



EUROPEAN COMMISSION

MEMO

Brussels, 3 December 2013

The EU's bilateral trade and investment agreements – where are we?

According to IMF estimates, over the next years, 90% of world demand will be generated outside the EU. That is why it is a key priority for the EU to open up more market opportunities for European business by negotiating new Free Trade Agreements with key countries. If we were to complete all our current free trade talks tomorrow, we could add 2.2% to the EU's GDP or €275 billion. This is equivalent of adding a country as big as Austria or Denmark to the EU economy. In terms of employment, these agreements could generate 2.2 million new jobs or additional 1% of the EU total workforce. Below is an overview of the most important on-going and concluded free trade negotiations.

On-going negotiations

United States of America – The Transatlantic Trade and Investment Partnership (TTIP) talks started with a round held on 8-12 July 2013 in Washington, D.C. Negotiating groups set out respective approaches and ambitions in twenty various areas that the TTIP is set to cover, including custom duties and technical standards for goods produced on both sides of Atlantic.

The second round, which took place from 11-15 November in Brussels, focused on trade rules and the [regulatory component of the TTIP](#) that will feed into a political review in January 2014 ([IP/13/1091](#)). Before the review takes place, the negotiators will meet again for a third round of talks during the week of 16 December in Washington D.C.

The initiative of a transatlantic agreement is based on the recommendations of the EU-US High Level Working Group on Jobs and Growth that steered the deliberations on the future EU-US relations since late 2011. According to an independent study by the Centre for Economic Policy Research, London, an ambitious and comprehensive trans-Atlantic trade and investment partnership could bring the EU [economic gains](#) of €119 billion a year once the agreement is fully implemented.

Agreement on investment with China – Investment negotiations were officially launched on the occasion of the EU-China Summit held in Beijing on 21 November 2013 ([IP/13/1099](#) and [MEMO/13/1012](#)). The first round of talks should take place at the end 2013 or early 2014. The Commission will negotiate on the basis of the mandate approved by the Council on 18 October ([MEMO/13/913](#)).

The current level of bilateral investment is way below what could be expected from two of the most important economic blocks on the planet. Just 2.1% of overall EU Foreign Direct Investment (FDI) is in China. The main purposes for these negotiations are the progressive abolition of restrictions on trade and foreign direct investment as well as promoting the overall objectives of EU policy in the world. The EU-China investment agreement will improve access to the Chinese market and provide EU investors in China a high level of investment protection in a single, coherent text.

Canada – On 18 October 2013, Commission President José Manuel Barroso and Canadian Prime Minister Stephen Harper reached a political agreement on the key elements of a Comprehensive Economic and Trade Agreement (CETA) ([IP/13/972](#)). It will be the first free trade agreement between the European Union and a G8 country. It will remove over 99% of tariffs between the two economies and create sizeable new market access opportunities in services and investment. Based on the political agreement, technical negotiations will have to be completed so as to finalise the legal text of the agreement.

In 2012 Canada was the EU's 12th most important trading partner whereas the EU is Canada's second-largest trading partner, after the United States. In 2012, the value of bilateral trade in goods between the EU and Canada was €61.8 billion. An economic study jointly released by the EU and Canada before the negotiations showed that a comprehensive trade agreement could increase their bilateral trade by another €25.7 billion.

Japan – The EU and Japan launched negotiations for a free trade agreement in April 2013 ([MEMO/13/348](#)) and have held so far three rounds of talks. The third round took place from 21-25 October in Brussels ([IP/13/998](#)) and progress in negotiations was discussed at the EU-Japan Summit in Tokyo on 19 November ([MEMO/13/1015](#)). The next round is scheduled for early 2014.

Japan is the EU's second biggest trading partner in Asia, after China. An FTA could increase EU GDP by 0.6% and boost EU exports to Japan by a third. 400,000 additional jobs are expected in the EU as a result of this deal.

