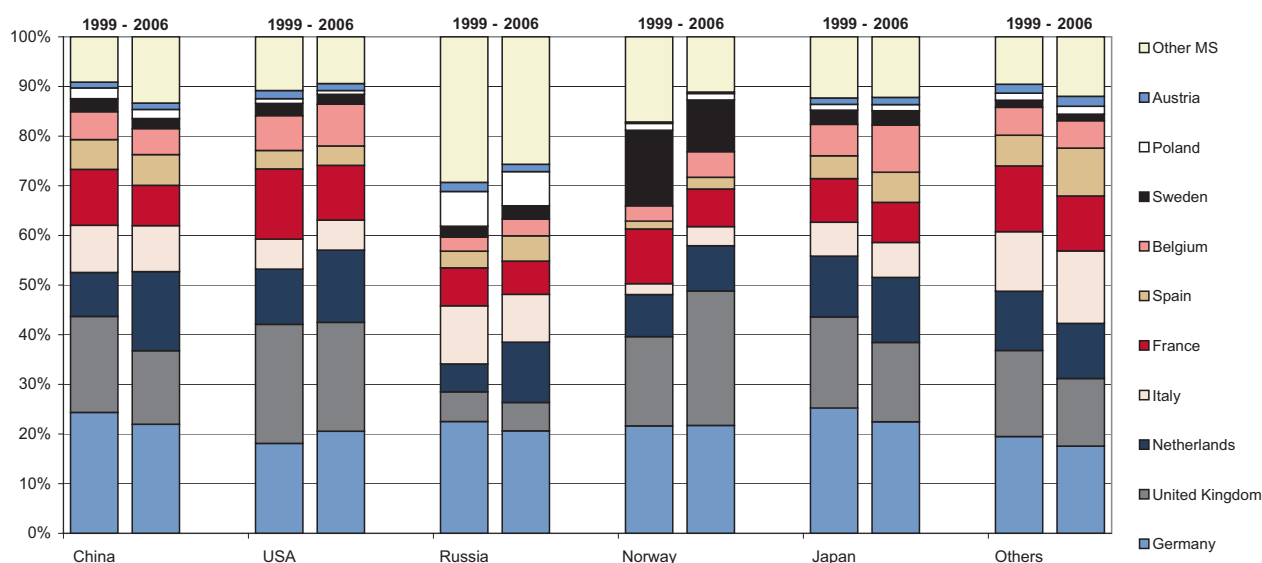
Imports grew after 2003 in particular

EU-27 total goods imports grew at an average rate of 8.9%, from EUR 743.3 Bn in 1999 to EUR 1350.2 Bn in 2006. This compares with an average annual growth rate of 7.8% in the case of EU-27 exports. Total EU-27 imports apparently described a cyclical pattern, peaking momentarily in 2000 before falling until 2003, thereafter growing first slowly and then more rapidly, at an annual average rate of 13%. Throughout the period, Germany was in first position, contributing to 19.4% of EU-27 imports in 2006, while the United Kingdom (15.0%) was in firm second position. The Netherlands became the EU-27's third main importer of goods in 2003, replacing France which, in 2006, became fifth main importer after Italy. In 2003, Spain replaced Belgium as sixth main EU-27 importer.

Spain's imports grew most rapidly

Overall, imports grew particularly rapidly in Spain (14.5%), in Poland (12.6%) in Italy (11.3%) and in the Netherlands (10.6%) as well as in Other Member States (11.3%). Among those, apart from Luxembourg, which was in second place with 19.2% annual increases, imports grew most in six of the new Central European Member States, starting with Romania (25.6%). From 2003 to 2006, one particularly notices the strong annual growth rates of imports by Spain (20.2%), the Netherlands (16.5%) and Italy (15.9%). Over the entire period, imports grew least in France (5.2%), the United Kingdom (5.6%), Sweden (7.4%) and Germany (8.2%) and, among the Other Member States, in Ireland (1.7%) and in Malta (1.8%).

Fig. 2.29: Main partner countries for imports - Shares of top-10 Extra-EU-27 Importers, 1999 and 2006 (%)



China becomes main partner for imports

Between 1999 and 2006, EU-27 imports from China rose at an average annual rate of 20.5%, from respectively EUR 52.6 Bn to EUR 194.3 Bn. Still the EU-27's fourth source of imports in 1999, China was in first position in 2006, providing 14.4% of EU-27 imports. Imports of products from all SITC-1 categories rose, especially those of 'Machinery and vehicles' (+27.4% annually), 'Other manufactured products' (+16.5%), 'Chemical products' (+15.9%) and 'Food products' (+13.0%). Over the period, especially Germany's imports rose (+EUR 29.9 Bn) and the Netherlands' (+EUR 26.3 Bn), yet the shares in EU-27 imports from China dropped for the United Kingdom (-4.5 pp), France (-3.1 pp) and Germany (-2.4 pp). The Netherlands' share in EU-27 total rose by 7.1 pp, mainly due to increased imports of 'Machinery and vehicles' from China. The 'Other Member States' made up 4.2 pp more of total EU-27 imports from China in 2006, due also to substantially higher imports of 'Machinery and vehicles' as well as higher 'Crude material' imports.

Imports from the USA stable

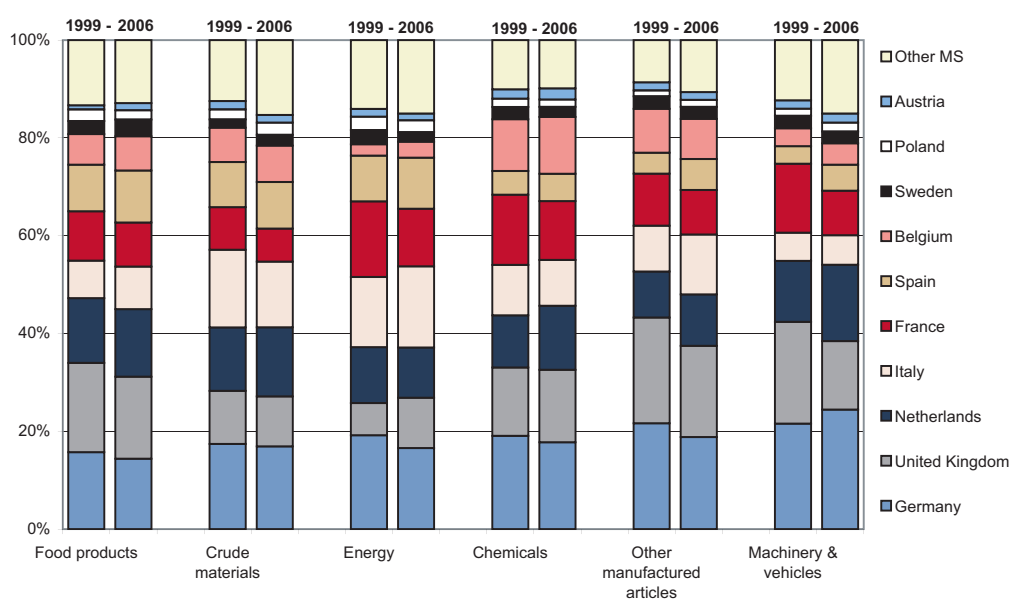
Imports from the USA grew at yearly 1.0% but, providing 22.3% of EU-27 imports in 1999, the USA supplied 13.2% of total in 2006. Making up 57% of the EU-27's imports from the USA in 1999, 'Machinery and vehicles' imports decreased by 2.3% annually, to make up 45% of total in 2006. EU-27 imports of 'Energy products' from the USA rose by 14.5% annually while 'Chemical product' imports grew by 7.4% and 'Crude materials' by 3.4%. In 2006, the

Netherlands (+3.4 pp) and Germany (+2.4 pp) had higher shares in total EU-27 imports from the USA, due mainly to higher imports of 'Chemical products' in both cases. Resulting mainly from lower imports of 'Machinery and vehicles', France's share in total imports from the USA was reduced by 3.1 pp and the United Kingdom by 2.0 pp. The 'Other Member States' share in total imports from the USA was reduced by 1.4 pp.

Imports from Russia grow boosted by Energy

EU-27 imports from Russia grew at an annual rate of 21.6%, from EUR 35.9 Bn to EUR 140.8 Bn. The rise is mainly explained by the increased trade in petroleum products. These made up just over one half of imports from Russia in 1999 and just over two thirds in 2006. Russia's share in total EU-27 imports rose from 4.8% to 10.4% and, from being fifth in 1999, Russia became the EU-27's third provider of imports in 2005. Between 1999 and 2006, the share of EU-27 total imports from Russia rose in the Netherlands (+ 6.5 pp), Spain (+ 1.7 pp) and Belgium (+ 0.5 pp). The former may be explained by the Netherlands' major role as an importer and refiner of energy products. The 'Other Member States' share in total imports from Russia fell by 3.6 pp, Italy's by 2.1 pp and Germany's by 1.9 pp. Germany's EUR 20.9 Bn increase in imports from Russia during the 1999-2006 period consisted to 56% of 'Energy products', while for the United Kingdom 58% of a EUR 5.9 Bn rise in imports from Russia consisted of 'Energy products'.

Fig. 2.30: Extra-EU-27 imports by product group: Shares of top-10 EU-27 Importers, 1999 and 2006 (%)



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Norway gains in importance while Japan loses ground

Norway became the EU-27's fourth main provider of imports in 2006. The rise is mainly attributed to increased imports of petroleum products from Norway, the value of which rose by around 250% between 1999 and 2006. The United Kingdom's share in EU-27 imports from Norway rose by 9.1 pp, due almost entirely to the increase in energy product imports. Japan went from providing 10.1% of EU-27 total imports in 1999 to 5.7% in 2006, due especially to the fall in demand from Germany and the United Kingdom in 'Machinery and vehicles', which made up three quarters of EU-27 imports from Japan in 2006 while 'Other manufactured products' made up somewhat under one sixth.

Changes in EU-27 import market shares

The strongest gains in shares of the EU-27 import market between 1999 and 2006 were made by Spain (+2.1 pp), Italy (+1.6 pp) and the Netherlands (+1.2 pp). Spain gained

import shares in all SITC-1 product categories, especially in 'Machinery and vehicles', 'Other manufactured products', 'Food products' and 'Energy products'. Its imports grew at an annual rate of 14.5% between 1999 and 2006 compared to exports, which grew at 9.0%. This contributed to Spain's deficit increasing at the third-highest rate in the EU-27 from EUR 12.3 Bn in 1999 to EUR 51.0 Bn in 2006. Losing import market shares in 'Crude materials', Italy mainly gained import shares in 'Machinery and vehicles' as well as in 'Energy products'. This, combined with a net fall in exports, took Italy from a goods surplus position of EUR 8.7 Bn in 1999 to a EUR 20.6 Bn deficit in 2006. The Netherlands gained import shares in 'Other manufactured products' and in 'Chemical products', while import shares of 'Energy products' fell. Shares in EU-27 total imports were lost between 1999 and 2006 by the United Kingdom (-3.6 pp) and by France (-2.7 pp), 'Manufactured products' and 'Machinery and vehicles' being especially reduced. The United Kingdom's reduction in imports took place at the same time as a reduction in EU-27 export share, yet it was insufficient to counter the growth of its trade deficit from EUR 37.6 Bn in 1999 to EUR 70.0 Bn in 2006.

Chapter 3

Intra-EU trade



3. INTRA-EU TRADE

3.1 Evolution of trade from EU-15 to EU-27

The internal market enlarges and grows

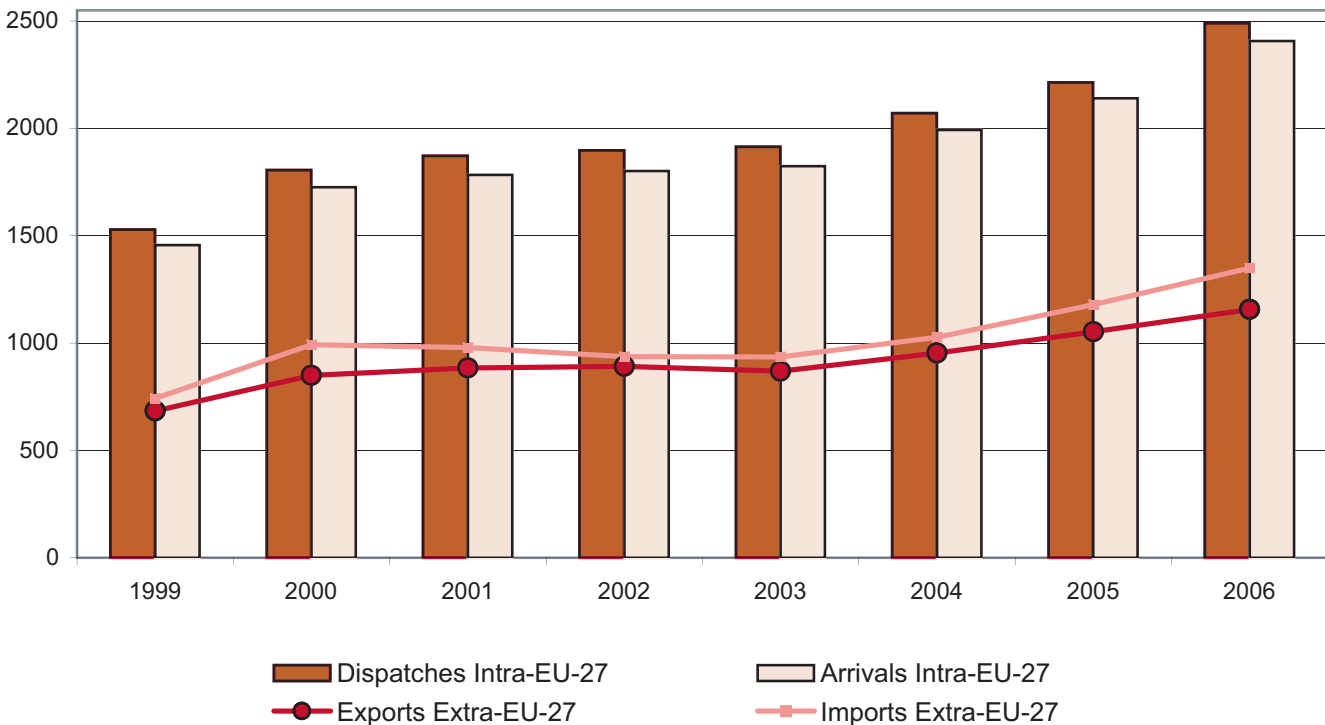
The impressive volume of intra-European trade, which was excluded from the analysis in Chapter 1 is covered in depth in this chapter. Total EU-27 dispatches (intra-EU-27 exports) in 2006 amounted to close to EUR 2.5 Trillion, while total EU-27 arrivals (intra-EU-27 imports) rose to close to EUR 2.4 Trillion. Intra-EU-27 trade was equivalent to approximately two thirds of total EU-27 trade in 2006.

Arrivals and dispatches grew at close to 7.3% annually, between 1999 and 2006, a period which saw slower trade between 2001 and 2003, followed by strong recovery coupled, in 2004, with the European Union's greatest wave of enlargement. In May 2004, ten new Member States joined the European Union to form the EU-25. This was subsequently enlarged to the EU-27, in January 2007, by the accession of Bulgaria and Romania.

Intra-EU-27 trade grows relatively less than extra-EU-27

The growth rates of arrivals and dispatches were slightly below the annual average growth rates displayed by extra-EU-27 imports (8.9%) and exports (7.8%) over the period, reflecting the growing internationalisation of the EU-27's trade in goods. Throughout, a higher share of total exports were made intra-EU-27 than were total imports made intra-EU-27, these shares standing at 68.3% and 64.1% respectively in 2006. The shares of dispatches and arrivals in total exports and imports respectively both described a cyclical pattern, peaking momentarily in 2003, yet displaying a gradual downward drift, as extra-EU-27 trade grew more strongly. Intra-EU-27 dispatches made up between 67.8% and 69.1% of total exports, while arrivals fluctuated somewhat more, making up between 63.5% and 66.2% of imports between 1999 and 2006.

