A European Economic Agenda
After the NO Votes

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DRAFT

INTRODUCTION

The NO majorities at the French and Dutch referenda were so large, and the two countries so different, that they have created a sense of crisis or resignation across much of Europe. Both reactions are, however, unjustified. On the contrary, these votes should be seen as bringing with them a sense of clarification that the EC has been so sorely lacking over the last two decades. In short, they highlight the need to design an economic agenda that fits soundly both with the EC's real means, and with its fundamental nature.

Properly understanding the NO votes requires us to take a broad approach. First, far from being an accident or a surprise, the French NON was in fact quite predictable. French people with a positive opinion of EC membership have been a minority (48 percent) since 1998, while those with a positive opinion of the benefits from the EC have been an even smaller minority (45 percent) since 1993 [Eurobarometer, Standard Spring]. Both figures provide quite accurate forecasts of the YES vote (44 percent). Second, the same source shows that German public opinion is slightly more hesitant than in France as regards EC membership, but significantly more negative (closer to British public opinion) on the benefits from the EC. Had a referendum taken place in Germany, a NEIN certainly could not have been ruled out.

In this context, what the French NO really does is lift a weighty burden from the EC's shoulders, namely the desire that it should be some kind of "super-state". In particular, the French referendum makes it clear that the hodgepodge of issues referred to during the campaign as the "social model" (labour market regulations, income distribution, etc.) should

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remain matters of strictly national competence. Although French voters as a whole apparently have very little idea as to what their future "social model" should actually look like, their votes mean that they are not ready to accept a Europe-wide social agenda. This is in direct opposition with what their political masters have pushed for since tabling the notion of a Social Charter. In sum, the French NO marks the comeback of the slim Treaty of Rome as against its somewhat more obese successors of the last decade or so.

Another hallmark of the French campaign was the unholy alliance of, on the one hand, vocal NGOs profoundly opposed to markets per se, and, on the other, a myriad of much more discrete lobbies primarily concerned with hanging on to the rents they derive from regulated markets. This situation has led some observers to express doubts about the viability of a European economic agenda for the coming years.

On the contrary, I will argue that the agenda is surprisingly vast. Firstly, nobody during the two campaigns argued against the Single Market in goods -- indeed, the French referendum might even have moved things forward in relation to one sacred cow (no pun intended), namely agriculture. Secondly, only one -- arguably crucial -- aspect of the Single Market in services hit a raw nerve: the principle of the country of origin and the regime of regulatory competition that it establishes amongst Member States. This still leaves a lot to be done with respect to the other, apparently uncontested, aspects of the Single Market in services, and it suggests key actions for successfully addressing the unavoidable issue of regulatory competition in a pro-growth strategy. Thirdly, the foreign dimension of the European agenda -- most notably the EC's relations with Turkey -- has reached a point where it requires a drastic reformulation that market-based initiatives could help to design.

THE SINGLE MARKET IN GOODS: UNFINISHED BUSINESS

European politicians tend to talk about the Single Market as if it really existed. Europeans themselves are not so convinced, and they are right. There is still a lot to do, even in goods. If the Single Market were truly deeply integrated and open, it would exhibit two features: regulations in all the Member-states would be roughly equally pro-competitive (reflecting intra-EC openness) and they would tend to be less restrictive than those of the other OECD countries (mirroring extra-EC openness). The available evidence does not support either test.

As Table 1 shows, some Member States were among the most regulated OECD countries in 1998 and 2003, while others were among the least regulated ones for both years [Conway, Janod and Nicoletti 2005].[2]/ In other words, Member States follow the general trend of the OECD countries, not a specific European pattern. Interestingly, only two Member States (Portugal and Hungary) have indicators higher than the EC15 average (calculated as the weighted average of the EC15 Member States indicators) with smaller changes than the EC15 between 1998 and 2003.

The EC's half-century long history shows that progress towards a Single Market very much depends on having an open trade policy. This is because world competition tends to be a more powerful force than intra-European competition [Jacquemin and Sapir 1991]. It is also because multilateral market opening has offered EC Member States new trade-offs, in addition to those available within Europe, thereby making intra-EC deals easier to swallow. Examples abound. The Kennedy Round was essential to resolving conflicts over the level of the common external tariff, while the Uruguay Round was instrumental in bringing about more integrated European markets in cars, chemicals, etc.

The current lack of progress in the Doha Round is thus not only a danger for the world economy, but also a serious threat to European integration. But is any progress possible when France and a few other Member States remain so stubbornly protectionist-minded? Posing the question in this way demonstrates the need to move beyond the traditional *clichés*. Opinion surveys have repeatedly shown that a vast majority (83 percent) of the French population "strongly or somewhat favour" freer trade, only marginally less than is the case amongst the Americans or the British (87%) and the Germans (89%) [Audley and Anker 2004].[3]/ Of course, these figures do not capture French fears about globalisation; neither do they capture German, British or American ones. But these fears are much more related to what happens in services, and so are discussed in more detail below.

Agriculture

[2]/Table 1 is based on "product market regulation" indicators from an international database on the regulations imposed on products and services in OECD countries. They vary from least (0) to most (6) restrictive regulation in 30 OECD countries in 1998 and 2003. (they do not cover all the new EC Member States).
[3]/The 2003 Pew poll gives an 87, 88, 91 and 78 percent support for freer trade in Britain, France, Germany and the U.S., respectively.

If there is one goods sector in which the Single Market's progress depends heavily on multilateral trade opening, it is agriculture. Modelling the gains from farm liberalisation suggests that the EC is a key winner: the EC alone would obtain around half of all global gains from full liberalization by the developed countries alone, and roughly one-third of the gains from world-wide liberalisation [Anderson *et alii*, 2001]. But on the other hand, liberalisation by the EC is also a key condition for net gains by other countries, in particular a large number of developing countries [Diao, Diaz-Bonilla and Robinson 2003].

The CAP: Implacable Foe of the Single Market in Agriculture

The Common Agricultural Policy (CAP) has systematically prevented the emergence of pan-European farm markets because its subsidies and price supports protect each Member State's inefficient farmers from more efficient ones, be they from foreign countries or from other Member States. The 2003 CAP Reform is a shining example of this. Because the reform programme maintained support prices and the level of domestic subsidies [FAPRI 2003, OECD 2004], decoupling has fuelled fears of a mass movement of large farmers towards new productions, all the more so because the Reform has done nothing whatsoever to eliminate, or even weaken, the CAP's strong bias in favour of large farms -- the largest 20 percent of European farms get more than 70 percent of all European farm subsidies. As a result, some Member States have begun to protect the relatively less subsidized productions (such as fruits and vegetables) against investments funded by decoupled subsidies – one more step in fragmenting EC farm markets. Decoupling has also been accompanied by a wide range of "cross-compliance" criteria based on statutory environmental, food safety, animal welfare, and animal and plant health standards. A non-exhaustive "priority" list of 18 such statutory standards has been added to two more general conditions (farm land must be kept in "good productive" condition, and there should be no significant decrease in total permanent pastoral area). All these norms will fragment Member States' farm markets even more.

