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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	19 December 2018
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	C(2018) 8872 final
Subject:	COMMISSION DELEGATED REGULATION (EU) .../... of 19.12.2018 amending Annex I to Regulation (EC) 184/2005 of the European Parliament and of the Council, as regards the geographical breakdown levels

Delegations will find attached document C(2018) 8872 final.

Encl.: C(2018) 8872 final



Brussels, 19.12.2018
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COMMISSION DELEGATED REGULATION (EU) .../...

of 19.12.2018

amending Annex I to Regulation (EC) 184/2005 of the European Parliament and of the Council, as regards the geographical breakdown levels

(Text with EEA relevance)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

The United Kingdom submitted on 29 March 2017 the notification of its intention to withdraw from the Union pursuant to Article 50 of the Treaty on European Union. This means that, if the Withdrawal Agreement¹ is not ratified, the Unions' primary and secondary law will cease to apply to the United Kingdom from 30 March 2019 ('the withdrawal date'). The United Kingdom will then become a third country.

Therefore, as of 30 March 2019, Community statistics concerning balance of payments, international trade in services and foreign direct investment have to reflect the United Kingdom as a third country, rather than a Member State.

The Commission Communication on 'Preparing for the withdrawal of the United Kingdom from the European Union on 30 March 2019: a Contingency Action Plan'² has set various preparedness measures, including the update of the composition of EU aggregates in the Community statistics concerning balance of payments, international trade in services and foreign direct investment.

The European Council (Article 50) reiterated its call, on 13 December 2018, for work on preparedness at all levels for the consequences of the United Kingdom's withdrawal to be intensified, taking into account all possible outcomes. This act is part of a package of measures which the Commission is adopting in response to this call.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

The Commission carried out consultations, including at expert level, during the preparatory work for this delegated act.

The parties consulted include the Commission Expert Group on Balance of Payments and the Expert Group National Statistical Institutes of the European Statistical System, who were consulted by written procedure in October and November 2018.

Both the European Parliament and the Council have been duly informed.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

The basis for this delegated act is the empowerment granted to the Commission in Article 2(3) of Regulation (EC) No 184/2005 of the European Parliament and of the Council of 12 January 2005 on Community statistics concerning balance of payments, international trade in services

¹ https://ec.europa.eu/commission/sites/beta-political/files/draft_withdrawal_agreement_0.pdf.

² COM(2018)880 final, 13.11.2018.

and foreign direct investment³ as amended by Regulation (EU) 2016/1013 of the European Parliament and of the Council of 8 June 2016⁴.

To prepare for the United Kingdom being a third country as of 30 March 2019, this delegated act updates Table 6 ‘Geographical breakdown levels’ of Annex I to Regulation (EC) 184/2005 as follows:

The United Kingdom is included as a separate counterpart country in column GEO 4⁵, which lays down the geographical breakdown level required for certain items of Member States’ data on:

- (a) Quarterly balance of payments and international investment position (table 2 of Annex I);
- (b) Activity breakdown of annual direct investment transactions (including income) and annual direct investment positions (tables 4.3 and 5.2 of Annex I).

The United Kingdom is moved under geographical aggregate ‘Other European Countries’ in columns GEO 5 and GEO 6, which lay down the geographical breakdown level required for certain items of Member States’ annual data on international trade in services, annual direct investment transactions (including income) and annual direct investment positions submitted to Eurostat.

The rationale for the proposed update is as follows:

Changes to geographical breakdown level GEO 4

Presently, the United Kingdom features in GEO 4 as one of the countries comprising counterpart area “Union Member States not in the Euro Area” for which the Commission (Eurostat) receives Member States’ data with an individual breakdown by country. Given the intense trade and economic relationship between the EU and the United Kingdom, it is essential to ensure the continuity of Member States’ submission of data with counterpart United Kingdom also after its withdrawal from the EU. The importance of balance of payments statistics in ensuring informed economic policymaking and accurate economic forecasting further strengthens this argument.

It is therefore necessary to update the geographical breakdown level GEO 4 set out in Table 6 of Annex I to Regulation (EC) No 184/2005 and to have the United Kingdom listed therein as a separate counterpart country.

Changes to geographical breakdown levels GEO 5 and GEO 6

³ OJ L 35, 8.2.2005, p. 23

⁴ Regulation (EU) 2016/1013 of the European Parliament and of the Council of 8 June 2016 amending Regulation (EC) No 184/2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment (, OJ L 171, 29.6.2016, p. 144–152)..

⁵ GEO 4 currently includes the following counterpart areas: Union Member States not in the Euro Area; Switzerland; Canada; United States; Brazil, Russia, India and China; Hong Kong; Japan; Intra Union; Extra Union; Intra Euro Area; Extra Euro Area; Union institutions (excluding ECB); European Investment Bank; offshore financial centres; international organisations (excluding Union institutions) and the IMF.

The United Kingdom is currently listed in GEO 5 and GEO 6 as a separate counterpart country under geographical aggregate 'Europe', together with all EU Member States.