Fig. 3.1: Intra-EU-27 dispatches and arrivals, extra-EU-27 exports and imports, 1999 to 2006 (EUR Bn)



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While extra-EU-27 exports and imports of goods may differ, summing to a surplus or deficit which in turn is balanced by trade in services or capital flows, the two intra-EU-27 flows should balance, as they theoretically describe the same set

of transactions: all dispatches are arrivals, be it in other Member States. For the reasons detailed in the box below, and as can be seen in the graph, an asymmetry exists between the two entities.

Intra-EU statistical discrepancies

In theory, Member States' intra-EU statistics are easily compared – in particular if the COMEXT source is used rather than national figures, since:

- The data to be compared are drawn up on the basis of a broadly common methodology and common definitions;
- The problem of the FOB and CIF valuations generally plays a smaller role in view of the geographical context and the structure of intra-Community trade;
- Given the rules for determining reference periods, time delays should not have a such a large impact - at least on annual results;
- The trading partner for arrivals is always the Member State of consignment, not the country of origin of the goods.

However, since the Intrastat system came into operation in 1993, bilateral comparisons have revealed major and persistent discrepancies in Member States' intra-EU trade statistics. The main reasons are:

- A system of thresholds which makes it possible to exempt approx. 80% of operators (especially small and medium-sized enterprises) from statistical formalities. For a given transaction, therefore a company might be required to provide statistical information in one Member State, whereas its supplier or customer in another Member State is exempted. The imbalance caused by the thresholds can be reduced at a global level by means of adjustments. Since January 2005 the principle of full coverage is in force which implies that Member States should estimate undeclared trade (including trade below threshold).
- Late or non-response by certain companies is a serious weakness in the Intrastat system. The majority of Member States try to offset the loss of coverage by means of adjustments (ranging from less than 1% to 14% of the trade value).
- Application of confidentiality at national level: it is possible that an operation is not published by one of the two partners because of statistical confidentiality but is by the other. However, the application of confidentiality procedures should not generally affect the results for total trade.
- Discrepancy between the date of registration of a transaction as a dispatch in one Member State and the date on which the same transaction is recorded as an arrival in another. In practice, the reference month is generally the month in which the goods are exchanged or, at worst, the following month. However, misapplication of the rules and delays in the data processing can have a non-negligible impact on monthly statistics.
- Misclassification of products under one of over 10 000 sub-headings in the Combined Nomenclature. The result can be errors and discrepancies at the most detailed level.
- Specific movements for which, in the absence of common rules, national practices diverge.
- Valuation of transactions, particularly the use of different methods for calculating the statistical value of dispatches (FOB value) and arrivals (CIF value).
- Triangular trade. In the intra-EU context triangular trade is said to exist in the case of a company in Member State A which sells goods to a company in Member State B, which in turn sells them to a company in Member State C, although the goods are "physically" forwarded only once - from A to C. In cases such as this, intra-Community trade statistics should record a dispatch from A bound for C, and an arrival in C of goods from A. There is, however, a considerable risk that A or C will regard Member State B as its trading partner. Eurostat uses dispatches as the more reliable measure of total intra-EU trade as, at aggregated levels, total dispatches have better coverage than total arrivals.

Fig. 3.2: Intra-EU-27 dispatches by main declaring Member State, 2006 (%)

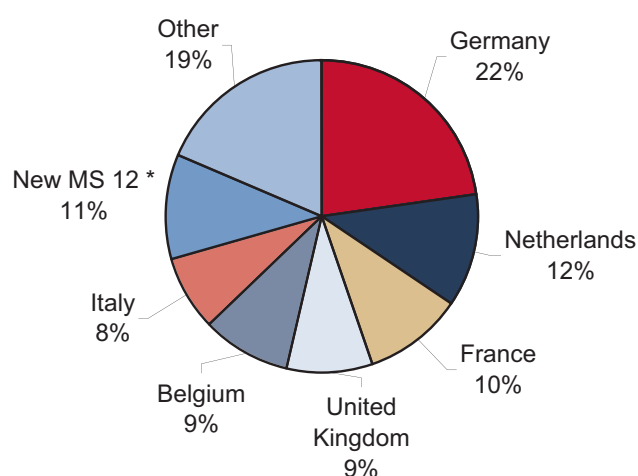
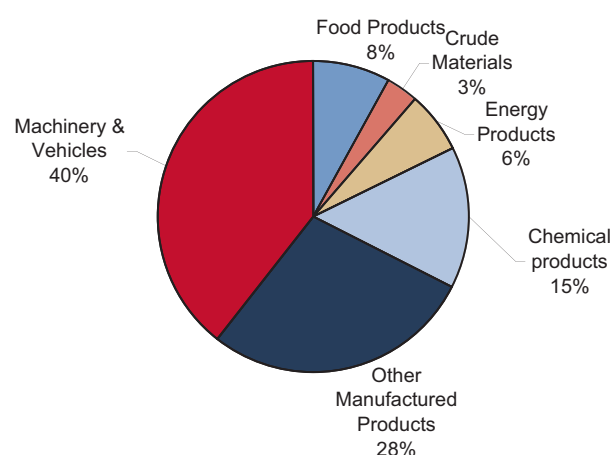


Fig. 3.3: Intra-EU-27 dispatches by SITC product group, 2006 (%)



* 'New MS 12' = Member States that joined the EU in the 2004 and 2007 enlargements

TET00039

3. Intra-EU Trade

Dispatches are shown above, broken down by main exporting Member State as well as by SITC-1 product group. In shares similar to those in total extra-EU-27 exports, 'Machinery & vehicles' and 'Other manufactured

products' made up over two thirds of intra-EU-27 dispatches in 2006. The table shows the breakdown of total intra-EU-27 dispatches in 1999 and 2006, as well as their growth rates in individual Member States between 1999

Tab. 3.4: Intra-EU-27 dispatches by declaring Member State, 1999 and 2006 (EUR Bn and %)

| | 1999 (EUR Bn) | 2006 (EUR Bn) | Share of Intra-EU-27 dispatches 2006 (%) | Average annual growth rate 1999-2006 (%) |
|----------------|------------------|------------------|---|--|
| EU-27 | 1528.4 | 2489.1 | 100.0 | 7.2 |
| Belgium | 132.3 | 224.1 | 9.0 | 7.8 |
| Bulgaria | 2.1 | 6.9 | 0.3 | 18.3 |
| Czech Republic | 21.8 | 64.8 | 2.6 | 16.8 |
| Denmark | 33.5 | 52.4 | 2.1 | 6.6 |
| Germany | 334.0 | 564.5 | 22.68 | 7.8 |
| Estonia | 1.9 | 5.0 | 0.2 | 14.4 |
| Ireland | 45.0 | 56.3 | 2.3 | 3.3 |
| Greece | 6.9 | 10.5 | 0.4 | 6.2 |
| Spain | 72.1 | 116.3 | 4.67 | 7.1 |
| France | 199.5 | 254.7 | 10.2 | 3.6 |
| Italy | 141.4 | 197.4 | 7.9 | 4.9 |
| Cyprus | 0.2 | 0.8 | 0.0 | 18.4 |
| Latvia | 1.3 | 3.6 | 0.1 | 15.9 |
| Lithuania | 1.9 | 7.1 | 0.3 | 20.7 |
| Luxembourg | 6.8 | 16.3 | 0.7 | 13.5 |
| Hungary | 19.8 | 46.9 | 1.9 | 13.1 |
| Malta | 0.9 | 1.1 | 0.0 | 2.3 |
| Netherlands | 168.2 | 292.2 | 11.7 | 8.2 |
| Austria | 47.3 | 81.2 | 3.3 | 8.0 |
| Poland | 21.0 | 69.3 | 2.8 | 18.6 |
| Portugal | 19.4 | 26.7 | 1.1 | 4.7 |
| Romania | 5.8 | 18.2 | 0.7 | 17.6 |
| Slovenia | 5.9 | 12.7 | 0.5 | 11.5 |
| Slovakia | 8.6 | 28.9 | 1.2 | 18.9 |
| Finland | 25.9 | 35.2 | 1.4 | 4.4 |
| Sweden | 49.9 | 70.6 | 2.8 | 5.1 |
| United Kingdom | 155.1 | 225.5 | 9.1 | 5.5 |

TET00039

The world's largest open market

With the two most recent enlargements, the European Union has grown into the EU-27, the world's largest open market. Today's 27 members benefit in many ways including the proximity of export markets, barrier-free

distribution and integrated transport networks, the ready availability of quality goods at competitive prices and reduced political risk in trade. The EU-27's exchanges have further been facilitated by the euro's implementation by twelve Member States in 2001.

From EU-15 to EU-27

The dispatches of the EU-15 Member States went from making up 84.9% of intra-EU-27 dispatches in 2002, to 80.1% in 2006. As was underlined in Chapter 1, it is difficult to compare the European Union in its varying dimensions. Yet, taking the EU-27 countries as being the destination of all Member State's dispatches, even before accession, facilitates comparison.

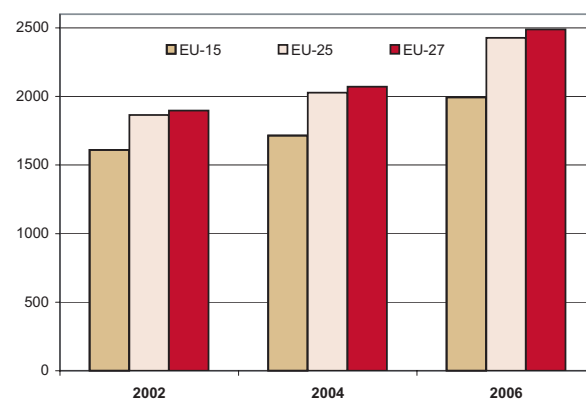
Three groups display different growth rates

Member States' average annual GDP and intra-EU-27 dispatches growth rates between 1999 and 2006 are depicted below. Today's 27 Member States are grouped according to the dates of their accession to the European Union: previous to 2004 (the members of EU-15), the ten members that joined on the occasion of the 2004 enlargement, to form the EU-25, and the two members that joined on the occasion of the 2007 enlargement to form the present-day EU-27.

New Members benefit from export-led development

While both indicators appear to display some correlation, growth rates in dispatches were, in most cases, above those of GDP. From 1999 to 2006, EU-27 GDP grew at a yearly average 4.4%. The three groups of Member States however clearly displayed different growth rates: the ten EU-15 Member States' median annual GDP growth rate was 4.5%, that of the ten Member States that joined in 2004 was 10.5%, and that of the two that joined in 2007 13.7%. As was noted in Chapter 2, the ten central European new Member States also displayed the greatest differentials between extra-EU-27 export and import growth rates.

Fig. 3.5: From EU-15 to EU-27: Intra-EU dispatches - 2002, 2004 & 2006 (EUR Bn)

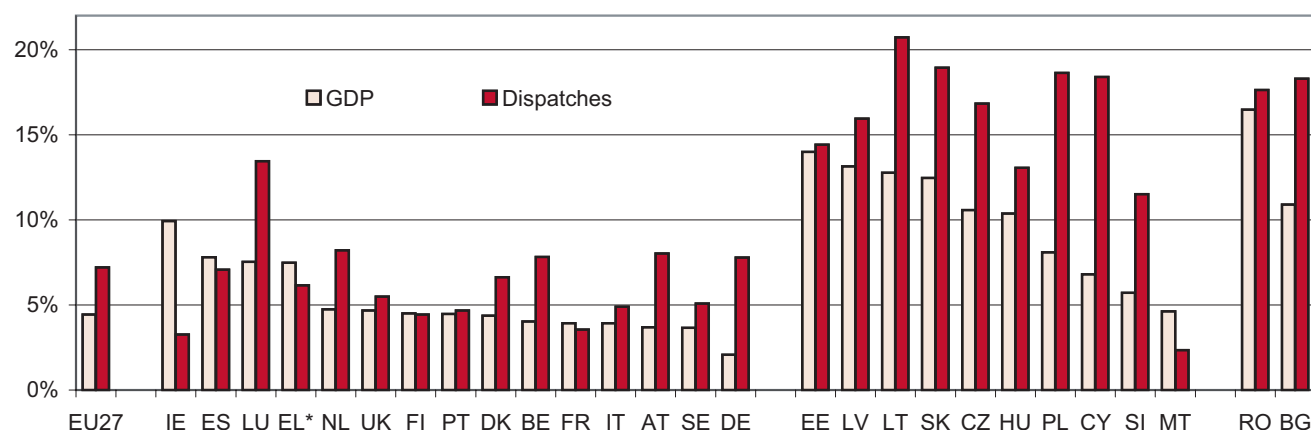


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Intra-EU-27 trade grows boosted by enlargement

Reflecting strong and sustained intra-EU-27 trade growth, EU-27 dispatches grew by 7.2% yearly on average between 1999 and 2006. The median yearly growth rate of the EU-15 Member States' dispatches was 6.2%, which compares with a median average growth rate of intra-EU-27 dispatches of 16.4% over the period, in the group of ten new Member States that joined in 2004, and of 18.0% in the two Member States that joined in 2007.

Fig. 3.6: EU-27 and Member State intra-EU-27 dispatches and GDP annual average growth rate, 1999 to 2006 (%)



* EL: GDP subject to revision

3.2 Intra-EU-27 in total trade

Close to two thirds of EU-27 trade intra-EU in 2006

Close to two thirds of the EU-27's total foreign trade was carried out within the Union in 2006. The ratio measuring the weight of intra-EU-27 trade (dispatches plus arrivals) in the individual Member States' total trade ranged between 83.1% in the Czech Republic and 58.6% in Italy. A Member

State's being landlocked means that it trades more intra-EU-27, for example because its access to world markets for goods via sea way is reduced. The Czech Republic, Slovakia and Luxembourg thus carried out a higher proportion of their trade intra-EU-27 in 2006. In contrast, trading further afield, Member States at the bottom of the table were traditional sea-faring nations.

