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The member states' net financial position vis-à-vis the EU budget: what has changed since the enlargement?

BY SÁNDOR RICHTER

What is the 'net financial position'?

In the broadest approach the net financial position of an EU member state is the difference between the country's contribution to and its transfers from the EU budget in a given year. In practice, the actual net financial position of a particular member state is a question of the definition and methodology chosen. Depending on the selected methodology, not less than thirty to forty perfectly defensible definitions for budgetary balances can be constructed.[1]

Currently the European Commission calculates the so-called operating budgetary balances, which are the difference between the operating expenditures allocated to each member state (less the administrative expenditures) and the adjusted national contribution of each member state.[2] The national contribution does not include the traditional own resources as they are considered as pure EU revenue resulting from the customs union and the Common Agricultural Policy (CAP). In this article the term 'net financial position' will always be used as equivalent for 'operating budgetary balances' as defined by the European Commission.

The facts

The latest available operative balances (net financial positions) data are from the year 2006 (see Tables 1 and 2), while the developments in this field in the last ten years are presented in Table 3 and 4.

[1] Technical Annex, Financing of the European Union, Commission report on the operation of the own resources system, European Commission COM(2004) 505 final Volume II, Brussels 2007, Annex 3, p. 5.

[2] 'Adjusted' here means that national contributions are adjusted to equal total EU operating allocated expenditure, so that net balances sum up to zero. (Allocation of 2005 EU expenditure by member states, European Commission, September 2006, p. 137.)

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Table 1

Net financial positions of the EU member states in 2006

	Net payer countries			Net beneficiaries	
	EUR million	in % of GNI		EUR million	in % of GNI
Netherlands	-2,589	-0.47	Greece	5,102	2.68
Sweden	-857	-0.28	Lithuania	585	2.52
Germany	-6,331	-0.27	Malta	101	2.09
Belgium	-711	-0.23	Latvia	255	1.63
Denmark	-506	-0.23	Portugal	2,291	1.54
France	-3.018	-0.17	Estonia	176	1.40
Finland	-242	-0.14	Hungary	1.115	1.35
Austria	-302	-0.12	Poland	2,997	1.16
Italy	-1,736	-0.12	Slovakia	323	0.76
Luxembourg	-30	-0.11	Cyprus	102	0.73
UK	-2,144	-0.11	Ireland	1,080	0.71
			Slovenia	143	0.49
			Spain	3,809	0.40
			Czech R.	386	0.36

Source: EU Budget 2006, Financial Report Annex 5, EU Commission 2007.

Table 2

Per capita net financial positions of the EU member states in 2006

Net payer countries	EUR per capita	Net beneficiaries	EUR per capita
Netherlands	-158	Greece	458
Sweden	-94	Ireland	253
Denmark	-93	Malta	249
Germany	-77	Portugal	216
Belgium	-67	Lithuania	172
Luxembourg	-65	Cyprus	133
France	-48	Estonia	131
Finland	-46	Latvia	112
Austria	-36	Hungary	111
UK	-35	Spain	86
Italy	-30	Poland	79
		Slovenia	71
		Slovakia	60
		Czech R.	38

Source: EU Budget 2006, Financial Report Annex 5, EU Commission 2007, own calculations.

In 2006, the third year of the EU's enlargement from 15 to 25 members, there were 11 net payer member states and 14 net beneficiary member states vis-à-vis the EU budget (Table 1). The relatively (compared to its Gross National Income, GNI) most important net payer member state was the Netherlands with a net financial position equalling nearly half a per cent of its GNI, while on the other extreme we find Luxembourg and the UK with a net financial position amounting to hardly more than one tenth of a per cent of their GNI. In absolute terms Germany's contribution to the EU budget was the highest, at EUR 6.3 billion. Taking the *per capita* net financial positions, the ranking of

the net payer member states is similar but not identical to that measured in absolute terms (Table 2). The Netherlands have the lead, followed by Sweden with a considerable lag (41% less per capita net contribution). In the ranking from Sweden downwards the differences across the individual member states' net financial positions are smaller, but still considerable. At the bottom of the ranking we find Italy's per capita net contribution to the EU budget (EUR 30) – more than five times less than that of the Netherlands on the top (EUR 158).

The individual net beneficiaries receive much more from the EU budget in terms of their GNI than the net contribution of the individual net payers in the same terms. Only Spain and the Czech Republic, the two countries positioned at the bottom of the net beneficiary member states' ranking, received less in relative terms compared to the Netherlands' net *contribution* to the EU budget in 2006.

Also among the net beneficiaries, the differences across member states are substantial. The top beneficiary Greece, with net transfers amounting to 2.68% of its GNI, received seven times more than the last positioned Czech Republic (Table 1). Of the 14 net beneficiary countries, two enjoyed net transfers amounting to more than 2.5% of their GNI, five between 1% and 2%, and six less than 1% of their GNI. The differences in *per capita* net transfers between the best and worst positioned countries, Greece and the Czech Republic, are astounding: in 2006 the former received 12 times more than the latter (EUR 458 against EUR 38, see Table 2). Greece's lead over second placed Ireland was even larger than the Netherlands' lead over Sweden in the group of net payer countries.

Historical data over the past ten years provide another perspective (see Table 3). In those ten years two important changes took place with an impact on net financial positions: First, the decision to reduce the contribution of four member states (Austria, Germany, the Netherlands, Sweden) to the financing of the UK rebate to 25% of the level that would have been the case if each member state had contributed to the financing of the EU budget proportionally to its GDP/GNI; second, the enlargement of the EU by ten new member states, all being net beneficiaries of the cross member state redistribution. This latter effect appeared only step by step as the new members have had to go through a phasing-in process, lifting their receipts only gradually.[3]

Despite the enlargement in 2004 the same 11 countries remained net payers over the whole period, i.e. none of the pre-enlargement beneficiaries changed over to the club of net payers following the enlargement. An overview of the net financial position of these 11 net payers in the period 1997-2006 allows for distinguishing between four groups.

The group of *major* net payers consists of the Netherlands, Sweden, Germany and Austria. In 1997-2006 these countries delivered a net contribution to the EU budget amounting to an average 0.35% of their respective GNI, with the highest relative contribution made by the Netherlands (0.44%) and the lowest by Austria (0.22%). The time series indicate a gradual decrease of these member states' burden, which was the highest on average in 1997 (0.46%) and the lowest in 2006 (0.29% of their GNI). The year 2002, when these member states received a 'rebate' on financing the UK rebate, was a milestone indeed, with significantly less negative net financial positions compared to those in the pre-2002 period. Of the four member states concerned, Austria certainly benefited the most from the changing rules of the game, enjoying a reduction of its burden by nearly three quarters as compared to 1997. The difference between Austria's best and worst years in that period amounted to 0.32 percentage points relative to its GNI.

The second group (*minor* net payer member states) includes Denmark, France, Finland and Italy. The net financial position of these member states was distinctly better compared to the major net payers. In the period 1997-2001, each of these countries recorded for at least one year a

[3] In the field of structural expenditures up to 2006, in direct payments for farmers up to 2013.

Table 3

Net financial position of various groups of net payer member states, 1997-2006

(in % of GNI)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	average 1997-2006
Major net payers											
Netherlands	-0.32	-0.43	-0.47	-0.36	-0.50	-0.46	-0.40	-0.40	-0.52	-0.47	-0.44
Sweden	-0.52	-0.36	-0.38	-0.41	-0.40	-0.29	-0.35	-0.38	-0.30	-0.28	-0.37
Germany	-0.56	-0.42	-0.43	-0.40	-0.33	-0.23	-0.35	-0.32	-0.27	-0.27	-0.36
Austria	-0.44	-0.34	-0.32	-0.21	-0.26	-0.10	-0.15	-0.16	-0.11	-0.12	-0.22
Average	*-0.46*	*-0.39*	*-0.40*	*-0.35*	*-0.37*	*-0.27*	*-0.31*	*-0.32*	*-0.30*	*-0.29*	*-0.35*
Minor net payers											
Denmark	0.08	0.00	0.07	0.14	-0.13	-0.09	-0.12	-0.11	-0.13	-0.23	-0.05
France	-0.11	-0.07	0.00	-0.05	-0.13	-0.14	-0.12	-0.18	-0.17	-0.17	-0.11
Finland	0.03	-0.09	-0.16	0.21	-0.11	0.00	-0.02	-0.05	-0.05	-0.14	-0.04
Italy	-0.03	-0.13	-0.07	0.10	-0.16	-0.23	-0.06	-0.21	-0.16	-0.12	-0.11
Average	*-0.01*	*-0.07*	*-0.04*	*0.10*	*-0.13*	*-0.12*	*-0.08*	*-0.14*	*-0.13*	*-0.16*	*-0.08*
Net payers with high incomes from administrative expenditures											
Belgium	-0.19	-0.18	-0.14	-0.13	-0.28	-0.19	-0.28	-0.18	-0.20	-0.23	*-0.20*
Luxembourg	-0.35	-0.48	-0.48	-0.28	-0.70	-0.23	-0.28	-0.42	-0.36	-0.11	*-0.37*
Net payer with rebate											
UK	0.01	-0.26	-0.20	-0.19	0.06	-0.15	-0.14	-0.16	-0.08	-0.11	*-0.12*

Source: EU Budget 2006, Financial Report Annex 5, EU Commission 2007 and own calculations.

'surplus' vis-à-vis the EU budget. While Italy and France showed on average twice as high 'deficits' as Finland and Denmark, the group's average net position was equal to -0.08% of GNI in 1997-2006. This is only one fourth of the group average of the major net payers (-0.35%). Even the country with the relatively lowest 'deficit' (-0.22% of GNI) in the major net payer group, Austria, had a net financial position twice as bad as the two countries with the highest 'deficit' (-0.11% of GNI) in the group of minor net payers (France and Italy). Though the difference in the relative burden in financing the EU budget remained considerable over the whole period, it decreased to a spectacular extent as can be seen by comparing the first and the last year of the period concerned.

The third group of net payer member states consists of two countries, Luxembourg and Belgium. On the right of their net financial positions (-0.37% and -0.20% period average, respectively) they should clearly be positioned in the group of major net payers. Luxembourg even set the record negative net financial position with -0.70% of its GNI in the year 2001. The reason why these two member states are to be treated separately is that both countries are host to important EU institutions which involve huge expenditures from the EU budget allocated to these countries under the heading administration. Transfers to Belgium under the heading administration amount to 1% of that country's GNI, in the much smaller Luxembourg this contribution was not less than 4.27% of GNI. It is clear that the methodology of the net financial positions excludes administration from eligible expenditures[4] but the fact that they enjoy considerable financial inflows under that heading puts these two member states in a completely different (much weaker) negotiating position than the one achieved by the major net payers.

