European Commission

Report on Trade and Investment Barriers (1 January 2019 – 31 December 2019)

SUMMARY

- EU action to tackle barriers for our companies around the world was successful, with 40 barriers fully or partially removed in 2019. This brings tangible benefits for EU companies and citizens: our work to remove barriers from 2014 until 2018 generated at least €8 billion additional exports in 2019.
- At the same time, 43 new barriers registered in 2019 show that protectionism is increasing and has become ingrained in trade relations. Barriers increasingly affect sectors of high importance for Europe, are increasingly difficult to resolve and spread across regions.

1. Overall stock of trade and investment barriers

The report analyses the 438 active trade and investment barriers registered in the Market Access Database across 58 trading partners.

Those barriers can take various forms: from fully-fledged import bans and unlawful taxes applied at the border to some internal disproportionally burdensome or discriminatory regulations going against international trade rules set in the World Trade Organization or in bilateral agreements

China remains the country with the highest number of recorded barriers, with 38 obstacles hindering EU export and investment opportunities. Russia comes second with 31 barriers currently in place, followed by Indonesia (25), and the United States (24). India and Turkey share the fifth place, with 23 reported measures. Other countries with ten or more trade barriers registered include Brazil (19), Republic of Korea (19), Australia (14), Algeria (12), Thailand (12), Mexico (11), Egypt (10) and Malaysia (10).

As to the types of barriers affecting EU companies, for the first time border measures (229 or 52% of the total) are more numerous than behind-the-border measures (188 or 43%). This is a sign that some partners use a wider panoply of barriers to achieve protectionist goals.

2. Trade and investment barriers reported in 2019

The 43 new barriers reported in 22 third countries in 2019 signal there is a continuing and significant increase in protectionism that has become a structural feature of international trade relations.

China has been the country that adopted the highest number of measures in 2019, followed by countries in the Mediterranean and Middle East region. The two regions account for almost €28.5 billion out of the €35.1 billion of export affected by new barriers (80% of the total), and for 24 barriers (60% of all barriers).

New barriers hit in particular industrial sectors: industrial products account for 85% of all affected EU exports. Information and communications technology, automotive and electronic sectors were the most affected.

The report shows the rising importance of border measures (65% of the total number of 2019 new measures) over behind-the-border measures (28%). Overturning a long-term trend, partners appear to be more comfortable with these blatantly protectionist measures rather than counting solely on more sophisticated behind-the-border measures.

3. Most impactful new barriers reported in 2019

The report focuses on trading partners with the largest share of potentially affected EU trade flows. Some of the most impactful barriers in those countries are:

- China:
  - Draft for Cybersecurity Review Mechanism
  - Cross-Border Transfer of Personal Information and Administrative Measures on Data Security
  - Market access in telecom networks in China
  - Restrictions on ash wood products

Those 4 new barriers affect EU exports worth at least €15.5 billion.

- Mediterranean and Middle East region:
  - Algeria: Delayed payment for certain imports; Special custom surcharge (DAPS) on a wide list of goods; Value-based quota on imports of car parts for assembling operations
  - Morocco: Conformity-marking requirement on EU exports; New requirements for pharmaceutical products
  - Lebanon: Temporary duty of 3% on almost all imports; Additional duties on imports of some selected products; Mandatory requirement of registration of factories for certain products; Customs duties on imports of oil/petroleum products; New measure on the legalisation of invoices
  - Turkey: Export restriction on copper scrap; Amendment to the Cosmetics Regulation
  - Saudi Arabia: Procedure for acquiring the Saudi Quality marks; New import conditions for EU fruits and vegetables exports; and three barriers that were recorded and resolved in the course of 2019 (see hereafter)

20 barriers put in place in the region affect EU exports worth at least €11.9 billion.

- Australia:
  - o Australian Fuel Standards on sulphur content
  - o Australian Design Rules on heavy quadricycles

  Those 2 barriers affect on their own EU exports worth €4.7 billion.
- South Korea:
  - o Ballast water treatment systems for Korean vessels
  - o Updated Safety Confirmation Criteria for Textile Products for Infants

Those two barriers affect EU exports worth half a billion euros.

4. Trade and investment barriers resolved in 2019

40 barriers have been fully or partially removed in 2019 easing access to 22 different markets around the globe. EU exports concerned by those measures are worth at least €19.4 billion. This was possible thanks to the combined efforts of the European Commission, EU Member States and business organisations involved in the Market Access Partnership and the use of all its tools: diplomatic action, dispute settlement, and the framework provided by trade agreements.,

Saudi Arabia removed 5 barriers in 2019, followed by Egypt, Singapore, and Russia that eliminated 3 trade obstacles each. Australia, Canada, China, Japan, South Korea, Mexico, Ecuador, and United Arab Emirates removed each 2 barriers

In 2019, significant progress was achieved in removing agri-food barriers. Conversely, types of measures that typically apply to industrial sectors or services proved challenging to resolve. This is the case not least in sectors like high tech.

5. Most important barriers fully or partially removed in 2019

The report provides a detailed analysis of successful cases in 2019 with a focus on positive impact for smaller companies:

- China
  - o New certification requirements for low risk food products
  - o Import ban on EU bovine and ovine products

  These 2 barriers had previously affected EU exports of an estimated value of €11.9 billion.
- Mediterranean and Middle East region:
  - o Tunisia: Import restrictive authorisation measures on clothing, cosmetics, agri-food, cleaning products, toys, textile
  - o Egypt 3: Unnecessarily burdensome veterinary checks of live animals; frequent change of import conditions in for imports of seed potatoes; import procedure for importing infant formula
  - o Lebanon: double customs certification requirement for imports
  - o Turkey: Turkish additional duty scheme

- o Saudi Arabia: Restriction for exporting fish, crustaceans and molluscs; unnecessarily burdensome labelling regulation; import restrictions of bovine and sheep meat; Regulation on added sugar
- o United Arab Emirates: Registering and testing individual car parts; import restrictions of dairy products and fruit juices

These 14 barriers had previously affected EU exports of an estimated value of €4.9 billion.

- Russia:
  - o Export ban affecting raw hides and skins
  - o Export quotas on certain categories of birch logs
  - o Excise duties for foreign wines

  These 3 barriers had previously affected EU exports of an estimated value of €920 million.

- Korea:
  - o Import ban on beef
  - o Strict storage and distribution requirements for cosmetics

  These 2 barriers had previously affected EU exports of an estimated value of €770 million.

- Australia:
  - o Steel testing standards
  - o Standard for testing new chemical ingredients of cosmetics

  These 2 barriers had previously affected EU exports of an estimated value of €590 million.

6. Impact of barriers' elimination

In addition to the figures related to trade flows affected by individual barriers, the report also includes a refined econometric analysis that assesses the impact of the successful elimination of barriers. The analysis has shown that the removal of barriers over the 2014-2018 period has generated additional exports of at least €8 billion for EU companies in 2019, helping support important number of EU jobs.