Tab. 3.7: Share of Intra-EU-27 trade in total EU-27 trade, by declaring Member State, 2006 (%)

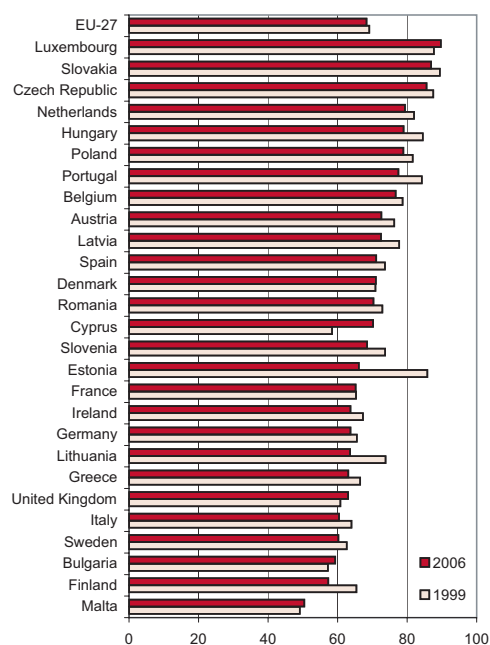
| | INTRA TRADE | | | Share of Intra in Total trade (%) |
|----------------|---------------|---------------|---------------|---|
| | Dispatches | Arrivals | Total | |
| EU-27 | 2489.1 | 2407.4 | 4896.4 | 66.1 |
| Czech Republic | 64.8 | 59.8 | 124.6 | 83.1 |
| Slovakia | 28.9 | 27.7 | 56.5 | 81.0 |
| Luxembourg | 16.3 | 14.9 | 31.3 | 79.3 |
| Portugal | 26.7 | 40.2 | 66.9 | 76.4 |
| Austria | 81.2 | 89.6 | 170.7 | 76.4 |
| Poland | 69.3 | 72.9 | 142.2 | 75.6 |
| Latvia | 3.6 | 7.0 | 10.6 | 75.1 |
| Belgium | 224.1 | 201.4 | 425.4 | 74.3 |
| Hungary | 46.9 | 42.8 | 89.6 | 74.3 |
| Slovenia | 12.7 | 14.9 | 27.6 | 73.3 |
| Denmark | 52.4 | 49.5 | 101.9 | 71.5 |
| Estonia | 5.0 | 7.8 | 12.8 | 70.8 |
| Cyprus | 0.8 | 3.8 | 4.5 | 68.9 |
| France | 254.7 | 293.4 | 548.1 | 67.1 |
| Romania | 18.2 | 25.8 | 44.0 | 66.0 |
| Ireland | 56.3 | 39.6 | 95.9 | 65.5 |
| Netherlands | 292.2 | 164.9 | 457.1 | 65.3 |
| Spain | 116.3 | 153.8 | 270.1 | 65.0 |
| Sweden | 70.6 | 70.4 | 141.0 | 64.6 |
| Germany | 564.5 | 461.4 | 1025.8 | 63.7 |
| Lithuania | 7.1 | 9.6 | 16.8 | 63.0 |
| Malta | 1.1 | 2.2 | 3.2 | 60.9 |
| Finland | 35.2 | 35.0 | 70.2 | 60.4 |
| United Kingdom | 225.5 | 283.0 | 508.4 | 60.3 |
| Bulgaria | 6.9 | 9.3 | 16.3 | 60.2 |
| Greece | 10.5 | 28.9 | 39.4 | 58.8 |
| Italy | 197.4 | 198.2 | 395.6 | 58.6 |

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The same ratio for dispatches and arrivals is analysed in detail on the following page. The way in which the share of intra-EU-27 in total trade changes over time tells us a lot about the competitiveness of Member State's exports on

European and world markets. Trends also reflect improved trading conditions such as the reduced political risk with recent EU-27 joiners and the reduced financial uncertainty brought on by the introduction of the euro.

Fig. 3.8: Share of dispatches in total exports, by declaring Member State, 1999 and 2006 (%)



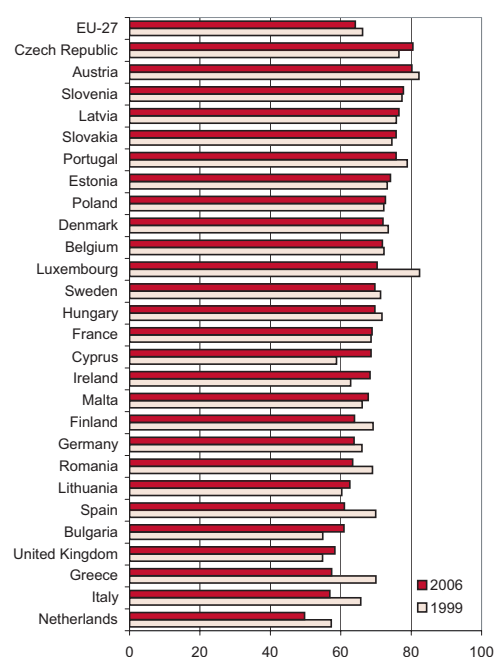
Accession confirms new Member States' growth

Extra-EU-27 exports grew faster (7.8% annually) than did intra-EU-27 dispatches (7.2%) from 1999 to 2006, resulting in the share of intra-EU-27 dispatches in total EU-27 exports falling from 69.1% in 1999 to 68.3% in 2006. This ratio described a cyclical, downward trend, peaking in 2003 and rising again from 2005 to 2006.

While the share of intra-EU-27 dispatches in total exports fell less in the EU-15 Member States, the group of twelve new (2004 and 2007 enlargements) Member States' average share of intra-EU-27 dispatches in total exports fell more, from 81.4% to 78.2%. Over the period, all EU-15 Member States except for the United Kingdom (+2.2 pp), Luxembourg (+2.0 pp) and Denmark (+0.1 pp) saw a reduction. The group of twelve new Member States' total exports grew at 17.1% yearly on average, their extra-EU-27 exports expanding at an impressive yearly 19.8% and their intra-EU-27 dispatches at 16.4%.

Observed swings in the new Member States' shares of trade carried out intra- and extra-EU-27, in an initial phase, reflect their increased access to the intra-European market brought on by accession, followed in a latter phase by the new Member States' acquisition of export markets beyond the EU-27's boundaries. Over the entire period, in some of the new Member States such as Cyprus (+11.8 pp), Bulgaria (+2.1 pp) and Malta (+1.3 pp), the share of intra-EU-27 dispatches in total exports rose while, in contrast, the ratio sometimes fell strongly in Estonia (-19.7 pp), Lithuania (-10.2 pp), Hungary (-5.5 pp), Latvia (-5.2 pp) and Slovenia (-5.2 pp),.

Fig. 3.9: Share of arrivals in total imports, by declaring Member State, 1999 and 2006 (%)



EU-27 internal market ensures quality and reduced risk

Between 1999 and 2006, total EU-27 imports grew faster (7.9% annually) than total EU-27 exports (7.4%). Extra-EU-27 imports grew more (8.9%) than intra-EU-27 arrivals (7.4%), causing the share of intra-EU-27 arrivals in total EU-27 imports to decline. The ratio fell as in the case of exports, from 66.2% in 1999 to 64.1% in 2006, describing a cyclical downward trend and temporarily peaking at 66.1% in 2003.

The older EU-15 Member States' intra-EU-27 arrivals grew at an average rate of 6.7%. Yet, their share of intra-EU-27 arrivals in total imports fell from 65.8% in 1999 to 63.1% in 2006. Reflecting the import of higher volumes of goods from cheaper sources, together with an increased energy import bill, all EU-15 Member States except for Ireland (+5.5 pp), the United Kingdom (+ 3.5 pp) and France (+0.3 pp) displayed a lower share of intra-EU-27 arrivals in total imports in 2006 compared to 1999, particularly Greece (-12.6 pp) and Luxembourg (-12.1 pp).

In comparison, while the group of twelve new Member States' total imports grew at an average annual 15.0%, their share of intra-EU-27 arrivals in total imports rose from 72.0% in 1999 to 72.4% in 2006. Especially in Cyprus (+9.8 pp) and Bulgaria (+6.0 pp), the share of intra-EU-27 arrivals in total imports rose in ten out of twelve of the new Member States between 1999 and 2006, reflecting new access to neighbouring markets as well as rising purchasing power. Romania (-5.6 pp) and Hungary (-2.0 pp) however imported proportionally more from extra-EU-27.

Tab. 3.10: Share of Intra-EU-27 dispatches in total EU-27 exports, by SITC product group, 2006 (%)

| | Food products | Crude materials | Energy | Chemicals | Other manufactured articles | Machinery & vehicles |
|----------------|---------------|-----------------|--------|-----------|-----------------------------|----------------------|
| EU-27 | 77.5 | 73.6 | 73.5 | 66.1 | 70.0 | 65.8 |
| Belgium | 86.9 | 81.4 | 79.7 | 71.3 | 75.0 | 80.0 |
| Bulgaria | 56.3 | 50.7 | 18.8 | 40.8 | 72.7 | 67.7 |
| Czech Republic | 88.9 | 91.5 | 97.3 | 79.9 | 85.1 | 85.4 |
| Denmark | 74.6 | 65.0 | 87.6 | 61.6 | 74.7 | 63.1 |
| Germany | 82.0 | 74.7 | 76.7 | 65.3 | 67.9 | 59.2 |
| Estonia | 63.3 | 69.9 | 20.3 | 59.7 | 75.4 | 79.0 |
| Ireland | 77.7 | 71.5 | 72.6 | 62.0 | 56.6 | 62.6 |
| Greece | 71.2 | 52.6 | 28.3 | 71.5 | 68.5 | 69.9 |
| Spain | 82.0 | 64.2 | 41.6 | 63.6 | 72.3 | 74.5 |
| France | 72.1 | 80.8 | 69.6 | 63.7 | 68.6 | 62.9 |
| Italy | 70.8 | 57.5 | 43.4 | 63.9 | 61.1 | 59.1 |
| Cyprus | 67.0 | 60.4 | 74.1 | 44.1 | 76.5 | 79.7 |
| Latvia | 65.1 | 87.8 | 64.8 | 59.7 | 76.0 | 60.9 |
| Lithuania | 64.5 | 73.4 | 61.3 | 68.7 | 74.5 | 47.9 |
| Luxembourg | 98.6 | 93.8 | 100.0 | 91.1 | 86.2 | 91.5 |
| Hungary | 74.4 | 88.7 | 54.8 | 66.2 | 85.0 | 79.6 |
| Malta | 11.8 | 87.5 | 32.2 | 72.4 | 69.9 | 44.1 |
| Netherlands | 82.1 | 82.1 | 84.1 | 76.8 | 80.4 | 77.0 |
| Austria | 74.3 | 81.3 | 96.1 | 65.7 | 73.5 | 70.0 |
| Poland | 78.5 | 88.3 | 87.9 | 68.0 | 79.5 | 78.8 |
| Portugal | 75.2 | 79.1 | 43.4 | 82.7 | 83.5 | 74.8 |
| Romania | 66.2 | 42.1 | 32.1 | 43.8 | 82.0 | 77.1 |
| Slovenia | 65.0 | 65.5 | 77.0 | 48.1 | 70.4 | 73.4 |
| Slovakia | 91.4 | 92.5 | 97.7 | 85.1 | 88.7 | 83.8 |
| Finland | 55.7 | 62.7 | 72.6 | 56.5 | 67.4 | 46.0 |
| Sweden | 71.2 | 70.4 | 70.2 | 57.0 | 65.4 | 53.8 |
| United Kingdom | 65.7 | 53.0 | 74.1 | 59.6 | 57.4 | 65.8 |

Specialisation in Machinery & vehicles and Chemical products

Shares of Member States' intra-EU-27 dispatches in their total 2006 exports are presented by SITC-1 product group. The ratio depends on a variety of factors such as natural endowments, geographical location, labour costs, industrial tradition and specialisation. Reaching 68.3% on average for all products in 2006, the shares of goods exported intra-EU-27 by the EU-27 ranged between 65.8% in 'Machinery & vehicles' and 77.5% in 'Food products'. The latter as well as 'Crude materials', are categories of bulky products, which are exported profitably over shorter distances and thus more widely intra-EU-27. In contrast, goods that are exported further afield such as 'Machinery & vehicles' as well as 'Chemical products' (66.1%) display a low ratio suggesting greater EU-27 specialisation in international markets for those products.

Ratios vary with world cycles

By product group, the shares of intra-EU-27 dispatches in total exports ranked in a quasi-unchanged order between

1999 and 2006. This emphasizes the continuity of specialisation. Reflecting a strong expansion in the product's exports extra-EU-27, the share of 'Machinery and vehicles' dispatched intra-EU-27, fell from 67.1% in 1999 to 64.6% in 2005, cyclically peaking in 2003, then rising again to 65.8% in 2006. Due especially to increasing demand from rapidly developing countries, strong rises in 'Crude material' prices attracted exports extra-EU-27 and the share of 'Crude materials' dispatched intra-EU-27 fell from 75.9% in 1999 to 73.6% in 2006.

New Member States gain from accession

The twelve new (2004 and 2007 enlargements) Member States' export-share ratios show clear signs of their accession to the European Union. For example, the new Member States' share of 'Food product' exports sold intra-EU-27 rose from 65.4% in 1999 to 76.3% in 2006, most of that rise taking place between 2003 and 2004, shortly before the EU's largest enlargement. As new export markets were then discovered extra-EU-27, a declining share of the new Member States' total exports was bound intra-EU-27.

Tab. 3.11: Share of Intra-EU-27 arrivals in total EU-27 imports, by SITC product group, 2006 (%)

| | Food products | Crude materials | Energy | Chemicals | Other manufactured articles | Machinery & vehicles |
|----------------|---------------|-----------------|--------|-----------|-----------------------------|----------------------|
| EU-27 | 74.3 | 57.3 | 32.8 | 77.0 | 65.1 | 69.1 |
| Belgium | 75.0 | 65.6 | 71.1 | 81.6 | 60.8 | 74.4 |
| Bulgaria | 52.4 | 24.5 | 58.1 | 77.5 | 61.2 | 68.8 |
| Czech Republic | 92.2 | 65.1 | 34.1 | 91.0 | 87.6 | 83.2 |
| Denmark | 66.0 | 76.0 | 34.5 | 85.5 | 71.0 | 76.7 |
| Germany | 78.5 | 64.2 | 40.6 | 78.6 | 64.9 | 63.7 |
| Estonia | 89.8 | 47.4 | 33.9 | 87.8 | 80.5 | 83.4 |
| Ireland | 87.3 | 65.1 | 70.9 | 69.9 | 72.2 | 58.3 |
| Greece | 81.0 | 50.7 | 6.3 | 83.8 | 64.4 | 64.1 |
| Spain | 63.1 | 46.0 | 11.5 | 77.9 | 64.4 | 76.8 |
| France | 79.5 | 62.4 | 33.9 | 75.4 | 73.1 | 76.2 |
| Italy | 77.3 | 53.2 | 8.9 | 76.8 | 56.2 | 75.5 |
| Cyprus | 79.3 | 66.5 | 41.0 | 81.9 | 72.6 | 73.6 |
| Latvia | 87.3 | 51.6 | 36.8 | 82.0 | 76.8 | 89.5 |
| Lithuania | 79.1 | 47.7 | 3.7 | 84.0 | 79.4 | 82.9 |
| Luxembourg | 95.8 | 92.1 | 100.0 | 86.7 | 89.7 | 46.7 |
| Hungary | 91.2 | 66.6 | 23.5 | 86.9 | 83.8 | 69.0 |
| Malta | 85.4 | 75.6 | 97.3 | 76.3 | 70.7 | 56.2 |
| Netherlands | 63.9 | 44.4 | 39.0 | 63.8 | 54.8 | 44.0 |
| Austria | 84.7 | 79.8 | 67.7 | 79.6 | 84.1 | 81.2 |
| Poland | 76.4 | 54.3 | 21.4 | 87.8 | 82.9 | 79.4 |
| Portugal | 80.6 | 66.4 | 26.4 | 88.8 | 82.9 | 88.4 |
| Romania | 55.2 | 38.4 | 7.8 | 77.5 | 76.1 | 72.4 |
| Slovenia | 70.8 | 64.4 | 66.7 | 83.7 | 79.2 | 81.6 |
| Slovakia | 92.8 | 60.5 | 27.0 | 89.6 | 80.9 | 85.2 |
| Finland | 82.7 | 46.2 | 21.6 | 82.4 | 75.8 | 71.8 |
| Sweden | 68.1 | 64.0 | 47.2 | 78.9 | 69.5 | 75.6 |
| United Kingdom | 68.5 | 48.4 | 20.0 | 66.2 | 47.0 | 65.6 |

Global expansion reduces share of intra-EU-27 arrivals

The share of arrivals purchased intra-EU-27 tended downwards from 66.2% in 1999 to 64.1% in 2006. Describing a cyclical pattern, the ratio rose to close to 66% from 2002 to 2004, as lower demand caused a drop in imports from extra-EU-27, but also as the ten new Member States (2004 enlargement) contributed to increased levels of intra-EU-27 imports. The ranking of SITC-1 product groups' intra-EU-27 import ratios was stable throughout the period, ranging from 'Energy products' (32.8%) and 'Crude materials' (57.3%) to 'Food products' (74.3%) and 'Chemical products' (77.0%).