The Commission is aware of concerns in some Member States and industry sectors, particularly as regards non-tariff barriers in Japan. This is exactly why the Commission agreed with Japan – even before potential negotiations started – that Europe could 'pull the plug' on negotiations after one year if Japan does not demonstrate that it is removing certain non-tariff barriers.

Association of Southeast Asian Nations (ASEAN) – The EU negotiates currently with four countries of the [ASEAN region](#). The negotiations for a Free Trade Agreement with **Singapore**, launched in 2010, were concluded successfully in December last year ([IP/12/1380](#)) and the agreement was initialed in Singapore on 20 September 2013 ([IP/13/849](#)). However, the talks on investment protection that started only after the Lisbon Treaty entered into force, giving the EU new competencies in this area, are still on-going. On 18 October, the Council adopted also a mandate which will allow the European Commission to start investment negotiations with other ASEAN countries ([MEMO/13/913](#)).

In the meantime, the negotiations for a Free Trade Agreement continue with **Malaysia** and **Vietnam**. The 5th round of FTA negotiations with Vietnam took place in Hanoi on 4-8 November 2013. The negotiations have entered a substantial phase and the sixth round of negotiations will take place in Brussels in the week of 13 January 2014. **Thailand** started bilateral negotiations with the EU only later, in March this year ([press release](#)). The third round of these talks will take place in Brussels during the week of 9 December.

The EU remains open to start negotiations with other ASEAN partners and hopes one day to integrate these deals into a global region-to-region trade agreement. As a whole, with €191 billion of trade in goods in 2012 and €51 billion services in 2011, ASEAN is today the EU's third largest trading partner outside Europe, after the US and China and well ahead of other partners.

Southern Mediterranean – The EU has completed so far two rounds of negotiations for a Deep and Comprehensive Free Trade Agreement (DCFTA) with Morocco and the third round of talks will take place in January 2014. The deal should strengthen EU-Morocco trade relations building upon existing agreements, including the Association Agreement of 2000 and the agreement on agricultural, processed agricultural and fisheries products of

2012. Morocco is the first Mediterranean country to negotiate a comprehensive trade agreement with the EU. The Commission has also a mandate to start a similar process with **Tunisia, Egypt and Jordan**.

India – Substantive progress has been achieved since the beginning of the negotiations in 2007. Now both sides need to go the final mile to put the package together. India combines a sizable and growing market of more than 1 billion people and is an important trading partner for the EU as well as an emerging global economic power.

Mercosur – Negotiations of an EU-Mercosur Association Agreement were launched in 2000, but suspended in 2004 due to substantial differences on the Trade part of the agreement. Negotiations were resumed in May 2010 ([IP/10/496](#)). Since then, nine negotiating rounds were held between the EU and Mercosur, which have focused on the trade rules rather than customs duty reductions.

At the EU-Mercosur trade ministerial meeting held in Santiago on 26 January 2013, the EU and Mercosur agreed to exchange offers on market access concessions for goods, services and government procurement not later than in the last quarter of 2013. Work related to preparation of the offers on both sides is on-going.

Gulf Cooperation Council – Negotiations for a free trade agreement were suspended by the Gulf Cooperation Council in 2008. Informal contacts between negotiators continue to take place.

African, Caribbean and Pacific countries (ACP) – Economic Partnership Agreements (EPAs) are trade and development partnerships between the EU and African, Caribbean and Pacific countries (ACP), based on the Cotonou Agreement concluded in 2000. The aim is to consolidate free access to the EU market for products from our ACP partners, foster trade-related cooperation and attract investment, in order to promote sustainable development.

The negotiations started in 2002 and have covered seven regional groups: West Africa, Central Africa, Eastern and Southern Africa (ESA), Eastern African Community (EAC), South African Development Community (SADC) EPA Group, the Caribbean (CARIFORUM) and the Pacific. The EU continues the talks with all of them except CARIFORUM that signed a full Economic Partnership Agreement already in 2008. The EU Negotiations are now entering a decisive phase in the Eastern African Community (EAC) and the Southern African Development Community (SADC) EPA Group. In the rest of Sub-Saharan Africa progress is uneven.