Finally we have a fourth 'group' with one member only. The United Kingdom, with a net financial position averaging -0.12% of its GNI in 1997-2006,

[4] Expenditures for operational costs of EU institutions are transferred to the host countries, but only a part of these costs (e.g. wages) will really be spent there.

would fit into the group of minor net payers, however, the low indicator is only thanks to the special rebate which returns about two thirds of the original UK 'deficit' vis-à-vis the EU budget. Without that rebate, financed by the other member states, the UK's financial position would be in the range of -0.36%, very close to the average of the major net payer group. Certainly, without the rebate the major net payers' financial position would be better than now when they co-finance, even if to a reduced extent, the UK rebate. In turn the UK net position would be above the group average, close to or even higher than that of the Netherlands.

To what extent do the proportions of the net financial positions reflect the proportions of the member states' economic strength? Tables 4 and 5 compare the distribution of GNI by member states and of the operational balances (net financial positions) separately in the group of net payers and net beneficiaries in 2003 and 2006.

In 2003 Germany and the Netherlands contributed much more to financing the cross member state redistribution in the EU than would have been justified on the basis of their share in the net payer member states' aggregate GNI only (see Table 4). On the other hand, Italy, France and the UK had a much lower burden in the financing of the EU budget than would have been the case if these contributions reflected the relative economic strength (GNI) of the two countries in the EU.

In 2006 two of the eleven net payer member states contributed to the EU budget well above their relative economic strength (see Table 5). One was Germany, just as in 2003. The other was the Netherlands, which found itself in an extreme position by 2006. In that year the Netherlands participated with 14% in the net payers' total net contributions to the EU budget while having a share of only less than 6% in total GNI of this group of countries. The deviation of Germany's GNI from

Table 4

Net financial position of member states and its relation to GNI, 2003

	Operational balance, share in GNI	**GNI**	**GNI distribution**	**Operational balance**	**Operational balance distribution**	**Deviation of GNI from operational balance shares**
	in %	EUR mn	in %	EUR mn	in %	in % points
			A		B	A-B
Net payer MS						
Netherlands	-0.40	482,368.0	5.80	- 1942.2	11.36	**- 5.56**
Sweden	-0.35	272,043.4	3.27	- 945.6	5.53	**- 2.26**
Germany	-0.35	2,145,770.0	25.79	- 7605.4	44.48	**- 18.69**
Belgium	-0.28	278,446.2	3.35	- 779.7	4.56	**- 1.21**
Luxembourg	-0.28	20,710.4	0.25	- 57.2	0.33	**- 0.09**
Austria	-0.15	224,213.2	2.69	- 330.9	1.94	**0.76**
UK	-0.14	1,637,217.3	19.68	- 2364.9	13.83	**5.84**
Denmark	-0.12	187,347.1	2.25	- 220.0	1.29	**0.96**
France	-0.12	1,604,682.0	19.28	- 1976.1	11.56	**7.73**
Italy	-0.06	1,324,398.6	15.92	- 849.8	4.97	**10.95**
Finland	-0.02	143,880.0	1.73	- 26.7	0.16	**1.57**
Total		*8,321,076.1*	*100.00*	*- 17,098.6*	*100.00*	
Net beneficiary MS						
Portugal	2.55	136,255.9	11.53	3,476.3	20.33	**- 8.80**
Greece	2.18	153,888.2	13.02	3,358.3	19.64	**- 6.62**
Ireland	1.32	118,522.0	10.03	1559.0	9.12	**0.91**
Spain	1.13	773,449.0	65.43	8704.9	50.91	**14.52**
Total		*1,182,115.1*	*100.00*	*17,098.6*	*100.00*	

Source: EU Budget 2006, Financial Report Annex 5, EU Commission 2007, p. 63. and own calculations.

Table 5

Net financial position of member states and its relation to GNI, 2006

	Operational balance, share in GNI	GNI	GNI distribution	Operational balance	Operational balance distribution	Deviation of GNI from operational balance shares
	in %	EUR mn	in %	EUR mn	in %	in % points
			A		B	A-B
Net payer MS						
Netherlands	-0.47	547,889.0	5.85	-2,589.2	14.02	**- 8.17**
Sweden	-0.28	307,477.6	3.29	-857.4	4.64	**- 1.36**
Germany	-0.27	2,318,830.0	24.78	-6,331.2	34.29	**- 9.51**
Belgium	-0.23	315,646.2	3.37	-710.9	3.85	**- 0.48**
Denmark	-0.23	222,583.3	2.38	-505.9	2.74	**- 0.36**
France	-0.17	1,799,872.2	19.23	-3,017.8	16.34	**2.89**
Finland	-0.14	168,641.0	1.80	-241.5	1.31	**0.49**
Austria	-0.12	253,851.8	2.71	-302.2	1.64	**1.08**
Italy	-0.12	1,471,384.3	15.72	-1,735.9	9.40	**6.32**
Luxembourg	-0.11	27,504.8	0.29	-30.2	0.16	**0.13**
UK	-0.11	1,924,153.3	20.56	-2,143.6	11.61	**8.95**
Total		9,357,833.4	100.00	-18,465.7	100.00	
Net beneficiary MS						
Greece	2.68	190,092.4	9.30	5,101.7	27.63	**- 18.32**
Lithuania	2.52	23,180.2	1.13	585.3	3.17	**- 2.03**
Malta	2.09	4,827.8	0.24	100.9	0.55	**- 0.31**
Latvia	1.63	15,721.4	0.77	255.5	1.38	**- 0.61**
Portugal	1.54	149,111.8	7.30	2,291.3	12.41	**- 5.11**
Estonia	1.40	12,569.5	0.62	176.4	0.96	**- 0.34**
Hungary	1.35	82,797.5	4.05	1,114.8	6.04	**- 1.98**
Poland	1.16	259,104.2	12.68	2,996.8	16.23	**- 3.55**
Slovakia	0.76	42,611.1	2.09	323.1	1.75	**0.34**
Cyprus	0.73	14,050.5	0.69	102.3	0.55	**0.13**
Ireland	0.71	151,407.9	7.41	1,080.1	5.85	**1.56**
Slovenia	0.49	29,376.2	1.44	142.7	0.77	**0.66**
Spain	0.40	960,842.0	47.03	3,808.8	20.63	**26.40**
Czech R.	0.36	107,477.0	5.26	385.9	2.09	**3.17**
Total		2,043,169.5	100.00	18,465.7	100.00	

Source: EU Budget 2006, Financial Report Annex 5, EU Commission 2007 p. 63 and own calculations.

its net financial position is roughly the same in percentage points as that of the Netherlands, but Germany, being a much larger economy than the Netherlands, has a somewhat less striking relation between its share in aggregate GNI (25%) and in the aggregate net financial position of the net payer countries (34%). In the group of net payers there were two countries with a substantial negative deviation, contributing to the EU budget less than justified by their economic strength. These were Italy and the UK, the latter participating with close to 21% of the aggregate GNI and only less than 12% of the aggregated net contributions of the net payer member states.

Deviations on the side of the net beneficiaries are easier to interpret. In 2003 we have only the four cohesion countries in the group of net beneficiaries: Greece and especially Portugal have a substantial positive deviation while Ireland and Spain received

less transfers than would have been justified merely on the basis of their relative economic strength (see Table 4).

In 2006 there is a completely new situation with 14 net beneficiary countries, of which 10 are new members in the process of 'phasing in' and also struggling with absorption problems (see Table 5). No wonder that the experienced 'old' cohesion countries Portugal and Greece still had a privileged position. The meanwhile successfully catching up Spain and particularly Ireland received relatively less transfers than their share in the aggregate GNI would have justified. Among the new member states Lithuania, Malta and Latvia managed to attain a share in the aggregate transfers for this group of member states that was twice as large than in the aggregate GNI of the same group. On the other extreme the Czech Republic's position was surprisingly weak.

Net redistribution in the EU

Approximately one per cent of the EU's GNI is redistributed through the EU budget. While each member state contributes to the budget roughly proportionately to its economic strength, is more diversified across member states. The reason for this is that allocation of expenditures takes place along individual, mutually independent EU policies (common agricultural policy, structural policy, etc.). Member states with serious regional problems or with a significant agricultural sector and a specialization supported by the CAP receive relatively more from the EU budget than member states at the same level of development without regional disparities or with a smaller agricultural sector and an output structure less eligible for CAP support. Still, each member state is the beneficiary of one or more expenditure programmes, therefore only part of the total finances flowing through the EU budget will be really redistributed from the group of net payers to the group of net beneficiaries. The net financial redistribution can be calculated as the sum of the net payer member states' contribution to the EU budget less the transfers these member states receive. This will be equal to the sum the net beneficiary member states receive in transfers minus what they contribute to the EU budget. From Tables 4 and 5 we can clearly see the subtotals for the group of net payers and beneficiaries, respectively. Table 6 summarizes the respective figures for 1997, 2003 and 2006 and provides the relative significance of these sums by comparing them with the EU's aggregate GNI in the years concerned. The figures in this table show that the *net* redistribution is only about a fifth of the *gross* redistribution. The 'price' of EU policies supported by redistribution has only been about one fifth of a per cent of the EU's aggregate GNI. The really interesting information, however, is that net redistribution has *diminished* in the past ten years (from 0.22% in 1997 to 0.16% in 2006) despite the fact that meanwhile the EU was going through an enlargement process bringing in ten new members, all of them joining the group of net beneficiary member states. The reason is that while the EU's GNI increased by 54% between 1997 and 2006, the value of net redistributed GNI grew by only 16%, both at current prices. However, this picture – favourable to the net payer member states – will change by the year 2013.

Table 6

Net redistribution in the EU through the budget in selected years

	1997	2003	2006
Total EU GNI, € million	7,388,285	9,503,191	11,401,003
Net redistributed GNI*	15,909	17,099	18,466
Total net redistribution in of the EU GNI %	0.22	0.18	0.16

Note: *Contributions of net payer member states to the EU budget less the transfers they received, that is equal with the transfers for net beneficiary member states fro the EU budget less their contributions to the EU budget.

Source: GNI: Eurostat, other data: EU Budget 2006, Financial Report Annex 5, EU Commission 2007 and own calculations.