High energy imports come from extra-EU-27

'Crude materials' and 'Energy products' were the only product groups imported in lower proportions than average from intra-EU-27 sources. As opposed to exports, the EU-27's low weight as a source of those imports reflects its low relative endowment in products from those groups. Shares of 'Energy product' imports made intra-EU-27 in 2006 by Lithuania (3.7%) and Romania (7.8%), for

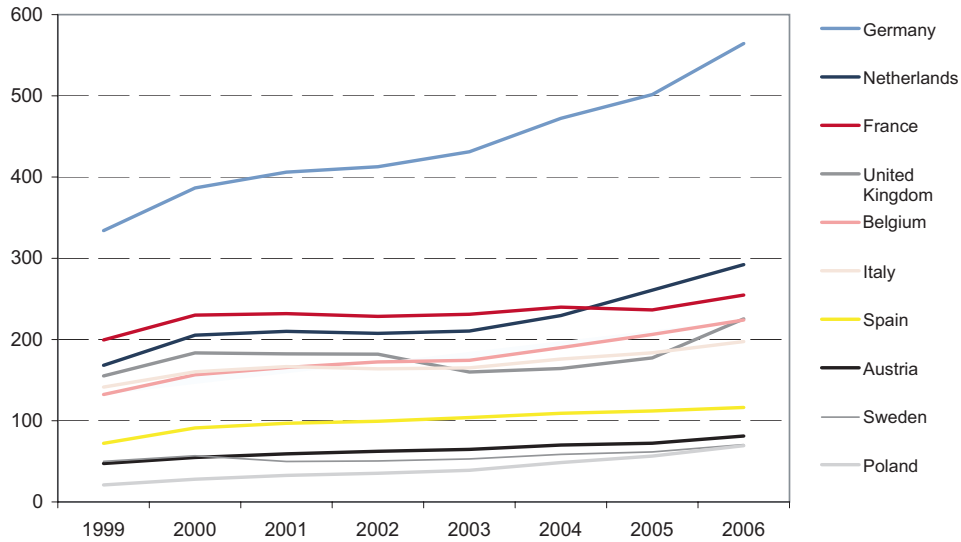
example, are explained by the two Member States' being bound by import agreements extra-EU-27, formed previous to their EU-27 accession. In contrast, being landlocked and not disposing of refining capacity, Luxembourg imported the entirety of its 'Energy products' intra-EU-27.

Twelve new Member States' intra-EU-27 imports surge with accession

The new Member States' shares of imports made intra-EU-27 displayed a clear "accession effect" as their intra-EU-27-import shares of a number of SITC-1 product groups described a surge coinciding with the wave of accession in 2004. This was particularly noticeable in the case of 'Food products', 'Machinery & vehicles' and 'Energy products', their time-series displaying a one-off upward step. In some cases as, for example, that of the imports of 'Other manufactured products', shares then fell moderately after 2004 as substitute sources of similar goods were preferred extra-EU-27. Coupled with the rise in shares of 'Food products' exported intra-EU-27, recorded above, intra-EU-27 shares of the twelve new Member States' 'Food product' imports rose from 63.2% in 1999 to 80.0% in 2006.

3.3 Main traders: flows and balances

Fig. 3.12: Top-10 intra-EU-27 exporters, 1999 to 2006 (EUR Bn)



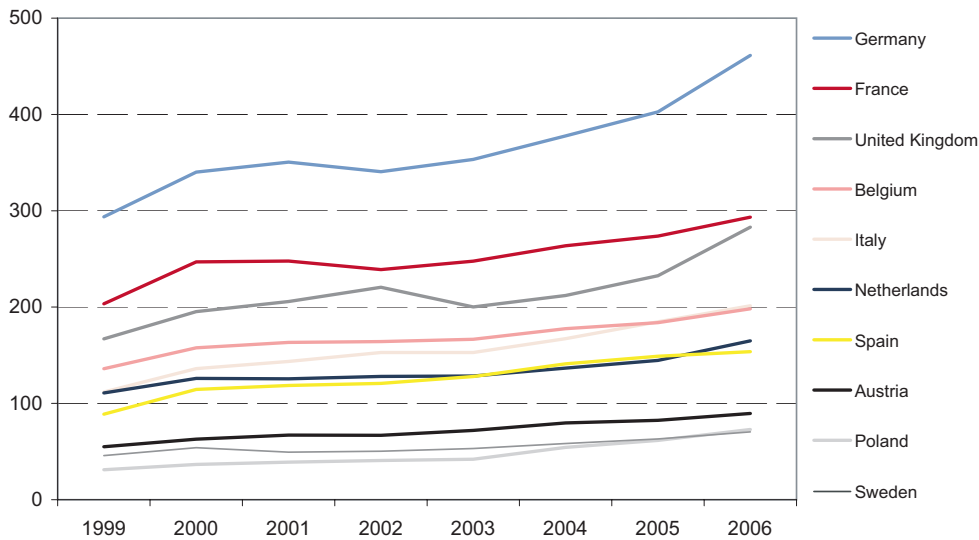
TET00039

German dispatches forge ahead

Having digested re-unification and completed some major internal reforms, Germany drew benefit from the global upswing after 2003. Similar to its exports extra-EU-27, its dispatches grew annually at 7.8%, compared to an EU-27 average of 7.2%. France conceded its position as second intra-EU-27 exporter to the Netherlands. Describing a more

pronounced cyclical path, the United Kingdom was fourth-main exporter intra-EU-27 again in 2006, having lost ground to Belgium and Italy between 2002 and 2006. With its dispatches growing at 18.6%, the highest rate among the top ten intra-EU-27 exporters, Poland rose from fourteenth intra-EU-27 exporter in 1999 to tenth in 2006, close behind Sweden.

Fig. 3.13: Top-10 intra-EU-27 importers, 1999 to 2006 (EUR Bn)



TET00039

Arrivals driven by household demand and export activity

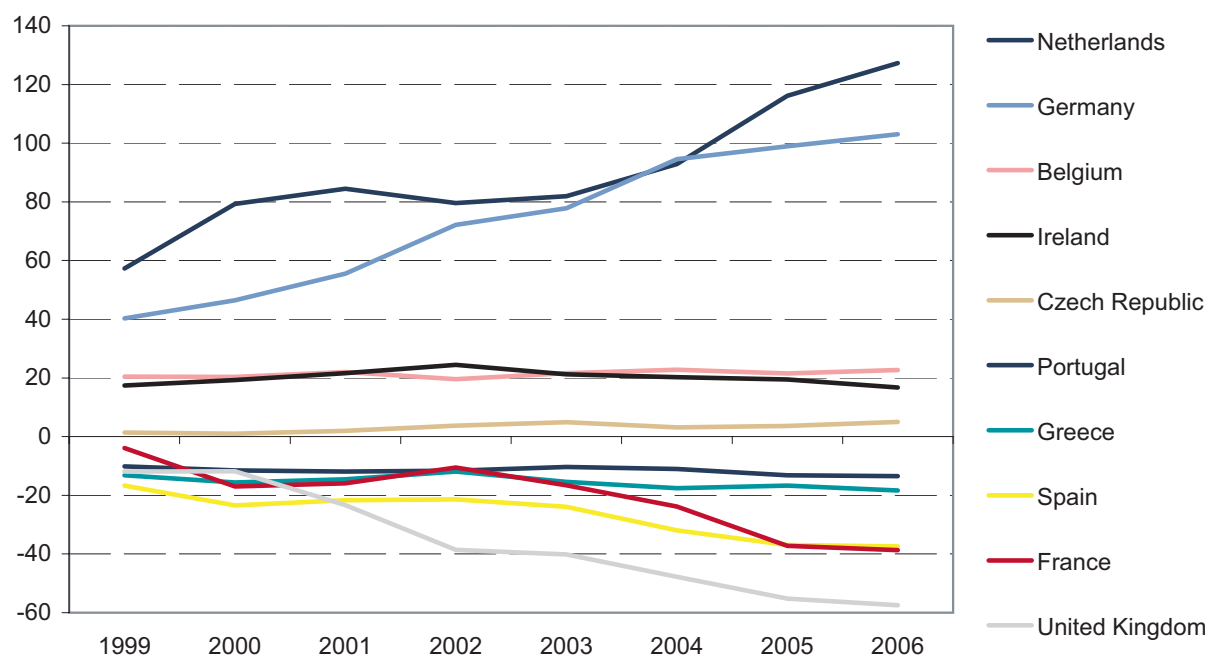
Having stagnated during two years, German arrivals led the intra-EU-27 pack again after 2002, driven by strong demand from households as well as demand for intermediary goods. France's arrivals grew at 5.4%, below the 7.4% EU-27 average over the period, yet above the rate of growth of its dispatches of 3.6%. As in the case of its dispatches, the United Kingdom's intra-EU-27 arrivals displayed a more pronounced cyclical path than did other Member States, and they rose more sharply between 2005 and 2006. Buoyant demand in Poland contributed to its arrivals growing at an annual rate of 13.0%, making into the ninth-main intra-EU-27 importer in 2006.

Intra-EU-27 surpluses grow in the Netherlands and Germany

Describing a cyclical pattern, the Netherlands' intra-EU-27

goods surplus reached EUR 127.3 Bn in 2006. Together with its EUR 90.7 Bn deficit extra-EU-27, this reflects the Netherlands' role as an importer extra-EU-27, typically by sea way, and a re-exporter, intra-EU-27. Belgium similarly displayed a EUR 22.7 Bn surplus in its intra-EU-27 trade in goods in 2006, coupled with a EUR 10.8 Bn deficit extra-EU-27. Endowed with a competitive export-oriented industry, Germany recorded a steadily growing intra-EU-27 surplus, which rose from EUR 40.3 Bn in 1999 to EUR 103.1 Bn in 2006. Germany also was EUR 58.9 Bn in surplus in its extra-EU-27 goods trade. Similarly, Ireland recorded a goods surplus both intra-EU-27, of EUR 16.7 Bn in 2006, and extra-EU-27, of EUR 13.7 Bn. Driven by 'Machinery & vehicles' exports, the Czech Republic's intra-EU-27 exports grew by 16.8% yearly over the 1999 to 2006 period, matched by intra-EU-27 import growth of 16.6%. The two flows together resulted in the Czech Republic's growing intra-EU-27 goods surplus, which progressed from EUR 1.4 Bn in 1999 to EUR 5.0 Bn in 2006.

Fig. 3.14: Top-5 surpluses and Top-5 deficits intra-EU-27, 1999 to 2006 (EUR Bn)



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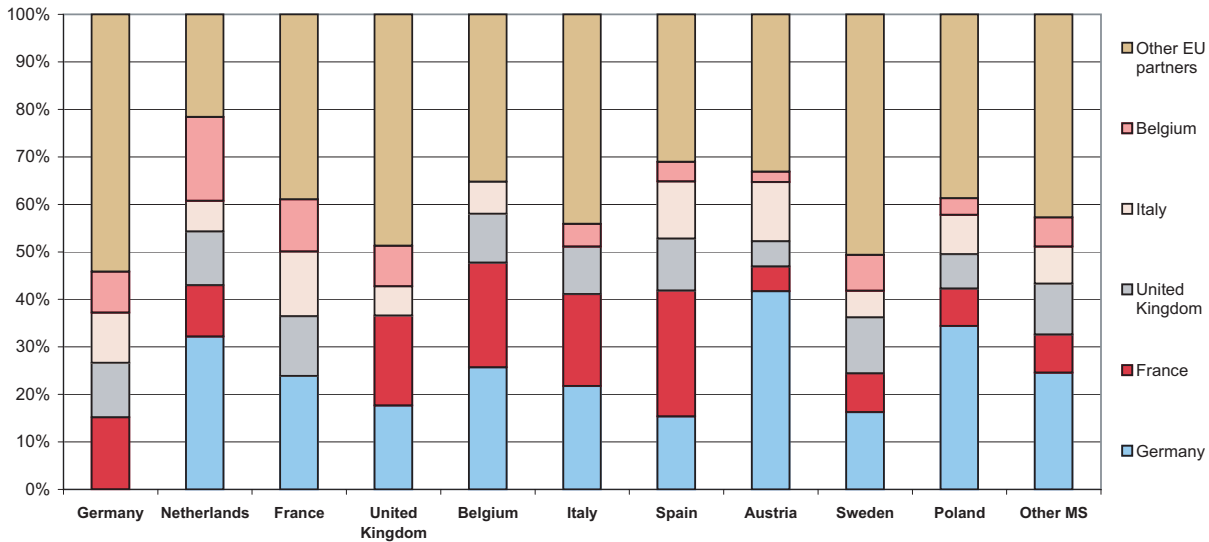
Deficits grow in the United Kingdom, France and Spain

The United Kingdom had the largest intra-EU-27 deficit, reaching EUR 57.5 Bn in 2006 and intensified by a drop in 'Energy product' exports. France's intra-EU-27 goods deficit grew to reach EUR 38.7 Bn in 2006. Spain had the

third-largest deficit intra-EU-27, amounting to EUR 37.4 Bn in 2006. Strong economic growth caused Spain's intra-EU-27 goods imports to grow faster than its exports from 2002 to 2005, and especially between 2003 and 2004. During the period under analysis, Greece's intra-EU-27 goods deficits (EUR 18.4 Bn in 2006) and Portugal's (EUR 13.4 Bn) also grew, although at lower rates.

3.4 Intra-EU-27 trade by main partner and product

Fig. 3.15: Intra-EU-27 dispatches to main partners, by declaring Member State, 2006 (%)



Proportions traded depend on country size

Smaller economies exported greater proportions intra-EU-27 to their main trading partners, especially when a border was shared. Austria's dispatches to Germany, for example, made up 42% of its total intra-EU-27 exports in 2006, Poland's 34% and the Netherlands' 32%. Smaller shares of Germany's intra-EU-27 dispatches were made to individual partners, and the four partners detailed above together received 46% of German dispatches.

Germany gains market shares in all product categories

Between 1999 and 2006, Germany improved its market share of intra-EU-27 exports in each SITC-1 product category. Poland gained greater intra-EU-27 export shares in five of the six main SITC-1 product categories, as did Other Member States taken together. France's share fell in the dispatches of all SITC-1 product categories between 1999 and 2006.