Because the 2003 Reform was nothing more than a "box game" -- i.e., the EC just used slight of hand to shift its subsidies from the WTO's Amber Box to the Green Box -- with no change in support prices and subsidy levels, it did not open EC farm markets to world competition.

This is best captured by the fact the Reform has reduced the EC's average tariff-like protection level by a miserable 2 points, from 57 to 55 percent [OECD 2004].[4]/

Even in the only case (rice) where the 2003 Reform includes a serious price cut and possible market opening, it has been a source of fragmentation. [5]/ As the rice price cut was dictated by the Everything But Arms (EBA) initiative, but as EBA beneficiaries are not among the most efficient rice producers in the world, the EC is expected to introduce import quotas for rice exported from non-EBA developing countries -- one more step towards a "Multi-Food Agreement".

So Commissioner Mandelson is only half right (or wrong) when he asserts that "*Agricultural reform is painful politically. We know because we have done it.*" [Mandelson Geneva 28 July 2005].

The Doha Round: The Single Market in Agriculture's Best Friend

The Doha negotiations are absolutely critical for generating a Single Market in farm products. Focusing them on export subsidies would therefore be a dreadful mistake. It would allow EC negotiators to sell a rapidly depreciating asset (EC export subsidies have decreased by half since 1995 [EAGGF, annual reports]) at a grossly inflated price. And all it would do in any case would be to bring about the trading environment that manufactured goods faced in the early 1950s, hardly evidence of real progress in terms of trade liberalisation – indeed, a cost for non-EC consumers of farm products.

It is therefore crucial to simultaneously reduce CAP non-export subsidies, which will in turn make agriculture more profitable by increasing the prices that farmers actually receive. However, the condition for guaranteeing a reduction of subsidies is to reduce import tariffs -- lower tariffs would automatically make future attempts to increase domestic subsidies much more expensive.

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[4]/This shift in subsidies concerns only acreage- or headage-based subsidies, i.e., only 30 percent of total EC farm subsidies. The average tariff-like protection level is measured by the "producer support estimate" which takes into account the various instruments of protection used by the CAP.

[5]/The two other cases have involved an even more marginal product (rye) and a sizable product (butter). But the fact that butter is one of the many possible dairy products significantly dampens the negative effects of the price cut, and the transfer of support from consumers to tax-payers is huge [OECD 2004] (over-compensation).

What, then, would be the ideal liberalisation pattern? Economic analysis shows that a "uniform" level of protection (that is, the same level for all products in question) provides most of the gains that could be expected from free trade. This is because investments and resources are allocated according to relative domestic prices, which are themselves undistorted by different levels of protection, and hence aligned to the world relative prices (everything is in relative terms). Over time, because a uniform level of protection gives no advantage to one industry over others, it also drastically reduces opposition to further tariff reductions, as illustrated by the few countries having adopted uniform tariffs since the 1980s (Chile, Hong-Kong, Singapore).

The current level of EC protection (in PSE terms, that is, combining tariffs and subsidies) ranges from roughly 20-25 percent to several hundred percent (sugar and meat). Choosing 20-25 percent as the basis for a uniform level of protection at the end of the Doha Round implementation phase would thus represent a substantial liberalisation of the most protected sectors, and would give a strong impulsion to the massive resource reallocations that must, in the long run, take place amongst farm products.

Political Economy Issues

Politically, this target starts to look attainable if a clear distinction is drawn between large and small farmers. It seems reasonable to focus this first real round of world farm liberalisation on the reduction of non-export subsidies in the large farm sector, which is the sector that is the most involved in world trade, the most able to adjust to liberalisation, and the least supported by public opinion.

But paradoxically, a focus on large farms puts particular pressure on the most free trade oriented Member States. It has escaped the attention of many observers that the CAP protects, on average, the farm sectors of these Member States more heavily than those of the most protectionist Member States. This is because CAP trade barriers are defined at the EC level, while their effective impact on each Member State varies with its individual production structure: a Member State producing mostly goods protected by high EC measures is *de facto* more "protected", on average, than a Member State producing mostly moderately protected goods. For instance, EC barriers provide an average level of protection of more than 70 percent to the farm output of free trade oriented Member States, such as Britain or Sweden, compared with 59 percent for protectionist France, and 55 percent for the EC15 (see Table 2).

This little-known fact enables us to expose the fundamental hypocrisy of French farm trade policy: the French people believe that it is designed to protect small, traditional farmers, yet their governments persistently allow the agenda to be driven by the interests of large operations, which grow the same kinds of crops as British farms do. Although much more numerous in France than in Britain, the interests of French small farmers -- who provide a much more diverse product mix than their larger counterparts -- have not counted for much in the French government's farm trade "strategy".

The state of the "conventional ignorance" -- we cannot speak here of "conventional wisdom" -- is such that some French farmers have said that they would accept the elimination of all subsidies if farm gate prices were to increase [von Reppert-Bismarck 2005], yet they do not realise that that would indeed be one of the outcomes of a substantial farm liberalisation. In this context, it is crucial to help small French farmers realise that their interests are not the same as those of large, commercial operators. An awareness raising campaign -- highlighting the fact that the CAP's main beneficiaries are large farms -- would be a good place to start. The effectiveness of such an approach has already been demonstrated in Britain, Spain and the Netherlands.

Manufacturing

In sharp contrast to the largely non-existent farm Single Market, the Single Market in industrial goods is relatively advanced. But there are still a few crucial things to do, and many essential things not to do.

Still a lot to do...

That there is still a lot to do to bring about an effective Single Market in industrial goods is revealed by the fact that price dispersion across Member States is, on average, 20-25 percent higher than within Member States (even on the basis of comparable, highly tradable goods, and after controlling for distance and other specific characteristics) [de Serres, Hoeller and de la Maisonneuve 2001]. This kind of market fragmentation is deeper in Europe than in the two other large OECD economies, and it amplifies the costs of protection for European consumers.

The first order of business should therefore be the elimination of the remaining extra-EC trade barriers which are still substantial, as documented by Table 3, in the 38 sectors (out of a total of 97 sectors) with maximum tariffs higher than 10 percent.

Lack of intra-EC competition also mirrors persistent and severe problems in regulatory matters, particularly in norms and standards. Roughly half of the existing 1500 Directives deal with norms and standards. Moreover, the notifications of a few Member States well known for their transparency (Denmark, the Netherlands and Sweden) show that Member States remain prolific producers of norms and standards, as shown by Table 4; the low figures for the other Member States may be more due to reporting problems than regulatory lethargy. These problems, which are very similar in nature to those faced in services, require the same approach as the one suggested below for services, that is, nurturing a "culture of evaluation" that aims to regularly assess the real value of the enforced norms and standards at both the EC and Member State levels.

..and a lot not to do

In addition to these positive steps, it is also important to counsel a certain degree of "masterly inactivity" in other areas. One example is the need to resist the emerging calls for a "strategic yogurt policy" which would aim to impose limits on take-overs in order to protect some firms deemed essential to the national economy (such as the French yogurt-maker, Danone). In the past, the EC has already faced such calls for internal liberalization accompanied by more aggressive and autarkic trade policies [Henderson 1991].