Current status of the Doha Development Agenda (DDA) negotiations

BY OLGA PINDYUK

The Doha Round of WTO multilateral negotiations was launched in Doha, Qatar, in November 2001. The Doha Ministerial Declaration mandated negotiations among the WTO members to further progress in global trade liberalization in agriculture, non-agricultural market access (NAMA) and services, with the focus on addressing the needs and interests of the developing countries. The new questions introduced in the agenda as compared to the Uruguay Round were the so-called 'Singapore issues' – trade facilitation (improvements in customs, transit and border procedures), competition policy, investment, and transparency in government procurement. However, in 2004, the inability to make progress on many questions regarding the Singapore issues before the Cancún Ministerial Conference (mainly due to the opposition of developing countries to the launching of negotiations[1]) led to the decision to start negotiations only on further trade facilitation measures and drop three other issues.

The Doha Round has experienced a number of stalemate periods[2] when negotiations had to be suspended as the sides seemed not to be able to find a compromise on a number of issues, in particular on the degree of domestic support decline in agriculture[3] and the coefficients to be applied in the Swiss formula, which is agreed to be used for cuts in NAMA tariffs.

As the attempt to conclude the Doha Round in mid-2007 failed, then due to the US presidential election cycle, the next most likely completion date is 2010 or 2011 (since the Congress will probably have to approve an extension of Trade Promotion Authority for the new president).

Reasons for the impasse

The most distinctive features of the Doha Round which are considered to be important factors of its sluggish proceeding are the following:

(1) perceived low costs of suspension of the Doha Round as many countries are beneficiaries of PTAs – almost one half of the world's trade now flows between countries that have negotiated free trade agreements, and the growth of regional and bilateral trade agreements has intensified recently, driven by the US and the EU;

(2) non-economic goals of WTO membership, such as providing preferential treatment to the developing countries or protecting particular domestic income groups for the purposes of political power. The focus on development matters and agricultural trade reform is largely driven by political motivations, however, it may have made many exporters reluctant to participate in the negotiations as they did not see their interests being served, especially after dropping most of the Singapore issues from the negotiations. Now the WTO is perceived to have diminishing returns due to its messier and politically more controversial agenda;

(3) at the same time, the bipolar (US versus EU) structure of the WTO was replaced by a multipolar one (with much bigger importance of developing countries, in particular Brazil, China

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1 According to Evenett (2007a), developing countries repudiated negotiating on three of four blocks of Singapore Issues due to fears over their high implementation costs.

2 First big failure of the negotiations occurred in September 2003, when the Cancun Ministerial Conference was unable to come up with compromise on a text of the framework agreement. In the mid 2004 the key WTO ministers made a high-level commitment to push again for the conclusion of the framework package, however, due to the failure to make progress in the round, in July 2006, the WTO Director General decided to suspend negotiations. In January 2007 Ministers from 25 countries called for the full resumption of the Doha Round, but no major agreements have been concluded so far in any of the directions.

3 Agriculture has been the most difficult topic of the DDA, as the developing countries (G20 and also G99) regarded as inadequate the proposed extent of reductions in export and trade distorting domestic subsidies to the sector in the US and EU.

and India, participating in the G20 coalition). Many developing countries consider the Uruguay Round to have been a one-sided deal, and now wish to correct for this perceived inequity by demanding an element of transfer – not mutually beneficial concessions, which are often regarded as being too big by developed countries;

(4) these shifts in power within the WTO are complemented by flaws in organization and procedures of the negotiations. There are symptoms of 'UN-ization' of the WTO, as decision-making is crippled with near-universal membership. Besides, more trivial problems such as a small secretariat and a limited budget of the WTO contribute to the inefficiency of the negotiations.

How to conclude the DDA

1 Narrow or broad agenda?

Narrow agenda advocates

Most economists agree that failure to conclude the Doha Round would mean further proliferation of preferential trade agreements, which would increase the costs of doing trade (in particular, through complicated rules of origin), promote discrimination and not stimulate national trade reforms, and in the end will make the WTO virtually powerless. Thus, it is imperative to conclude the round, even, as some believe, in a formal way.

For example, according to Evenett (2007b), the most optimistic predictions concerning the conclusion of the Doha Round point to the adoption of a modest package of trade reforms, which will consolidate prior trade reforms; any watershed agreement is unlikely. According to Ostry (2006), even a small step in the direction of tackling the WTO's profound asymmetry with respect to developing countries and launching a new dialogue on trade and sustainable development should be considered a success regardless of the exact results of the negotiations.

Sally (2007) also argues that, in order to conclude the Doha Round, countries have to scale back ambitions and expectations by concentrating on a core trade-liberalization agenda and revive effective decision-making. The author proposes that a group of about 50 'adult' WTO members should explore ways of reviving negotiations on core market access (agriculture, NAMA and services) and rules (such as anti-dumping procedures and subsidies), and negotiated concessions should be extended to the rest of the WTO via the MFN clause. Negotiations on newer regulatory issues, such as the Singapore issues, could proceed among smaller groups of willing and like-minded members. Developing countries should be granted generous preferences so that they do not block negotiations

Francois (2007) goes so far as to propose the complete exclusion of agriculture from the negotiations, for the following reasons. First, the current set of agricultural policies in developed countries is anyway not sustainable in the medium run. Second, rising food prices, in particular driven by increased demand for bio-fuel, will, on the one hand, make it easier for the USA and the EU to reduce their price and income support programmes; on the other hand, it will make developing countries – which have been importing increasingly more agricultural products – more worried about dealing with higher imported food prices than about seeking market access for their agricultural export.[4]

In the NAMA sphere the author suggests to introduce zero manufacturing tariffs by the OECD on the MFN basis. In his opinion, this step would present a maximum concession to developing countries, eliminate entirely the need for rules of origin and greatly simplify administrative costs of foreign trade transactions. Besides, it would eliminate the negative consequences of recent

[4] This view is opposed by some economists, in particular, by Häberli (2007), who believes that domestic agriculture reforms are threatened by the lack of guidance from multilateral rules and disciplines.

multiple preferential trade agreements. As the most import protection against developing countries is imposed by developing countries rather than by developed ones, this solution, according to the author, would greatly simplify future talks on further trade liberalization by developing countries.

Broad agenda advocates

However, there are many economists in favour of a broad-based approach to liberalization which spans many areas and thus helps to create new opportunities to compensate for losses (Hoekman, 2007). There are several studies showing that the narrow agenda of the Doha Round (both in terms of the degree of liberalization and the scope of sectors covered) would bring very small gains to the WTO members, especially to developing countries, which could even suffer from net income losses.

Anderson and Martin (2007) show that gains from agricultural and NAMA reform under the Doha Round depend on the degree of liberalization achieved – the deeper the liberalization, the higher the gains[5] (also in the case of developing countries).

Kinnman and Lodefalk (2007) show that if some elements of the Doha Agenda are excluded from the simulations they make via GTAP, a few regional groups of countries turn out as losers in terms of net income. The biggest gains, according to their simulations, are derived from trade facilitation reform which significantly cuts costs of delay in trade, while agricultural reform brings much smaller benefits than trade facilitation and NAMA ones. The services trade reform can bring important gains only if more far-reaching commitments are made. Thus, their conclusion is that a broad-based round is key to boosting global or national income while avoiding or at least minimizing the risk of some countries turning out to be net losers.

Hoekman and Mattoo (2007) argue that services should by no means be neglected in the Doha Round, as the potential direct gains from a reform of services trade are likely to be at least as large as those from goods trade reform; moreover, services reform will make the OECD countries more willing to make concessions in agriculture and NAMA trade and enable developing countries to take advantage of the new opportunities that arise from goods trade liberalization.

Häberli (2007) thinks that only a ‘broad menu’ can lead to generally acceptable results in the Doha Round, therefore, in his opinion, it would be better for the round to take a pause, which could be used for re-tabling Singapore issues and reflecting on other issues with increasing importance (such as new multilateral rules for production and processing methods, labelling and international labour and environmental standards).

2 How to treat developing countries?

Do developing countries incur losses as a result of the DDA?

Several authors find that the prospective DDA will have mixed effects on developing countries. Bouet, Mevel and Orden (2007) use a multi-sector, multi-region CGEM to forecast the impact of trade liberalization on world real income, world prices, and distribution of gains among countries. Modelling results show that due to the heterogeneity of developing countries in terms of their own trade policies, the trade barriers they face, and their net agricultural positions, trade liberalization may benefit some of them, but have ambiguous effects on others, in particular on net food importing countries that may face declining terms of trade because of higher agricultural prices. Many developing countries may achieve the full benefits of trade only with substantial aid to their development.

[5] Gains from agricultural liberalization can be significantly reduced by the inclusion of “sensitive” and “special” product treatment. Granting special treatment even to 2% of tariff lines can reduce the global gains from agricultural reform by about 80% and completely eliminate the gains for developing countries.

The results of GTAP modelling by Kinnman and Lodefalk (2007) also show that some of the poor countries may not have the capacity to adjust to the new trade opportunities, and adjustment assistance as well as compensation for eroded preferences and losses of tariff revenues may be needed.

Laird (2006) argues that in general trade liberalization is beneficial for developing countries, though there may be adjustment costs, as well as potential losses from preferences erosion and a decline in tariff-based revenues associated with it.

Jensen (2007) studies the small African economies and claims they cannot reap gains in the WTO through reciprocity; moreover, in their case trade liberalization may lead to excessive harmonization, adjustment and implementation costs.

What should be the shape of aid to developing countries?

The major question is about the shape of the aid developing countries should receive. Though most economists are dissatisfied with the current shape and level of aid to developing countries, there exist different approaches regarding Special and Differential Treatment (SDT) and other forms of preferences to developing and least developed countries.

Jensen and Gibbon (2007) argue that the DDA does not address least developed (African) countries' trade problems, and SDT has to be more aggressive in promoting preferences to make these countries withstand negative consequences of trade liberalization.

Collier (2006) as well advocates increased special treatment to developing countries. He offers to (1) introduce an explicit, quantified, unreciprocated increase in market access for developing countries at the start of each trade round; (2) make the acceptance of plurilateralism and a core set of rules that applied to all the members a condition for an explicit transfer component in the WTO; (3) introduce an OECD-wide, time-bound preference for a defined group of currently undiversified, marginalized countries; and (4) permit developing countries to make tariff reductions which are applied to all developing countries, but not to developed countries.

By contrast, Häberli (2007) states that there is the big danger of an 'SDT trap' – the growing appetite by developing countries for bank cheques. The WTO, in his opinion, should focus on the real needs of developing countries, which implies differentiation between them. Besides, even unilateral concessions on the part of developed countries would not bring about an expansion of South-South trade, which is believed to yield the greatest potential benefits for development.