Fig. 3.16: Intra-EU-27 dispatches by SITC product group, 1999 and 2006 - Shares by declaring Member States, 1999 and 2006 (%)

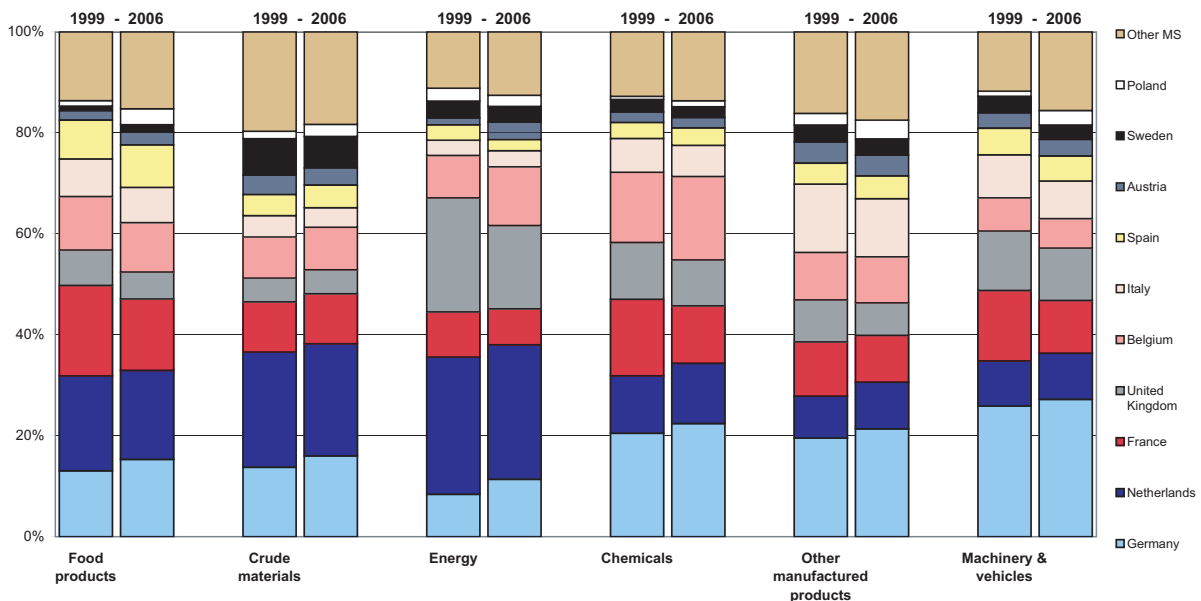
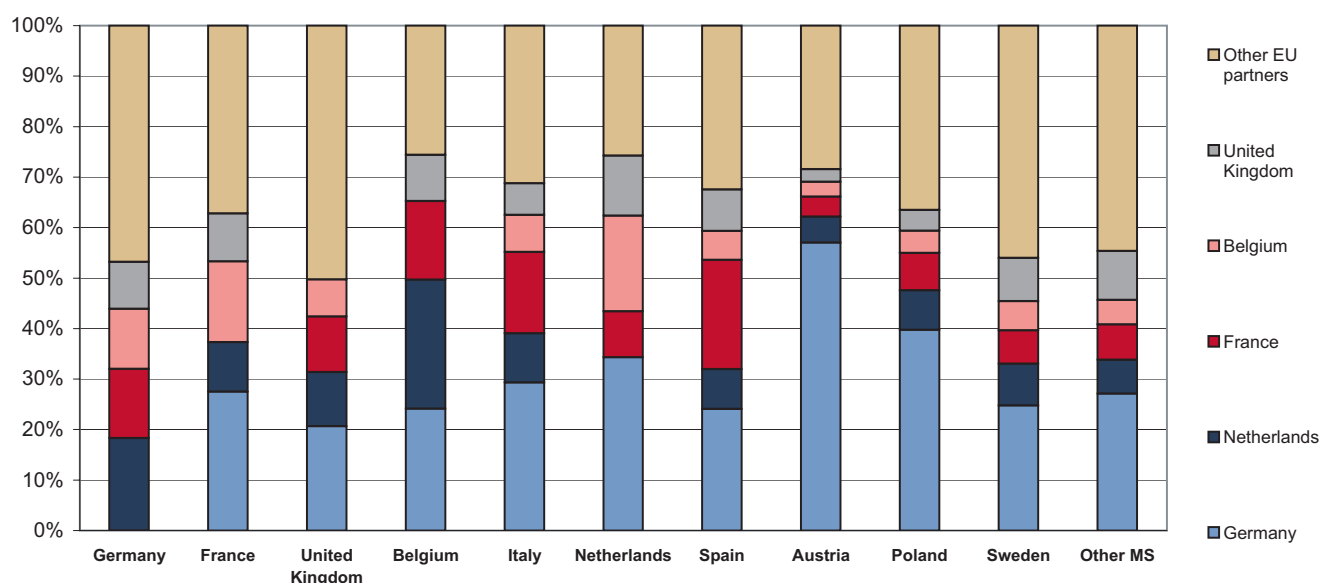


Fig. 3.17: Intra-EU-27 arrivals from main partners, by declaring Member State, 2006 (%)



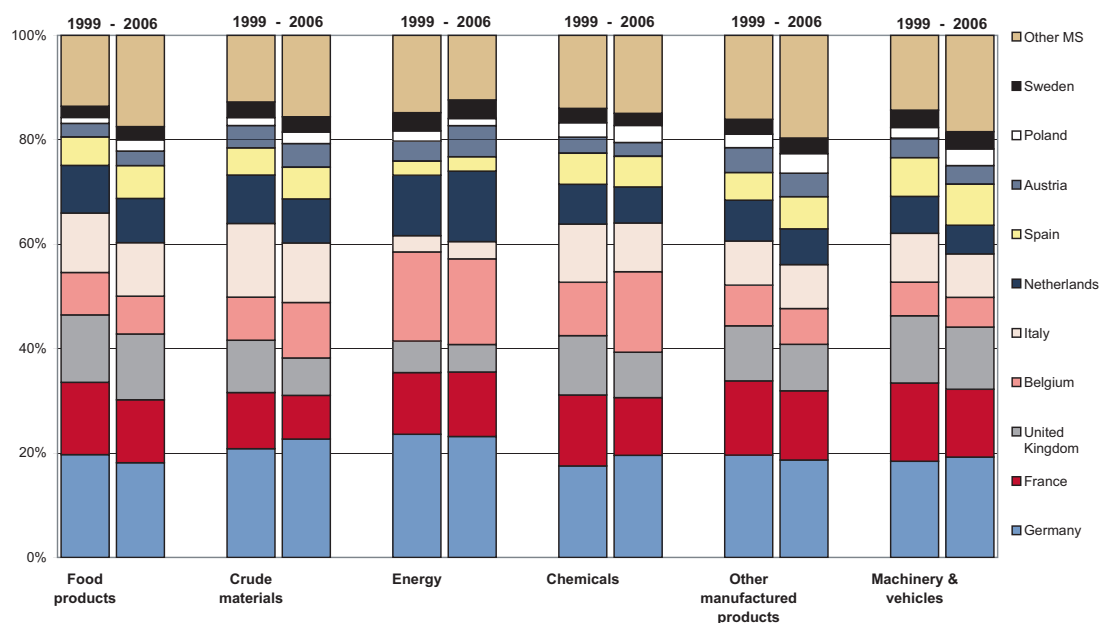
Germany main supplier of arrivals

Germany was proportionally the main supplier of intra-EU-27 arrivals to all of the EU-27's trading partners in 2006, including the group of Other Member States yet excluding Belgium, which imported more goods from the Netherlands. As in the case of dispatches, one notices that smaller Member States traded in greater proportions with the main suppliers. For example, Austria's arrivals came to 71.6% from the five main intra-EU-27 traders, while Belgium imported 74.4% and the Netherlands 74.3% from the four other main traders.

Spain's and central European Member States' arrivals shares rise

GDP growth between 1999 and 2006 drove demand for import goods. This is visible in Member States' shares in total EU-27 arrivals rising in a number of SITC-1 product groups. With Spain, all ten central European new Member States displayed higher arrivals shares in at least five of the six SITC product groups. Spain had higher shares of arrivals in all product groups other than 'Chemical products'. Poland's share of arrivals grew in all groups excluding 'Energy products'. Bound to 'Energy product' suppliers extra-EU-27 and possibly benefiting from energy efficiency gains, the Czech Republic, Hungary, Romania and Lithuania displayed a similar pattern.

Fig. 3.18: Intra-EU-27 arrivals by SITC product group, 1999 and 2006 - Shares by declaring Member States, 1999 & 2006 (%)



Chapter 4

EURO area trade



4. EURO AREA TRADE

4.1 Euro area trading partners

Years 2000 and 2006 posting the only deficits during the reference period

Between 1999 and 2006, the 13 countries' euro area (EA-13) exports increased at a rate of 7.8% annually while imports increased by an average 8.5% per year. During this observation period, EA-13 trade globally mirrored that of EU-27 as a whole. Accordingly, it can be divided into three phases. The first phase, covering 1999 and 2000 was marked by the rapid growth of both exports and imports.

However, imports growing faster than exports resulted in the trade balance passing from a surplus of EUR 31 Bn to a deficit of EUR 23 Bn. Imports thereafter stabilised while exports took a moderate upswing until 2003. This made the trade balance turn positive again, with a surplus of EUR 98 Bn registered in 2002. During the last phase (2003-2006), exports and imports considerably increased, the imports posting an average annual growth rate of 12% compared to 9% for exports. Consequently, the goods surplus fell again reaching a deficit of EUR 11 Bn in 2006.

Tab. 4.1: Extra-EA-13 exports, imports and trade balances by main partner, 1999 to 2006 (EUR Bn)

| | EXPORTS | | | | | Share in total Extra-EA13 exports, 2006 (%) | IMPORTS | | | | | Share in total Extra-EA13 imports, 2006 (%) | TRADE BALANCE | | | |
|-----------------------------|---------|------|------|------|-------|---|---------|------|------|-------|------|---|---------------|------|--|--|
| | 1999 | 2003 | 2005 | 2006 | 1999 | | 2003 | 2005 | 2006 | 1999 | 2003 | | 2005 | 2006 | | |
| Extra Euro Area (13) | 818 | 1055 | 1239 | 1377 | 100.0 | 787 | 987 | 1224 | 1388 | 100.0 | 31 | 68 | 15 | -11 | | |
| United Kingdom | 162 | 195 | 203 | 214 | 15.6 | 134 | 139 | 153 | 166 | 12.0 | 28 | 56 | 50 | 49 | | |
| USA | 136 | 167 | 185 | 199 | 14.4 | 115 | 111 | 120 | 128 | 9.2 | 21 | 56 | 65 | 71 | | |
| China | 16 | 35 | 43 | 53 | 3.9 | 37 | 75 | 118 | 143 | 10.3 | -21 | -40 | -75 | -90 | | |
| Russia | 13 | 30 | 44 | 56 | 4.0 | 23 | 48 | 76 | 95 | 6.9 | -10 | -18 | -32 | -40 | | |
| Switzerland | 56 | 63 | 71 | 76 | 5.6 | 44 | 51 | 58 | 62 | 4.5 | 12 | 13 | 13 | 15 | | |
| Poland | 25 | 34 | 46 | 59 | 4.3 | 15 | 27 | 33 | 41 | 3.0 | 10 | 7 | 13 | 17 | | |
| Sweden | 33 | 39 | 45 | 50 | 3.6 | 33 | 37 | 42 | 47 | 3.4 | 0 | 2 | 3 | 2 | | |
| Japan | 27 | 31 | 34 | 34 | 2.5 | 55 | 52 | 53 | 56 | 4.1 | -28 | -21 | -19 | -22 | | |
| Czech Republic | 17 | 29 | 35 | 42 | 3.0 | 16 | 27 | 32 | 39 | 2.8 | 1 | 1 | 4 | 2 | | |
| Turkey | 17 | 25 | 35 | 39 | 2.8 | 13 | 19 | 25 | 29 | 2.1 | 5 | 5 | 10 | 10 | | |
| Hungary | 17 | 25 | 28 | 32 | 2.3 | 17 | 24 | 27 | 30 | 2.2 | 1 | 0 | 1 | 1 | | |
| Norway | 11 | 12 | 16 | 18 | 1.3 | 17 | 31 | 37 | 44 | 3.1 | -6 | -19 | -21 | -26 | | |
| Denmark | 21 | 25 | 29 | 31 | 2.3 | 19 | 24 | 26 | 28 | 2.0 | 2 | 1 | 3 | 3 | | |
| South Korea | 9 | 13 | 16 | 19 | 1.4 | 14 | 19 | 25 | 28 | 2.0 | -5 | -5 | -9 | -9 | | |
| Brazil | 12 | 10 | 14 | 15 | 1.1 | 12 | 15 | 20 | 22 | 1.6 | 1 | -5 | -6 | -7 | | |
| Others | 245 | 322 | 395 | 441 | 32.0 | 225 | 288 | 379 | 429 | 30.9 | 20 | 34 | 17 | 12 | | |

TET00054 to TET00056

Trade volume of the Euro area 13 countries exceeded that of EU-27

The reference period saw higher values for extra-EA-13 than extra-EU-27 trade, while EA-13 exports were globally higher than imports. This situation explains the surplus

observed for EA-13 between 1999 and 2005, and the lower trade deficit in 2006. Countries such as the United Kingdom, Sweden and the new Member States (with the exception of Slovenia) are considered extra-EA countries whereas the EU-27 trade flows consider the trade between these countries and trade with the euro area countries as intra-EU movements.

Tab. 4.2: Main Intra- and Extra-EU partners in Extra-EA-13 trade (sum of imports and exports), 1999 to 2006 (% share of Extra-EA-13 total)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------------------------|------|------|------|------|------|------|------|------|
| INTRA-EU PARTNERS | | | | | | | | |
| United Kingdom | 18.4 | 17.2 | 17.3 | 17.3 | 16.3 | 15.7 | 14.4 | 13.8 |
| Poland | 2.5 | 2.5 | 2.6 | 2.8 | 3.0 | 3.1 | 3.2 | 3.6 |
| Sweden | 4.2 | 3.9 | 3.5 | 3.5 | 3.7 | 3.7 | 3.5 | 3.5 |
| Czech Rep. | 2.0 | 2.1 | 2.3 | 2.5 | 2.7 | 2.7 | 2.7 | 2.9 |
| Hungary | 2.1 | 2.1 | 2.2 | 2.3 | 2.4 | 2.3 | 2.2 | 2.2 |
| Denmark | 2.5 | 2.3 | 2.3 | 2.3 | 2.4 | 2.3 | 2.2 | 2.1 |
| Romania | 0.7 | 0.7 | 0.9 | 1.0 | 1.1 | 1.1 | 1.2 | 1.2 |
| Slovakia | 0.7 | 0.6 | 0.7 | 0.9 | 1.1 | 1.0 | 1.0 | 1.1 |
| Bulgaria | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.5 |
| Estonia | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 |
| EXTRA-EU PARTNERS | | | | | | | | |
| USA | 15.6 | 15.6 | 15.4 | 15.1 | 13.6 | 12.9 | 12.4 | 11.8 |
| China | 3.3 | 3.7 | 4.0 | 4.5 | 5.4 | 6.0 | 6.6 | 7.1 |
| Russia | 2.3 | 2.9 | 3.3 | 3.4 | 3.8 | 4.2 | 4.9 | 5.5 |
| Switzerland | 6.2 | 5.7 | 5.8 | 5.6 | 5.6 | 5.4 | 5.2 | 5.0 |
| Japan | 5.1 | 5.0 | 4.5 | 4.2 | 4.1 | 3.9 | 3.5 | 3.3 |
| Turkey | 1.9 | 2.0 | 1.7 | 1.9 | 2.2 | 2.5 | 2.4 | 2.4 |
| Norway | 1.8 | 2.0 | 1.9 | 2.0 | 2.1 | 2.1 | 2.1 | 2.2 |
| South Korea | 1.4 | 1.6 | 1.4 | 1.5 | 1.6 | 1.6 | 1.7 | 1.7 |
| Brazil | 1.5 | 1.5 | 1.5 | 1.4 | 1.3 | 1.3 | 1.3 | 1.3 |
| Saudi Arabia | 0.9 | 1.1 | 1.0 | 1.1 | 1.1 | 1.1 | 1.3 | 1.3 |

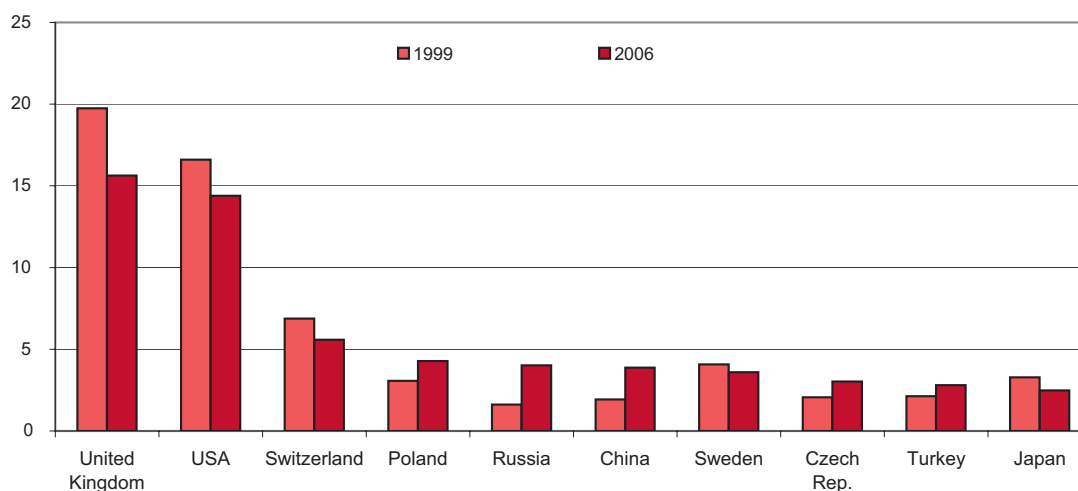
United Kingdom and USA major trading partners of Euro Area 13 countries

Taking imports and exports together, the United Kingdom followed by the United States were the Euro Area's biggest trading partners in 2006. Indeed, almost 14% of the total value of goods imported and exported outside the Euro Area were traded with the United Kingdom, while close to 12% were exchanged with the United States. Other major trading partners were China, Russia, Switzerland, Poland and Sweden.

