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Key results and progress towards the achievement of the Commission’s General Objectives and DG’s specific objectives

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The Directorate General in brief

DG Trade is in charge of developing and implementing the common commercial policy of the European Union in accordance with the objectives set out in Article 207 of the Treaty on the Functioning of the EU. DG Trade supports the EU's Trade Commissioner in shaping a trade environment that benefits European citizens and European business of all sizes, while helping to support sustainable development around the world.

DG Trade negotiates bilateral, plurilateral and multilateral trade agreements, ensures that the rules agreed are actually applied, and works closely with the World Trade Organization (WTO) and other multilateral institutions. This can be backed up where needed with EU legislation, such as the General Scheme of Preferences, rules on dual-use goods and legislation for taking trade defence measures. Trade negotiations cover a wide range of areas such as goods, services, intellectual property, investment, government procurement, access to energy and raw materials, customs and trade facilitation, competition (including subsidies and State Owned Enterprises), trade and sustainable development, investment and regulatory co-operation. DG Trade stands up for European interests and ensures that businesses can operate fairly in the EU and across the world. It makes full use of its powers to tackle unfair competition, dumping and subsidisation. Success in Europe is inextricably bound up with the success of the EU's trading partners, both in the developed and developing world. For this reason, sustainable development and development policy are central to the overall approach.

While DG Trade does not have direct responsibility for any specific spending programme, in 2019 it managed a budget of €21.9 million (€17.6 million in its operational budget and €4.3 million in its administrative budget). This budget was used to support the negotiation and effective implementation of trade and investment policies and agreements, including in the field of trade and sustainable development. This budget has remained stable over recent years. At the same time, trade-related objectives are also embedded in the different financial programmes managed by other Commission departments, mainly under the heading of the Multiannual Financial Framework covering the EU as a global player (Heading 4). Capacity building and technical assistance is therefore foreseen under the development cooperation instrument, the neighbourhood instrument and last but not least, the partnership instrument.

As the EU's trade negotiator and guardian of an effectively implemented EU trade policy, DG Trade's mission depends on close working relations with its partners, both inside and outside the Commission. In playing its role in trade policy, DG Trade works very closely with the European Parliament and the Council of the European Union and with other international organisations, such as the WTO and the Organisation for Economic Co-operation and Development (OECD), as well as with civil society. Its success draws strongly on its close partnership with the European External Action Service (EEAS) and other Commission services.

In order to fulfil its mission DG Trade has two related, but distinct, operational activities: trade policy and trade defence; and is organised into eight directorates. The Director-General is supported in managing operations by two Deputy Directors-General, who have overall responsibility for three and four Directorates respectively. Operational activities are supported by the Policy Coordination, Information and Resources Directorate, which reports directly to the Director General. In addition, around a quarter of DG Trade staff are posted in EU Delegations and in three Commission representations in EU Member States.

DG Trade is well-managed and works efficiently. It is operating under considerable resource pressure both at headquarters and in delegations. In this environment, it remains challenging to continue to support the current agenda, perform outreach and
raise public awareness of its work and effectively carry out increased implementation work as more and more of our agreements come on stream.

In June 2019, there was a change of Director-General in DG Trade. The organisational structure remained stable as in previous years.
Executive summary

This Annual Activity Report is a management report of the Director-General of DG Trade to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties.

a) Key results and progress towards the achievement of the Commission’s general objectives and DG's specific objectives

The EU reaffirmed its position as a significant force in global trade in 2019, continuing to be one of the world’s most open economies and pursuing an ambitious trade negotiations agenda, which aims to open markets and create a level playing field for EU firms around the globe. The EU has concluded bilateral and/or regional trade agreements with 74 countries around the world, accounting for 41% of the world’s gross domestic product. The European economy depends on trade: 36 million EU jobs depend on exports (every €1 billion in exports supports 13,000 jobs in Europe). Openness combined with high standards remains the best way to make globalisation work for all Europeans.

2019 has seen increasing tensions and a growing lack of predictability in the global trade order. The EU reasserted its commitment to preserving and strengthening the rules-based multilateral trading system and the World Trade Organisation (WTO) in its three functions: rulemaking, dispute settlement and transparency.

Despite all efforts to avoid the blockage of the dispute settlement system, WTO Members failed to agree to appoint new members of its Appellate Body, meaning that since December 2019 the dispute settlement system has been unable to function. The EU put in place an interim solution that mirrors the existing WTO appeal process with Norway and Canada, and is negotiating with other interested WTO Members for them to join this initiative. Additionally, the Commission proposed in December 2019 an amendment of the enforcement regulation to impose restrictive measures in response to illegal trade measures, where recourse to appeals such as in the WTO are blocked by the other party.

In 2019, plurilateral WTO negotiations were launched on e-commerce, progress was made on domestic regulation in services and the Council adopted the negotiation directives enabling the EU to participate in a similar plurilateral negotiation for Investment Facilitation.

On the bilateral and regional front, the Economic Partnership Agreement (EPA) between the EU and Japan entered into force in February 2019 (negotiations for an investment protection agreement with Japan are ongoing). The EU-Singapore trade agreement entered into force on 21 November 2019 (the investment protection agreement will enter into force after it has been ratified by all EU Member States). The EU and Vietnam signed the Free Trade Agreement (FTA) and the Investment Protection Agreement in June 2019. It is the most ambitious free trade deal between the EU and an emerging economy to date. The European Parliament ratified the Vietnam agreements in February 2020.

The European Union and Mercosur - Argentina, Brazil, Paraguay and Uruguay (a market

1 Article 17(1) of the Treaty on European Union.
of over 260 million consumers), reached a political agreement for an ambitious, balanced and comprehensive trade agreement on 28 June 2019. The agreement will create significant opportunities for sustainable growth in both regions, while promoting high labour and environmental standards and preserving interests of EU consumers and sensitive economic sectors. The EU and Mexico are finalising the revision of the last aspects of the text of the modernisation of the trade part of the Global Agreement.

Negotiations continued towards the modernisation of the existing Association Agreement with Chile, notably as regards investment, non-tariff barriers, intellectual property rights and sustainable development. Moreover, progress was made towards new FTAs with negotiating rounds with Australia, New Zealand and Indonesia.

Negotiations on expanding the scope of the Economic Partnership Agreement between the EU and the Eastern and Southern Africa sub-region (Madagascar, Mauritius, Seychelles, Zimbabwe and Comoros) were launched in October 2019. In the Pacific region, negotiations are on-going for Tonga’s accession to the regional Economic Partnership Agreement.

In the EU’s immediate neighbourhood, negotiations with Tunisia for a Deep and Comprehensive FTA continued in 2019 with a fourth round of negotiations.

DG Trade worked on finalising a new comprehensive agreement with Azerbaijan. Negotiations on a new Comprehensive Agreement with Kyrgyzstan were successfully completed in July 2019. Furthermore, negotiations for a new Comprehensive Agreement were launched also with Uzbekistan, with four rounds on the trade parts held in 2019.

Talks on the stand-alone bilateral investment agreement with China intensified throughout 2019. DG Trade also contributed to the negotiations of an EU-China agreement on geographical indications, which were finalised in November 2019.

In terms of new negotiations, the Council of the EU approved two sets of negotiating directives in April 2019 for the launch on negotiations in line with the joint statement the previous summer of President Juncker and President Trump for an agreement to facilitate transatlantic trade between EU and US. In December 2019, the Council adopted updated negotiating directives for the negotiations of EPAs with African, Caribbean and Pacific countries and regions.

DG Trade has paid special attention to ensuring that trade negotiations are transparent throughout the entire process, publishing systematically all EU initial proposals for legal texts as well as a report after each negotiating round. Shortly after a negotiation is finalised, the Commission published the final consolidated negotiated text of the agreement supported by explanatory information on the results of the negotiations.

In order to make sure that the EU remains one of the world’s most open investment environments, and thereby a source of growth and jobs while protecting its essential interests, the Commission proposed a new framework for the screening of foreign direct investment into the EU. In March 2019, the Council adopted the regulation, which will apply from autumn 2020. It will enable Member States and the European Commission to identify and address security concerns related to specific investments from outside the EU.