Hoekman (2007) argues that existing SDT provisions actually have turned out to be inefficient as they have not resulted in the desired export diversification. In order to attenuate the resistance to reform by those who now benefit from protection, in the author's opinion, adjustment costs need to be considered more explicitly in the process of multilateral negotiations. Still, the WTO has a major potential role to play in assisting governments to address the domestic reform agenda in low-income countries by helping to identify those needs and using its 'commitment and monitoring technologies' to mobilize both liberalization and assistance (not only technical assistance, but also aid for trade to bolster trade capacity in poor countries to facilitate adjustment).

Laird (2006) is as well sceptical about the efficiency of the current SDT. In his opinion, the success of trade liberalization in developing countries will largely depend on their ability to take advantage of market opportunities, which would require first of all building of infrastructure, both physical and institutional. This can only be achieved with the help of substantial financial flows that go beyond the remit of the WTO (for example, programmes of the World Bank and the IMF can be used, as well as the G8 initiative on debt forgiveness).

Conclusion

There exists consensus regarding the absolute necessity to conclude the Doha Round as its failure would mean the further proliferation of preferential trade agreements. However, its conclusion should not be reached at any cost. A formal conclusion of the round will most likely fail to yield large benefits and may even cause losses for developing countries. Sufficiently deep liberalization in agriculture and NAMA trade, and significant progress concerning reforms in services, trade facilitation and other Singapore issues are very important elements of the round which may make its consequences much more beneficial for the members, in particular developing countries. However, the major question is whether the political will of the WTO members and the organizational capacity will suffice to reach an agreement on these issues in the current round. The shape of special and differential treatment of developing countries is a key issue to solve in order to reach progress in the negotiations. Formal liberalization can only be accepted as an outcome when the threat of the round's failure becomes very high.

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The Reform Treaty: monetary and economic policies unaffected*

BY LEON PODKAMINER

Summary

The new treaty, should it become reality, is likely to include the monetary/economic policy provisions already present in the constitutional treaty. Moreover, it would not entail any changes to the *substance* of the present provisions (e.g. from the EC Treaty) and therefore would leave the tasks, mandate and legal status of the European Central Bank (ECB) unchanged. Finally, the new treaty is unlikely to substantially affect the actual conduct of monetary (and much of the overall economic) policy in the EU.

'Coordination' (of economic policies within the Union) is the term appearing quite regularly throughout the Constitution and the Draft Treaty presented to the Intergovernmental Conference (July 2007). It is gradually becoming a magical catchword, empty of concrete content. Coordination of truly vital policies (e.g. of the fiscal ones) still does not seem possible. Monetary policy of the Union is also left to itself. The Economic and Financial Committee (to consist of the representatives of the member states, the Commission and the ECB) is highly unlikely to bring about any coordination of monetary and fiscal policies. At best it will become a forum for voicing finance ministers' discontent with the ECB policy.

All in all, the Reform Treaty will leave the provisions on monetary/economic policies essentially unaffected. Of course, in practice things will be changing anyway. People (including decision makers) learn by doing. On that principle the policy of the ECB has been gradually improving (the Stability and Growth Pact has been modified etc.). There are however some limits to the improvements that can be achieved within the present institutional and legal arrangements. The major problems (or deficiencies) of the present system are unlikely to be tackled successfully without some radical changes in the way the Union functions (economically and therefore also on the political level). Specific problems that I have in mind relate to (1) destabilizing macro effects of a single monetary policy applied to countries that do not share a common business cycle; (2) the emergence of harmful 'beggar-thy-neighbour' practices (through real competitive devaluation based on inordinate suppression of domestic wages and demand in some euro countries); and (3) the absence of an authentic central bank for the euro area that would be capable of acting as a lender of last resort under a financial crisis of truly pan-European proportions.

The monetary policy provisions of the Reform Treaty: most likely not quite new

The *Draft Treaty amending the Treaty on European Union and The Treaty establishing the European Community (The Draft…),* presented to the Intergovernmental Conference (July 2007), does not seem to be much different *in substance* from the Treaties it is supposed to be amending – at least as far as the monetary (and economic) policy matters are concerned. (I am referring here particularly to points 82) through 102) of the *Draft*…, as well as to the *Specific Amendment 10)* appended in the *Protocols to the Draft…,* which proposes some fairly minor changes to the Statute of the ESCB and the ECB.) It may be noticed that the *Draft…* does not seem to differ much in substance also from the provisions on monetary and economic policy matters contained in the (failed) constitutional treaty (here I am referring primarily to Articles I-30, III-177 through III-202 (and also I-15) of the Constitutional Treaty).

Three conclusions follow: (1) the new treaty, should it become reality, is indeed likely to include the monetary/economic policy provisions already present in the constitutional treaty; (2) the new treaty, should it become reality, would not entail

* This text was written following a request from the European Parliament's Committee on Economic and Monetary Affairs (August 2007).

any changes to the *substance* of the present provisions (e.g. from the EC Treaty) and therefore would leave the tasks, mandate and legal status of the ECB unchanged[1]; (3) the new treaty, should it become reality, is unlikely to substantially affect the actual conduct of monetary (and much of the overall economic) policy in the EU.

Of course, the whole legislative effort, even if restricted to streamlining, updating, clarification etc. of the existing legislation (and of the existing practice – also when this is not quite consistent with the spirit of the existing legislation), is not useless. For instance, it is reassuring to learn that the constitutional treaty (as well as the Draft…) make it quite clear that the Governors of the central banks of the non-euro EU countries cannot sit on the Governing Council of the ECB, or that the 'Eurosystem' is to be officially recognized; or that it will *now* be constitutional for the Council of Ministers of the eurozone countries to make decisions on the basis of the votes of the member states of the eurozone (without the participation of the other member states) with regard to e.g. 'measures to strengthen the coordination and surveillance of budgetary discipline'.

Too much of unspecified 'coordination'

'Coordination' (of economic policies within the Union) is the term appearing quite regularly throughout the Constitution and the Draft… . 'Coordination As Such' is even given a separate Article (I-15) in the prominent Part I of the constitution. A (possibly incomplete) list of references to 'coordination' includes Article III-177 (which even demands 'close coordination'), Article III-179 (countries to contribute to the achievement of the Union's objectives through coordination), Article III-192 (to promote coordination an Economic and Financial Committee is to be set up), Article III-194 (the Council to adopt measures specific to the euro countries, with the aim of – among others – strengthening the coordination and surveillance of their budgetary discipline), Article III-199 (the ECB to strengthen coordination of the monetary policies of the non-euro member states), Article III-208 (encouraging coordination of labour market policies), Article III-213 (on coordination of social policy actions), and Article III-221 (requesting coordination of economic policies strengthening economic, social and territorial cohesion).

'Coordination' is slowly becoming a magical catchword – a close equivalent (or perhaps even a relative) of the term 'planning' which littered the constitutions of the defunct 'planned economies' of central and eastern Europe.[2] Of course, 'coordination', like 'planning', may be a good thing – provided it is technically feasible, and serves an uncontroversial purpose. Surely, there must be many specific economic policies that could perhaps be coordinated across countries – and across specific policy areas. However, it may still be rather unrealistic to expect any meaningful coordination of major, truly important policies – and of the fiscal policies in particular. What specific rules would guide coordination of fiscal policies of 27 or more sovereign national governments? Besides, even assuming unanimity on goals and uniformity of circumstances facing the individual countries, a meaningful coordination of fiscal policies of 27 countries would probably consume unimaginable resources. Or it would require a strong EU fiscal authority, with the national fiscal authorities becoming its regional departments. This is still out of the question. Fiscal policies are to remain the sole responsibility of the member states. It may be observed that the fiscal provisions of the Stability

[1] The ECB's corrections (fairly minor in my judgement) suggested, back in 2003, in its opinion on the draft constitution were largely accepted. Overall, the ECB seemed quite satisfied with the constitutional treaty – although (or perhaps because) that did not really attempt to change anything of substance (as far as monetary policy was concerned). Interestingly, the seemingly innocuous provision of the present Draft… (2007) making the ECB a European Institution has provoked an angry response from the ECB. In a letter to the Portuguese Presidency dated 2 August, Mr. Trichet expressed 'a strong view' that 'because of its specific institutional features, the ECB needs to be differentiated from the Union's institutions'.

[2] Ironically, the omnipresent planning under 'central planning' ended up in a total economic disorganization.

and Growth Pact apply to the fiscal policy of individual member states, without taking into account the fiscal developments in all other member states. Thus, the SGP is mute on *coordination* (or otherwise) of national fiscal policies. This is natural not only because the business cycles in individual countries (even within the eurozone itself) are still far from synchronized. Fiscal policies also differ because specific political and economic preferences are not the same across the member states. It should be observed here, that the Union's *own* fiscal policy cannot contribute to a coordination of fiscal policies (and actual fiscal developments) across the member states. The Union's budget is miniscule (in comparison to the national budgets). It is important for some (limited) redistribution of resources within the Union, and for the advancement of some specific goals of the Union. But the Union budget is not permitted to run deficits. Hence it cannot contribute to e.g. macro stability in the Union (and even less so in individual member states).

No concrete provisions on coordination of fiscal and monetary policies

The fact that fiscal policies in the Union (or even within the eurozone) are left uncoordinated may explain the absence of more specific provisions demanding coordination of the monetary policy (of the Union – i.e. of the ECB[3]) with the fiscal policies followed in the member states. The Union's monetary policy does not have a single fiscal counterpart. And it need not take into account the fiscal considerations of individual member states. Moreover, the ECB often claims that it *must not* take such considerations into account. As things stand now, the monetary policy has gained an upper hand in the overall economic policy making in the Union (or, rather, in the eurozone). The ECB makes use of its unique independence to take decisions to which the individual fiscal policies of the member states have to adjust. This arrangement is inconsistent with what is believed to be necessary for the optimal conduct of the macroeconomic policy – which is the *coordination* of fiscal and monetary policy. The inherent sub-optimality (to put it mildly) of the present arrangement will, almost certainly, be preserved in the future Reform Treaty. Things cannot be different unless a much stronger Union's fiscal authority is set up – or unless the ECB develops a truly *cooperative* relationships with the finance ministers of *individual* member states. Of course, the Treaty is unlikely to require the ECB to behave cooperatively in its dealings with the finance ministers. Rather, it will extend the existing provisions that guarantee the unique independence of the ECB.