Russia and China growing trading partners of Euro Area 13 countries

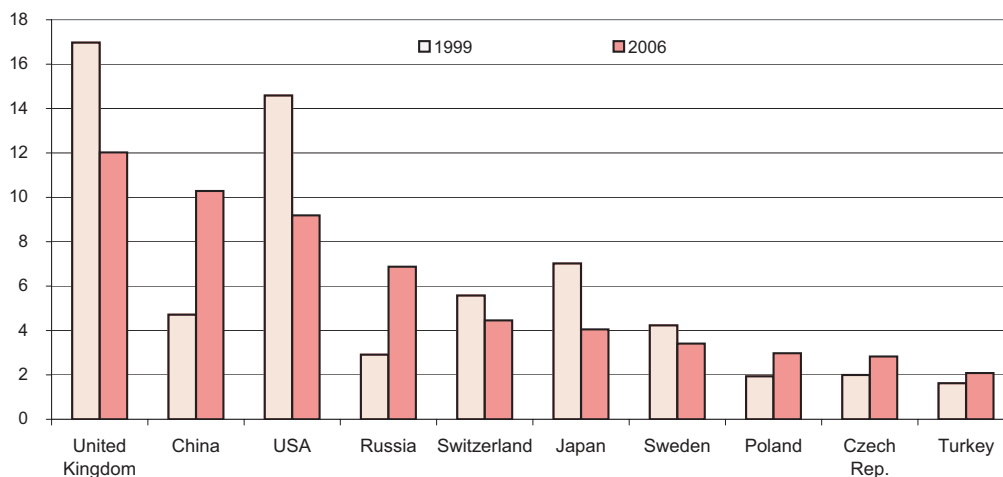
Although remaining the EA-13's main partners for both goods exported and imported, the United Kingdom and the United States registered lower shares in Extra-EA-13 trade in 2006 compared to 1999, while demand from Russia, China, the Czech Republic, Poland and Turkey clearly increased. Between 1999 and 2006, the EA-13 exports to Russia and China rose by an annual 23% and 19% respectively. As for imports, Russia and China respectively ranked fifth and seventh largest exporters to EA-13 in 1999, while ranking second and fourth in 2006.

Fig. 4.3.1: Main partners, share in Extra-EA-13 exports, 1999 and 2006 (%)



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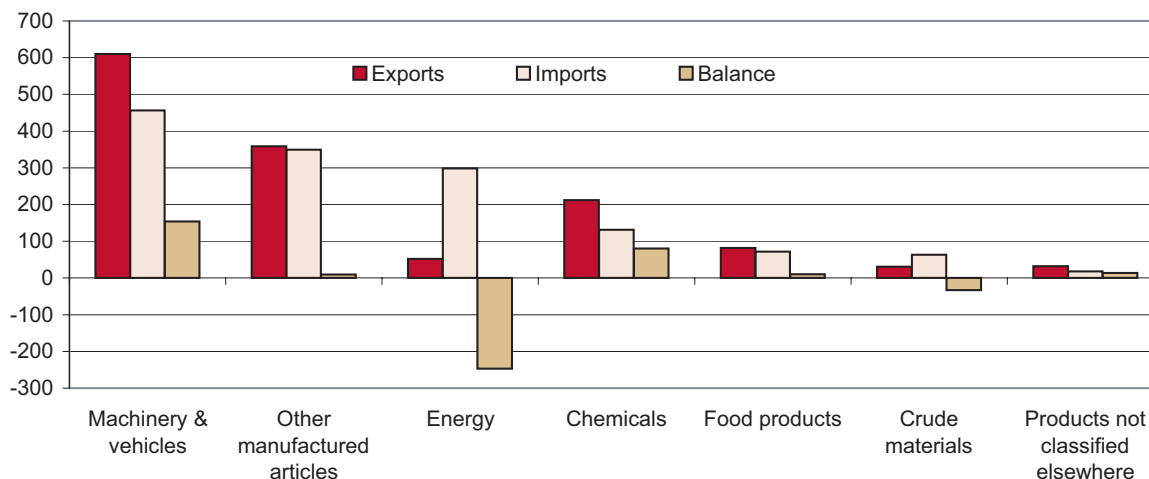
Fig. 4.3.2 Main partners, share in Extra-EA-13 imports, 1999 and 2006 (%)



TET00056

4.2 Extra-EA-13 trade by product

Fig. 4.4: Extra-EA-13 trade by SITC product group, 2006 (EUR Bn)



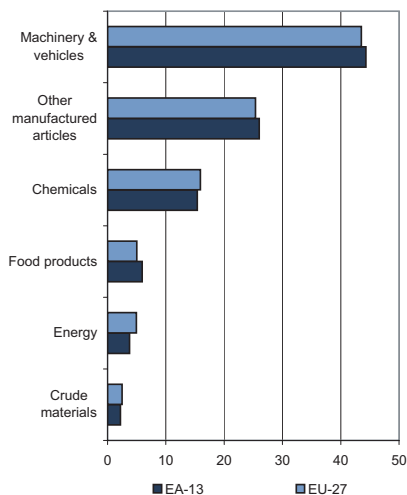
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Products: same pattern as for EU-27

In terms of product groups, the trade pattern of the Euro Area in 2006 was similar to that of the European Union. 'Machinery and Vehicles' was the category of products that was most traded outside the Euro Area in 2006, accounting for 44% of total extra-EA-13 exports and at the same time one third of all imports. Moreover, one quarter of

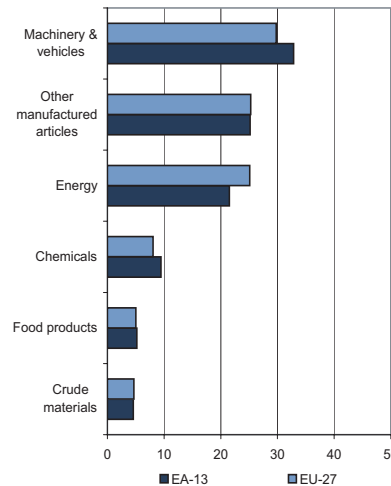
extra-EA-13 exports and imports consisted of 'Other manufactured articles'. The trade in 'Machinery and vehicles' was not the single strong point of EA-13 trade in 2006: the 'Chemicals' product group registered a trade surplus with the rest of the world amounting to EUR 81 Bn. Finally, as for the European Union, the Euro Area is a clear net importer of 'Energy' and 'Crude materials': in 2006, deficits with the rest of the world amounted to EUR 247 Bn and EUR 33 Bn respectively.

Fig. 4.5.1: Extra-EA-13 and Extra-EU-27 exports by SITC product group, 2006 (%)



TET00057 and TET00061

Fig. 4.5.2: Extra-EA-13 and Extra-EU-27 imports by SITC product group, 2006 (%)



TET00058 and TET00062

4.3 Extra-EA-13 trade by single Member State

In 2006, around 70% of the total goods exchanged between the Euro Area and the rest of the world were traded by Germany, France, Italy and Netherlands, a situation similar to that in 1999. Throughout the reference period, the value of goods traded between all the Member

States of the Euro Area and the rest of the world increased at a minimum rate of 7% annually, except for France where the average annual growth rate was of 4% for exports and 5% for imports.

Fig. 4.6.1: EA-13 Member States: share in Extra-EA-13 exports, 1999 and 2006 (%)

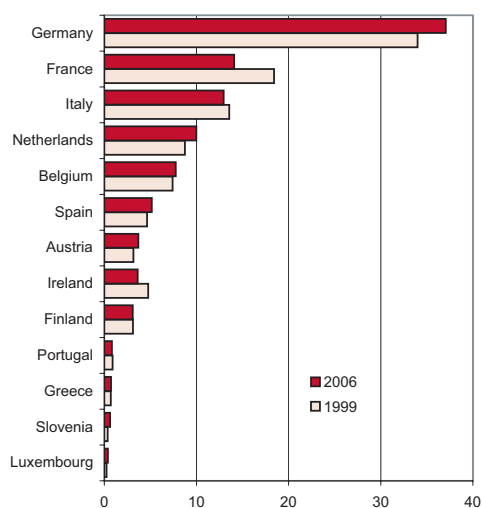
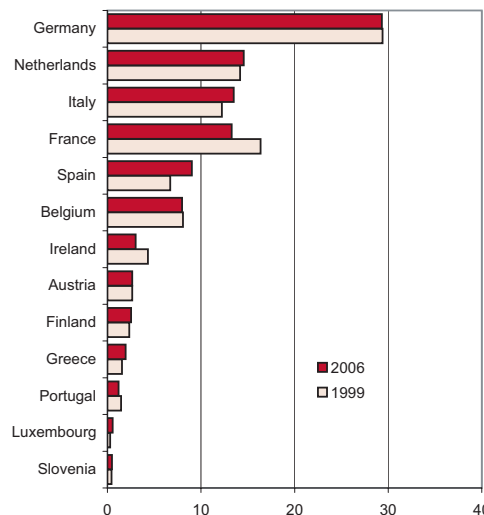


Fig. 4.6.2: EA-13 Member States: share in Extra-EA-13 imports, 1999 and 2006 (%)

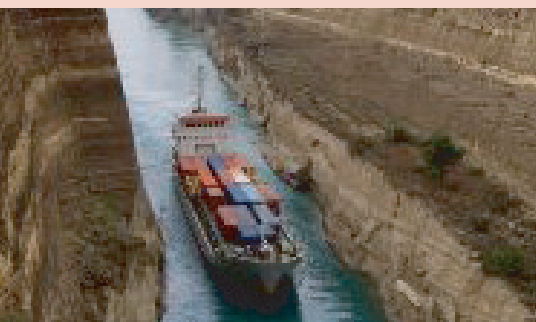


Different profiles arise when looking at the main countries making up the Euro Area 13. In 2006, as the biggest exporter, Germany gained relative importance in exports outside the Euro Area and kept its share in imports (in absolute terms, the total value of goods imported from the rest of the world increased by an average 8.5% per year). With EUR 204 Bn worth of imports and EUR 134 Bn worth

of exports in 2006, the Netherlands gained importance in both Extra-EA-13 exports and imports compared to 1999. Italy and France took similar shares in extra-Euro Area imports and exports in 2006. But whereas the relative importance of Italy did not change much compared to 1999, the share of France in total extra-EA trade was clearly lower.

Chapter 5

A step forward



5. A STEP FORWARD

5.1 EU-27 and the Candidate Countries

After the two last enlargement waves (in 2004 and 2007), it is Turkey, Croatia and the former Yugoslav Republic of Macedonia that currently have the Candidate Country status. Due to the inherent characteristics of these countries' economies, the volume of trade varies considerably.

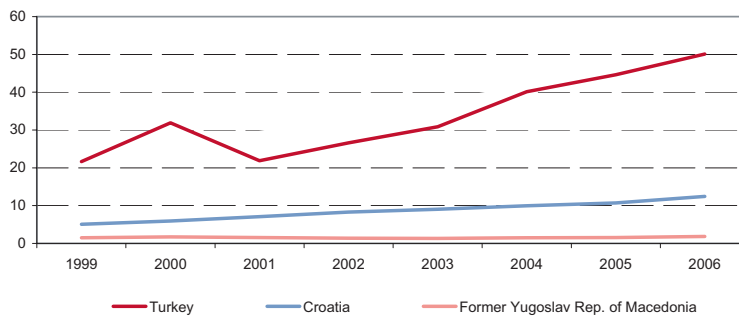
EU-exports affected by Turkish financial crisis

Trade with Turkey developed particularly fast in recent years. Whereas EU exports were valued at EUR 21.6 Bn in 1999, they amounted to EUR 50.1 Bn in 2006. The very sharp gain recorded

between 1999 and 2000 (+47.5%) was entirely lost a year later, explained by a serious financial and currency crisis in Turkey, leading to massively reduced demand. After 2001 however, EU-27 exports to Turkey, helped by rapidly increasing economic growth, have experienced steady and very robust growth.

The 2001 crisis in Turkey has not affected EU-imports from that country. Between 1999 and 2006, imports experienced two-and-a-half fold growth to reach a total value of EUR 41.8 million. The EU's trade balance with Turkey has remained consistently positive throughout the period observed, except for the aforementioned crisis year 2001, when a slight deficit of EUR 0.2 billion was registered.

Fig. 5.1: EU-27 exports to Candidate Countries, 1999 to 2006 (EUR Bn)

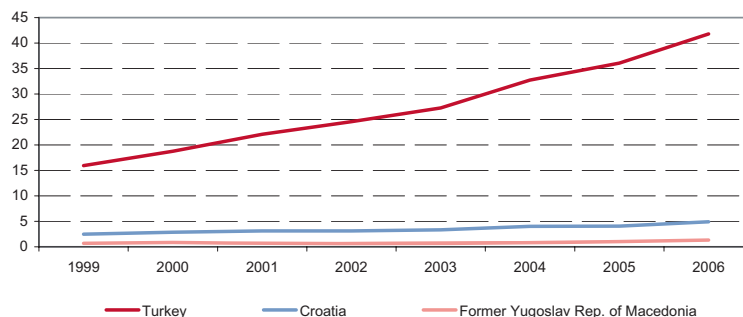


Solid increase of trade with Croatia

Trade with Croatia and the Former Yugoslav Republic of Macedonia follows a far less spectacular pattern, both in EU imports and EU exports. But whereas EU exports to Croatia have steadily increased during the period observed (from EUR 5.1 Bn in 1999 to EUR 12.4 Bn in 2006, those to the former Yugoslav Republic of Macedonia have remained stable and fluctuated between EUR 1.3 Bn and EUR 1.8 Bn.

A similar picture can be drawn for EU imports: whereas goods imported from Croatia nearly doubled in value between 1999 and 2006 (from EUR 2.5 Bn to EUR 4.9 Bn), imports from the former Yugoslav Republic of Macedonia remained at a relatively low level. Only in recent years have the EU imports from this country seen a noticeable upswing (+28% between 2005 and 2006).

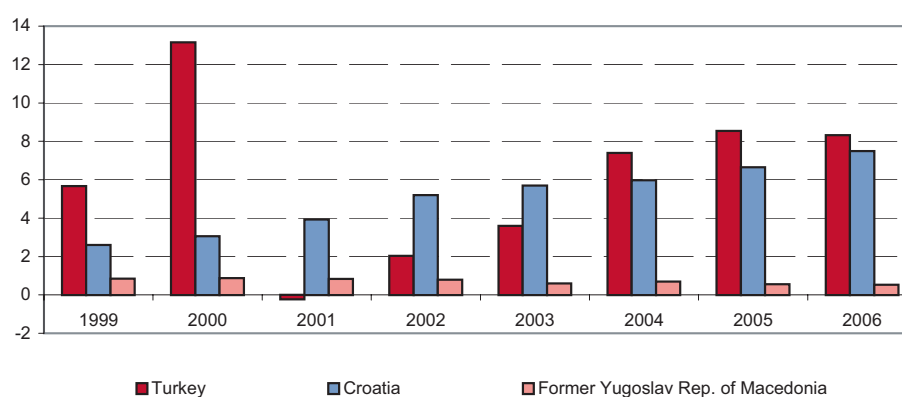
Fig. 5.2: EU-27 imports from Candidate Countries, 1999 to 2006 (EUR Bn)



Throughout the period observed, the value of EU exports to Croatia and the former Yugoslav Republic of Macedonia always exceeded that of EU imports, resulting in a

consistently positive trade balance, albeit fairly different in absolute terms.