DG Trade has continued the focus on maximising the benefits of our trade instruments through proper implementation and enforcement of our trade and investment rights and building on the findings of the evaluation of FTAs already in place. The incoming Commission decided to create a dedicated high-level function of Chief Trade Enforcement Officer.
Finally, in 2019, EU trade policy continued to contribute to the Treaty objective of **sustainable development in its economic, social and environmental dimensions** both in Europe and in our partner countries, with the aim of boosting inclusive and sustainable growth and reducing poverty in developing countries. DG Trade continued to reinforce its agenda to promote sustainable development, human rights and good governance, in line with the United Nations (UN)'s 2030 Agenda for Sustainable Development, including by ensuring the effective implementation of provisions in our trade agreements related to these objectives and within the EU's Generalised Scheme of Preferences. EU trade agreements set up Domestic Advisory Groups as bodies for stakeholders from the EU and partner countries to ensure that both parties implement their sustainable development obligations set out in the agreement. EU's Sustainability Impact Assessments study the potential economic, social and environmental effects of trade negotiations.
b) Key Performance Indicators (KPIs)

This section presents the three most policy-relevant Key Performance Indicators, identified in the DG Trade 2016-2020 Strategic Plan.

KPI 1: Preference utilisation rates of EU preferential trade arrangements for the EU and partners' side

This indicator shows the extent to which operators are making use of the EU preferential arrangements. It gives an indication how well these agreements are formulated and how the uptake is handled in the EU Member States and the partner countries.

**Source of data:** Eurostat and national customs registrations

<table>
<thead>
<tr>
<th>Baseline</th>
<th>Interim Milestone 2018</th>
<th>Target 2020</th>
<th>Latest known results</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>93% 93% 94%</td>
<td></td>
<td>95% 95% 95%</td>
</tr>
<tr>
<td>Mexico</td>
<td>68% 67% 61%</td>
<td></td>
<td>58% 72% 74%</td>
</tr>
<tr>
<td>Colombia</td>
<td>- 85% 96%</td>
<td></td>
<td>97% 97% 98%</td>
</tr>
<tr>
<td>Peru</td>
<td>- 95% 97%</td>
<td></td>
<td>97% 97% 96%</td>
</tr>
<tr>
<td>South Africa</td>
<td>90% 91% 91%</td>
<td></td>
<td>81% 79% 86%</td>
</tr>
<tr>
<td>South Korea</td>
<td>78% 82% 84%</td>
<td></td>
<td>87% 88% 89%</td>
</tr>
<tr>
<td>Turkey</td>
<td>92% 92% 93%</td>
<td></td>
<td>93% 92% 92%</td>
</tr>
<tr>
<td>Ukraine</td>
<td>- - -</td>
<td></td>
<td>89% 87% 80%</td>
</tr>
</tbody>
</table>

Preference utilisation EU **importers**

Looking at the latest known results from 2018, it is noticeable that most results are rather stable showing good use of the agreements.

KPI 2: Percentage of EU trade covered by applied bi-lateral and regional agreements

This indicator shows the extent of the EU trade covered by EU’s applied preferential trade and investment agreements and the evolution of this coverage. The figures are based on trade in goods and services.

**Source of data:** DG Trade / Eurostat

<table>
<thead>
<tr>
<th>Baseline</th>
<th>Interim Milestone 2018</th>
<th>Target 2020</th>
<th>Latest known results</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>79% 78% 78%</td>
<td></td>
<td>88% 88% 85%</td>
</tr>
<tr>
<td>Colombia</td>
<td>- - 56%</td>
<td></td>
<td>71% 70% 73%</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>- - 18%</td>
<td></td>
<td>48% 49% 59%</td>
</tr>
<tr>
<td>Egypt</td>
<td>- 55% 57%</td>
<td></td>
<td>66% 64% 67%</td>
</tr>
<tr>
<td>Montenegro</td>
<td>76% 86% 86%</td>
<td></td>
<td>85% 86% 86%</td>
</tr>
<tr>
<td>South Korea</td>
<td>- - 65%</td>
<td></td>
<td>71% 74% 81%</td>
</tr>
</tbody>
</table>

Looking at the latest known results from 2018, it is noticeable that most results are rather stable showing good use of the agreements.

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2 Latest figures available in March 2020 were from 2018.
3 A selection of countries is shown, where agreements have been in place for a certain time.
4 The preference utilisation rate for imports into the EU from partner countries is based on Eurostat figures (harmonised and consistent). In contrast, to calculate the preference utilisation rates on exports from the EU to partner countries the Commission uses administrative data collected by the importing country concerned. These statistics are not harmonised. Hence, direct comparisons between partner countries on imports and exports is not always possible.
5 This indicator does not cover multilateral WTO nor the plurilateral sectoral negotiations and agreements.
The difference between the milestone (2018) and the results on trade in goods 2018, which is 2 percentages points, is mainly due to three FTAs that were expected to be in place in 2019 but were delayed: Vietnam (1.3%) and Nigeria (0.7%). The target for 2020 was based on the conclusion and entry into force of a number of large agreements, in particular, US, Mercosur and Vietnam, while it remains to be seen whether those targets are still in reach for the end of 2020.

KPI 3: Percentage of fully liberalised imports from the world\(^6\) (i.e. at zero duty\(^7\))

This indicator shows the extent of the EU’s applied preferential treatment for merchandise imports (EU imports extra EU) and its evolution. The bigger the share, the better economic conditions and opportunities for EU consumers, and EU businesses using imports as inputs in their businesses.

Source of data: Eurostat

The percentage of the duty free imports in 2018 remained stable. The conditions and opportunities for EU consumers and operators stayed constant over time.

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\(^6\) The interim milestone (2018) and target (2020) are to increase the percentage of fully liberalised imports.

\(^7\) Most Favoured Nation (MFN) duty free, Generalised Scheme of Preferences (GSP) duty free and other duty free.
Key results and progress towards the achievement of the Commission’s general objectives and DG’s specific objectives

As set out in its Strategic Plan 2016-2020, DG Trade pursues its DG specific objectives in context of three of the Commission’s general objectives. These specific objectives, together with their link to the general objectives are set out in the figure below. DG Trade's policy actions were also aimed at achieving the objectives set out in the trade and investment policy strategy Communication "Trade for All", adopted by the College of Commissioners on 14 October 20158.

Specific objective 1: Trade Negotiations

A wide coverage of the world’s trade through regional, multi-, pluri- and bilateral agreements concluded by the EU ensuring the best economic conditions and opportunities for consumers, workers, citizens and enterprises, including SMEs, in the EU and non-EU countries, particularly in Developing Countries.

The multilateral and plurilateral agenda

2019 saw increasing tensions and a growing lack of predictability in the global trade order. The EU reasserted its commitment to preserving and strengthening the rules-based multilateral trading system and the World Trade Organisation (WTO).

The focus in 2019 was on the reform of the three functions of the WTO:

- rulemaking, through multilateral negotiations on fisheries subsidies and plurilateral negotiations on e-commerce, domestic regulation in services and investment facilitation;
- dispute settlement – focusing on finding a solution to the current crisis around the blockage in the appointment of new members of the WTO's Appellate Body, which hears appeals in trade disputes taken before the WTO;

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- regular WTO work, notably changes to strengthen transparency and to improve WTO committee procedures to make them more effective.

Despite all efforts to avoid the blockage of the dispute settlement system, WTO Members failed to agree to appoint new members of its Appellate Body, making the dispute settlement system unable to function.

An effective and binding dispute settlement system, which provides for the possibility of appealing panel reports, seeks to preserve the rights and obligations of WTO members. The EU and other WTO Members have made formal proposals to unblock the Appellate Body. In the meantime, the EU put in place an interim solution that mirrors the existing WTO appeal process between interested WTO Members. In 2019, two countries signed the interim appeal arbitration agreement (Canada in July and Norway in October) and discussions continue with other countries. These interim arrangements help to preserve access to appeals, promoting security and predictability in the resolution of WTO disputes to ensure the stability of international trade.

To further defend EU interests, in December the Commission proposed amending the enforcement regulation, which allows the Commission to impose restrictive measures on the EU’s behalf in response to illegal trade measures. The amended regulation could be used to impose countermeasures after the EU has won a dispute settlement proceeding in the WTO or under a bilateral EU trade agreement, even if the dispute settlement under the agreement is not functioning. This will enable the EU to react even if the WTO is not able to deliver a final ruling at the appellate level because the other WTO Member blocks the dispute procedure by launching an appeal, knowing that the Appeal Body is blocked.