But there is perhaps a growing uneasiness over this arrangement. This is testified by Article III-192 of the Constitution which establishes an 'Economic and Financial Committee' (to consist of representatives of the member states, the Commission *and* the ECB). The mandate of the Committee will be 'to promote coordination of the policies of the Member States'. I do not believe that this Committee will contribute, in the foreseeable future, to any meaningful coordination of economic policies in the Union. In particular, given the economic doctrines popular among the central bankers generally (and at the ECB in particular), the Committee is highly unlikely to bring about any coordination of monetary policy (of the ECB) with the (national) fiscal policies. At best the Committee may become a forum for voicing the finance ministers' discontent with the ECB policy (and for the ECB lecturing its partners on the advantages of flexible labour markets, balanced budgets, low taxes etc.).

Some fundamental problems remain

The ECB monetary policy has been gradually improving. Opinions of politicians (e.g. EU

[3] There is another complication here. Although the ECB runs, according to the Letter, the monetary policy of the entire Union, in reality it does not do so. The ECB may be expected to 'strengthen coordination' of the monetary policies of the non-euro member states, but it has no right to meddle in the policies of The Bank of England, Sveriges Riksbank, Narodowy Bank Polski, etc. Thus, within the whole Union there are still many monetary policies that in actual fact remain uncoordinated.

Parliament Members[4]) have already had some (delayed) impacts on the conduct of the ECB policy. For instance, the notorious 'monetary pillar' of the ECB policy seems to be losing importance, the definition of the inflationary objective ('inflation rate close to but below 2% over the medium run') is currently somewhat less ambiguous than it was initially. Further improvements may be expected, especially as concerns e.g. the definition of the ECB strategy, some operational practices, transparency, communication, accountability – possibly also the nature of the ECB independence. Progress to be made in these areas does not – in most instances – seem to require substantial revisions of the existing treaties.

There are, however, some more fundamental problems with the current system that may need, in my opinion, to be somehow addressed (preferably sooner rather than later). Workable solutions to these problems (if found – and generally approved) would then require rather radical changes in the way the Union functions economically (and therefore also on the political level). No doubt these changes would necessitate a rather different legislative framework. In what follows I briefly outline three problems I consider the most important.

1. A single nominal ECB interest rate implies different real rates across the euro area

The principle of one single policy interest rate for the whole of the eurozone has proved to be destabilizing macroeconomically for individual member states. The ECB interest rate has had radically different consequences throughout the eurozone. While in low-inflation countries (such as Germany) the ECB rate has – in the past – implied quite high real market interest rates, in higher-inflation countries (such as Spain or Ireland) that same ECB rate implies low (or even negative) real market interest rates. The perverse consequence of this is that the same monetary policy which is actually too restrictive in low-inflation (and hence usually also low-growth) countries, is at the same time too lax in higher-inflation (and quite often high-growth) countries. Thus, the present ECB mechanism actually amplifies rather than reduces cyclical fluctuations in individual member states. In practice the 'one-size-fits-all' principle tends to read 'one size does not fit anyone'. There is no guarantee that the business cycles in individual member states will become synchronized in a reasonably short perspective (or ever).

2. Common currency does not preclude 'beggar-thy-neighbour' practices

With the common currency no member of the euro area can resort to 'nominal competitive devaluation' of its own currency vs. the currencies of other member states. (This was certainly an important consideration (e.g. for Germany) when the euro was designed.) However, it has become apparent that some countries can – and do – engage in '*real* competitive devaluation' which does genuine harm to their euro area partners. The trick behind the policy of 'real competitive devaluation' is to suppress the legitimate growth in domestic wages (i.e. growth that would be broadly consistent with rising labour productivity). Suppression of wages (which is facilitated by high unemployment, attempts at cutting public sector spending and also restrictive monetary policy) brings about gains in unit labour costs – especially versus the countries which do not suppress the legitimate growth of their domestic wages. Germany is the prime example of a country indulging in such a real competitive devaluation. In *real terms* the German exchange rate (deflated with unit labour costs) has been devalued very strongly against that of, say, Italy or Portugal.[5] For Germany two consequences follow: (1) the suppressed domestic wages restrict growth in domestic consumption and demand, thereby adding to the tensions on its labour market; (2) the already gigantic trade surpluses rise further[6]. A trading partner thus out-competed by Germany registers rising trade (and current account) deficits and consequently overall stagnation/high

4 Supported by their humble experts.

5 Specifically, by 19% and 23% respectively, over the period 1999-2005.

6 Germany's trade *surplus* vs. the euro area rose to about EUR 100 billion by 2005 (twice the 1999 level).

unemployment, with no obvious way out of the situation.[7] All in all, at present there is no prohibition of the 'beggar-thy-neighbour' policies, whereby some countries can try to push their own unemployment on to their euro area partners. But the fear is that the resulting disequilibria can release centrifugal forces that may threaten to tear the euro area apart. Clearly, something must be done to prevent the members of the euro area (and of the Union as well) from potentially destructive, aggressive, real competitive devaluation practices.[8]

3. A genuine Central Bank for the euro area is missing

Unlike the national central banks (also of the euro area countries), the ECB does not actually issue money. This is the prerogative of the national central banks of the euro area. Moreover, unlike the national central banks, the ECB it is not backed by any fiscal authority. Thus the ECB does not have the Lender-of-Last-Resort capability which may be essential for the *management* of systemic financial crises of truly pan-European proportions. In the euro area the financial crisis management arrangements boil down to the provisions stipulating for voluntary cross-border cooperation between the central banks, payment systems, finance ministries, deposit-guarantee schemes, EU committees etc. The first fiddle in the crisis management is still played by the national central banks (in tandem with their finance ministers) of the countries likely to suffer most. The recent financial crisis ignited by the sub-prime mortgage crisis and the bursting of the house price bubble (in the USA) is actively dealt with primarily by Deutsche Bundesbank and Banque de France – the two countries whose banks had exposed themselves to too much risk.[9] The potential weakness of the present arrangement may be hard to neutralize without *some* centralization of the EU crisis management. As emergency lending (or the potentiality of extending such lending) is essential to crisis management, an EU institution (ECB?) to be involved in the actual crisis management would have to be in a position to act – within some limits at least – as the Lender-of-Last-Resort. For that, it would need to have sufficiently deep pockets (Treasury backing) and/or have the unrestricted right to issue money itself. In any case, that institution would acquire attributes of an authentic central bank which the current ECB lacks.

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[7] One way for such a partner would be to counteract the German policy by massive cuts in its *nominal* wages. But it is hard to imagine the levels of unemployment and overall misery that would be necessary to restore, that way, the parity with the German unit labour costs. The second, equally nasty solution, would be to re-introduce an own currency whose value could then be freely adjusted vs. the (German) euro. There is – in theory at least – a third way: to induce Germany to allow its labour force earn wages that would be more in line with its productivity. Or, to encourage the Germans to consume much more rather that to generate, at the expense of others, excessively high savings.

[8] One cannot mind countries' gaining competitiveness through innovation, rising efficiency etc. But one is right to mind rising net exports of e.g. China – knowing full well that these exports represent repressed wages and living standards of the Chinese workers.

[9] The media reporting notwithstanding, the hundreds of billions of euros of the emergency assistance that have flown into the European banking system could not have come from the ECB (whose own capital is about EUR 5 billion).

wiiw Industrial Database Eastern Europe

The database was set up to assist wiiw researchers in their analysis of industrial restructuring and changing patterns of specialization of the Central, East and Southeast European countries, based on wiiw's longstanding expertise in the field. It allows for a comparison of key economic variables across countries and individual industries over time. The classification system used is consistent with that of the European Union, i.e., the data of all countries are comparable among each other and also directly comparable to those of the old member states of the EU.

Because of the fairly disaggregated level, extensive comparability, the long time span and the wide range of indicators covered, this database is a unique and easily accessible source of information for industrialists, financial investors, researchers and politicians interested in the region.

Content and coverage

The database contains nearly 11,000 annual time series on industry in Central, East and Southeast European countries. The 13 countries currently covered include 10 New EU Member States: Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia (i.e., excluding Malta and Cyprus), one EU candidate country: Croatia, as well as Russia and Ukraine. Most data relate to the period 1989-2006 and are arranged according to **NACE rev. 1** sections of industry and 14 subsections of manufacturing (C, D, E; DA, DB ... DN). For Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovenia we provide even more disaggregated data of manufacturing at the level of NACE rev. 1 divisions (15, 16...37) comprising 23 industries which are identical to industries at the 2-digit level of the **ISIC rev. 3** code. Twenty-six economic indicators are covered, focusing on production, employment, wages, productivity and foreign trade.

Sources of information

Industry data are taken from national statistical sources. The exact sources used are given in notes to the respective tables. Particular attention is given to the comparability and consistency of the data across countries and over time. Published data may be supplemented by additional information obtained from the national statistical offices and adjusted accordingly. Also, several 'derived' indicators such as growth rates, productivity, unit labour costs, trade balances etc. were calculated by wiiw statisticians.

Availability and updating of the database

The wiiw Industrial Database Eastern Europe is available for external users on CD-ROM. The database is updated *and* revised regularly in June each year. Revisions may go back several periods. The next update is scheduled for June 2008.

For further details and modes of acquisition, please see our homepage:
www.wiiw.ac.at > statistics > wiiw Industrial Database Eastern Europe.

The following tables are extracted from the wiiw Industrial Database Eastern Europe, providing examples of the wide range of its applicability.