Fig. 5.3: EU-27 trade balance with Candidate Countries, 1999 to 2006 (EUR Bn)



5.6% of all EU-27 exports go to the three Candidates

In 1999, 4.1% of the total extra-EU-27 exports were destined for the three Candidate Countries. In 2006, the equivalent share amounted to 5.6%. Unsurprisingly, Turkey took the lion's share with 4.3%.

Looking at the shares the three Candidate Countries had in total extra-EU-27 imports, the proportion increased from 2.6% in 1999 to 3.6% in 2006. Again, this increase goes largely to the account of Turkey, whose share rose from 2.1% to 3.1%. Although increasing in absolute terms, the relative weight of Croatia and the former Yugoslav Republic of Macedonia in extra-EU-27 imports did not change significantly.

Fig. 5.4.1: EU-27 exports to Candidate Countries, 1999 and 2006 (% share of Extra-EU-27 total)

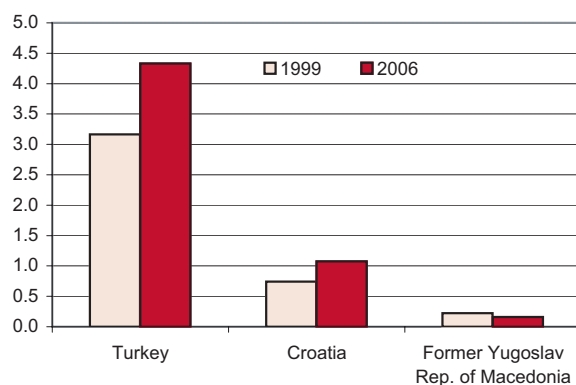
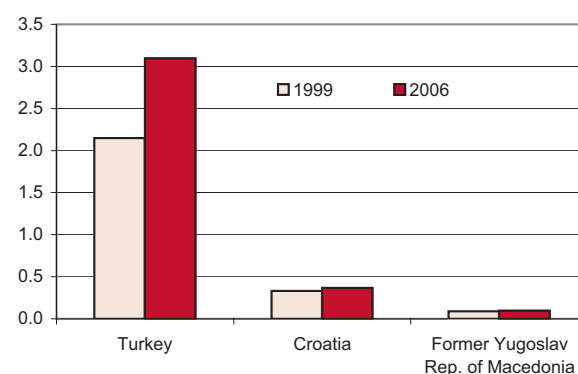


Fig. 5.4.2: EU-27 imports from Candidate Countries, 1999 and 2006 (% share of Extra-EU-27 total)



Croatia's trade more reliant on EU-27 than the former Yugoslav Republic of Macedonia's

Taking into account its geographical location and the fact that it has borders with the EU Member States Hungary and Slovenia, it is not surprising that the EU-27 is Croatia's main trading partner. Indeed, in 2005, 68% of Croatia's imports (total value of EUR 10.2 Bn) came from the EU-27 and 63% of Croatia's exports (total value of EUR 4.5 Bn) were destined to EU countries. Although these shares are slightly lower compared to those of

previous years, the order of magnitude did not change significantly.

Trade of the former Yugoslav Republic of Macedonia relies on the EU-27 to a lesser degree. Nevertheless, well over half the total value of imports and exports are traded with the EU-27. In 2005, the EU-27 was the source of 55% of all imports (total value of EUR 1.4 Bn) and the destination of 57% of all exports (total value of EUR 0.9 Bn).

Fig. 5.5.1: Croatia: exports and imports to EU-27 and rest of the World, 2002 to 2005 (EUR Bn)

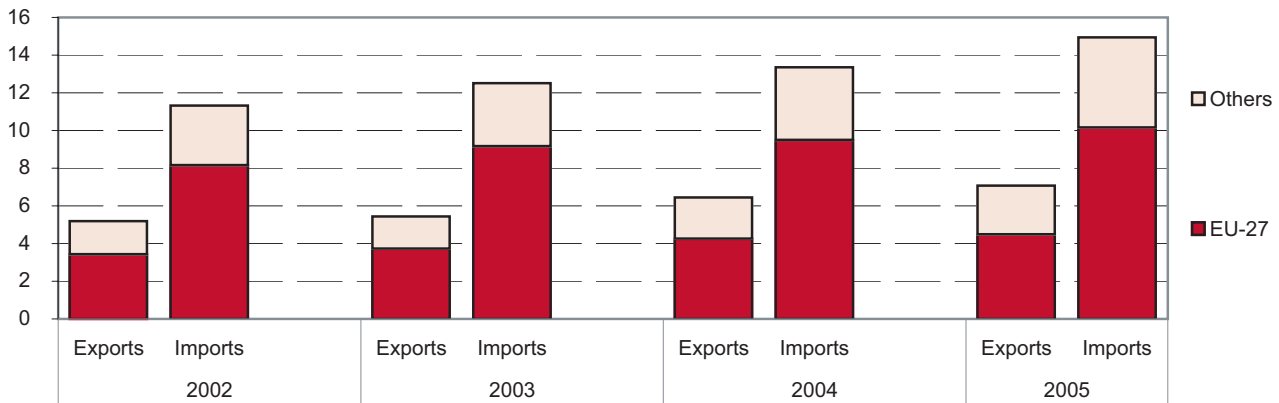
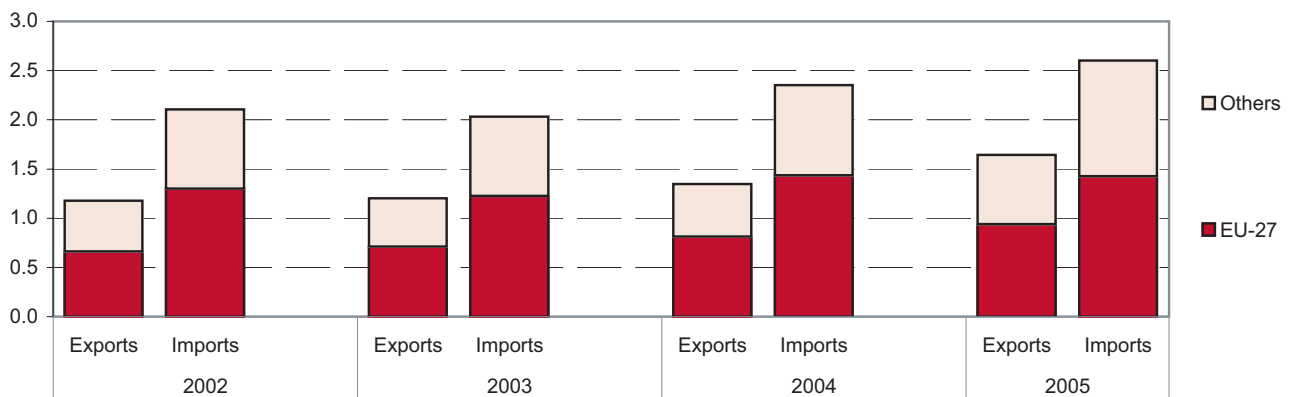


Fig. 5.5.2: Former Yugoslav Republic of Macedonia: exports and imports to EU-27 and rest of the World, 2002 to 2005 (EUR Bn)

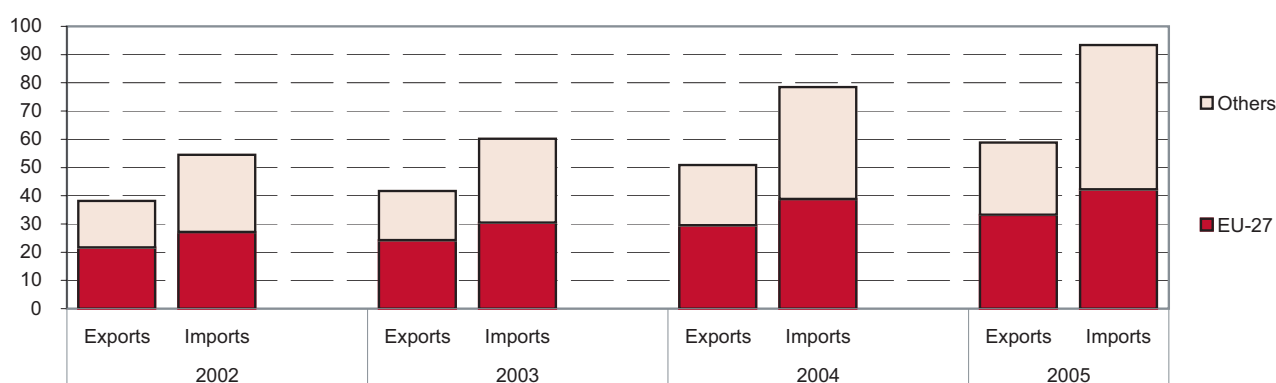


EU-27 less important for Turkey's imports, but important nonetheless

In a different order of magnitude in absolute terms, Turkey's trade has developed very quickly. In recent years, the relative importance of the EU-27 as a trading partner

has remained fairly constant. Looking at 2005, it appears that Turkey's global exports were valued at EUR 58.8 Bn, 56% of which were destined to the EU-27. Turning to the more important Turkish imports (total value EUR 93.4 Bn), a share of 45% was accounted for by the EU-27.

Fig. 5.5.3: Turkey: exports and imports to EU-27 and rest of the World, 2002 to 2005 (EUR Bn)



5.2 Euro Area from 12 to 15 countries

The euro area currently consists of 13 countries. The latest country to introduce the euro was Slovenia, where it replaced the Slovenian Tolar on the first of January 2007.

As Cyprus and Malta fulfil all convergence criteria and legal requirements, the euro will be introduced in these countries as from the first of January 2008. The decision will enlarge the euro area from 13 to 15 Member States.

On a pan-European scale, the economies of Slovenia, Cyprus and Malta are relatively small and do not have a significant impact on the euro-area aggregates with regards to trade. Two effects can occur: When going from EA-13 to EA-15 (i.e. with Malta and Cyprus), the EA-13 trade with Malta and Cyprus becomes

intra-EA-15 trade, and thus excluded from extra-EA15. This is the negative effect. Depending on the factor that is of higher influence, the effect can also be positive as the trade of Malta and Cyprus with extra-EA partners are now (from EA-13 to EA-15) included in extra-EA trade.

Figure 5.6 shows that in the transition from EA-13 to EA-15, the effect for exports is negative: exports of EA-13 to Malta and Cyprus have a larger value than exports of Malta and Cyprus to non-EA-15. The effect for imports is positive: imports of Malta and Cyprus from non-EA-15 have a higher value than imports of EA-13 from Malta and Cyprus. Hence the trade deficit grows far more than what it became when passing from EA-12 to EA-13 (Slovenia joining).

Tab. 5.6: Extra-EA-12, 13 and 15: exports, imports and balances, 1999 to 2006 (EUR Bn)

| | EXPORTS | | | | | Average annual growth rate 1999-2006 (%) | IMPORTS | | | | Average annual growth rate 1999-2006 (%) | BALANCE | | | |
|-------------|---------|--------|--------|--------|------|--|---------|--------|--------|------|--|---------|------|-------|--|
| | 1999 | 2003 | 2005 | 2006 | 1999 | | 2003 | 2005 | 2006 | 1999 | | 2003 | 2005 | 2006 | |
| Extra-EA-12 | 821.6 | 1058.4 | 1241.9 | 1379.9 | 7.69 | 788.8 | 988.8 | 1225.8 | 1389.1 | 8.42 | 32.8 | 69.6 | 16.1 | -9.2 | |
| Extra-EA-13 | 818.2 | 1054.9 | 1239.1 | 1377.3 | 7.72 | 787.3 | 986.5 | 1224.3 | 1387.9 | 8.44 | 30.8 | 68.4 | 14.8 | -10.7 | |
| Extra-EA-15 | 815.9 | 1052.0 | 1235.5 | 1373.2 | 7.72 | 789.1 | 988.3 | 1226.0 | 1389.7 | 8.42 | 26.8 | 63.6 | 9.5 | -16.5 | |

ANNEXES

DATA SOURCE

Statistics on EU trade and that of the Member States were compiled by Eurostat using the detailed data forwarded by the individual Member States. Statistics on trade of the Candidate Countries (Chapter 5) were compiled by Eurostat using the detailed data forwarded by those Countries. Whenever possible, data were extracted from the datasets available on the Eurostat website (External trade long-term indicators), otherwise from the *Comext* database, the Eurostat database for external trade detailed data.

Statistics on the trade of the main world traders (Chapter 1) were taken from the *Comtrade* database which is managed by the United Nations.

Data were extracted in October 2007.

METHODOLOGICAL REFERENCE

External trade statistics - Metadata in SDDS format: Base Page

http://europa.eu.int/estatref/info/sdds/en/ext/ext_base.htm

Statistics on the trading of goods - User guide (PDF)

http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BM-06-001/EN/KS-BM-06-001-EN.PDF

SYMBOLS AND ABBREVIATIONS

The Eurostat code

A code (such as 'TET00038') has been inserted below most graphs and tables in this publication. This code allows the reader to easily access the most recent data on the Eurostat website (note that the data on the website are frequently updated and may also be more detailed or be available in a variety of different measurement units). For more details, consult the link entitled 'The Eurostat code' on the Eurostat homepage.

EU-27 European Union, composition from 1.01.2007. It includes 27 Member States:

Belgium (BE), Bulgaria (BG), the Czech Republic (CZ), Denmark (DK), Germany (DE), Estonia (EE), Ireland (IE), Greece (EL), Spain (ES), France (FR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), the Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE) and the United Kingdom (UK).

EU-25 European Union, composition from 1.05.2004 to 31.12.2006 (BE, CZ, DK, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, SI, SK, FI, SE, UK).

EU-15 European Union, composition from 1.01.1995 to 30.04.2004 (BE, DK, DE, IE, EL, ES, FR, IT, LU, NL, AT, PT, FI, SE, UK).

EA-13 Euro area, composition from 1.01.07 to 31.12.07. It includes 13 members:

Belgium, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal, Slovenia and Finland.

Until 31.12.06 (**EA-12**) Slovenia was not included.

From 1 January 2008 the euro area (**EA-15**) also includes Cyprus and Malta.