Nonetheless, I am not convinced that these calls currently represent a much more serious threat than at any other time during the last decade, if only because the Member States where this policy has some appeal face high debt and mounting public deficits, meaning that their governments' hands are largely tied. The main danger is therefore that governments attempt to score short-term political points -- by joining in the "strategic yogurt" rhetoric -- at the price of losing long-term credibility by ultimately doing nothing; this simply erodes people's trust in their own governments, a subject that I return to below.

Much more worrisome is the EC's constantly increasing tendency to use contingent protection as a back door route to protection. Since mid-1995, the situation has seriously deteriorated.

Firstly, the number of antidumping measures in force increased by 56 percent between 1991 and 2003, and this result does not even include the "grey" agreements between firms aiming to keep import prices high and/or imported quantities low.

Secondly, this steady increase in antidumping has not prevented the EC from using a steel safeguard (2002) as a substitute for the many antidumping cases already filed by that industry. The EC steel safeguard has proved to be worse than any antidumping case, in every possible respect. Its import coverage was 30 to 50 times the coverage of an average antidumping case. Its capacity to discriminate among foreign producers was as severe as antidumping, because it imposed individual tariff-rate quotas on exporting countries, each with very few (often only one) domestic steel firms. Its capacity to generate a domino effect of similar measures around the world was much greater than with antidumping duties – within the space of a few months, the EC's actions spawned a worldwide web of steel safeguards. The WTO legal conditionalities on safeguard use (existence of an import surge, unforeseen developments, serious injury) were blatantly misused. For instance, the alleged motive of a potential import surge caused by the U.S. steel safeguard deliberately ignored the persistent Chinese boom since 1995 and declining excess capacity since 1999 [Messerlin 2004]. That a European steel firm (VoestAlpine) could proclaim the year 2001-2002 as "the best business year ever in the company's history," and the year 2002-2003 as the second best one, may be the shortest, most accurate, and most damning assessment of the impact of this safeguard.

EC contingent protection has made one more step in the wrong direction with the measures recently imposed on Chinese clothing. The measures were adopted even though EC consumer prices of Chinese clothing did not seem to have fallen much, implying that intermediaries have pocketed the gap with the lower Chinese export prices. Moreover, there is the persistent rumour that EC imports of clothing from the whole world have not changed very much, meaning that what happened was mostly just a change in the sources of European imports.

The worst news of all is that the EC's protection has taken the form of "voluntary export restraints" (VERs), an instrument banned by the Uruguay Round. There is a serious feeling of déjà vu for those who observed the myriad of VERs imposed on a never-ending number of Japanese products over the three decades following Japan's accession to the GATT (the WTO's predecessor). A parallel between China and Japan naturally has many limits. But this

is not overly reassuring. In the Japanese case, rents were fully transferred to Japanese firms because the national bureaucracy was not corrupt. This feature ultimately helped stop the use of VERs: as time went on, Japanese firms used these rents to upgrade their products, making European (and U.S.) firms learn the hard way that VERs were not a solution, but a problem. By contrast, Chinese regional and national bureaucracies will take their share of the rents. Internal conflicts over rent-grabbing may impede the efficiency gains of Chinese firms, leading them to fight for retaliation against the EC (in sharp contrast with the unfailing cooperation of the Japanese).

What needs to be done is much less a rewrite of the WTO rules on contingent protection than an effort to assess the impact of EC contingent protection on the EC's own economy. All these cases have an Achilles' heel: they involve very narrow vested interests. This allows us to shift away from the general debate on "protection vs free trade" -- a debate too general to convince unconvinced people -- towards a series of cost-benefit analyses on a case by case basis. The advantage of such an approach is that it highlights the net costs for the EC, at the same time as setting them against the benefits appropriated by "the happy few". It is also a natural starting point for developing non-protectionist solutions to possible adjustment problems. Contingent protection cases therefore offer an excellent opportunity to assess public policy measures – what I refer to a "culture of evaluation" below. Such a task cannot be undertaken by the Commission itself -- since it has instigated the measures in question -- so it is up to independent European think tanks to reveal the untold side of these cases.

THE SINGLE MARKET IN SERVICES: THE PROMISED LAND?

The Single Market in services is clearly generating more and deeper fears than the Single Market in goods -- and not only in France. Polls capture these fears when they shift from questions on trade liberalisation to those on globalization. For instance, a majority (54 percent, a figure amazingly close to the French NO vote) of the same French people who support freer trade so massively nonetheless have a "very or somewhat unfavourable opinion of globalisation". Figures for Germany and Britain are not too different (51 and 35 percent, respectively).

If not overcome, these fears will be very costly for European consumers. The welfare gains to be expected from an open Single Market in services are huge -- indeed much larger than those from goods -- for three mutually reinforcing reasons. Firstly, the services sector itself is huge: 70 percent of European GDP, almost three times the size of manufacturing. Secondly, the level of protection in services is much higher than in goods -- a crucial point since welfare costs grow much faster than the level of protection (the rule of thumb is that they are a square function of the protection level). Most available estimates of the level of protection in services are within the 15-25 percent range, when expressed in *ad valorem* tariff-like terms, compared with roughly 10 percent in goods. But, because they generally cover broad services sectors, such as "telecom services" or "distribution", these figures do not include all the devils-in-the-details that characterize protection in services. When looking at services on a more disaggregated basis, anecdotal evidence suggests a much higher level of protection, above 50 percent when expressed in tariff-like terms. (Lack of systematic evidence prevents us from providing estimates of the costs of protection in services comparable to what is done for protection in goods.)

Lastly, protection in services occurs not only at the Member State level, but also at the sub-national level -- a big difference with the goods case. For instance, opening a large retail store or a hotel in France is a successive mix of barriers at the town, *département* and national levels. This much higher degree of market fragmentation exacerbates the possibility of nurturing a myriad of local collusions, creates repeated costs for new entrants, and magnifies the costs of protection.

Harmonization and Mutual Recognition: Ineffective Instruments

So far, the Directives adopted for liberalizing services have attempted to address people's fears using two instruments. Harmonisation seemed apt to eliminate fears of "unfair" competition, while mutual recognition seemed a workable approximation of harmonisation. However, these two approaches have proved to be largely ineffective in opening markets.

Harmonising existing domestic regulations by negotiating common European regulations has proven to be very costly (some Directives have required more than 15 years of negotiations), too easy to reverse (since a harmonised regulation can be quickly "de-harmonised" by Member States imposing additional "practices" when implementing the harmonised text), and in any case has provided no guarantee of efficient regulation. The recent EC enlargement makes these handicaps even more severe: the more negotiators there are, the more hopeless it is to try and get them to agree on a single, harmonised rule.