Commissioner Hogan said during the presentation of the amendment proposal of the enforcement regulation: "This is a critical moment for multilateralism and for the global trading system. With the Appellate Body removed from the equation, we have lost an enforceable dispute settlement system that has been an independent guarantor that the WTO’s rules are applied impartially. Whilst we seek to reform the WTO and re-establish a well-functioning WTO system, we cannot afford being defenceless if there is no possibility to get a satisfactory solution within the WTO. The amendments we propose will allow us to defend our companies, workers and consumers, whenever our partners do not play by the rules."

The political launch of plurilateral WTO negotiations on e-commerce took place in Davos in January 2019, after a year of exploratory talks. The negotiations cover both goods and services and their aim is to agree on global rules on digital trade. Since the launch of the negotiations, six negotiating rounds have taken place based on text proposals submitted by WTO Members. So far, 82 WTO Members have formally joined the talks. Three more rounds are scheduled for spring 2020 (February to May) with the objective of producing a consolidated negotiating text for Ministers at the 12th WTO Ministerial Conference in Nur Sultan in June 2020.

Progress was made in the plurilateral negotiations on domestic regulation in services. On 23 May 2019, a group of 60 WTO Members committed in a new Joint Statement issued in Paris, to continue working on the outstanding issues with a view to incorporating the outcome of their work in their respective schedules of specific commitments by the 12th WTO Ministerial Conference in Nur-Sultan in June 2020. The last round of negotiations took place in December.
The Council adopted the negotiation directives for an **Investment Facilitation** multilateral framework on 7 October 2019. The objective is to foster foreign investments and contribute to sustainable development by making investment conditions and opportunities more transparent and streamlining administrative procedures. On 5 November 2019, 92 WTO Members issued a Joint Ministerial Statement, stating their support for this initiative and committing to working towards an outcome on investment facilitation at the 12th WTO Ministerial Conference in Nur-Sultan in June 2020. Technical meetings took place in October and November, followed by a stocktaking meeting in December.

Work on the [WTO negotiations on fisheries subsidies](https://www.wto.org) continued in 2019, with the intensity of the process increasing towards the end of year deadline, which was nonetheless not met due to persistent wide differences in members’ positions. DG Trade engaged in detail on all pillars of the negotiations, in cooperation with DG MARE, stressing the importance of delivering on the mandate, which means prohibiting those subsidies which actually contribute to overcapacity and overfishing, as well as eliminating any subsidies to vessels engaged in illegal, unreported and unregulated fishing.

DG Trade continued actively to promote internationally the [WTO Government Procurement Agreement](https://www.wto.org). In 2019, Australia acceded to the agreement and discussions continued with partners such as China, Kyrgyzstan, North Macedonia, Russia and Tajikistan. The Government Procurement Agreement Committee took a decision setting out the terms for the UK’s accession to the agreement in its own right. DG Trade also contributed to work leading to the UK’s accession to Government Procurement Agreement in its own right for the time after the UK’s withdrawal from the Union. Ecuador, Paraguay and the Philippines became observers. Kazakhstan has started its accession process.

With the expansion of the [Information Technology Agreement (ITA)](https://www.wto.org), the focus in 2019 was on encouraging other WTO members to join the ITA-2 and ensuring the effective implementation of the agreement by other parties.

DG Trade continued encouraging other WTO members to join the **Pharma arrangement**. It notably led efforts to consolidate a common list of active ingredients subject to duty-free treatment.

In the area of trade in services, on 8 November 2018 the Commission adopted a proposal for a Council Decision on the compensatory agreements with 17 WTO members under Article XXI of the General Agreement on Trade in Services (GATS). The Decision made the EU alone the party to the agreements and replaced the separate agreements between the 17 WTO members and the 13 countries that joined the EU 1994 and 2004. It resulted in a consolidated GATS schedule of specific commitments covering all the Member States who were members of the European Union in 2006 (the so-called EU25 schedule of commitments). The Council Decision was adopted on 5 March 2019 (Council Decision (EU) 2019/485) and the consolidated schedule of the EU25 commitments entered into force in the WTO on 15 March 2019.

Furthermore, the Commission adopted on 13 September 2017 the recommendation to open negotiations to set up a [multilateral investment court](https://www.wto.org). This court would replace the Investment Court System (ICS) currently foreseen in the EU’s bilateral agreements and the Investor-State Dispute Settlement arrangements that exist in more than 3000 current bilateral investment treaties, which our Member States are party. Constructive discussions with third countries, in the United Nations Commission on International Trade Law (UNCITRAL), took place during 2019. There were two meetings of UNCITRAL Working Group III (Investor-State Dispute Settlement Reform) in 2019. There is growing interest in the EU’s proposals.
The Commission actively took part during 2019 in setting the agenda for the modernisation process of the **Energy Charter Treaty (ECT)**, a multilateral agreement covering international cooperation in several policy areas related to energy. In July, the Council adopted the negotiating directives for the modernisation. The Commission focussed strongly on gathering support amongst the 54 contracting Parties for a reform of the substantive investment protection provisions, including sustainability aspects. The Commission is committed to use the modernisation process to bring the investment protection provisions in line with the standards developed under the new investment policy of the European Union since CETA. In addition, the Commission aims to better reflect climate change and clean energy transition goals and to contribute to the objectives of the Paris Agreement. The modernisation negotiations started in December 2019. In 2020, there are three rounds of negotiations planned.

DG Trade also contributed to another work strand in the context of the World Trade Organisation. Due to the United Kingdom (UK)’s withdrawal, the current EU WTO tariff rate quotas included in the goods schedule of the Union (setting the level of goods that can be imported at lower tariffs) had to be apportioned between the EU27 and the UK. The Council adopted the negotiating directives for the Commission to negotiate with the relevant WTO members the adjustment of these tariff rate quotas.

**Finalising concluded bilateral and regional negotiations**

On the bilateral and regional front, the EU and **Vietnam** signed the Free Trade Agreement (FTA) and the Investment Protection Agreement in June 2019. It is the most ambitious free trade deal between the EU and an emerging economy to date. The agreements are expected to be ratified by the European Parliament early in 2020, as well as going for ratification by the national parliaments of the EU Member States in the case of the Investment Protection Agreement.

The **Economic Partnership Agreement between the EU and Japan** entered into force in February 2019. However, negotiations continue separately for an **Investment Protection Agreement with Japan**. The last substantive discussions on the latter took place on 20-22 March 2019.

As for the **Economic Partnership Agreements (EPA)** with the Africa, Caribbean and Pacific region partners, 2019 marked a year of expansion for the EU-Pacific EPA, as negotiations were concluded for the accession of Solomon Islands to the EU-Pacific EPA and Samoa started to implement the agreement after its accession was completed at the end of 2018. The accession process of Solomon Islands will be concluded by the Council in the first quarter of 2020. No further developments took place in the regional EPAs with **West Africa** region, which have been signed by EU Member States and 15 West African countries (EU Member States and 13 West African Countries signed the EPA in December 2014; the Gambia signed on 9 August; and Mauritania on 21 September 2018) except for Nigeria, and the **East African Community (EAC)** which has been signed by all EU Member States, and Kenya and Rwanda on 1 September 2016; Kenya has also ratified it.

**Mexico** is our second main trading partner in Latin America. Trade relations with Mexico are currently governed by the trade pillar of the Global Agreement (1997). On 21 April 2018, the EU and Mexico announced an agreement in principle for updating the trade part of the Global Agreement and bring it in line with the most modern, ambitious and progressive EU agreements and with the highest standards of social, labour and environmental protection. An independent sustainability impact assessment will be published in January 2020, next to the Commission position paper. Both sides are finalising the revision of the last aspects of the text, and the Commission will then translate it into all official EU languages and submit the agreement to EU Member States and the European Parliament for approval.
After longstanding negotiations, the European Union and Mercosur states – Argentina, Brazil, Paraguay and Uruguay, reached a political agreement for an ambitious, balanced and comprehensive trade agreement on 28 June 2019. The current EU bilateral trade with Mercosur already totals €88 billion a year for goods and €34 billion for services. Under the new trade framework, EU companies will benefit from privileged access to a market of over 260 million consumers. EU exporters will gain from progressive tariff cuts that over time will bring European companies yearly savings of more than €4 billion. The agreement will create significant opportunities for sustainable growth on both regions, while promoting high labour and environmental standards and preserving interests of EU consumers and sensitive economic sectors. The EU and Mercosur are now carrying out the legal revision of the text to produce the final version of the Association Agreement and all its annexes. The Commission will then translate the Agreement into all official EU languages and submit it to EU Member States and the European Parliament for approval.