Table 1

Production growth (constant prices), year 2006
Annual changes in %

	Bulgaria	Croatia	Czech Republic	Estonia	Hungary	Latvia 2005	Lithuania	Poland	Romania	Russia 2005	Slovak Republic	Slovenia	Ukraine
D Manufacturing	**9.5**	**4.5**	**10.5**	**8.3**	**11.0**	**6.5**	**8.7**	**13.5**	**7.8**	**5.7**	**12.2**	**7.6**	**6.3**
DA Food products; beverages and tobacco	9.6	4.0	0.5	6.3	0.8	5.0	11.6	6.9	13.5	4.4	-0.5	-2.3	10.0
DB Textiles and textile products	14.6	-9.5	-1.6	1.5	-4.1	8.5	5.4	5.1	-10.7	-1.5	17.4	-2.9	-4.8
DC Leather and leather products	24.2	29.8	6.2	-12.5	38.8	3.0	7.4	5.0	2.3	-2.7	-1.7	5.4	10.3
DD Wood and wood products	16.6	6.8	13.3	5.7	2.0	2.6	6.5	7.2	8.2	4.5	10.5	4.9	13.9
DE Pulp, paper & paper products; publishing & printing	-5.1	7.4	-0.1	11.9	1.7	12.4	11.0	6.5	-0.4	1.2	6.1	3.8	10.3
DF Coke, refined petroleum products & nuclear fuel	-5.0	-12.8	2.5	.	-1.8	.	14.0	11.2	-3.5	5.4	-3.3	-16.7	-12.1
DG Chemicals, chemical products and man-made fibres	1.1	-6.6	-1.0	5.3	4.0	13.7	33.9	11.0	14.0	2.6	6.5	13.1	0.9
DH Rubber and plastic products	3.0	-2.5	14.6	32.5	12.4	19.7	18.0	14.2	1.0	5.5	9.6	7.2	11.1
DI Other non-metallic mineral products	16.4	10.4	2.2	16.6	6.4	24.3	33.4	19.4	11.8	3.5	8.4	7.5	12.8
DJ Basic metals and fabricated metal products	11.1	6.0	8.8	18.5	12.1	12.4	25.7	16.7	3.8	5.7	16.1	12.3	8.9
DK Machinery and equipment n.e.c.	12.6	26.9	18.0	1.1	20.1	4.2	7.9	13.8	-0.1	-0.1	23.4	8.9	2.9
DL Electrical and optical equipment	7.7	0.6	16.3	12.4	13.4	5.8	-4.9	25.5	7.3	20.7	12.6	15.8	10.7
DM Transport equipment	23.0	1.0	20.6	-7.3	25.7	4.2	30.5	19.9	19.8	6.0	23.4	-3.8	19.1
DN Manufacturing n.e.c.	25.4	11.5	7.6	1.6	11.3	0.4	22.8	12.0	17.8	0.7	7.0	1.6	-17.0

Czech Republic: Enterprises with 20 employees or more.
Estonia: Code DN includes DF.
Hungary: Enterprises with more than 5 employees.
Latvia: Code DA excludes tobacco (16); code DJ exculdes basic metals (27); code DL excudes office, accounting, computing machinery (30), medical, precision, optical instruments, watches and clocks (33), code DN includes DF, 16, 27, 30, 33.
Lithuania: Code DA excludes tobacco (16).
Poland: Sold production.
Slovak Republic: Enterprises with 20 employees or more.

Source: wiiw Industrial Database Eastern Europe.

Table 2

Production structure (current prices), year 2006

Manufacturing=100

	Bulgaria	Croatia	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Russia	Slovak Republic	Slovenia	Ukraine
		2005		2005		2005			2005	2005		2005	
D Manufacturing	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
DA Food products; beverages and tobacco	17.0	22.4	9.3	16.3	10.9	24.3	17.6	19.6	18.9	16.7	7.6	9.8	19.5
DB Textiles and textile products	8.4	4.1	2.2	7.2	1.7	6.2	7.3	2.8	6.6	1.1	1.6	6.6	0.9
DC Leather and leather products	0.8	1.3	0.2	0.5	0.4	0.1	0.2	0.5	1.9	0.2	1.1	2.1	0.4
DD Wood and wood products	2.0	2.0	2.0	16.7	0.9	22.6	5.6	3.3	5.0	1.6	1.2	2.7	0.9
DE Pulp, paper & paper products; publishing & printing	3.4	7.8	3.7	6.3	3.2	6.7	3.5	5.4	2.8	3.6	4.1	6.3	2.6
DF Coke, refined petroleum products & nuclear fuel	14.0	17.5	2.8	.	6.8	.	30.4	5.8	14.9	16.2	9.3	.	12.1
DG Chemicals, chemical products and man-made fibres	5.5	8.9	5.6	5.4	7.4	3.0	6.6	7.0	5.9	7.6	4.2	11.8	6.6
DH Rubber and plastic products	2.8	2.3	6.6	4.0	3.7	3.4	4.5	5.9	3.1	2.2	4.3	5.3	2.1
DI Other non-metallic mineral products	5.9	6.3	4.7	5.7	2.5	4.8	4.1	4.9	3.9	4.8	3.4	3.7	4.5
DJ Basic metals and fabricated metal products	21.8	6.8	14.9	10.3	8.5	5.1	3.9	12.9	15.6	21.4	14.7	15.2	32.0
DK Machinery and equipment n.e.c.	6.8	3.0	9.0	3.5	5.5	3.1	2.5	6.2	3.8	5.4	7.3	11.9	5.3
DL Electrical and optical equipment	4.7	8.5	15.3	10.9	29.5	2.9	5.2	8.0	4.8	5.1	16.0	8.8	3.2
DM Transport equipment	1.8	6.4	20.5	4.7	17.8	3.7	2.8	12.6	8.2	9.4	22.6	11.9	8.4
DN Manufacturing n.e.c.	5.1	2.8	3.4	8.6	1.1	14.1	5.9	5.1	4.5	4.6	2.7	4.0	1.5

Croatia: Industrial sales.
Czech Republic: Enterprises with 20 employees or more. Industrial sales.
Estonia: Code DN includes DF.
Hungary: Enterprises with more than 5 employees, NACE rev.1.1.
Latvia: Code DA excludes tobacco (16); code DJ exculdes basic metals (27); code DL excudes office, accounting, computing machinery (30), medical, precision, optical instruments, watches and clocks (33), code DN includes DF, 16, 27, 30, 33.
Lithuania: Sold production. Code DA excludes tobacco (16).
Poland: Sold production, current basic prices.
Russia: DN partly estimated by wiiw.
Slovak Republic: Enterprises with 20 employees or more. Industrial sales.
Slovenia: PRODCOM methodology has changed. Enterprises registered in DF are no longer covered.

Source: wiiw Industrial Database Eastern Europe.

Table 3

Number of employees, year 2006
Thousand persons

	Bulgaria	Croatia	Czech Republic	Estonia 2005	Hungary	Latvia 2005	Lithuania 2005	Poland	Romania	Russia 2005	Slovak Republic	Slovenia	Ukraine
D Manufacturing	**611.5**	**248.4**	**1046.0**	**127.5**	**675.6**	**157.8**	**223.5**	**2327.2**	**1423.0**	**9511.0**	**367.7**	**220.2**	**2774.9**
DA Food products; beverages and tobacco	108.1	45.0	106.0	17.1	104.5	32.5	46.6	428.8	184.0	1447.0	35.9	17.5	541.7
DB Textiles and textile products	167.9	29.8	61.0	20.9	49.7	21.7	44.4	216.6	320.0	495.0	35.8	19.2	144.4
DC Leather and leather products	19.1	7.3	8.0	1.8	12.6	0.6	1.7	30.5	90.0	70.0	13.9	5.3	27.9
DD Wood and wood products	17.9	12.0	27.0	18.1	19.3	31.9	24.1	115.5	62.0	358.0	9.0	10.2	72.5
DE Pulp, paper & paper products; publishing & printing	24.6	17.8	41.0	7.7	38.2	11.1	10.8	120.4	37.0	393.0	15.8	14.1	127.6
DF Coke, refined petroleum products & nuclear fuel	4.7	3.8	3.0	.	6.3	.	3.4	15.0	12.0	136.0	3.1	0.1	48.4
DG Chemicals, chemical products and man-made fibres	24.0	11.9	37.0	2.8	30.1	3.9	5.0	101.8	49.0	563.0	11.5	12.5	146.1
DH Rubber and plastic products	19.9	7.2	72.0	4.4	37.3	4.2	7.4	138.8	39.0	257.0	17.1	13.6	78.6
DI Other non-metallic mineral products	25.9	14.8	64.0	5.4	23.5	5.6	9.5	126.2	57.0	649.0	19.3	9.9	180.8
DJ Basic metals and fabricated metal products	56.9	30.0	166.0	11.9	75.2	8.8	14.2	301.7	140.0	1220.0	52.5	39.6	482.3
DK Machinery and equipment n.e.c.	65.3	13.2	135.0	5.1	61.4	7.4	8.7	185.3	102.0	1205.0	41.1	25.7	364.1
DL Electrical and optical equipment	33.0	19.8	150.0	13.9	135.0	4.3	17.3	172.3	110.0	887.0	62.3	27.1	203.4
DM Transport equipment	13.8	22.4	124.0	4.9	57.4	6.9	7.1	184.3	117.0	1201.0	35.2	11.4	253.3
DN Manufacturing n.e.c.	30.3	13.3	52.0	13.4	25.0	19.1	22.9	190.0	104.0	631.0	15.3	14.1	103.8

Czech Republic: Enterprises with 20 employees or more.
Estonia: Code DN includes DF.
Hungary: Enterprises with more than 5 employees, NACE rev.1.1.
Latvia: Code DA excludes tobacco (16); code DJ exculdes basic metals (27); code DL excudes office, accounting, computing machinery (30), medical, precision, optical instruments, watches and clocks (33), code DN includes DF, 16, 27, 30, 33.
Lithuania: Full time equivalent.
Russia: DN partly estimated by wiiw.
Slovak Republic: Enterprises with 20 employees or more.
Slovenia: New methodology, data from Statistical Register of Employment, before from Monthly Report on Earnings.

Source: wiiw Industrial Database Eastern Europe.