The mutual recognition approach was seen as the appropriate answer to the harmonization impasse. It consists in harmonizing only the "key" provisions to be included in the new common regulation, and imposing "mutual recognition" for the rest of the provisions existing in individual Member States' regulations. However, its benefits have been much more limited than expected for two reasons. Firstly, they depend critically on the relative importance of the mutual recognition component as compared with the harmonisation component. The negotiations among Member States which determine this balance have systematically inflated the latter to the detriment of the former.

Secondly, the benefits from mutual recognition increase with the diversity of the regulations involved: the more diverse the regulations of the countries concerned are, the more numerous can be the varieties of competitive pressures that a mutual recognition agreement can offer. However, contrary to what happened with trade in goods, the Single Market in services did not benefit from a genuine multilateral services liberalisation, and from the wider diversity it could offer. Once again, the recent EC enlargement can only amplify these problems by involving more negotiating Member States, without necessarily getting a more substantial diversity of regulations.

The Services Directive

In this context, the proposed Services Directive (hereafter "the Directive") tabled by the Commission constitutes the first serious attempt to create an effective Single Market in services by going beyond harmonization and mutual recognition. However, it has faced unprecedented opposition which needs to be understood and properly assessed in order to define a workable long term strategy, if the Directive is not adopted in its initial form by the Parliament and the Council.

<u>The first serious attempt to create an effective Single Market in services</u>

An effective Single Market in services is not a simple matter -- after all, it is not yet completed even in a fully fledged federation like the U.S. The creation of such a market needs to satisfy three basic conditions; the Services Directive indeed does so.

The first condition is to have the widest possible sectoral coverage. This feature provides for the most "uniform" level of protection possible across different services sectors, a point that has attracted surprisingly little attention so far. Service providers whose inputs are modestly protected but whose outputs are highly protected benefit from a level of "effective" protection much higher than the "apparent" level of protection imposed on their outputs alone. For instance, such effective levels of protection (expressed in tariff-like terms) in the French audiovisual services range from less than 8 percent in the movie theatre segment to more than 70 percent in the broadcasting segment and more than 100 percent in the movie production segments [Messerlin 2003].

The Directive indeed covers a huge share of GDP (50 percent according to the Commission) much more than all the existing Directives on services put together, and twice that of the goods sector. The uniform protection it would help bring about would have the same beneficial effects in services as those highlighted above for agriculture and manufacturing.[6]/ Its dynamic effects on market structures and innovation may also bring the Single Market more within the reach of the small and medium sized service providers that have been largely excluded from it to date. Sectoral services liberalisation is easier to manage for large firms than for small and medium ones. For instance, large firms could cope with the absence of a

[6]/The previous Directives could not offer these gains because their narrow sectoral coverage has lowered the effective level of protection of the services they liberalized, but increased the effective level of protection of other services. They have thereby systematically distorted the production pattern of services, since firms operating in liberalized segments have incentives to shift their activities into more protected segments.

Single Market in legal services more easily than smaller firms by hiring the services of large legal firms with a worldwide operations, a move out of reach for most smaller firms. If small and medium sized firms are an essential source of innovation, their fuller integration in the Single Market would boost innovation, and hence varieties, in European services, as has been the case for goods.

The second condition for an effective Single Market in services is the largest possible freedom of establishment (that is, investment in agencies, branches or subsidiaries in the other Member States' services markets). Too often, host Member States still infringe EC rules and impose "requirements" on investors limiting entry to such an extent that consolidations in still fragmented markets turn into anti-competitive strategies (making entry more difficult).

Indeed, the initial proposal of the Directive addresses this issue in two steps. Firstly, it "systemizes" the rulings of the European Court of justice by providing a list of host Member States' requirements that the Court has consistently banned over time, and hence for which there is no risk of the jurisprudence being reversed in the future. For instance, the proposal prohibits requirements based on nationality, conditions on the maximum number of Member States in which a firm can be established and the case-by-case application of an "economic test" in order to be registered (Article 14). By banning these requirements, the Directive proposal eliminates the need for firms to bring new suits before the Court on a one-by-one basis, thereby decreasing transaction costs massively. Secondly, the Directive proposal lists another set of requirements, such as quantitative or territorial restrictions, requirements fixing a minimum number of employees, etc., that have not been systematically condemned by the Court because they can make economic sense in specific circumstances (Article 15). As a result, the proposal makes the elimination or the adjustment of these provisions conditional on an assessment procedure of "mutual evaluation" (Article 41). By introducing this procedure, the proposal is original since it defines a dynamic process of liberalization as well as a liberalisation programme *per se*.

The last condition necessary for an effective Single Market in services is the liberalization of "cross-border trade" in services, be it the "physical" trade of services (such as legal advice sent by fax by a foreign expert to a domestic operator) or the trading of services through labour movement (such as a non-permanent stay of experts from a Member-state in another Member-state). Cross-border trade under a PCO regime would invigorate firms' competitive

behaviour by injecting a new layer of competition, namely competition between Member States' regulations. When constrained by host country regulations, investors in services from other Member States are induced to follow the prevailing behaviour in the market in which they invest (after all, this behaviour has been tested by host country firms and found to be profitable in that particular environment). In sharp contrast, exporting firms under the PCO can design, more often and/or more strongly, a strategy different from the one followed by host country firms, because they can use their home country legal environment to exploit their comparative advantages.

The tabled proposal does indeed open cross-border trade by stating that "*Member States shall ensure that [services] providers are subject only to the national provisions of their Member State of origin.*" (Article 16). The principle of the "country of origin" (hereafter PCO) boils down to adopting the mutual recognition principle for all the provisions of the regulations in question -- there is no longer any need to negotiate the harmonization component.

Assessing the Opposition to the Directive: Rent-Seekers Strike Back

The Directive came under strong attack during the French referendum campaign. Anti-market NGOs were, predictably, very vocal against it. The French President chose to placate them by declaring that the Directive was finished, even while it was still under examination by the European Parliament. A French press largely ignorant (and eager to remain so) rarely reported accurate information on the basic facts which were at the roots of people's main fears (such as the fact that the Directive kept intact Member States' individual rules governing national labour markets, such as minimum wages, work conditions, diplomas, etc.). All this has given the impression that the opposition to the Directive was concentrated in France. But this is inaccurate.

Opposition to the Directive is much broader because its wide sectoral scope (a key asset from an economic perspective) has produced heavy political costs by uniting a huge number of monopolies or collusive firms all over Europe. The Hearings of the European Parliament on the Directive in November 2004 (well before the French campaign) provide a fascinating view of the Europe-wide unholy alliance between the supporters of public monopolies [see for instance Jennar 2004] and those of the many narrow private monopolies under threat, particularly in the areas of professional and legal services -- one of the best illustrations is the

case of the French *huissiers*, *notaires* and *avocats près les Cours suprêmes* (bailiffs, notaries and barristers of the Supreme Courts) [Guillaume 2004].