On-going negotiations

Following the adoption by the Council of the negotiation directives on 13 November 2017, the EU launched negotiations on a comprehensive agreement with Chile to modernise and broaden the scope of the existing Association Agreement (2002), notably as regards investment, non-tariff barriers, intellectual property rights and the trade contribution to sustainable development. The EU has held six rounds of negotiations with Chile on the trade part of the agreement, the last one having taken place in November 2019. The independent report on the sustainability impact assessment and the Commission position paper will be published in the first quarter of 2020.

Following the authorisation in May 2018 by the Council to open negotiations for FTAs between the EU and Australia and between the EU and New Zealand, respectively, negotiations were launched in June 2018 and the first negotiating rounds were held in July 2018. The procedure for the accompanying sustainability impact assessment was launched in summer 2018. Five rounds of negotiations were held with Australia, the last one in October 2019, and six rounds with New Zealand, the last one in December 2019.

The Commission had also launched negotiations for FTAs with Indonesia, Malaysia, the Philippines and Thailand. With Indonesia, nine rounds of negotiations took place, the last one in December 2019. A sustainability impact assessment for the negotiations with Indonesia, Malaysia and the Philippines is being undertaken and a final report, together with the accompanying Commission services position paper is due by the end of the first quarter of 2020.

As mentioned above, negotiations on expanding the scope of the EPA between the EU and the Eastern and Southern Africa (ESA) sub-region (Madagascar, Mauritius, Seychelles, Zimbabwe and Comoros) were launched in October 2019, with the aim to broaden the agreement to areas such as services, investments, public procurement, and trade and sustainable development. A sustainability impact assessment on these negotiations will be carried out in 2020-2021. In the Pacific region, negotiations are ongoing for Tonga’s accession to the regional EPA.

In the EU’s immediate neighbourhood, negotiations with Tunisia continued in 2019 with a fourth round of negotiations in
May in Tunis. A joint declaration was adopted in June 2019 by the EU-Morocco Association Council, calling, among other, for the relaunch of DCFTA negotiations with Morocco. A seminar took place in the autumn in Rabat to discuss trade policy developments on both sides since negotiations paused in 2016. DG Trade has continued to work in 2019 with other partners in the Southern Mediterranean region to build on the existing network of FTAs.

DG Trade has further collaborated with the European External Action Service (EEAS) on finalising a new comprehensive agreement with Azerbaijan.\textsuperscript{15} By the latest trade round in April 2019, good progress was made and only a few, but important, trade issues remain open. In the second part of the year, however, no significant progress could be made on these remaining issues. Negotiations on a new Comprehensive Agreement with Kyrgyzstan\textsuperscript{16} were successfully completed in July 2019, and the agreement is being prepared for a formal endorsement by the parties. Furthermore, negotiations for a new Comprehensive Agreement were launched also with Uzbekistan\textsuperscript{17}, with four rounds on the trade parts held in 2019.

In addition, several bilateral and plurilateral negotiation rounds took place in 2019 towards a new framework agreement with Andorra, San Marino and Monaco, ensuring, along with the Customs Union established with Andorra and San Marino, their integration in the single market and their alignment with the EU's trade policy.

The EU remained committed to strengthening the economic partnership with India\textsuperscript{18}, and to a comprehensive and mutually beneficial India-EU FTA once there is sufficient mutual understanding on the scope and level of ambition. Discussions have been ongoing throughout the year at all levels to bring the respective positions closer. Key outstanding issues in relation to the trade and investment negotiations include improved market access for goods, services, and government procurement, local content requirements, and sustainable development. In the light of this, the EU has also expressed readiness to explore the possibility of launching negotiations for a stand-alone investment agreement. In the meantime, DG Trade has worked to address trade barriers and further expand trade and investment flows through the EU-India Trade Sub-Commission and its specialised working groups.

Talks on the stand-alone bilateral investment agreement with China\textsuperscript{19} intensified throughout 2019 since the agreement was identified as a priority for 2020 at the EU-China Summit in April 2019. Improved market access offers were exchanged at the 25\textsuperscript{th} round of negotiations that took place in December 2019.

DG Trade also contributed to the negotiations of an EU-China agreement on geographical indications, which were finalised in November 2019.

\textit{The proposal of new bilateral negotiations}

On 21 December 2016 the Commission recommended to the Council starting negotiations with Turkey\textsuperscript{20} to enhance EU-Turkey preferential trade relations and to modernise the Customs Union. This recommendation is still pending for decision by the Council. However, the EU’s General Affairs Council reiterated its 2018 stance in its conclusions adopted in June 2019, i.e. that no further work towards the modernisation of the EU–

\textsuperscript{15} http://ec.europa.eu/trade/policy/countries-and-regions/countries/azerbaijan/
\textsuperscript{16} http://ec.europa.eu/trade/policy/countries-and-regions/countries/kyrgyzstan/
\textsuperscript{17} http://ec.europa.eu/trade/policy/countries-and-regions/countries/uzbekistan/
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Turkey Customs Union is foreseen in view of the overall political situation in Turkey.

In December 2019, the Council adopted **updated negotiating directives** for the negotiations of EPAs with African, Caribbean and Pacific (ACP) countries and regions. These updated negotiating directives will allow to deepen these agreements in the coming years to cover also services, investment, trade and sustainable development, intellectual property rights, competition policy and public procurement, among other issues.

In 2019, the Commission has continued its work towards a scoping exercise in view of possible investment negotiations with Hong Kong, as well as with the separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

On 25 July 2018, Presidents Juncker and Trump issued a joint statement announcing their intention to work together to **facilitate transatlantic trade** between EU and US. The Council of the EU approved two negotiation directives on 15 April 2019 for an agreement; one on the elimination of tariffs for industrial goods and the other on mutual recognition of conformity assessment. The Commission continued to engage with the US to identify a positive agenda and de-escalate the existing trade tensions.

**Transparency in EU Trade Negotiations**

DG Trade has paid special attention to ensuring that trade negotiations are transparent throughout the entire process. Transparency is fundamental to better regulation and essential to ensure the legitimacy of EU trade policy and public trust. The Commission published all its recommendations for negotiating directives for trade agreements (such as those for Chile, Australia, New Zealand and the Multilateral Investment Court). DG Trade has encouraged the Council to publish the final version of FTA negotiating directives after their adoption and the Council has done so in the case of the negotiations with Chile, Australia and New Zealand.

During negotiations, DG Trade has published systematically all EU initial proposals for legal texts as well as a report after each negotiating round. Shortly after a negotiation is finalised, the Commission published the final consolidated negotiated text of the agreement supported by information material explaining the results of the negotiations.

The Commission's commitment to transparency also continued during the FTA implementation. For example, starting with CETA, the agendas and reports of committee meetings under all new FTAs have been published.

Furthermore, DG Trade was able to draw on an expert group representing trade unions, employers organisations, consumer groups and other non-governmental organisations to provide technical expertise and practical experience on negotiations and implementation of the trade agreements. The group met 10 times in 2018 and 2019. However, its mandate came to an end in December 2019.

Throughout the year, DG Trade has continued to engage with stakeholders and civil society, at all stages – before, during and after a trade agreement negotiation, both in Europe and in the partner country, through Civil Society Dialogues, with 24 meetings in 2019, workshops, stakeholder meetings, interviews and public consultations that are fundamental components of every impact assessment, sustainability impact assessment and ex post evaluation.
Specific objective 2: Effective implementation

Effective implementation of the EU’s trade and investment policies secured, amongst other, through proper monitoring, enforcement and support

Once trade agreements are in place, implementation can start and it is thus important that it is closely monitored to ensure that rights are enforced. This next step in the EU’s trade policy reinforces the Commission’s priorities on boosting the EU economy, creating jobs, harnessing globalisation through a balanced and progressive trade policy and being a strong global actor.