From 15 to 19 July 2013, EU Trade Commissioner Karel De Gucht traveled to four African countries: Kenya (part of the EAC) and Namibia, Botswana and South Africa (members of the SADC EPA Group) ([IP/13/686](#)). Commissioner De Gucht used this opportunity to discuss ways to strengthen trade and investment relations with the African regions, in particular through comprehensive trade and development partnerships under EPAs. Commissioner De Gucht returned to the region in November, visiting South Africa again, and then Cameroon (Central African region) and Côte d'Ivoire (Western Africa) ([IP/13/1057](#)).

The EU has twelve trade negotiations under way and several more trade and development negotiations (EPAs) ongoing.



Free Trade Agreements finished but not yet applied

Eastern Neighbourhood – The EU has recently concluded negotiations for a Deep and Comprehensive Free Trade Area (DCFTA) with [Moldova](#), [Armenia](#) and [Georgia](#). The DCFTAs are part of the Association Agreements with these three countries. The official [initialing](#) of the Association Agreements with Moldova and Georgia took place during the Eastern Partnership Summit on 29 November 2013 in Vilnius.

Given the decision taken by Armenia in the beginning of September to join the customs union of Russia, Belarus and Kazakhstan, the steps required for the agreement with this country to become effective are not pursued at this moment.

The EU is the main trading partner for each the three countries. In 2011 trade with the EU represented more than 50% of total trade flows for Moldova, 32% of overall trade for Armenia and 26% for Georgia. Once implemented, the DCFTAs would provide for a significantly improved mutual access for goods and services between the EU and its eastern neighbours. Furthermore, they will ensure an open, stable and predictable legal environment for the benefit of businesses and consumers on both sides.

Ukraine – The EU and Ukraine concluded the negotiations for a deep and comprehensive Free Trade Agreement (DCFTA) in December 2011. On 15 May 2013, the Commission adopted the proposals for Council decisions on the signing and provisional application of the EU-Ukraine Association Agreement, including its trade part ([IP/13/436](#)). Ukraine decided to suspend temporarily the preparations for signing but the EU offer is still on the table ([Presidents' statement](#)).

Singapore – The negotiations for a Free Trade Agreement (FTA) between the European Union and Singapore were concluded in December 2012 ([IP/12/1380](#)) and the agreement was initialed in Singapore on 20 September 2013 ([IP/13/849](#)). The procedures allowing the agreement to become effective are expected to be completed by late 2014.

This is the EU's second ambitious agreement with a key Asian trading partner, after the EU-Korea FTA, and the first with a member of the 10-country Association of Southeast Asian Nations (ASEAN). Once fully implemented, the deal will open up markets on both sides in a number of sectors.

Singapore is by far its largest EU trading partner in the South-East Asia, accounting for about a third of EU-ASEAN trade in goods and services, and for more than three-fifths of investment stocks between the two regions. Over 9000 EU companies have set up their regional hub in Singapore.

There are also five interim Economic Partnership Agreements with **African, Caribbean and Pacific States** that have been negotiated but have not yet entered into force. These are with Cote d'Ivoire, Central Africa (Cameroon), the Southern African Development Community, Ghana and the East African Community.

In total, the EU has finished negotiating ten trade agreements that have yet to enter into force.



Free Trade Agreements already in place

Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) - The Association Agreement between the European Union and Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) was approved by the European Parliament on 11 December 2012 ([IP/12/1353](#)). The trade provisions of the agreement apply with Honduras, Nicaragua and Panama since 1 August 2013 ([IP/13/758](#)), with Costa Rica and El Salvador since 1 October 2013 ([IP/13/881](#)) and with Guatemala since 1st December 2013 ([IP/13/1183](#)).

This agreement opens up markets on both sides, helping to establish a stable business and investment environment and foster integration between the EU and the whole of the Central America. The agreement is also meant to reinforce economic integration between the members of the Central American region.