At the same time, the silence of the Directive's potential beneficiaries has been as deafening as the vocal opposition, and it is important to understand it. Large firms might get what they want, namely the prohibition of the most blatant barriers to foreign establishment (Article 14). But they may have conflicting interests with regards to the second list (Article 15), to the extent that some of the listed requirements might actually play a positive role in their corporate strategies. And they may have only a marginal interest in the cross-border trade to the extent that, as argued above, they have been able to cope with the existing barriers to trade in services by investing directly in the various Member States. Small and medium firms have similar incentives to large firms with respect to foreign establishment, although these incentives may be weaker since investing in other EC markets is generally more costly for them. By contrast, they may have stronger interests in opening cross-border trade and adopting the PCO, except to the extent that they may be benefiting from the current barriers (for instance, by hiring Polish plumbers or tilers in the French and German grey markets). However, few small and medium firms seem to have developed an export strategy, and many of them have not been aware of the Directive proposal, and its potential benefits for them.

As usual, the strongest supporters of the Directive should have been consumers -- be they households or firms. But consumers have been torn between the gains in terms of price cuts or variety increases, and the fears of losing in terms of information or legal protection in the case of defective services. In sum, the Directive is facing an uphill struggle not only because services are a source of cosy monopolies or collusive oligopolies much more often than is the case for goods, but also because most suppliers and consumers find more difficult to assess the net welfare effects of services liberalisation.

Lines of Action

The combination of a strong opposition and a lack of support have differing impacts on the three conditions required for an effective Single Market in services.

Firstly, the opposition may reduce the Directive's sectoral scope. This is a frequent, though unfortunate, turn of events in relation to liberalisation policies. However, if the final proposal of the Directive covers a substantial share (say 25 percent) of GDP, it would still represent a

huge step forward, equivalent to all goods market liberalisation over the last fifty years. Moreover, if the expected benefits from the Directive materialize, they will induce use of the Directive as a blueprint for liberalising other services, including those covered by the existing Directives -- a perspective that has already triggered pre-emptive strikes against the Directive from some sectors, such as financial services. As in any incomplete trade liberalisation, the things to do is to look at the most blatant remaining cases of protection, and estimate their welfare costs for consumers.

Another possibility is to envisage a "two-speed" introduction of the Directive, with a first group of Member States adopting and implementing the Directive provisions as they are, the other Member States being free to join the first group whenever they wish, on the existing conditions (i.e., no re-negotiations to accommodate latecomers).

A final possibility is to buttress intra-EC liberalisation with multilateral negotiations. As underlined above, GATT negotiations made initially undoable intra-EC deals much more palatable to Member States. The same could be done with the negotiations in the General Agreement on Trade in Services (GATS). However, the GATS legal framework is much weaker than that of the GATT, making it difficult to bring about substantial concessions in services in a multilateral environment, as illustrated by the current Doha Round.

The damage would be much more serious if the price to be paid for the Services Directive were to be a Directive on "public and/or universal services" (instead of reduced sectoral scope). Such a development would insulate small but critical sectors from competitive pressures for a long time to come, and would bring with it the likelihood of distortions spreading to other sectors through cross-subsidisation and network-based foreclosures. Preventing it is therefore crucial. It would mean not only estimating the costs of the distortions artificially created by such a Directive, but also highlighting the gains from alternatives to public monopolies for providing these types of services.

Secondly, criticisms have been moderate on the foreign establishment dimension of the Directive proposal. In fact, foreign establishment seems to be viewed more often than not as labour-friendly (foreign firms tend to use Member State nationals for developing their services in the host State). This is consistent with the fact that the successive campaigns

against "outsourcing" in services have not been successful so far, despite many efforts by NGOs.

However, there is a need to strengthen the procedure of mutual evaluation that the Directive introduces for assessing the requirements on foreign establishment. The current procedure is weak because it limits the assessment task to just three criteria -- whether the requirement under examination is non-discriminatory, whether it is justified by an overriding reason related to the public interest, and whether it is proportional to its objective. These criteria are the ones used by the Court in examining a requirement pertaining to the second list. The problem is that the Directive leaves the evaluation of these criteria to (undefined) national authorities and to the Commission. This is a recipe for volatile and inconsistent decisions, all the more so because this procedure can pose a serious threat to vested interests, and hence trigger strong opposition. Promoting a vibrant "culture of evaluation" is therefore crucial – the idea is developed below in more detail.

Lastly, opposition to the Directive has focused on the PCO. Many of the criticisms against the PCO were fuelled by confusion, if not by outright disinformation. In particular, opening cross-border trade was understood by many people as equivalent to eliminating Member States' regulations on national labour markets (minimum wages, work conditions, diplomas, etc.), despite the fact that the Directive proposal makes it crystal clear that it does not deal with such rules.

To restore some sanity to the debate, it is interesting to recall that the Directive is not the first one to use the PCO. Both the 1989 and 1997 Directives on Television without Frontiers require foreign TV channels to follow the regulations of their country of origin, including the sacrosanct regulations on broadcasting quotas. Why, then, did the PCO attract almost no attention in such a sensitive sector as audiovisuals, whereas it touched a raw nerve in the case of the Services Directive? Two reasons seem essential. Firstly, technology made it hard to ban the PCO in audiovisuals -- any other rule would mean jamming radio or TV waves, hardly acceptable in democracies. There are no such technological and political constraints in the services covered by the Directive. Secondly, "natural" transaction costs (languages, tastes) are strong impediments limiting cross-border trade in broadcasting. Such natural costs are lower for most of the services covered by the Directive, which then represents a much

greater potential threat to vested interests. However, there is also a deeper reason for explaining the outcry against the Directive.

A Regime of Regulatory Competition Requires a Vibrant Culture of Evaluation

There have already been instances of regulatory competition in Europe. What is new in the Directive is the institutionalisation of that process: it effectively makes it part of the EC legal regime. This change has triggered two different types of systemic fears.

Firstly, regulatory competition clashes with the idea of "convergence" in regulations. Convergence is a weak form of harmonisation -- the vague hope that in the long run there will be a unique set of regulations for a given service sector in the EC. This hope prevails in most EC circles because it gives EC decision-makers something to make decisions about. It is also a commonly held view amongst European populations because it looks reassuring, in particular when national governments have a tendency to let their citizens believe that "convergence" in fact implies nothing more than an extension of their own national standards to the rest of the EC.

By contrast, a regime of regulatory competition offers no systematic outcomes in terms of convergence, and above all no apparent guarantee for individual citizens that the standards applied in their own country will not change. It may lead to regulatory convergence in some cases, but also to a wider range of regulatory varieties in other cases. In modern economies, firms compete by differentiating their products or services at least as much as by charging different prices for similar products or services. There is no *a priori* reason that Member States will not behave in the same way when designing their regulations, and this is a perspective that does not sit easily with the idea of integration as unification (read: "uniformity").

Secondly, regulatory competition is often associated with the idea of a "race to the bottom". This is fuelled, in fact, by a twin lack of trust. On the one hand, most Europeans certainly do not trust the governments of the other Member States. The recent EC enlargement has exacerbated this mistrust, with the new Member States still suffering from their past: conservative "Wessies" are suspicious of these reformed communists, while leftist "Wessies" cannot find it in their hearts to forgive these countries for abandoning the communist "dream" and shifting to a market economy. The good news is that this situation can be expected to

improve over time, in particular if there is a big success story to focus on, a kind of "Central European Ireland". The bad news is that the second lack of trust generating fears of a "race to the bottom" is potentially much more serious: many Europeans simply do not trust their *own* governments. And unfortunately, their governments do not seem to be doing much to remedy the situation, in particular as they let the distance between rhetoric and action grow (see the "strategic yoghurt policy" above).