DG Trade has continued the focus on maximising the benefits of our trade instruments through proper implementation and enforcement of our trade and investment rights and building on the findings of the evaluation of FTAs already in place.

Two major reports were released in 2019 with regard to the effective implementation of EU’s trade policy: the ninth Trade and Investment Barriers report and the third report on Implementation of Free Trade Agreements.

The annual report on Trade and Investment Barriers was published in June 2019, covering the year 2018. The Report shows that protectionism worldwide is on the rise: 425 trade and investment barriers were in place at the end of 2018. European exporters reported 45 new obstacles in 2018 affecting EU exports worth around €51 billion, a figure that has more than doubled compared to previous year (€23 billion). The removal of barriers over the 2014-2017 period have generated additional exports of at least €6.1 billion for EU companies in 2018.

Commenting on the report, Commissioner for Trade Cecilia Malmström said: “In the complex context we have today with a growing number of trade tensions and protectionist measures, the EU must keep defending the interests of its companies in the global markets. Making sure that the existing rules are respected is of utmost importance. Thanks to our successful interventions, 123 barriers hindering EU exports opportunities have been removed since I took office in late 2014. Working on specific problems reported by our companies we manage to deliver economic benefits equivalent in value to those brought by the EU’s trade agreements. Those efforts certainly must continue.”

The annual report on the implementation of Free Trade Agreements published in October 2019, covered the year 2018. 33% of EU exports and 29% of EU imports were covered by free trade agreements (see result indicator 1.2 in annex 12). These agreements continued to produce a solid trade surplus of €84.6 billion, while EU trade with the rest of the world showed a slight trade deficit of €24.6 billion for the first time since 2014.

As was the case in 2017, the EU's largest preferential trade partner was Switzerland, where 24% of EU preferential exports went, followed by Turkey (12%) and Norway (8%). Positive developments were also noted concerning the removal of some trade barriers.

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barriers as well as in the implementation of trade and sustainable development chapters. The report included also a specific section dedicate to agri-food trade which showed that trade agreements benefit EU agri-food companies.

Commenting on the report, Commissioner for Trade Cecilia Malmström said: "Trade agreements create opportunities for European businesses to grow and hire more people. Today's report shows that overall trade is up, and more of our global trade is covered by preferential deals than ever before. Our food and drink exports in particular are flourishing thanks to lower tariffs and legal protection abroad for artisanal EU products like Champagne and Feta. The report also provides evidence of how our focus on trade and sustainable development is bearing fruit. Furthermore, we have taken a number of unprecedented steps to enforce the commitments made by our trade partners in the last year, including notably on workers’ rights. There is still work to be done, of course. But by opening up this data to the wider public we hope to launch a wider discussion about how to make sure trade agreements benefit as many citizens as possible."

As far as FTAs are concerned, the Commission has enhanced its partnership with Member States, the European Parliament and stakeholders for implementing the EU’s trade agreements.

In 2019 DG Trade worked on outreach to these actors and focused, among other things, on awareness-raising, regular structured exchanges on FTA related activities, on market access and on the sustainable development side, and the internationalisation of small and medium-sized enterprises. As regards sustainable development, the Commission stepped up actions for effective implementation and enforcement of the Trade and Sustainable Development chapters in EU FTAs, as mentioned under the Specific objective 4. With regard to trade promotion activities, DG Trade encouraged Member States to strengthen their actions, share best practices and prioritise countries where we have recently concluded agreements or anticipate doing so in the next 12 to 18 months. To facilitate implementation of FTAs, the Commission also invested heavily in improving availability of information on rules of origin, based on the feedback received from economic operators. This involves notably the development of an interactive self-assessment tool on rules of origin designed to help EU exporters, in particular small and medium-sized enterprises, to understand the conditions they must meet in order to benefit from preferential market access under EU FTAs. In addition, DG Trade delivered to the European Parliament a report explaining the functioning of EU preferential rules of origin and how they could contribute to facilitate trade. DG Trade also continued to analyse the preference utilisation rates of EU FTAs, as reflected in annex 12.

In order to make sure that the EU remains one of the world’s most open investment regimes, and thereby a source of growth and jobs while protecting its essential interests, the Commission proposed on 13 September 2017 a new framework for **screening of Foreign Direct Investment into the EU**. In March 2019, the Council adopted the regulation setting up a framework for the screening of investments from non-EU countries (foreign direct investment). Its objective is to make sure that the EU is better equipped to identify, assess and mitigate potential risks for security or public order. The regulation will apply as from 11 October 2020.

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In reaction to the Council’s decision President Jean-Claude Juncker said: "Today’s decision is a proof the EU is able to act quickly when strategic interests of our citizens and economy are at stake. With the new investment screening framework, we are now much better equipped to ensure that investments coming from countries outside the EU actually benefit our interests. I committed to work for a Europe that protects, in trade as in other areas; with this new legislation in place we are delivering on a crucial part of our promise."

DG Trade has continued to oversee internally the implementation of the EU’s trade agreements and to ensure a more effective and coherent approach to implementation with the work of the FTA coordination and coherence group and of the Coherence Officer for Implementation.

With the formation of the new Commission under President Ursula Von Der Leyen new emphasis is being placed on enforcement and delivery of the trade agenda. In December 2019, the Commission decided to create the role of Chief Trade Enforcement Officer at Deputy Director General level to give greater weight and visibility to our actions on implementation and enforcement.

**Implementation of EU Trade and Investment Agreements**

More specifically, in relation to individual bilateral agreements, DG Trade monitors the implementation of the agreements that have entered into force or are provisionally applied. The EU-Japan\(^{23}\) Economic Partnership Agreement (EPA) came into force on 1 February 2019. The agreement removes the vast majority of duties paid by EU companies, which amount to €1 billion annually, opens the Japanese market to key EU agricultural exports and increases opportunities in a range of sectors. It sets the highest standards of labour, safety, environmental and consumer protection, data protection, fully safeguards public services and has a dedicated chapter on sustainable development. For the first time, an agreement includes a specific commitment to the Paris climate change agreement.

DG Trade, together with other associated services, put strong emphasis on the correct implementation of the agreement. For example, it successfully addressed the Japanese authorities concerns with regard to excessively burdensome import procedures under the rules of origin chapter, which were raised by EU exporters.

Europe is Japan’s second biggest trading partner worldwide and Japan is the EU’s sixth most important trading partner worldwide.

The EU-Singapore trade and investment protection agreements were signed on 19 October 2018. The European Parliament gave its consent to the agreements on 13 February 2019. EU Member States endorsed the trade agreement on 8 November 2019. It entered into force on 21 November 2019. The investment protection agreement will enter into force after it has been ratified by all EU Member States according to their own national procedures.

President of the European Commission Jean-Claude Juncker said: “The European Parliament's approval of the EU-Singapore trade and investment agreements marks a historical moment. This is the European Union’s first bilateral trade agreement with a Southeast Asian country, a building block towards a closer relationship between Europe and one of the most dynamic regions in the world. We are forging closer economic and political ties with friends and partners who, like us, believe in open, reciprocal and rules-based trade. This is yet another win-win trade agreement negotiated by the European Union, an agreement that will create new opportunities for European producers, workers, farmers and consumers, while at the same time promoting cooperation and multilateralism.”
DG Trade has maintained its focus on the implementation of the EU-South Korea FTA through the management of numerous specialised committees, working groups and dialogues.

The evaluation of the implementation of the FTA between the EU and South Korea was published in March 2019. The evaluation demonstrated that the EU-Korea FTA has so far performed well in terms of achieving its specific objectives and is on track to achieving its overarching objectives. Specifically, the FTA has been effective in liberalising and facilitating trade in goods and services and investment between the EU and Korea, resulting in increase of trade volumes on both sides. The FTA has contributed to the protection of the intellectual property rights, in particular their enforcement and the protection of geographical indications. The FTA also succeeded in reducing non-tariff trade costs. However, further work is needed as regards costs related to standardisation, conformity assessment, labelling, sanitary and phytosanitary measures. The FTA has had so far limited effect on promoting competition, on further liberalising the government procurement markets and on contributing to the objective of sustainable development. The FTA has led to a limited but notable reduction of global CO2 emissions, has boosted bilateral foreign direct investment (FDI) and has benefited consumers.