The composition of aggregate 'Europe' consists of all EU Member States, the European Free Trade Association (EFTA) countries and other European countries. Aggregate 'Other European Countries' includes all European countries that are neither EU nor EFTA Member States.

With the United Kingdom expected to becoming a third country on 30 March 2019, its positioning in GEO 5 and GEO 6 needs to be changed accordingly. Counterpart country 'United Kingdom' is therefore moved under geographical aggregate 'Other European Countries'. The countries comprising this aggregate are listed in alphabetical order in English, hence the proposed re-positioning of the United Kingdom under Turkey in GEO 5 and under Ukraine in GEO 6.

This update neither affects the reporting burden nor modifies the applicable underlying conceptual framework.

The delegated act has no implications for the EU budget.

It concerns a matter relating to the European Economic Area, and its application should therefore extend to the European Economic Area.

COMMISSION DELEGATED REGULATION (EU) .../...

of 19.12.2018

amending Annex I to Regulation (EC) 184/2005 of the European Parliament and of the Council, as regards the geographical breakdown levels

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 184/2005 of the European Parliament and of the Council of 12 January 2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment⁶, and in particular Article 2(3) thereof,

Whereas:

- (1) On 29 March 2017, the United Kingdom submitted the notification of its intention to withdraw from the Union pursuant to Article 50 of the Treaty on European Union. The Treaties will cease to apply to the United Kingdom from the date of entry into force of a withdrawal agreement or failing that, two years after that notification, that is to say from 30 March 2019, unless the European Council, in agreement with the United Kingdom, unanimously decides to extend that period.
- (2) Regulation (EC) No 184/2005 establishes a common framework for the systematic production of Community statistics on balance of payments, international trade in services and foreign direct investment.
- (3) Member States are to submit to the Commission (Eurostat) data on balance of payments, international trade in services and foreign direct investment as referred to in Annex I to Regulation (EC) 184/2005. That Regulation defines, *inter alia*, the required levels of geographical breakdown of the data to be submitted by the Member States to the Commission (Eurostat).
- (4) Table 6 of Annex I to Regulation (EC) No 184/2005 contains implicit references to the United Kingdom in the counterpart area 'Union Member States not in the euro area' under geographical breakdown level GEO 4. Member States are required to submit data for that counterpart area to the Commission (Eurostat) with an individual breakdown by country.
- (5) The withdrawal of the United Kingdom from the Union would have the effect that the United Kingdom would become a third country and as such would no longer be part of the counterpart area 'Union Member States not in the euro area' of GEO 4. Member States would therefore no longer be legally bound to submit data for the counterpart area concerning the United Kingdom.

⁶ OJ L 35, 8.2.2005, p. 23.

- (6) GEO 4 sets out the geographical breakdown level required for certain items of quarterly statistics on balance of payments and international investment position and activity breakdown of annual direct investment positions and annual direct investment transactions and income.
- (7) European statistics concerning the balance of payments, international investment positions and foreign direct investment are of vital importance to ensuring informed economic policymaking and accurate economic forecasting. They are essential for those responsible for public policy in the Union, for research and Union citizens.
- (8) Given the intense trade and economic relations between the Union and the United Kingdom, it is essential to ensure continuity of Member States' submission of data with the United Kingdom as counterpart after its withdrawal from the Union.
- (9) Table 6 of Annex I to Regulation (EC) No 184/2005 also contains explicit references to the United Kingdom in geographical breakdown levels GEO 5 and GEO 6, where the United Kingdom is listed as a separate counterpart country under geographical aggregate 'Europe', together with all other Member States of the Union.
- (10) Aggregate 'Europe' in GEO 5 and GEO 6 is composed of all Member States, the Member States of the European Free Trade Association (EFTA) and other European states. Aggregate 'Other European Countries' consists of all European countries that are neither Members States of the Union nor EFTA Member States, listed in alphabetical order in English.
- (11) Due to the United Kingdom becoming a third country, its positioning in GEO 5 and GEO 6 needs to be changed accordingly.
- (12) Table 6 of Annex I to Regulation (EC) No 184/2005 should therefore be amended to include the United Kingdom as a separate counterpart country in geographical breakdown level GEO 4 and to change its positioning in geographical breakdown levels GEO 5 and GEO 6. Such update neither affects the reporting burden nor modifies the applicable underlying conceptual framework.
- (13) Taking into account the scrutiny period of three months applying to this delegated act and the necessity to have an updated Table 6 of Annex I to Regulation (EC) No 184/2005 in place and ready to be applied at the moment that the United Kingdom would cease to be in the counterpart area 'Union Member States not in the euro area', which could be as early as 30 March 2019, it is essential for this Regulation to enter into force as soon as possible,

HAS ADOPTED THIS REGULATION:

Article 1

Annex I to Regulation (EC) No 184/2005 is amended in accordance with the Annex to this Regulation.

Article 2

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

It shall apply from the day following that on which the United Kingdom ceases to be a Member State of the Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.
Done at Brussels, 19.12.2018

*For the Commission
The President
Jean-Claude JUNCKER*