Overcoming fears of a race to the bottom cannot be done by a general argument about the benefits from regulatory competition. Such arguments convince only the already convinced. What is needed is a culture of evaluation relying on the best and most systematic cost-benefit analysis of concrete cases. By showing that any liberalisation brings global gains, but leaves some net losers, a culture of evaluation shifts the spotlight to two key questions: is there a need for an adjustment policy, and, if yes, what would be the best compensation instrument to use? Nowadays, there is a strong tendency to ignore the first question, and to assume that any net loser deserves adjustment support -- an approach which imposes excessive constraints on a market economy. However, the answer to this question should not be a systematic yes, but rather should flow from a careful examination of each case, including from a political perspective. For instance, the question of whether large farmers who have been subsidized by the poorest consumers and by tax-payers during the last four decades have a "right" to be compensated deserves a thorough debate.

If the culture of evaluation is such a necessary condition for getting an effective Single Market in services, who should generate this culture? Of course, there is a role for governments, and some countries have indeed taken this approach, such as Australia with the Productivity Commission [Banks 2005], or the U.S. with the Office of Management and Budget [Hahn and Litan 2004].

However, the EC situation is clearly far from satisfactory in this respect. Table 5 presents the extent to which (not the effectiveness with which) Member States have introduced "regulatory impact assessments" (RIAs). Only ten Member States (seven for the EC15, three for the EC10) have introduced RIAs in any significant way (with a score higher than 60 percent) and, ironically, the EC10 score is better than the EC15 score. More worrying than the overall picture is the existence of a small number of truly awful performers, such as France. The situation at the Commission level is not much better. There has been an annual average of 25-

30 RIAs undertaken by the Commission, a number which compares poorly with the average annual production of 60 Directives and 1200 basic legal documents for the 1990s. Moreover, most of these RIAs do not fulfil the minimum conditions for being really useful [Vibert 2004, Messerlin 2005].

As a result, the vibrant culture of evaluation needed for an effective Single Market in services would require active independent research centres and think tanks, all the more so in light of growing public mistrust of their own governments. It is striking that such institutions -- which have been instrumental in the bipartisan changes of approach observed in the U.S. and in Britain since the 1970s -- are largely missing from Continental Europe.

TRADE POLICY AS FOREIGN POLICY

As noted above, French and Dutch voters have clearly rejected the EC as a "super-state". But paradoxically, many of the same voters see the EC as a "super-power". Europe's "super-power" is not now, and will not any time soon, be based on a foreign policy with worldwide goals and means (an Army). It can only rely on the use of trade policy. During the last decade, the EC has mostly conceived its trade policy in a mercantilist way by slowly returning to its age-old "addiction" to discrimination [Wolf, 1994], despite its official allegiance to multilateralism. This drift has taken the form of bilateral preferential agreements, often qualified as WTO-Plus because they extract concessions from EC trading partners (on TRIPs, investment, political commitments, etc.) that these partners would have never dared make in the WTO. This drift has been made easier by a similar move from the U.S., hence this emerging coalition of the two "world aristocrats" confronting increasingly impatient "world bourgeois" – the Brazils, Indias and Chinas.

Trade policy could be conceived in a much more generous perspective where the EC would try to be a "benevolent" trading partner, that is, a partner convinced that the extension and exercise of economic freedom make for closer economic intergation, both within and across national boundaries" [Henderson 2001, Wolf 2004]. What follows suggests that the two key pending issues -- the EC's relations with Turkey and with the African-Caribbean-Pacific countries (ACPs) -- would benefit from the second approach.

Freeing Turkey

Turkey's accession to the EC is facing strong opposition in many European quarters. To appease mounting fears or even outright hostility, EC governments are becoming increasingly rigid about the conditions to be imposed on Turkey. No democratically elected government can easily survive twelve years of negotiations without a strong commitment from its partners. This situation is a sure recipe for suspicion and bitterness.

Promising some "preferential" status in the future (if the EC membership option is abandoned) while keeping Turkey tied to the EC through the current customs union agreement is not the solution. In the EC perspective, a customs union is an immediate loss of sovereignty in trade matters which is balanced out in the longer run by a seat at the Council table, allowing for shared sovereignty on all matters of common interest. Not only does Turkey have no certainty as to its future seat at the Council, but it cannot even get the full benefits of its current customs union with the EC for the following reason. It cannot duplicate the preferential agreements that the EC is concluding with many other countries because those same countries are dragging their feet in granting Turkey the same concessions they have granted the EC.

If the EC feels unable to take a firm commitment in favour of Turkish accession in the next couple of years, it should take the initiative to give Turkey back its full sovereignty in trade matters by accepting the transformation of the current customs union agreement into a free-trade agreement. Such a solution raises a few technical issues, most notably the regime of rules of origin and of contingent protection. But those questions could easily be resolved with a little goodwill from both sides. This solution keeps all the economic incentives necessary for a continuous rapid growth of the Turkish economy. But, above all, it should be seen as the signal that the EC trusts Turkey's capacity to go on its own in the direction desired by the EC. A Turkey treated in this way will provide much more robust reforms (and may be a much more powerful example for the Middle East region) than a Turkey under anxious scrutiny by EC governments. Its accession – if finally decided by the two Parties – will be a lot easier.

Freeing the African-Caribbean-Pacific Countries (ACPs)

The EC is negotiating Economic Partnership Agreements (EPAs) with the ACPs, arbitrarily regrouped by the EC into six regions (four in Africa, one in the Caribbean and one in the Pacific). The EC invokes two motives for this policy. Firstly, there is a WTO rule that allows for non-reciprocity only in the case of the least developed countries (LDCs). However, all six EPAs include both DCs and LDCs, a feature hardly compatible with this provision.

Secondly, the EC presents the EPAs as promoting intra-regional trade, that is, echoing EC history -- a perspective which both ignores the crucial support to intra-EC liberalisation from multilateral Rounds, and which aims to inhibit any moves by ACPs towards multilateral concessions. However, that is very unlikely to be the case because the EPAs as currently conceived amount to a very little liberalization coupled with a very big fiscal problem -- one could hardly imagine a worse package. ACPs can keep their most restrictive barriers, which generate the highest welfare costs. The price is that they have to cut small and moderate tariffs, which will have a significant negative impact on their tariff revenues: three-quarters of the ACPs are expected to lose 40 percent or more of their current tariff revenues based on imports from the EC at the end of the transition period (around 2027) [Stevens and Kennan 2005].

Looking to EC aid for solving the ACPs' fiscal problems is not the best solution. Even if we put to one side the EC's own budgetary problems for the next decade, not to mention the disastrous experience of EC aid to the ACPs over the last 40 years, such massive transfers will weaken the ACPs even more, by depriving them of the sovereign right of collecting taxes, and pursuing their own policies.