Candidate Countries

Croatia

The former Yugoslav Republic of Macedonia

Turkey

GEOGRAPHICAL ZONES 2007

European Union (EU-27)

| | |
|----|----------------|
| AT | Austria |
| BE | Belgium |
| BG | Bulgaria |
| CY | Cyprus |
| CZ | Czech Republic |
| DE | Germany |
| DK | Denmark |
| EE | Estonia |
| ES | Spain |
| FI | Finland |
| FR | France |
| GB | United Kingdom |
| GR | Greece |
| HU | Hungary |
| IE | Ireland |
| IT | Italy |
| LT | Lithuania |
| LU | Luxembourg |
| LV | Latvia |
| MT | Malta |
| NL | Netherlands |
| PL | Poland |
| PT | Portugal |
| RO | Romania |
| SE | Sweden |
| SI | Slovenia |
| SK | Slovakia |

Non-EU Europe

| | |
|----|------------------------|
| AD | Andorra |
| AL | Albania |
| BA | Bosnia and Herzegovina |
| BY | Belarus |

| | |
|-----|---|
| CH | Switzerland |
| FO | Faroe Islands |
| GI | Gibraltar |
| HR | Croatia |
| IS | Iceland |
| LI | Liechtenstein |
| MD | Moldova, Republic of |
| ME | Montenegro |
| MK* | The former Yugoslav Republic of Macedonia |
| NO | Norway |
| RU | Russian Federation |
| SM | San Marino |
| TR | Turkey |
| UA | Ukraine |
| VA | Holy See |

North Africa

| | |
|----|------------------------|
| DZ | Algeria |
| EG | Egypt |
| LY | Libyan Arab Jamahiriya |
| MA | Morocco |
| TN | Tunisia |
| XC | Ceuta |
| XL | Melilla |

Other African countries

| | |
|----|--------------------------------|
| AO | Angola |
| BF | Burkina Faso |
| BI | Burundi |
| BJ | Benin |
| BW | Botswana |
| CD | Congo, Democratic Republic of |
| CF | Central African Republic |
| CG | Congo |
| CI | Côte d'Ivoire |
| CM | Cameroon |
| CV | Cape Verde |
| DJ | Djibouti |
| ER | Eritrea |
| ET | Ethiopia |
| GA | Gabon |
| GH | Ghana |
| GM | Gambia |
| GN | Guinea |
| GQ | Equatorial Guinea |
| GW | Guinea-Bissau |
| IO | British Indian Ocean Territory |
| KE | Kenya |
| KM | Comoros |
| LR | Liberia |
| LS | Lesotho |
| MG | Madagascar |
| ML | Mali |
| MR | Mauritania |
| MU | Mauritius |
| MW | Malawi |
| MZ | Mozambique |
| NA | Namibia |
| NE | Niger |
| NG | Nigeria |

| | |
|----|------------------------------|
| RW | Rwanda |
| SC | Seychelles |
| SD | Sudan |
| SH | Saint Helena |
| SL | Sierra Leone |
| SN | Senegal |
| SO | Somalia |
| ST | Sao Tome and Principe |
| SZ | Swaziland |
| TD | Chad |
| TG | Togo |
| TZ | Tanzania, United Republic of |
| UG | Uganda |
| YT | Mayotte |
| ZA | South Africa |
| ZM | Zambia |
| ZW | Zimbabwe |

North America

| | |
|----|---------------------------|
| CA | Canada |
| GL | Greenland |
| PM | Saint Pierre and Miquelon |
| US | United States |

Central America and Caribbean

| | |
|----|-------------------------------|
| AG | Antigua and Barbuda |
| AI | Anguilla |
| AN | Netherlands Antilles |
| AW | Aruba |
| BB | Barbados |
| BM | Bermuda |
| BS | Bahamas |
| BZ | Belize |
| CR | Costa Rica |
| CU | Cuba |
| DM | Dominica |
| DO | Dominican Republic |
| GD | Grenada |
| GT | Guatemala |
| HN | Honduras |
| HT | Haiti |
| JM | Jamaica |
| KN | St Kitts and Nevis |
| KY | Cayman Islands |
| LC | St Lucia |
| MS | Montserrat |
| MX | Mexico |
| NI | Nicaragua |
| PA | Panama |
| SV | El Salvador |
| TC | Turks and Caicos Islands |
| TT | Trinidad and Tobago |
| VC | St Vincent and the Grenadines |
| VG | Virgin Islands, British |
| VI | Virgin Islands (US) |

South America

| | |
|----|-----------|
| AR | Argentina |
| BO | Bolivia |
| BR | Brazil |

* Provisional code which does not prejudice in any way the definitive nomenclature for this country, which will be agreed following the conclusion of negotiations currently taking place on this subject at the United Nations.

| | |
|----|------------------|
| CL | Chile |
| CO | Colombia |
| EC | Ecuador |
| FK | Falkland Islands |
| GY | Guyana |
| PE | Peru |
| PY | Paraguay |
| SR | Suriname |
| UY | Uruguay |
| VE | Venezuela |

Near and Middle East

| | |
|----|--------------------------------|
| AE | United Arab Emirates |
| AM | Armenia |
| AZ | Azerbaijan |
| BH | Bahrain |
| GE | Georgia |
| IL | Israel |
| IQ | Iraq |
| IR | Iran, Islamic Republic of |
| JO | Jordan |
| KW | Kuwait |
| LB | Lebanon |
| OM | Oman |
| PS | Occupied Palestinian Territory |
| QA | Qatar |
| SA | Saudi Arabia |
| SY | Syrian Arab Republic |
| YE | Yemen |

Other Asian countries

| | |
|----|--|
| AF | Afghanistan |
| BD | Bangladesh |
| BN | Brunei Darussalam |
| BT | Bhutan |
| CN | China, People's Republic of |
| HK | Hong Kong |
| ID | Indonesia |
| IN | India |
| JP | Japan |
| KG | Kyrgyzstan |
| KH | Cambodia |
| KP | Korea, Democratic People's Republic of |
| KR | Korea, Republic of |
| KZ | Kazakhstan |
| LA | Lao People's Democratic Republic |
| LK | Sri Lanka |
| MM | Myanmar |
| MN | Mongolia |
| MO | Macao |
| MV | Maldives |
| MY | Malaysia |
| NP | Nepal |
| PH | Philippines |
| PK | Pakistan |
| SG | Singapore |
| TH | Thailand |
| TJ | Tajikistan |
| TL | Timor-Leste |
| TM | Turkmenistan |
| TW | Taiwan |
| UZ | Uzbekistan |
| VN | Viet-Nam |

Oceania and Polar regions

| | |
|----|--|
| AQ | Antarctica |
| AS | American Samoa |
| AU | Australia |
| BV | Bouvet Island |
| CC | Cocos Islands (or Keeling Islands) |
| CK | Cook Islands |
| CX | Christmas Island |
| FJ | Fiji |
| FM | Micronesia, Federated States of |
| GS | South Georgia and South Sandwich Islands |
| GU | Guam |
| HM | Heard Island and McDonald Islands |
| KI | Kiribati |
| MH | Marshall Islands |
| MP | Northern Mariana Islands |
| NC | New Caledonia |
| NF | Norfolk Island |
| NR | Nauru |
| NU | Niue |
| NZ | New Zealand |
| PF | French Polynesia |
| PG | Papua New Guinea |
| PN | Pitcairn |
| PW | Palau |
| SB | Solomon Islands |
| TF | French Southern Territories |
| TK | Tokelau |
| TO | Tonga |
| TV | Tuvalu |
| UM | United States Minor Outlying Islands |
| VU | Vanuatu |
| WF | Wallis and Futuna |
| WS | Samoa |

ECONOMIC ZONES 2007

ACP (excluding Nigeria already included in OPEC)
African, Caribbean and Pacific countries

| | |
|----|-------------------------------|
| AG | Antigua and Barbuda |
| AO | Angola |
| BB | Barbados |
| BF | Burkina Faso |
| BI | Burundi |
| BJ | Benin |
| BS | Bahamas |
| BW | Botswana |
| BZ | Belize |
| CD | Congo, Democratic Republic of |
| CF | Central African Republic |
| CG | Congo |
| CI | Côte d'Ivoire |
| CK | Cook Islands |
| CM | Cameroon |
| CU | Cuba |
| CV | Cape Verde |
| DJ | Djibouti |
| DM | Dominica |
| DO | Dominican Republic |
| ER | Eritrea |
| ET | Ethiopia |
| FJ | Fiji |

| | |
|----|---------------------------------|
| FM | Micronesia, Federated States of |
| GA | Gabon |
| GD | Grenada |
| GH | Ghana |
| GM | Gambia |
| GN | Guinea |
| GQ | Equatorial Guinea |
| GW | Guinea-Bissau |
| GY | Guyana |
| HT | Haiti |
| JM | Jamaica |
| KE | Kenya |
| KI | Kiribati |
| KM | Comoros |
| KN | St Kitts and Nevis |
| LC | St Lucia |
| LR | Liberia |
| LS | Lesotho |
| MG | Madagascar |
| MH | Marshall Islands |
| ML | Mali |
| MR | Mauritania |
| MU | Mauritius |
| MW | Malawi |
| MZ | Mozambique |
| NA | Namibia |
| NE | Niger |
| NR | Nauru |
| NU | Niue |
| PG | Papua New Guinea |
| PW | Palau |
| RW | Rwanda |
| SB | Solomon Islands |
| SC | Seychelles |
| SD | Sudan |
| SL | Sierra Leone |
| SN | Senegal |
| SO | Somalia |
| SR | Suriname |
| ST | Sao Tome and Principe |
| SZ | Swaziland |
| TD | Chad |
| TG | Togo |
| TL | Timor-Leste |
| TO | Tonga |
| TT | Trinidad and Tobago |
| TV | Tuvalu |
| TZ | Tanzania, United Republic of |
| UG | Uganda |
| VC | St Vincent and the Grenadines |
| VU | Vanuatu |
| WS | Samoa |
| ZA | South Africa |
| ZM | Zambia |
| ZW | Zimbabwe |

ASEM (excluding Indonesia already included in OPEC)**Asia-Europe Meeting**

| | |
|----|-----------------------------|
| BN | Brunei Darussalam |
| CN | China, People's Republic of |
| JP | Japan |
| KH | Cambodia |
| KR | Korea, Republic of |

| | |
|----|----------------------------------|
| LA | Lao People's Democratic Republic |
| MM | Myanmar |
| MY | Malaysia |
| PH | Philippines |
| SG | Singapore |
| TH | Thailand |
| VN | Viet-Nam |

CIS**Commonwealth of Independent States**

| | |
|----|----------------------|
| AM | Armenia |
| AZ | Azerbaijan |
| BY | Belarus |
| GE | Georgia |
| KG | Kyrgyzstan |
| KZ | Kazakhstan |
| MD | Moldova, Republic of |
| RU | Russian Federation |
| TJ | Tajikistan |
| TM | Turkmenistan |
| UA | Ukraine |
| UZ | Uzbekistan |

EFTA**European Free Trade Association**

| | |
|----|---------------|
| CH | Switzerland |
| LI | Liechtenstein |
| IS | Iceland |
| NO | Norway |

MEDA (excluding Algeria already included in OPEC)**Mediterranean countries in the Euro-Mediterranean Partnership**

| | |
|----|--------------------------------|
| EG | Egypt |
| IL | Israel |
| JO | Jordan |
| LB | Lebanon |
| MA | Morocco |
| PS | Occupied Palestinian Territory |
| SY | Syrian Arab Republic |
| TN | Tunisia |
| TR | Turkey |

MERCOSUR**South American Common Market**

| | |
|----|-----------|
| AR | Argentina |
| PY | Paraguay |
| BR | Brazil |
| UY | Uruguay |

NAFTA**North American Free Trade Agreement**

| | |
|----|---------------|
| CA | Canada |
| MX | Mexico |
| US | United States |

OPEC**Organisation of Petroleum Exporting Countries**

| | |
|----|---------------------------|
| AE | United Arab Emirates |
| DZ | Algeria |
| ID | Indonesia |
| IQ | Iraq |
| IR | Iran, Islamic Republic of |

| | |
|----|------------------------|
| KW | Kuwait |
| LY | Libyan Arab Jamahiriya |
| NG | Nigeria |
| QA | Qatar |
| SA | Saudi Arabia |
| VE | Venezuela |

SAARC**South Asian Association for Regional Cooperation**

| | |
|----|-------------|
| AF | Afghanistan |
| BD | Bangladesh |
| BT | Bhutan |
| IN | India |
| LK | Sri Lanka |
| MV | Maldives |
| NP | Nepal |
| PK | Pakistan |

SITC Rev.3

Standard International Trade Classification, Revision 3
A full listing of the classification is accessible on the UN website
(<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=14>).

- 0 - Food and live animals
 - 00 - Live animals other than animals of division 03
 - 01 - Meat and meat preparations
 - 02 - Dairy products and birds' eggs
 - 03 - Fish (not marine mammals), crustaceans, molluscs and aquatic invertebrates, and preparations thereof
 - 04 - Cereals and cereal preparations
 - 05 - Vegetables and fruit
 - 06 - Sugars, sugar preparations and honey
 - 07 - Coffee, tea, cocoa, spices, and manufactures thereof
 - 08 - Feeding stuff for animals (not including unmilled cereals)
 - 09 - Miscellaneous edible products and preparations
- 1 - Beverages and tobacco
 - 11 - Beverages
 - 12 - Tobacco and tobacco manufactures
- 2 - Crude materials, inedible, except fuels
 - 21 - Hides, skins and furskins, raw
 - 22 - Oil-seeds and oleaginous fruits
 - 23 - Crude rubber (including synthetic and reclaimed)
 - 24 - Cork and wood
 - 25 - Pulp and waste paper
 - 26 - Textile fibres (other than wool tops and other combed wool) and their wastes (not manufactured into yarn or fabric)
 - 27 - Crude fertilizers, other than those of division 56, and crude minerals (excluding coal, petroleum and precious stones)
 - 28 - Metalliferous ores and metal scrap
 - 29 - Crude animal and vegetable materials, not elsewhere specified
- 3 - Mineral fuels, lubricants and related materials
 - 32 - Coal, coke and briquettes
 - 33 - Petroleum, petroleum products and related materials
 - 34 - Gas, natural and manufactured
 - 35 - Electric current
- 4 - Animal and vegetable oils, fats and waxes
 - 41 - Animal oils and fats
 - 42 - Fixed vegetable fats and oils, crude, refined or fractionated
 - 43 - Animal or vegetable fats and oils, processed; waxes of animal or vegetable origin; inedible mixtures or preparations of animal or vegetable fats or oils, n.e.s.
- 5 - Chemicals and related products, n.e.s.
 - 51 - Organic chemicals
 - 52 - Inorganic chemicals
 - 53 - Dyeing, tanning and colouring materials
 - 54 - Medicinal and pharmaceutical products
 - 55 - Essential oils and resinoids and perfume materials; toilet, polishing and cleansing preparations
 - 56 - Fertilizers (other than those of group 272)
 - 57 - Plastics in primary forms
 - 58 - Plastics in non-primary forms
 - 59 - Chemical materials and products, n.e.s.
- 6 - Manufactured goods classified chiefly by material
 - 61 - Leather, leather manufactures, n.e.s., and dressed furskins
 - 62 - Rubber manufactures, n.e.s.
 - 63 - Cork and wood manufactures (excluding furniture)
 - 64 - Paper, paperboard and articles of paper pulp, of paper or of paperboard
 - 65 - Textile yarn, fabrics, made-up articles, n.e.s., and related products
 - 66 - Non-metallic mineral manufactures, n.e.s.
 - 67 - Iron and steel
 - 68 - Non-ferrous metals
 - 69 - Manufactures of metals, n.e.s.
- 7 - Machinery and transport equipment
 - 71 - Power-generating machinery and equipment
 - 72 - Machinery specialized for particular industries
 - 73 - Metalworking machinery
 - 74 - General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.
 - 75 - Office machines and automatic data-processing machines
 - 76 - Telecommunications and sound-recording and reproducing apparatus and equipment
 - 77 - Electrical machinery, apparatus and appliances, n.e.s., and electrical parts thereof (including non-electrical counterparts, n.e.s., of electrical household-type equipment)
 - 78 - Road vehicles (including air-cushion vehicles)
 - 79 - Other transport equipment
- 8 - Miscellaneous manufactured articles
 - 81 - Prefabricated buildings; sanitary, plumbing, heating and lighting fixtures and fittings, n.e.s.
 - 82 - Furniture, and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings

- 83 - Travel goods, handbags and similar containers
- 84 - Articles of apparel and clothing accessories
- 85 - Footwear
- 87 - Professional, scientific and controlling instruments and apparatus, n.e.s.
- 88 - Photographic apparatus, equipment and supplies and optical goods, n.e.s.; watches and clocks
- 89 - Miscellaneous manufactured articles, n.e.s.
- 9 - Commodities and transactions not classified elsewhere in the SITC
 - 91 - Postal packages not classified according to kind
 - 93 - Special transactions and commodities not classified according to kind
 - 96 - Coin (other than gold coin), not being legal tender
 - 97 - Gold, non-monetary (excluding gold ores and concentrates)

Main SITC product groups

- Food products = SITC 0 + 1
- Crude materials = SITC 2 + 4
- Energy = SITC 3
- Chemicals = SITC 5
- Other manufactured articles = SITC 6 + 8
- Machinery & vehicles = SITC 7
- Products not classified elsewhere = SITC 9

European Commission

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