The EU is Central America's second biggest trading partner. In 2012, the total trade flows in goods amounted to €14 billion, including almost €1.4 billion worth of trade with Honduras, €1.2 billion with Panama and €0.4 billion with Nicaragua. Benefits of the agreement will be particularly tangible for the Central America's economy that is expected to grow by over two and a half billion euros annually once the agreement applies to the entire region.

Colombia and Peru – The FTA with members of the Andean region, Colombia and Peru, has been provisionally applied with Peru since 1 March 2013 ([IP/13/173](#)) and with Colombia since 1 August 2013 ([IP/13/749](#)).

The EU is the second largest trading partner of the Andean region after the US. It is expected that, once fully implemented, the deal with both Andean partners will result in total tariff saving for European and Andean companies of more than €500 million per year. The improved, more stable conditions for trade and investment are expected to boost trade and investment between the two regions. The aim of the agreement between the EU, Colombia and Peru is also to foster regional integration. Therefore, the door is still open for the other Andean countries – Ecuador and Bolivia – to enter into the partnership.

South Korea – The EU-Korea Free Trade Agreement entered into force in July 2011. This has been the first of a new generation of free trade agreements that went further than ever before at lifting trade barriers and making it easier for European and Korean companies to do business together. As the FTA has lowered import tariffs for European products at the Korean border, EU exports to the peninsular country have grown strongly giving the EU a trade surplus with Korea for the first time in 15 years. Marking two years since the start of the implementation phase, the state of play was discussed, inter alia, on the occasion of the EU-South Korea Summit held in Brussels on 8 November ([IP/13/1046](#) and [MEMO/13/959](#)). On 11 November the parties initialled an Additional Protocol to the EU-Korea FTA to take into account the accession of Croatia to the EU.

Mexico - Since the entry into force in October 2000 of this comprehensive Free Trade Agreement, total bilateral trade has doubled, passing from €21.7 billion in 2000 to €47.1 billion in 2012. In the margins of the EU-CELAC¹ summit in Santiago in January 2013, the EU and Mexico agreed to explore the options for a modernisation of the EU-Mexico Agreement. The new talks should deepen the existing provisions but also cover areas not

¹ Community of Latin American and Caribbean States

included in the existing agreement, such as services, investment, public procurement, trade rules, etc. Following-up on the decision taken by Presidents Barroso and Peña Nieto in the summit, a Joint Working Group, tasked with a reflection on the modernisation of the agreement, met on 22-23 October 2013.