A strong EC "trade for development" policy would be based on three principles. Firstly, it should eliminate self-proclaimed, but rich, developing countries from its scope (one-tenth of the ACPs have a higher GDP per capita that the poorest EC Member States) and focus on the "poorest" countries, be they ACPs or not. Secondly, the EC could substantially improve the situation of these countries by introducing a dose of "conditional reciprocity" that should be defined as the commitment by the poorest countries to decrease and bind their MFN tariffs on a non-discriminatory basis and on as uniform a basis as possible. Such an approach would allow the poorest countries to keep the lion's share of their tariff revenues, while at the same time reducing a major source of tax evasion and corruption in their economies -- hence allowing them to use these funds for implementing their own development policies. Last, but

not least, the EC could go one step further, and strengthen its WTO role by launching a joint initiative by all the industrial (and emerging) economies in order to provide to all the poorest (ACPs and non-ACPs) countries a worldwide regime based on the principle of conditional reciprocity.

CONCLUDING REMARKS

The economic agenda set out in this paper -- increased market openness and a vibrant "culture of evaluation" -- might attract two major criticisms.

The first one is economic in nature. The agenda has entirely focused on the markets for goods and services, and has remained silent on labor markets. Hence, it seems to ignore the large distortions and inefficiencies generated by most of the current EC labor market policies, and the massive welfare gains to be derived from more flexible labor markets coupled with time-limited international labor migrations (both intra- and extra-EC) [Winters 2003].

This silence in fact flows from the political landscape shaped by the NO votes whereby the "social model" belongs to the agenda of each individual Member State, and not to the European agenda as such. But there is also some economic logic to it. Firstly, there is an obvious inverse relationship between the pain caused by labor market reforms and the rate of economic growth. The above agenda of deeper liberalization of goods and services markets has precisely the virtue of improving European growth performance -- even though the growth dividends from more flexible labor markets might arguably be even greater. Secondly, increased labor market flexibility would bring lesser economic gains if newly mobile workers were to be attracted to firms that capture rents from imperfectly competitive markets. In sum, it is important that the above liberalization agenda be launched as soon as possible, while labor market reforms might have to wait for major (presidential or legislative) elections: only newly-elected governments will likely have the backbone required to run the political risks of such reforms.

The second criticism strikes a more political note. The interpretation of the NO votes adopted in this paper may seem too rosy. It is true that at the present time, there are many *Messieurs Hydes* prowling the streets of Europe, playing on people's fears and toying with a wide range

of worrisome notions -- from "patriotic" behaviour to corporatism to closures of all sorts. So far, most Europeans have failed to be swayed by the supposed charms of these failed politicians who are unable to distinguish between goals and instruments -- a dreadful mistake in economic policy. However, this may not last for ever, and something has to be done about it. It is largely impossible to deal with these forces at the EC level, meaning that it is up to each and every Member State to confront its own demons in this regard.

This is precisely why the culture of evaluation nurtured by independent think tanks is so crucial. It is the only way to calmly and sensibly address the grab-bag of fears attached to the so-called "social model". A recent French example makes the point well. At a time when housing -- particularly in Paris -- is a major political and "social" issue, Fack [2005] has shown that 50 to 80 percent of housing subsidies granted to the poor in France have in fact been captured by their landlords. Publicising this kind of result -- no surprise for most economists, but far from obvious for non-economists -- is a necessary step in convincing the French people that there are much better ways of helping the poor. Another Europe-wide illustration would be to show the benefits for the patients (and for the social security regimes) brought by the Services Directive when it systematizes the Court's jurisprudence on the rights to be reimbursed on health care provided in another member State.

Paraphrasing the famous sentence "*a battle has been lost, but not the war",* the EC and Member States face the situation where "*a war has been won, but not the battles*". Today, nobody in Europe seriously promotes an alternative plan to a market-based economy -- in this sense, the war has been won. But that leaves an endless number of battles on very specific topics (genetically modified organisms, geographical indications, drug patents, health care, water, etc.) that powerful coalitions of anti-market NGOs and private vested interests present disingenuously as limits to the market model, with very few reactions. One by one, these battles have to be fought with rigorous facts and arguments, and ultimately won.

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Table 1. Product-market regulation (PMR) indicators

Rank	EC15/25 member		OECD members [a]	PMR 1998	PMR 2003	change (%)
1	EC15		Britain	1,1	0,9	-18,2
2			Australia	1,3	0,9	-30,8
3			USA	1,3	1,0	-23,1
4			Iceland	1,6	1,0	-37,5
5			New Zealand	1,4	1,1	-21,4
6	EC15		Denmark	1,5	1,1	-26,7
7	EC15		Ireland	1,5	1,1	-26,7
8			Canada	1,4	1,2	-14,3
9	EC15		Sweden	1,8	1,2	-33,3
10			Japan	1,9	1,3	-31,6
11	EC15		Finland	2,1	1,3	-38,1
12	EC15		Netherlands	1,8	1,4	-22,2
13	EC15		Austria	1,8	1,4	-22,2
14	EC15		Germany	1,9	1,4	-26,3
15	EC15		Belgium	2,1	1,4	-33,3
16		EC25	Slovakia	3,0	1,4	-53,3
17			Norway	1,8	1,5	-16,7
18			Korea	2,5	1,5	-40,0
19	EC15		Portugal	2,1	1,6	-23,8
20	EC15		Spain	2,3	1,6	-30,4
21			Switzerland	2,2	1,7	-22,7
22	EC15		France	2,5	1,7	-32,0
23		EC25	Czech Rep.	3,0	1,7	-43,3
24	EC15		Greece	2,8	1,8	-35,7
25	EC15		Italy	2,8	1,9	-32,1
26		EC25	Hungary	2,5	2,0	-20,0
27			Mexico	2,4	2,2	-8,3
28			Turkey	3,1	2,3	-25,8
29		EC25	Poland	3,9	2,8	-28,2
17	EC15		all Member States	2,0	1,4	-28,7

Source: Conway, Janod and Nicoletti, 2005

[a]: Not all the EC Member States are OECD members.

Table 2. Assistance to domestic farmers, 2002

Rank	Member States	Level of assistance [a] absolute	Level of assistance [a] relative [b]
1	Malta	37	67
2	Greece	40	73
3	Portugal	43	78
4	Spain	43	78
5	Hungary	44	80
6	Italy	45	82
7	Poland	47	85
8	Netherlands	53	96
9	Denmark	54	98
10	Slovakia	54	98
11	Estonia	55	100
12	Belgium	57	104
13	Czech Rep.	57	104
14	Slovenia	57	104
15	Austria	59	107
16	France	59	107
17	Latvia	59	107
18	Germany	61	111
19	Lithuania	62	113
20	Sweden	71	129
21	Britain	72	131
22	Finland	72	131
23	Luxembourg	75	136
24	Ireland	99	180
--	Cyprus	n.a.	n.a.
	EC-15	55	100

Sources: OECD on PSEs, EC on farm productions.
[a] Measured by the producer surplus equivalent (PSE). Member States PSEs are EC PSEs by product weighted by Member States productions. [b] EC15=100.