Within Latin America, DG Trade has continued to pursue the effective monitoring and implementation of the Mexico, Chile, Colombia/Peru/Ecuador and Central America Agreements, monitoring and enforcing high labour and environmental standards, addressing market access barriers and protecting IPRs (including GIs). In close cooperation with Member States and EU industry, DG Trade has successfully used the trade committee and sub-committee meetings and other diplomatic channels to ensure full compliance with the obligations under the agreement, to improve the business environment and to discuss trade matters of mutual interest. In 2019, DG Trade launched an independent ex-post evaluation of the Trade Agreement with Colombia, Ecuador and Peru.

DG Trade also monitored the implementation of the DCFTAs with Ukraine, Georgia and Moldova. For each DCFTA the overarching Association Agreements with these countries provide a dedicated Association Committee covering trade issues and four specialised sub-committees, which held their annual meetings. The results of the monitoring were included in the report on FTA implementation. Moreover, in view of effective implementation, the EU negotiated with Ukraine and Moldova specific targeted modifications to the respective DCFTAs. With Ukraine, the tariff rate quota for imports into the EU of poultry meat and poultry preparations was amended with an effect of the revised schedules as of 1 February 2020. With Moldova an agreement was reached in 2019 to increase tariff rate quotas for Moldovan exports to the EU of table grapes and plums, to introduce a new tariff rate quota for cherries, and to raise the levels of imports triggering the anti-circumvention mechanism for wheat, barley, maize and processed cereals. Meanwhile the EU obtained additional tariff rate quotas for exports of poultry, pork, dairy and sugar. These amendments were formalised on 23 January 2020.

In the margins of the fifth Eastern Partnership summit in Brussels on 24 November 2017, Armenia and the EU signed a Comprehensive and Enhanced Partnership Agreement (CEPA). This agreement entered into force provisionally on 1 June 2018, replacing the old Partnership and Cooperation Agreement of 1999. It includes a series of ambitious trade related provisions. CEPA implementation work continued in 2019, with the Partnership

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24 The EU-Korea FTA has been provisionally applied since July 2011, and was amended in 2014 to include Croatia as a party to the FTA with effect from 1 July 2013.


26 The EU-Colombia/Peru FTA and EU-Central America DCFTA have been provisionally applied since 2013. Ecuador acceded to the Colombia/Peru agreement on 1 January 2017.
Committee in Trade Configuration meeting a second time in October 2019. Implementation priority actions on trade and sustainable development focused on international labour standards, biodiversity, and environmental governance. Good progress was also made in areas such as public procurement, current payments and transparency. One of the main priorities remains to define and agree on the concrete technical and financial assistance needed for the gradual phase-out of the Geographical Indication “Cognac” for products originating in Armenia, in line with Armenia’s commitments in CEPA.

With the Southern Mediterranean countries, DG Trade pressed these partners to remove trade-related barriers, with success stories in countries such as Tunisia and Egypt, while also assisting them to take better advantage of the existing preferential market access, in particular through trade-related assistance and capacity building. The special scheme reformed in 2018 providing flexible rules of origin for Jordanian exports into the EU linked to the employment of Syrian refugees has started to deliver results in 2019 with more operators using it.

An evaluation of the trade pillar of six EU Association Agreements with Southern Mediterranean countries (Algeria, Egypt, Jordan, Lebanon, Morocco, and Tunisia,) was ongoing in 2019 and will be finalised in 2020. This exercise will help to understand better the strengths and weaknesses of these first generation free trade agreements and will provide useful guidance on improving the effectiveness of their implementation as well as feed into the on-going work on future DCFTAs with partner countries in the region.

Implementation work on Economic Partnership Agreements (EPAs) with African, Caribbean and Pacific countries has intensified in 2019. Implementation of all relevant aspects is monitored, including compliance with EPA commitments, development cooperation and issues relating to sustainable development. Annual meetings of the joint bodies for the EPAs with the Caribbean, Eastern and Southern Africa EPA-group, SADC and Pacific countries, as well as with Cameroon, Ivory Coast and Ghana took place in 2019. In the Pacific region, the geographic widening of the regional EPA continued, with Samoa entering into the implementation stage in 2019 and Solomon Islands receiving the approval of the European Parliament for its accession. The implementation with Solomon Island can start after the final approval of the Council, which is expected in March 2020. In the Caribbean in 2019, an ex-post evaluation of the impact and implementation of the EPA with the Caribbean region continued in 2019 and will be finalised in 2020.

During 2019 the Commission worked actively to ensure compliance with trade and sustainable development commitments by our partners. Using the dispute settlement mechanism foreseen in the trade and sustainable development chapter of the FTA, the EU and South Korea held government consultations over Korea’s implementation of key labour-related trade and sustainable development commitments in January 2019. The panel of experts, officially established in December 2019, will publish a report in March/April 2020. The Commission also continued the close engagement with Peru. The bilateral understanding reached in December 2018 to address EU concerns over the implementation of trade and sustainable development commitments by Peru led to a renewed implementation momentum. The Commission continued to monitor the situation during 2019.

DG Trade continued to implement the EU strategy on China adopted in June 201627. There was a particular focus on bilateral discussions on trade and investment issues covering China’s agenda for economic reforms; overcapacity concerns (particularly on

27http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the__council__elements_for_a_new_eu_strategy_on_china.pdf
steel, export controls); level-playing field issues, such as subsidies; Chinese investments in the EU, and the investment negotiations; market access; and intellectual property rights.

The implementation of the strategy also led to plurilateral and multilateral discussions during 2019 in the framework of G7, G20, the Organisation for Economic Co-operation and Development and the WTO, including on issues such as overcapacity as well as the International Working Group on export credits.

The Joint Communication of the Commission and the High Representative “EU-China – A strategic outlook”, published in March 2019, proposed ten concrete actions, reflected a more assertive and multi-faceted EU approach to EU-China bilateral relations. DG Trade was involved in the implementation of the various actions (e.g. International Procurement Instrument, modernising the EU’s export control regime, implementing the EU Regulation on the screening of foreign investment, bilateral investment negotiations, WTO reform efforts, addressing foreign state-subsidised takeovers, etc).

In 2019, DG Trade continued to remove trade barriers through our Market Access Partnership with Member States and industry, which creates additional export opportunities of € 6.1 billion each year – equivalent to the benefits of many of our FTAs – for EU companies. During the course of 2019, a total of 35 existing obstacles – including several long-standing ones – were resolved in different countries around the world in several sectors. DG Trade is committed to reinforce the Partnership, with enhanced prioritisation of actions to remove barriers, strengthened coordination with stakeholders, and wider communication and outreach.

DG Trade used a variety of market access tools to remove a number of trade barriers in the Gulf Cooperation Council region (Saudi Arabia tops the list of the number of trade barriers removed during 2019) including through two successful business forums in Kuwait and Oman, where small and large companies from the EU and the region provided policy makers with feedback on the importance of an open, rule based and predictable trade regime.

DG Trade continued to address multilaterally and bilaterally a significant amount of regulatory barriers faced by EU exporters. For instance in the context of the WTO Committee on Technical Barriers to Trade (TBT), DG Trade contributed to the withdrawal or modification of several trade restrictive measures by trading partners that were hampering EU exports of a number of products, in particular alcoholic beverages, food and plastics.

DG Trade's activities in this area also include its work with the Sanitary and Phytosanitary (SPS) Market Access Working Group on identifying and agreeing on a mid- to long-term strategy to tackle SPS measures and the continued financial support to international standard setting organisations. In this respect, success stories in opening third country markets for certain Member States exports of agri-food products are noticeable in 2019 – 34 barriers have been lifted (e.g. several EU MS got access for their beef exports to China, Korea and Japan; China, South Africa, Thailand and United Arab Emirates lifted country-wide bans imposed on several EU Member States on exports of poultry due to avian influenza outbreaks; trade facilitating measures for imports of fruits and vegetables were accepted by Canada, Egypt and Mexico).

Well-functioning intellectual property (IP) systems are a key lever to promote investment in innovation and sustainable growth. IPR infringements worldwide cost European firms billions of euros in lost revenue and put thousands of jobs at risk. DG Trade continued to engage with key trading partners to cooperate towards an adequate and efficient protection and enforcement of IP rights. In 2019 DG Trade held IPR Dialogues, Working Groups and FTA sub-committees with the Andean countries (Peru,
Colombia and Ecuador, Central America, China, Japan, Korea, Mexico, Thailand, Ukraine and the US. DG Trade, in cooperation with the European Union Intellectual Property Office, has been implementing three IP technical cooperation programmes ("IP Key" 2017-2020) in China, in South East Asia and in Latin America. Multi-annual IPR cooperation programmes were developed in 2019 for Africa and for the Union for the Mediterranean.