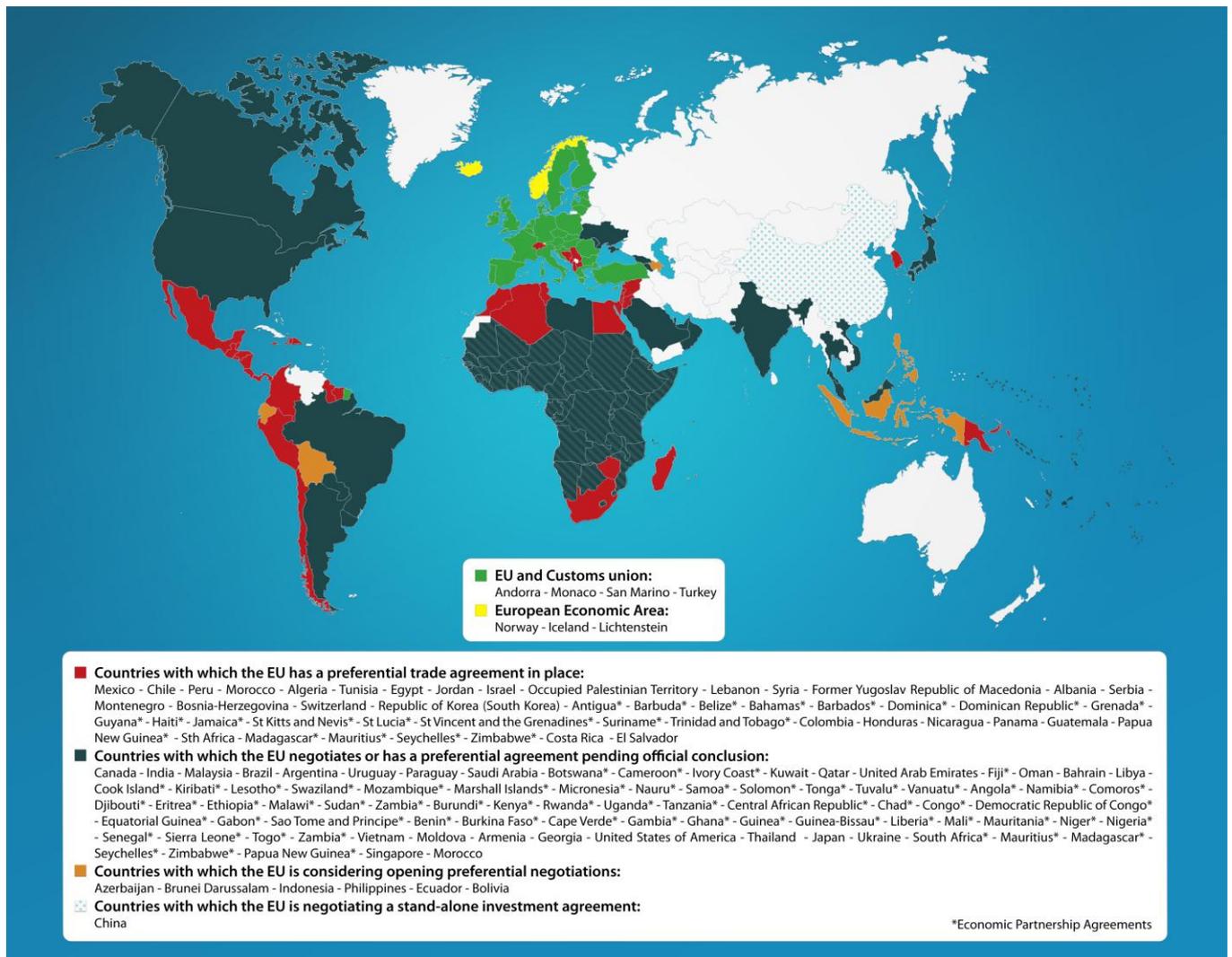
Economic Partnership Agreements are being implemented in with three regions: the Caribbean (fifteen CARIFORUM states), the Pacific (the only country currently applying is Papua New Guinea) and Eastern and Southern Africa (four ESA countries - Zimbabwe, Mauritius, Madagascar, the Seychelles).

South Africa - South Africa is the EU's largest trading partner in Africa. The Trade, Development and Co-operation Agreement, in force since 2000, established a free trade area that covers 90% of bilateral trade between the EU and South Africa. Liberalisation was completed by 2012. South Africa is now involved in further negotiations with the EU as part of the South African Development Community (SADC) EPA Group.

Chile - The EU and Chile concluded an Association Agreement in 2002, which included a comprehensive Free Trade Agreement that entered into force in February 2003. The EU-Chile Free Trade Agreement is broad and comprehensive and covers all the areas of EU-Chile trade relations. EU is Chile's second largest source of imports, after the USA. The EU is also Chile's third largest export market, after the recent rise of China as an important export market for the EU.

On top of these "classic" free trade deals, Free Trade Agreements are a core component of many Association Agreements as well as Customs Unions (Andorra, San Marino, Turkey). Hence the EU also has free trade deals in force with a number of countries and territories in Europe (Faroe Islands, Norway, Iceland, Switzerland, the former Yugoslav Republic of Macedonia, Albania, Montenegro, Bosnia and Herzegovina, Serbia) and the Southern Mediterranean (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia) and three with African, Caribbean and Pacific countries (Caribbean, Pacific and Eastern and Southern Africa). Trade provisions of the agreement with Syria are currently not applied.

The EU therefore has already in place trade agreements with some 50 partners.



For further information

[EU's bilateral free trade agreements](#)

[How do Free Trade Agreements work? Trade negotiations step by step \(factsheet\)](#)

[Transparency in EU trade negotiations](#)