Table 3. Sectors with a substantial level of protection, 2004

Sectors (HS2)	Products	Average tariff (%)	Maximum tariff (%)
04	Dairy products, birds' eggs, etc.	38,4	209,9
02	Meat and edible meat offal	28,9	192,2
07	Edible vegetables	13,2	150,1
20	Preparations of vegetables	20,9	146,9
08	Edible fruit and nuts	10,4	118,1
17	Sugar and sugar confectionery	23,6	114,4
01	Live animals	20,6	107,8
10	Cereals	39,6	101,1
16	Preparations of meat	18,5	97,2
11	Products of milling industry	22,2	84,5
23	Residue from the food industry	7,0	76,0
15	Animal or vegetable fats	8,9	75,8
24	Tobacco and tobacco products	18,3	74,9
18	Cocoa and cocoa products	17,9	68,9
22	Beverages	5,7	58,6
12	Oil seeds	2,0	52,3
19	Preparations of cereals	20,3	49,6
29	Organic chemicals	4,3	39,8
37	Photographic goods	5,6	23,3
35	Albuminoidal substances	7,1	23,2
03	Fish and crustaceans, etc.	12,2	23,0
38	Miscellaneous products	5,6	22,2
87	Vehicles other than railway	6,4	22,0
21	Miscellaneous edible preparations	9,6	21,1
13	Lac, gums, etc.	2,2	19,2
33	Essential oils	2,9	17,3
64	Footwear	9,9	17,0
85	Electrical machinery	2,8	14,0
09	Coffee, tea, etc.	3,1	12,5
56	Wadding, felt, etc.	6,1	12,0
61	Articles of apparel	11,7	12,0
62	Articles of apparel	11,6	12,0
63	Other made up textiles	10,0	12,0
69	Ceramic products	4,8	12,0
91	Clocks and watches	3,8	11,2
70	Glass and glassware	4,8	11,0
06	Live trees	6,0	10,9
76	Aliminium and articles thereof	6,3	10,0

Source: WTO, Trade Policy Review, 2004.

Table 4. Notification of EC norms and standards to the WTO, 1995-2003

	Notifications			
	Number		Number per million euros GDP	
	1995-99	2000-03	1995-99	2000-03
Austria	5	0	27	0
Belgium	150	57	709	230
Britain	12	18	14	12
Denmark	133	54	965	315
Finland	24	13	240	99
France	59	37	49	26
Germany	14	0	7	0
Greece	0	0	0	0
Ireland	1	0	20	0
Italy	0	3	0	3
Luxembourg	4	0	290	0
Netherlands	459	105	1447	261
Portugal	0	0	0	0
Spain	34	32	76	51
Sweden	84	49	443	189
EC15	167	61	25	7
Total	1144	429	86	25

Source: WTO, Trade Policy Review, 2004.

Table 5. Regulatory impact assessment: the situation amongst the Member States, 2005

	Does a better regulation programme exist?	Does a specific RIA policy exist?	Are RIAs obligatory?	Are alternative instruments considered?	Do RIA guidelines exist?	Is there a coordinating body for RIAs?	Consultation part of RIA?	Do formal consultation procedures exist?	Does direct stakeholder consulltation exist?	Are there tests of impact on SMEs?	Does an exemption exist for SMEs?	Total [a]	Rank
Britain	3	3	3	3	3	3	3	3	3	3	0	9,1	1
Denmark	3	3	3	3	3	3	3	3	3	3	0	9,1	2
Poland	3	3	3	3	3	3	3	3	1	0	3	8,5	3
Latvia	3	3	3	3	3	3	3	3	0	3	0	8,2	4
Sweden	3	3	3	3	3	3	3	3	3	0	0	8,2	5
Finland	3	3	3	3	3	1	3	3	3	0	0	7,6	6
Austria	3	3	3	3	3	0	3	3	3	0	0	7,3	7
Netherlands	3	3	0	3	3	3	0	0	3	1	3	6,7	8
Hungary	3	1	3	0	0	3	1	1	3	3	3	6,4	9
Luxembourg	3	0	3	3	0	3	3	3	0	0	3	6,4	10
Germany	3	0	0	0	3	3	3	3	0	0	0	4,5	11
Italy	1	3	0	1	3	1	1	0	3	1	0	4,2	12
Estonia	0	0	3	3	3	0	0	0	0	0	3	3,6	13
Lithuania	0	3	3	3	3	0	0	0	0	0	0	3,6	14
Spain	3	1	3	3	1	1	0	0	0	0	0	3,6	15
Malta	3	0	0	0	0	1	0	0	3	0	3	3,0	16
Belgium	1	0	1	0	1	1	0	1	1	1	1	2,4	17
Czech Rep	3	0	0	3	0	0	0	0	0	1	0	2,1	18
Ireland	3	0	0	1	1	0	1	1	0	0	0	2,1	19
Greece	1	1	0	0	0	0	3	0	0	0	0	1,5	20
Slovenia	3	0	0	0	0	0	0	0	0	0	0	0,9	21
Slovakia	0	0	0	0	0	0	0	0	1	0	0	0,3	22
Cyprus	0	0	0	0	0	0	0	0	0	0	0	0,0	23
France	0	0	0	0	0	0	0	0	0	0	0	0,0	24
Portugal	0	0	0	0	0	0	0	0	0	0	0	0,0	25
EC15	2,1	1,4	1,1	1,3	2,2	1,8	1,7	1,5	1,4	0,8	0,2	4,7	--
EC25	2,1	1,5	1,1	1,4	2,1	1,8	1,7	1,5	1,4	0,8	0,3	4,7	--

Source: European Commission, Communication COM(2005) 97 final, March 2005. Note [a]: Total 1 divided by 33 (maximal indicator) and multiplied by 10.

Table 6. Summary rankings

EC15/25 member	PMR indicators (see Table 1)	Assistance to farmers (see Table 2)	Votes on antidumping [a]	RIA indicators (see Table 5)
Britain	1	21	1	1
Denmark	2	9	1	2
Ireland	3	24	1	19
Sweden	4	20	1	5
Finland	5	22	1	6
Netherlands	6	8	1	8
Austria	7	15	9	7
Germany	8	18	1	11
Belgium	9	12	10	17
Slovakia	10	10	--	22
Portugal	11	3	12	25
Spain	12	4	12	15
France	13	16	11	24
Czech Rep.	14	13	--	18
Greece	15	2	12	20
Italy	16	6	12	12
Hungary	17	5	--	9
Poland	18	7	--	3
Malta	--	1	--	16
Estonia	--	11	--	13
Slovenia	--	14	--	21
Latvia	--	17	--	4
Lithuania	--	19	--	14
Luxembourg	--	23	8	10
Cyprus	--	--	--	23

Source [a] Evenett and Vermulst, 2004. The Politicisation of EC Anti-dumping Policy.