European Commission

Report on Trade and Investment Barriers (1 January 2016 – 31 December 2016)

FACTSHEET

1. Overall stock of trade and investment barriers

The first chapter of the report presents a numerical analysis, per country, per type of barrier and per sector, of the total stock of 372 active trade and investment barriers registered in the MADB.

The report reveals that the ten countries with the highest number of trade barriers still in place are all G20 economies.

The highest stock of barriers has been observed in Russia with 33 measures recorded. The countries with the second highest number of active barriers were Brazil, China and India, each with a stock of 23 measures currently in place. Other third countries with 10 or more trade and investment barriers registered include Indonesia (17), South Korea (17), Argentina (16), the United States (16), Turkey (15), Australia (13), Thailand (11), Vietnam (11), Chile (10) and Mexico (10).

2. Trade and investment barriers reported in 2016

The first chapter of the report also offers a numerical analysis of the 36 new barriers reported to the Commission in 21 third countries in 2016.

The highest occurrence of new barriers in 2016 was reported in the trade and investment relations with Russia (6) and India (5), which confirms the protectionist trends already identified in last year's edition of the TIBR. Switzerland also resorted to 3 new barriers, while 2 new barriers were reported in Algeria, China, Egypt and Turkey, respectively. The remaining 14 new barriers were recorded for other individual third countries.

The second chapter of the report provides a more detailed analysis of the new barriers reported in 2016, focussing on the countries where multiple barriers were recorded. In this context, the following barriers are described in the report in detail (barrier IDs in brackets can facilitate obtaining more information about the barriers by consulting the MADB):

- Russia (6):
    - Restrictions for the participation of foreign companies in the framework of investment projects undertaken by state-owned enterprises
    - Transit ban via road and railway from Ukraine to Kazakhstan and Kyrgyzstan via Russia, regardless of their origin
    - Export subsidies in the automotive and agricultural machinery sectors
    - Certification-related barrier in the cement sector
    - Certification-related barrier in the pharmaceutical sector
    - Technical barrier to trade in the toy sector

- India (5):
    - Minimum import pricing in the steel sector
    - Unnecessary requirements for medical devices
    - Additional duties for textiles
    - Unjustifiable regulatory requirements for wines and spirits
    - Burdensome requirements for telecommunication equipment

- Switzerland (3):
    - Extension of VAT liability affecting the services sectors
    - New registration requirements for artisan workers in Canton Ticino
    - Reclassification of tariffs for season meat

- China (2):
    - Limits for the level of certain volatile organic compounds for furniture
    - Clinical trials for medical devices

- Algeria (2):
    - Quantitative restrictions and import licensing schemes for four categories of products – vehicles, cement, rebar steel and steel wire rods
    - Horizontal industrial localisation policy via consumer's credits for locally manufactured or assembled products

- Egypt (2):
    - Mandatory registration of companies willing to export to Egypt in 25 categories of goods
    - Draft automotive tax incentive scheme

- Turkey (2):
    - Excessive certification requirements for a large number of products – including machinery, electric motors and pumps
    - Forced localisation measure in the pharmaceutical sector

The report also analysed the trade flows potentially affected by these measures. In this context, the report shows that our Market Access Partnership helped identify and, more importantly, start the removal strategy of the 36 new trade and investment barriers that - taken together - could affect EU exports potentially up to EUR 27.17 billion.

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3. Trade and investment barriers resolved in 2016

The third chapter of the report elaborates on the tools used in the Market Access Strategy to address these barriers. The report reveals that 20 of the previously registered trade barriers applicable in 12 different third countries could fully or partially be resolved in 2016.

South Korea was first in line with five trade barriers resolved in 2016, followed by China (3), Israel and Ukraine (2 each). Also in Argentina, Botswana, Brazil, Egypt, India, Japan, Taiwan and Turkey, one of the registered barriers could in each case be resolved.

The following success stories are also described in more detail:

- South Korea (5):
  - Elimination of unique seat size and clearance requirements and harmonisation of certain regulations with international standards in the automotive sector
  - Amendment of a discriminatory measure in the cosmetics sector related to minimum floor area for domestic products
  - Softening of unjustifiable technical requirements for raw milk cheese
  - Acceptance of indirect verification of origin under the EU-South Korea FTA
  - Temporary duty exemption for repaired goods until the end of 2018
- China (3):
  - Temporary suspension of a measure in the ICT sector forcing companies to use Chinese intellectual property and disclose key software codes
  - Suspension of burdensome requirements related to "overstickering" for cosmetics
  - Elimination of unjustifiable SPS requirements for spirits
- Israel (2):
  - Acceptance of pharmaceutical market authorization from all EU Member States
  - Resumption of authorisations to several Member States to export live cattle
- Ukraine (2):
  - Repeal of the ban on imports of beef and veal
  - Elimination of the quarantine permit for import or transit of vegetables

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The report also analysed the trade flows potentially affected by these resolved measures and revealed that the resolution of trade barriers in 2016 could positively affect EU exports in the range of EUR 4.2 billion. However, this methodology is less than perfect as looking at trade flows of previous years for resolved barriers provides distorted figures due to the EU exports being depressed by the barrier that used to be still in place. Nonetheless, the analysis gives at least some (albeit potentially underestimated) indication of the importance of the trade flows that may benefit from the resolved barriers.

In conclusion, the report showed that the EU Market Access Strategy has proven very valuable in identifying and removing barriers, thus contributing to better export and investment opportunities for EU economic operators. In light of the globally increasing protectionism and the reinforced market access partnership, the Commission will further intensify its efforts in order to trigger economic growth and productivity on the basis of open markets worldwide.