In the area of public procurement, DG Trade continued to promote transparency, good governance and reciprocity with third countries, including through pursuing the establishment of an appropriate EU instrument to ensure openness of foreign procurement markets for EU companies, goods and services (International Procurement Instrument). The IPI seeks to give leverage to the EU to negotiate better access for EU companies to procurement markets outside the EU. As an ultimate measure, it would allow the EU to restrict access of companies, goods and services to the EU procurement market, if they are from a country that is proven to apply restrictive or discriminatory treatment against EU companies. Discussions in the Council and the European Parliament have been taken up again in 2019 and are ongoing.

In the area of export controls, the Commission pursued efforts to update export control regulations and support their effective implementation and e.g. adopted Recommendation 2019/1318 on Guidelines for industry compliance and Commission Delegated Regulation 2019/2199 updating the EU list of dual items in October 2019. The Commission also ensured transparency with the publication of the 2019 annual report and a list of national enforcement measures. Furthermore, the Commission actively participated in negotiations with the European Parliament and the Council on its 2016 proposal for a modernisation of EU export controls. The Commission also contributed to the adoption of Regulation (EU) 2019/496 as part of the "Brexit preparedness" measures.

The Commission continued to develop the EU export control network to ensure an effective implementation of controls, e.g. through the development of electronic licensing systems in Member States and the preparation of EU guidelines on industry compliance standards. The Commission also participated in meetings relating to multilateral export control regimes and in export control dialogues with third countries in an effort to promote export control convergence globally.

Furthermore, DG Trade continued to enforce the EU’s multilateral and bilateral rights and obligations through the WTO’s dispute settlement and through bilateral dispute settlement mechanisms throughout the year 2019. DG Trade also managed cases brought in investor-state dispute settlement mechanisms, i.e. the Energy Charter Treaty and under the Grandfathering Regulation. DG Trade monitored how WTO members comply with their membership commitments, including those stemming from plurilateral agreements (notably ITA). The EU is actively involved in 44 WTO disputes (28 as complainant) and three bilateral disputes. The EU initiated cases on Indonesia (Raw Materials), SACU (safeguards) Korea (Labour), Turkey (Pharmaceuticals), Ukraine (Wood), Columbia (Frozen Fries).

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Specific objective 3: Tackling unfair trade

Maintain and improve a transparent, efficient and effective system to combat distortions and unfair trade practices in international trade

The EU uses trade defence instruments to re-establish a competitive environment for EU industry when the latter is harmed by unfair imports.

DG Trade maintained and improved a transparent, efficient and effective system to combat distortions and unfair trade practices. DG Trade completed investigations, which are subject to the scrutiny of the European Court of Justice and the WTO’s Dispute Settlement Body, within the mandatory deadlines. In 2019, the EU imposed ten measures bringing the total measures in place to 141. Based on the latest available statistics, EU measures in force at the end of 2019 effectively protected 340,000 direct industrial jobs from unfair competition. Moreover, in 2019, the Commission adopted the so-called customs tool. This regulation (Commission Implementing Regulation (EU) 2019/1131) ensures that customs authorities can apply TDI measures for imports into the continental shelf, where the legal conditions are met. This is the last outstanding element of the modernisation package.

DG Trade also stepped up its efforts against circumvention of existing measures. Whenever DG Trade had information at its disposal that suggests that circumvention is taking place, it opened on its own initiative (and without having received an industry complaint) an investigation into the matter (so called ex officio initiations). Four ex officio cases were opened in 2019. DG Trade was able to collect enough evidence to open the cases on its own initiative because of its monitoring activities. Moreover, to limit the risk of channelling, DG Trade has strengthened the conditions for the application of the individual and advantageous duty rate. The first case in which there was a need to apply this approach was an anti-circumvention case concerning the imports of ceramic tableware and kitchenware originating in China. Importers that want to benefit from individual duty rates must submit a series of additional documents. Moreover, DG Trade insisted that the customs authorities have to make the necessary checks beyond the simple examination of these documents.

DG Trade also actively monitored trade defence investigations by non-EU countries against EU Member States and registered as an interested party with the aim of minimising the cost for EU exporters.

Against the backdrop of continuing global steel overcapacity, the October 2019 Tokyo Ministerial meeting of the Global Forum on Steel Excess Capacity identified the need for further reductions and the elimination of subsidies causing overcapacity. These actions are essential to avert another major global steel crisis. Notwithstanding efforts by China to terminate the Forum, its work continues under its G20 Hangzhou Summit mandate as a platform open to all interested OECD and G20 members, delivering the transparency and policy orientations necessary to eliminate the existing overcapacity.

Commissioner for Trade Cecilia Malmström said: “There are no excuses: those who walk out on the Forum are turning their backs on multilateralism and on solving global problems through cooperation – and give cover to damaging and unacceptable unilateral actions. We call on China to exercise leadership, participate in the Forum and deliver on its commitments.”

In order to address the main concern of the semiconductor industry, excess capacity resulting from trade distorting practices in certain jurisdictions, the GAMS peer review process has identified subsidies and encryption measures that are not in line with market principles, and need to be aligned with them.
DG Trade also worked through multilateral, plurilateral and bilateral channels to prevent the emergence of overcapacity in other sectors, notably in the aluminium and high-tech sectors.

DG Trade intensified its efforts to deal with level-playing field issues such as subsidies and the role of State Owned Enterprises across all sectors, by working closely with other trading partners, particularly the US and Japan via a trilateral ministerial process, but also with China, as well as in the WTO, the OECD and the G7/G20.

During January 2019, DG Trade completed the round of formal consultations with preferential trading partners and WTO members on the proposed definitive safeguard measures on the imports of certain categories of steel products that entered into force in February. This was the last due step in a complex and politically sensitive investigation initiated in February 2018 in response to the unlawful imposition by the US of protectionist tariffs on the imports of steel products. In order to meet the commitment made by the Commission to review the measures every year of application, DG Trade initiated their review in May 2019 with a view to reassessing whether any adjustments were necessary because of market developments. DG Trade assessed over 200 submissions. After formal consultations with preferential trading partners and WTO members during August 2019 on a series of adjustments to the safeguard measures to enhance their effectiveness, the adjustments entered into force on 1 October 2019.
Specific objective 4: A sustainable approach to trade

Improved sustainable economic, social and environmental conditions for consumers, workers, citizens and businesses in the EU and in non-EU countries and a special focus on human rights, responsible management of supply chains and good governance

In 2019, EU trade policy continued to contribute to the Treaty objective of sustainable development in its economic, social and environmental dimensions both in Europe and in our partner countries, and to boost inclusive and sustainable growth and reduce poverty in developing countries.

As foreseen in the ‘Trade for All’ Communication⁵⁴, DG Trade continued to promote sustainable development, human rights and good governance, in the spirit of the United Nations (UN)’s 2030 Agenda for Sustainable Development. This included ensuring that provisions in the EU’s trade agreements related to these and that the EU’s Generalised Scheme of Preferences⁵⁵ is implemented effectively.

The Commission continued to negotiate ambitious trade and sustainable development chapters in EU trade agreements, to promote respect for workers’ rights and the protection of environment, including compliance with international commitments. The Commission also continued to work with partners with trade agreements with the EU to ensure these chapters are implemented effectively. The Commission paid particular attention to trade and climate, for example by continuing to engage in the debate at international level and by developing implementation actions in EU trade agreements.

In 2019, the Commission continued to improve the implementation and enforcement of Trade and Sustainable Development Chapters⁶⁶ guided by the 15-Point Trade and Sustainable Development Action Plan presented in February 2018. In 2019, the Commission has put in place initiatives across all the areas of the Action Plan, in particular as regards the early implementation steps taken in the EU-Vietnam FTA.