Table 4

Average monthly gross wages, year 2006
EUR

	Bulgaria	Croatia	Czech Republic	Estonia 2005	Hungary	Latvia 2005	Lithuania 2005	Poland	Romania	Russia 2005	Slovak Republic	Slovenia	Ukraine
D Manufacturing	**164.2**	**819.8**	**666.2**	**481.0**	**604.7**	**311.6**	**342.9**	**577.4**	**270.7**	**239.1**	**540.5**	**1052.2**	**179.5**
DA Food products; beverages and tobacco	167.5	893.7	610.6	484.3	523.7	305.5	318.6	529.0	245.3	207.4	477.2	1021.3	155.6
DB Textiles and textile products	116.2	463.6	450.2	348.5	358.1	238.2	266.5	359.1	189.0	113.2	313.4	737.7	102.0
DC Leather and leather products	104.1	443.0	437.1	337.4	356.9	204.0	270.5	361.3	189.0	133.3	330.6	763.6	109.1
DD Wood and wood products	128.5	518.4	553.6	512.1	371.7	254.1	259.2	410.8	186.1	167.4	345.9	859.7	138.7
DE Pulp, paper & paper products; publishing & printing	179.3	985.2	741.8	751.9	642.9	413.3	401.2	729.6	283.8	267.4	636.7	1230.3	201.3
DF Coke, refined petroleum products & nuclear fuel	587.3	1320.3	991.6	.	1764.4	347.0	.	1268.2	642.9	550.8	1240.1	1290.2	267.9
DG Chemicals, chemical products and man-made fibres	244.1	1161.2	795.0	611.5	981.9	401.1	562.2	870.9	432.1	281.9	662.0	1682.5	199.0
DH Rubber and plastic products	132.6	686.2	646.7	514.7	586.1	323.4	368.1	569.9	269.3	195.3	597.9	1039.2	161.0
DI Other non-metallic mineral products	192.8	880.8	705.9	702.6	633.0	347.0	391.6	600.0	311.5	224.9	579.8	1043.0	168.4
DJ Basic metals and fabricated metal products	214.4	690.9	674.2	545.3	577.2	334.2	350.1	602.9	341.4	291.4	671.9	1059.6	246.2
DK Machinery and equipment n.e.c.	190.8	812.4	700.3	573.0	597.6	321.4	387.2	660.7	314.9	237.9	567.5	1086.1	168.6
DL Electrical and optical equipment	175.1	1191.2	660.6	510.1	625.3	357.8	388.1	658.3	308.2	233.4	464.7	1056.4	150.3
DM Transport equipment	238.5	946.4	789.1	596.2	766.8	325.9	480.2	700.0	376.2	266.3	691.9	1102.1	178.2
DN Manufacturing n.e.c.	122.0	576.6	542.2	448.1	398.0	.	324.1	441.3	210.0	181.4	504.4	864.2	133.5

Czech Republic: Enterprises with 20 employees or more.
Estonia: Enterprises with 50 employees and more. Code DG includes DF.
Hungary: Enterprises with more than 5 employees, NACE rev.1.1.
Latvia: Code DA excludes tobacco (16); code DJ exculdes basic metals (27); code DL excudes office, accounting, computing machinery (30), medical, precision, optical instruments, watches and clocks (33).
Lithuania: Code DA excludes tobacco (16).
Poland: Including mandatory premium for social security.
Slovak Republic: Enterprises with 20 employees or more.
Slovenia: Legal persons with 1 or 2 employees in private sector are taken into account.

Source: wiiw Industrial Database Eastern Europe.

Table 5

Wage growth (nominal, EUR), year 2006
Annual changes in %

	Bulgaria	Croatia	Czech Republic	Estonia 2005	Hungary	Latvia 2005	Lithuania 2005	Poland	Romania	Russia 2005	Slovak Republic	Slovenia	Ukraine
D Manufacturing	**11.5**	**8.8**	**11.1**	**12.4**	**1.9**	**11.8**	**9.1**	**9.4**	**18.3**	**25.1**	**10.8**	**5.5**	**26.7**
DA Food products; beverages and tobacco	13.2	4.6	8.6	10.2	-1.0	5.9	8.2	8.7	16.5	22.4	12.4	3.4	27.4
DB Textiles and textile products	11.0	5.7	11.1	5.5	6.0	8.0	6.8	9.1	12.8	20.8	10.2	5.5	24.5
DC Leather and leather products	12.2	8.6	12.5	4.6	1.0	7.8	4.0	9.9	14.7	26.5	9.0	4.7	26.0
DD Wood and wood products	12.1	8.2	11.7	13.1	1.2	0.4	16.9	9.6	19.2	29.9	0.4	7.1	25.3
DE Pulp, paper & paper products; publishing & printing	8.7	6.6	11.4	6.5	1.4	12.4	0.4	8.1	16.4	20.0	10.3	4.2	28.9
DF Coke, refined petroleum products & nuclear fuel	23.8	11.2	7.9	.	7.5	7.7	.	10.2	18.4	43.7	-22.0	2.9	16.4
DG Chemicals, chemical products and man-made fibres	10.6	11.4	9.7	9.8	0.6	6.7	11.9	6.8	25.4	31.4	16.1	2.4	25.6
DH Rubber and plastic products	7.6	8.4	8.5	6.5	-1.1	10.3	16.6	8.6	20.7	17.4	12.7	5.7	26.4
DI Other non-metallic mineral products	12.9	7.5	11.4	12.6	0.7	8.5	11.4	9.5	16.9	25.4	13.6	6.1	30.5
DJ Basic metals and fabricated metal products	11.7	10.1	10.1	8.4	3.5	15.4	14.3	11.5	16.8	13.5	11.8	6.3	22.2
DK Machinery and equipment n.e.c.	10.0	12.1	12.6	13.2	-0.4	11.2	9.4	9.8	16.4	30.8	12.6	6.3	29.5
DL Electrical and optical equipment	8.2	13.0	11.6	8.6	0.7	16.1	3.1	7.5	16.0	30.0	9.2	3.9	30.2
DM Transport equipment	11.1	8.4	11.5	12.9	0.3	15.0	13.9	9.4	18.7	21.8	8.1	6.1	31.8
DN Manufacturing n.e.c.	8.6	8.3	9.7	10.4	4.6	.	10.2	10.0	16.5	25.4	16.4	4.9	21.1

Czech Republic: Enterprises with 20 employees or more.
Estonia: Enterprises with 50 employees and more. Code DG includes DF.
Hungary: Enterprises with more than 5 employees, NACE rev.1.1.
Latvia: Code DA excludes tobacco (16); code DJ exculdes basic metals (27); code DL excudes office, accounting, computing machinery (30), medical, precision, optical instruments, watches and clocks (33).
Lithuania: Code DA excludes tobacco (16).
Poland: Including mandatory premium for social security.
Slovak Republic: Enterprises with 20 employees or more.
Slovenia: Legal persons with 1 or 2 employees in private sector are taken into account.

Source: wiiw Industrial Database Eastern Europe.

Table 6

Labour productivity, year 2006
Annual changes in %

	Bulgaria	Croatia	Czech Republic	Estonia 2005	Hungary	Latvia 2005	Lithuania 2005	Poland	Romania	Russia 2005	Slovak Republic	Slovenia	Ukraine
D Manufacturing	**8.6**	**2.4**	**10.9**	**11.5**	**13.1**	**4.3**	**7.3**	**10.2**	**8.0**	**10.2**	**12.5**	**9.4**	**7.9**
DA Food products; beverages and tobacco	6.8	2.2	7.1	7.8	6.9	3.0	2.7	5.7	3.7	11.3	2.8	5.0	10.0
DB Textiles and textile products	15.4	-4.4	8.1	1.5	16.5	11.8	2.7	9.3	-9.0	10.6	24.6	10.2	7.1
DC Leather and leather products	22.9	25.3	6.2	3.4	41.4	12.7	23.0	10.9	5.7	12.6	0.7	11.4	12.3
DD Wood and wood products	17.4	3.5	13.3	12.3	4.5	-0.8	7.5	3.7	25.7	11.5	20.4	8.6	11.9
DE Pulp, paper & paper products; publishing & printing	-2.4	5.7	-0.1	3.8	6.2	7.5	-0.6	4.6	7.7	-4.7	0.6	6.1	5.6
DF Coke, refined petroleum products & nuclear fuel	18.1	-8.7	2.5	.	4.1	.	8.3	15.6	12.5	7.0	10.8	-19.5	-4.3
DG Chemicals, chemical products and man-made fibres	0.9	-9.5	1.7	14.0	6.1	16.4	10.6	8.9	14.0	0.2	9.0	13.5	4.1
DH Rubber and plastic products	0.0	-5.5	9.8	5.2	10.1	7.1	12.0	6.3	-4.2	-1.9	5.8	5.0	-1.8
DI Other non-metallic mineral products	16.0	9.8	5.4	16.0	14.3	10.0	26.4	19.0	17.7	7.6	14.1	10.5	14.4
DJ Basic metals and fabricated metal products	9.7	-2.6	6.8	19.5	10.2	3.8	13.5	9.0	5.3	4.7	22.5	7.6	7.5
DK Machinery and equipment n.e.c.	11.8	20.1	17.1	10.4	15.9	5.3	23.3	10.5	1.9	15.0	18.1	6.3	8.5
DL Electrical and optical equipment	2.1	-3.5	14.0	16.5	15.1	5.5	6.9	17.1	-4.4	23.1	12.5	18.3	12.2
DM Transport equipment	13.5	1.0	16.7	-2.1	9.2	5.0	23.0	12.6	15.7	6.5	6.3	-4.6	25.4
DN Manufacturing n.e.c.	24.4	7.0	11.7	11.6	12.0	-0.6	-0.2	7.4	23.4	8.5	6.3	5.3	-19.8

Czech Republic: Enterprises with 20 employees or more.
Estonia: Code DN includes DF.
Hungary: Enterprises with more than 5 employees, NACE rev.1.1.
Latvia: Code DA excludes tobacco (16); code DJ exculdes basic metals (27); code DL excudes office, accounting, computing machinery (30), medical, precision, optical instruments, watches and clocks (33), code DN includes DF, 16, 27, 30, 33.
Lithuania: Code DA excludes tobacco (16).
Slovak Republic: Enterprises with 20 employees or more.

Source: wiiw Industrial Database Eastern Europe.

Table 7

Unit labour costs (EUR adjusted), year 2006

Annual changes in %

	Bulgaria	Croatia	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Russia	Slovak Republic	Slovenia	Ukraine
				2005		2005	2005			2005			
D Manufacturing	**2.7**	**6.3**	**0.2**	**0.8**	**-9.9**	**7.2**	**1.7**	**-0.7**	**9.5**	**13.4**	**-1.5**	**-3.5**	**17.5**
DA Food products; beverages and tobacco	5.9	2.3	1.4	2.2	-7.4	2.8	5.4	2.8	12.4	10.1	9.4	-1.6	15.9
DB Textiles and textile products	-3.8	10.6	2.8	4.0	-9.0	-3.3	4.0	-0.2	23.9	9.1	-11.5	-4.3	16.3
DC Leather and leather products	-8.7	-13.3	5.9	1.1	-28.5	-4.4	-15.4	-0.9	8.5	12.3	8.2	-6.0	12.2
DD Wood and wood products	-4.5	4.5	-1.4	0.7	-3.2	1.1	8.7	5.8	-5.2	16.5	-16.6	-1.4	12.1
DE Pulp, paper & paper products; publishing & printing	11.4	0.9	11.5	2.6	-4.5	4.6	1.0	3.4	8.1	25.9	9.7	-1.8	22.0
DF Coke, refined petroleum products & nuclear fuel	4.8	21.9	5.2	.	3.3	.	.	-4.7	5.2	34.3	-29.6	27.8	21.6
DG Chemicals, chemical products and man-made fibres	9.5	23.1	7.9	.	-5.3	-8.4	1.3	-2.0	10.0	31.1	6.6	-9.7	20.7
DH Rubber and plastic products	7.6	14.7	-1.2	1.2	-10.2	3.1	4.1	2.2	26.0	19.7	6.6	0.6	28.6
DI Other non-metallic mineral products	-2.6	-2.1	5.7	-2.9	-12.0	-1.3	-11.9	-8.0	-0.7	16.5	-0.5	-4.0	14.1
DJ Basic metals and fabricated metal products	1.9	13.1	3.1	-9.3	-6.0	11.2	0.7	2.3	11.0	8.4	-8.7	-1.2	13.7
DK Machinery and equipment n.e.c.	-1.6	-6.7	-3.9	2.6	-14.1	5.6	-11.2	-0.7	14.3	13.8	-4.6	0.0	19.3
DL Electrical and optical equipment	6.0	17.0	-2.1	-6.8	-12.5	10.1	-3.5	-8.2	21.4	5.5	-2.9	-12.2	16.1
DM Transport equipment	-2.1	7.3	-4.5	15.3	-8.2	9.4	-7.4	-2.9	2.6	14.3	1.7	11.3	5.1
DN Manufacturing n.e.c.	-12.7	1.3	-1.8	-1.1	-6.6	.	10.4	2.4	-5.6	15.5	9.5	-0.4	51.1

