



## First comprehensive implementation report of EU trade agreements

### Key facts

On 9 November 2017, the European Commission issued its first comprehensive [report](#) and a [Commission working document](#) on how the different EU trade agreements work in practice.

This new report is another step towards a fully transparent and inclusive trade policy, in line with commitments set out in the EU's 2015 'Trade for All' strategy.

The report sheds light on the impact of 25 trade agreements in force, as well as the measures put in place to maximise their benefits and ensure respect of agreed rules, such as those relating to sustainable development.

The purpose of the report is to take a detailed look on what has been done until now and allow for an open discussion on possible improvements.

More specifically the report looks at indicators such as:

- the increase in trade in goods and services
- the use of tariff rate quotas
- the extent to which companies actually use the tariff reductions.

It also examines the activities of the overseeing bodies of each agreement and, for the first time, the implementation of trade and sustainable development provisions.

### The report shows that EU trade agreements...

#### 1. ...increase EU exports and support jobs

EU trade agreements have, since being in place, been one of the factors contributing to significant growth in EU exports. To take a few examples:

- 416% increase for Mexico (since 2000)
- 170% for Chile (since 2003)
- around 60% for Serbia and South Korea (since 2013 and 2011 respectively)
- 22% for Central America (since 2013)
- 17% for Ukraine (since 2016).

Considering that each €1 billion of exports supports as many as 14,000 jobs in Europe, these agreements have had a tangible positive impact for Europeans.

In many instances, the gain in EU exports is in the sectors of **machinery, transport equipment** and **agricultural products**, but also in **services**.

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### 2. ...often benefit the most EU exports of agricultural products and motor vehicles

The EU agri-food and cars sectors, although often subject to heated debates during negotiations, appear to benefit the most from EU trade agreements, especially the "New Generation" trade agreements.

For instance:

- Exports of EU agricultural products to Colombia and Peru have increased by 82% and 73% respectively since the agreement with those countries was applied in 2013.
- EU exports of cars to Korea have jumped up by 244% since the EU-Korea agreement became effective in 2011.

Many of the companies that benefited from new trade opportunities, including in the agri-food sector, are European small and medium-sized businesses.

#### Trade success stories

**Austria:** AustriAlpin, an Austrian company specialised in **climbing equipment**, now exports around 80% of its products, largely thanks to EU trade agreements. By eliminating customs duties, the EU-Korea trade agreement helped AustiAlpin to start doing business in South Korea and strengthen its position on the Asian and global markets. Total sales of this small company of 100 employees now stand at **€8.5 million, of which €7.1 million come from exports**.

**Luxembourg:** The EU's trade agreement with Colombia and Peru helped Luxembourg's **brewery "Brasserie Nationale"** known for its Bofferding beer to start exporting to Colombia, a market 100 times bigger than that of Luxembourg. Thanks to the agreement, the company deals with all export requirements directly without having to call on experts or negotiate with middlemen whenever it sends a container to Colombia. **Strong exports to Colombia have boosted the brewery's growth** and overall it now exports 34 000 hectolitres of beer a year.

**France:** A French company, Laboratoire Soniam produces **plant extracts for the cosmetics industry**. The EU-Korea trade agreement reduced customs duties and helped the company to offer its products at more attractive prices. Bolstered by an Ecocert certification for organic produce and their 'made in France' label, Soniam has seen its **exports to Korea increase by 20% in 2016**.

### 3. ...support balanced and fair trade

In addition to creating new export opportunities for EU companies, EU trade agreements result in lower import tariffs for products that our consumers and companies need. These imports also **help our partners to develop their own economies**. The way we shape our agreements with less advanced countries reflects their development needs and sensitivities.

EU trade agreements also provide an **opportunity to support a rules-based trade system, to promote EU values and offer a forum for dialogue with our partner countries** on a range of issues beyond trade liberalisation. Trade agreements are a tool to harness and shape globalisation.

All more recent trade agreements provide for a structured platform to engage on labour standards, environmental protection and other societal issues, both at government and civil society level.

In 2016, the EU engaged in such a dialogue with:

- Central America
- Colombia and Peru
- Korea,
- Georgia
- Moldova.

Government-to-government meetings with these partner countries on **trade and sustainable development** has allowed the EU in 2016 to discuss, for instance, issues such as freedom of association, violence against members

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of trade unions, child labour, labour inspections, collective bargaining, tripartite consultation, and health and safety at work.

Open meetings between government and civil society representatives, including workers and employers' representatives, took place alongside these governmental meetings, with organisational support from the European Economic and Social Committee.

All future EU trade agreements will include specific trade and sustainable development commitments.

### 4. ...still have untapped export potential

EU producers do not yet take full advantage of the opportunities offered by the EU trade agreements in place.

The Preferential Utilisation Rates, i.e. the extent to which businesses are using the tariff preferences in trade agreements, is lower on the EU side. EU exporters still pay duties on 30% of exports to countries with whom the EU has already concluded new generation trade agreements. For our partners exporting to the EU, this is only 10%.

For some sensitive products, instead of full liberalisation, the EU and its partners agree on limited market openings through tariff-free allowances, known as Tariff Rate Quotas (TRQs). The report shows that these possibilities are often underused by EU exporters: for cheese, only 4.3% of the total quota was used for exports to Peru, 7.9% to Colombia and 44% to Central America. The same is true for the use of some the TRQs conceded by the EU on some sensitive products, despite these issues being amongst the most controversial during the negotiations.

This means there is still a need for further joint efforts from the EU, member states and business organisations' to **raise awareness amongst EU exporters**, notably small and medium-sized companies, of tariff preferences and quotas negotiated in EU trade agreements as well as to ensure smooth application of relevant procedures.

#### How does the EU make sure that trade agreements are properly implemented?

The Commission monitors the evolution of trade flows under EU trade agreements, meets regularly with Members of the European Parliament, representatives of Member States administrations and business organisations to discuss any potential problems that might arise.

Customs authorities of Member States and their inspectors are responsible for making sure that rules agreed under trade agreements, as well as EU product safety rules are respected in practice, so they are also well placed to report any potential problems. The Commission can then use the structures created under trade agreements to raise the issues with our partners.

New generation EU trade agreements include a structure of implementation bodies. A range of sub-committees and working groups meet annually and report to a Trade Committee (or an Association Committee). In these committees - often held at the ministerial level - take stock of the developments in all areas and discuss implementation problems and look for solutions, if those cannot be found at a more technical level.

#### Trade agreements in focus

The report covers 25 of the EU trade agreements that are in force. While the EU trade agreements respond to different economic and political objectives for the EU, it is important to assess the success of each trade agreement in light of its respective objectives.

It groups the agreements in 4 categories depending on their scope and economic and political objectives:

- **"First generation agreements"**, e.g. those concluded in the past with Switzerland, Mediterranean countries, South Africa or Chile, that focussed on increasing EU exports through elimination of customs duties;
- Much more recent, **"New Generation agreements"**, like those with Korea, Andean countries and Central America, that extend to new areas and include rules ensuring that trade goes hand in hand with sustainable development;
- **Deep and Comprehensive Free Trade Areas** created to support close economic relations with EU's neighbours, such as Ukraine, Georgia and Moldova;
- **Economic Partnership Agreements** focused on development needs of African, Caribbean and Pacific regions.