As part of the implementation of the Trade and Sustainable Development Action Plan, the Commission continued to implement the €3 million project to support civil society involvement in the implementation and monitoring of EU trade agreements. This three-year project, funded through the Partnership Instrument has been in place since November 2018. It provides logistic and technical support to all EU domestic advisory groups set up by the trade and sustainable development chapters of EU trade agreements. Members of the domestic consultation mechanisms of partners under the trade agreements with Ukraine, Moldova, Georgia, Central America, Colombia-Ecuador-Peru, and CARIFORUM are also eligible for financial and logistics support. The project also funded capacity-building workshops for domestic advisory groups in 2019.

The Commission reached out to state and non-state actors in ACP countries covered by Economic Partnership Agreements (EPAs) to raise awareness and to stimulate engagement and discussion on issues relating to sustainable development. In 2019, in

⁵⁵ The EU’s Generalised Scheme of Preferences (GSP) is designed to help developing countries integrate in the international trade system by making it easier for them to export their products to the EU. This is done in the form of partly or fully reduced tariffs for their goods when entering the EU market. Through the additional export revenue, which is generated, GSP fosters growth in their income and supports their development.
⁶⁶ On 11 July 2017, the Commission launched a debate on the enforcement and implementation of EU FTA’s Trade and Sustainable Development (TSD) chapters. The basis for this debate is a non-paper prepared by the Commission and transmitted to the Member States and the European Parliament and made public (available on DG Trade website http://trade.ec.europa.eu/doclib/docs/2017/july/tradoc_155686.pdf).
addition to dialogues with governments within the EPA institutions, several missions and events took place to sensitise civil society, the private sector and other stakeholders. Examples include the civil society advisory body set up in Côte d’Ivoire; a multi-stakeholder event on trade and sustainable development in Fiji; and a discussion on sustainability in the EPA Consultative Committee in the Caribbean.

On 24 January 2019, as a first step in implementing the Joint Recommendation on Trade and Climate in the Comprehensive Economic and Trade Agreement (CETA), the Commission and Canada hosted an awareness-building workshop with civil society, businesses and policy makers. The Commission also pursued a stronger link between trade policy instruments (for example the Generalised Scheme of Preferences, trade and sustainable development chapters in trade agreements) and cooperation projects to promote labour rights and environmental protection, including actions on climate. The Trade for Decent Work project was signed in December 2018 with the International Labour Organization (ILO) to build capacity and provide support on labour rights in a number of trading partners, as well as to promote Corporate Social Responsibility. The project started in 2019 with supporting activities in Bangladesh, Myanmar and Vietnam. In 2019, the project enabled the organisation of training on “Labour issues in Responsible Business Conduct” for the National Contact Points in EU Member States. Increased funding was allocated for the project’s continuation in 2020. This will allow the funding of ILO-led activities in Ecuador and Peru to improve their labour inspection capacity.

The EU has been actively promoting **due-diligence practices for responsible global value chains**.

In 2017 the EU adopted a Regulation setting out comprehensive due diligence requirements for EU importers of certain metals and minerals. In recent years, the Commission has brought forward a series of regulatory and non-regulatory measures to facilitate and ensure proper implementation of the Regulation once the requirements start to apply on 1 January 2021. In 2019, the Commission:

- adopted a Commission Delegated Regulation on the method and criteria for assessing applications for recognition of supply chain due diligence schemes;
- made arrangements to have external expertise providing an indicative and non-exhaustive list of conflict-affected and high-risk areas;
- paved the way for the adoption of another Commission Delegated Regulation completing the applicable *de minimis* thresholds that should be adopted later in 2020.

In March 2019, the Commission published a Staff Working Document on Corporate Social Responsibility, Responsible Business Conduct, and Business and Human Rights setting out what the Commission and High Representative have done to promote responsible business conduct and implement the UN Guiding Principles on Business and Human Rights, including as part of the Commission’s work on the Sustainable Development Goals.

In 2019, the Commission contracted a study on due diligence requirements through the supply chain. This study and experience on the implementation of existing EU due diligence rules will inform the work of the Commission.

When it comes to trade policy, the EU has negotiated dedicated Corporate Social Responsibility/Responsible Business Conduct provisions in EU trade and investment agreements and has worked with the OECD in developing sectoral due diligence guidelines.

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37 Regulation (EU) 2017/821, sometimes referred to as the Conflict Minerals Regulation.
38 https://ec.europa.eu/docsroom/documents/34482
The Commission has also been implementing capacity-building and outreach programmes to help developing countries address sustainability challenges, notably on responsible supply chains in Asia and Latin America.

With regard to the **Generalised Scheme of Preferences (GSP)**, increasing income and conclusion of trade agreements led to a reduction of the number of beneficiaries. At the end of 2019, there were **71 beneficiaries**, 11 less than in 2018. Despite the falling number of countries benefiting from GSP, value of imports to the EU under GSP grew by 16.2% i.e. from €158 billion in 2016 to €183.6 billion in 2018. Of these, €68.9 billion were imported using GSP. GSP was **especially important for the poorest countries**: the share of Least Developed Countries (LDCs) in the EU's overall imports reached 2.2%, more than twice the LDC share in world imports (0.98% in 2017).

The European Commission adopted a number of legal acts related to the implementation of the GSP Regulation. Commission Regulation of 12 February 2019 suspended tariff preferences for a number of products for the period of 2020-2022 for three beneficiary countries: **India, Indonesia and Kenya. Nauru, Samoa and Tonga** were removed from the list of beneficiary countries from 1 January 2021. The Commission also increased the vulnerability threshold for GSP+ beneficiaries.

In 2019 two countries, which benefit from the general GSP (**Tajikistan and Uzbekistan**), expressed an interest in joining the GSP+ arrangement.

Through enhanced engagement under the Everything But Arms arrangement of the GSP for Least Developed Countries, the EU intensified the dialogue with Bangladesh, Cambodia and Myanmar to press for concrete actions on and sustainable solutions to serious shortcomings in respecting international conventions on fundamental human and labour rights. Lack of progress in Cambodia on human and labour rights led to the launch of the procedure for temporary withdrawal of tariff preferences, which will lead to a proposal from the Commission in February 2020.

The Commission has launched the preparations for a new GSP regulation, to be effective from 1 January 2024, including the launch of the work on an impact assessment and preliminary discussions with the GSP Expert Group.

The European Parliament adopted a resolution on the implementation of the GSP Regulation on 14 March 2019. The EP acknowledges the positive impact of the GSP Regulation and makes a number of recommendations in view of the preparation of the future GSP regulation.

**Commissioner for Trade Phil Hogan**, during the presentation of the GSP report covering 2018-2019, said: "**Thanks to our trade preferences, the EU imports twice as much from least developed countries as the rest of the world does. This trademark tool of the EU's trade policy underpins millions of jobs in the world's poorest countries.**"

As foreseen in the **Trade for All Communication**, DG Trade reinforced its focus on the **gender** angle of trade inclusiveness. DG Trade organised in September 2019 the **Trade for Her** conference to find out how to achieve greater involvement of women in international trade, in the EU and beyond. The conference looked into the results of the first ever study on barriers for women in the European Union, who are engaged in international trade. Participants shared their experiences, views and ideas on four thematic panels: Empowering women through international trade – challenges and solutions; Barriers for women to trade in Europe and beyond; Enhancing opportunities for women in trade – what role for business?, and Looking for synergies – The role of other policy areas in empowering women.

The EU's foreign policy remains the primary instrument for the EU to promote human
rights in third countries, using a broad range of tools, from bilateral Human Rights Dialogues to the adoption of sanctions. However, trade policy also continued to play a role, for instance through the promotion of core international labour rights in the context of trade and sustainable development chapters in EU free trade agreements and the process of ‘enhanced engagement’ with a number of GSP/EBA beneficiary countries.

In the same spirit of promoting good governance, the EU has successfully negotiated provisions to fight and prevent corruption in the area of trade and investment within the modernised Agreement with Mexico. Similar provisions have been proposed to Chile. The Post-Cotonou agreement is currently being negotiated and it is foreseen that it will also contain provisions relating to the prevention and fight against corruption. The Commission has proposed to include anti-money laundering in the future partnership agreement with the UK.

As a founding member of the Alliance for Torture-Free Trade set up in 2017, the EU continued to take a clear stance on goods used for capital punishment and torture. On 28 June 2019, further to the Alliance’s 2018 commitment to push for a UN resolution on the issue, the UN General Assembly passed a resolution aimed at abolishing trade in equipment used for torture.