Czech Republic: Enterprises with 20 employees or more.
Hungary: Enterprises with more than 5 employees, NACE rev.1.1.
Latvia: Code DA excludes tobacco (16); code DJ exculdes basic metals (27); code DL excudes office, accounting, computing machinery (30), medical, precision, optical instruments, watches and clocks (33).
Lithuania: Code DA excludes tobacco (16).
Poland: Wages including mandatory premium for social security.
Slovak Republic: Enterprises with 20 employees or more.

Source: wiiw Industrial Database Eastern Europe.

Table 8

Unit labour costs (PPP adjusted), year 2006
Austria=100

	Bulgaria	Croatia	Czech Republic	Estonia 2005	Hungary	Latvia 2005	Lithuania 2005	Poland	Romania	Russia 2005	Slovak Republic	Slovenia	Ukraine
D Manufacturing	**18.6**	**70.3**	**39.9**	**53.0**	**28.3**	**45.0**	**34.0**	**37.7**	**30.0**	**34.1**	**32.1**	**87.1**	**18.1**
DA Food products; beverages and tobacco	20.6	62.4	45.3	53.0	40.0	40.7	38.9	36.2	22.8	27.4	35.8	79.0	12.3
DB Textiles and textile products	32.0	151.5	51.0	68.5	64.1	60.2	44.5	61.5	70.3	54.4	77.5	130.7	41.3
DC Leather and leather products	41.0	126.2	89.6	147.2	82.3	107.1	98.1	69.3	92.1	68.6	74.3	143.4	22.5
DD Wood and wood products	21.4	116.5	52.1	56.2	63.2	40.0	49.8	45.4	18.7	57.2	35.5	144.7	27.0
DE Pulp, paper & paper products; publishing & printing	22.6	63.9	49.4	70.4	52.1	66.2	49.8	43.6	24.4	37.0	29.8	91.9	19.5
DF Coke, refined petroleum products & nuclear fuel	44.9	163.4	65.2	.	209.4	.	.	193.8	47.7	74.6	95.0	586.6	79.1
DG Chemicals, chemical products and man-made fibres	18.4	77.3	38.9	.	37.3	54.3	33.8	40.6	19.2	39.8	29.8	64.6	19.4
DH Rubber and plastic products	13.4	65.7	37.4	42.1	38.0	26.5	19.6	32.9	28.3	24.0	29.3	96.1	14.4
DI Other non-metallic mineral products	10.9	52.7	38.0	42.5	30.4	24.1	28.4	29.5	24.6	34.6	31.0	76.2	16.8
DJ Basic metals and fabricated metal products	11.4	96.7	43.5	47.4	36.9	49.4	50.8	38.6	21.9	28.8	30.5	96.6	15.3
DK Machinery and equipment n.e.c.	22.4	89.5	52.6	71.0	36.8	55.2	41.6	40.4	53.9	59.0	32.6	76.3	23.8
DL Electrical and optical equipment	17.1	76.0	25.8	42.7	13.4	36.2	30.3	28.5	51.5	43.7	39.9	74.5	19.6
DM Transport equipment	35.8	161.9	34.0	72.3	22.0	81.2	68.7	35.6	46.5	64.9	24.8	53.3	23.1
DN Manufacturing n.e.c.	17.1	60.9	42.4	55.0	52.2	.	44.6	38.5	34.7	28.2	28.1	88.9	19.3

Source: wiiw Industrial Database Eastern Europe.

Table 9

Exports to the EU-25, year 2006
EUR mn

	Bulgaria	Croatia	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Russia	Slovak Republic	Slovenia	Ukraine
D Manufacturing	**6022.9**	**4135.7**	**50858.3**	**5201.0**	**37080.8**	**4095.3**	**5364.0**	**54482.4**	**17031.2**	**41373.2**	**22282.9**	**9381.5**	**6817.8**
DA Food products; beverages and tobacco	307.1	426.5	1728.3	282.7	1498.8	289.6	634.9	4863.1	198.2	757.6	750.4	250.6	615.8
DB Textiles and textile products	1461.8	452.1	1832.2	342.3	1144.4	254.6	560.8	2055.7	4033.2	171.1	677.6	268.6	475.5
DC Leather and leather products	254.2	233.7	197.9	43.2	272.8	11.6	25.5	293.2	1565.1	160.4	418.5	107.2	180.9
DD Wood and wood products	91.0	242.9	727.5	481.2	257.9	709.7	285.4	1442.5	560.4	1364.8	382.7	189.2	277.3
DE Pulp, paper & paper products; publishing & printing	48.8	118.0	1240.4	100.1	586.8	61.6	62.2	1409.6	74.2	562.5	819.3	307.2	30.1
DF Coke, refined petroleum products & nuclear fuel	228.2	94.6	747.4	990.2	752.8	1298.9	1280.1	1426.4	354.3	19992.1	1653.1	6.2	518.4
DG Chemicals, chemical products and man-made fibres	295.1	375.1	3154.4	222.3	2523.4	226.4	578.6	3416.3	526.9	3223.6	1382.4	843.4	708.6
DH Rubber and plastic products	97.1	69.5	2413.2	140.9	1087.1	81.4	225.0	2586.7	567.4	135.1	1016.3	446.4	76.9
DI Other non-metallic mineral products	147.2	145.5	1245.5	97.8	404.8	54.7	81.9	1134.0	174.3	134.9	451.8	200.4	48.6
DJ Basic metals and fabricated metal products	1859.1	508.3	6551.9	437.7	2710.4	433.9	371.6	7920.3	2087.3	13286.5	3916.0	1622.1	3083.5
DK Machinery and equipment n.e.c.	468.5	367.2	6158.0	246.0	3260.3	121.0	148.4	4309.4	1487.9	303.6	1873.6	1365.7	164.7
DL Electrical and optical equipment	487.5	598.6	11941.8	1110.5	13114.2	210.8	530.9	7998.0	2929.6	374.6	4402.4	973.5	387.2
DM Transport equipment	91.2	254.3	11089.6	477.3	8796.5	201.5	181.9	11625.2	1418.6	340.0	3988.5	2165.8	139.3
DN Manufacturing n.e.c.	186.0	249.3	1830.4	228.9	670.6	139.6	396.8	4002.2	1053.8	566.4	550.1	635.2	111.0

Code DN excludes recycling.

Source: COMEXT

Table 10

Imports from the EU-25, year 2006
EUR mn

	Bulgaria	Croatia	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Russia	Slovak Republic	Slovenia	Ukraine
D Manufacturing	**8427.3**	**11230.2**	**51256.5**	**7893.5**	**37739.6**	**6807.1**	**7809.7**	**68490.9**	**26274.8**	**67714.4**	**23098.0**	**12433.2**	**16944.5**
DA Food products; beverages and tobacco	439.8	812.5	2480.7	554.7	1849.2	631.4	740.0	2997.1	1075.0	5008.0	1323.7	594.9	689.0
DB Textiles and textile products	1063.5	662.5	1915.9	397.7	1259.2	335.3	467.9	2834.9	2668.0	3430.2	853.8	532.7	1030.4
DC Leather and leather products	197.4	229.2	437.2	75.8	378.9	64.7	80.9	706.3	1097.8	902.4	282.1	172.8	250.3
DD Wood and wood products	79.4	187.2	397.2	124.1	359.6	95.9	142.2	635.5	281.3	522.6	266.1	169.2	172.7
DE Pulp, paper & paper products; publishing & printing	204.0	421.6	1655.8	199.3	1087.3	204.9	246.4	2512.1	607.5	2489.3	685.0	371.0	671.3
DF Coke, refined petroleum products & nuclear fuel	258.4	384.9	1554.4	620.3	699.5	365.8	106.4	2162.8	308.8	501.3	537.8	606.0	324.1
DG Chemicals, chemical products and man-made fibres	1024.1	1318.0	5364.7	714.1	3988.6	623.5	1150.9	9394.5	2612.4	9692.2	2166.7	1493.3	2242.4
DH Rubber and plastic products	371.7	489.2	2872.8	355.3	1705.6	286.7	432.3	3436.1	1388.1	2477.7	1264.0	516.8	853.9
DI Other non-metallic mineral products	184.6	309.0	1012.0	174.1	710.1	200.8	208.3	1127.6	533.2	1363.2	446.4	281.3	402.8
DJ Basic metals and fabricated metal products	756.1	1422.8	7861.3	701.1	4160.7	516.0	736.7	9609.7	2648.7	4173.5	3001.3	2179.7	1229.4
DK Machinery and equipment n.e.c.	1251.1	1504.6	5569.5	717.7	4367.6	771.9	960.4	8785.5	3785.6	13834.7	2419.0	1407.7	3333.6
DL Electrical and optical equipment	1176.9	1411.1	11959.9	1876.1	8930.8	1450.2	1244.3	13789.7	4032.4	12937.3	4632.6	1510.5	3084.9
DM Transport equipment	1255.7	1698.3	6962.7	1230.9	7602.1	1039.2	1103.9	9332.3	4690.5	8356.7	4570.4	2343.5	2243.9
DN Manufacturing n.e.c.	164.8	379.4	1212.2	152.3	640.2	220.9	189.2	1166.8	545.6	2025.3	649.1	253.7	415.8

Code DN excludes recycling.

Source: COMEXT

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