



ANNUAL REPORT ON THE IMPLEMENTATION OF EU TRADE AGREEMENTS IN 2019

On 12 November 2020, the European Commission released its fourth annual report on the implementation of EU trade agreements.

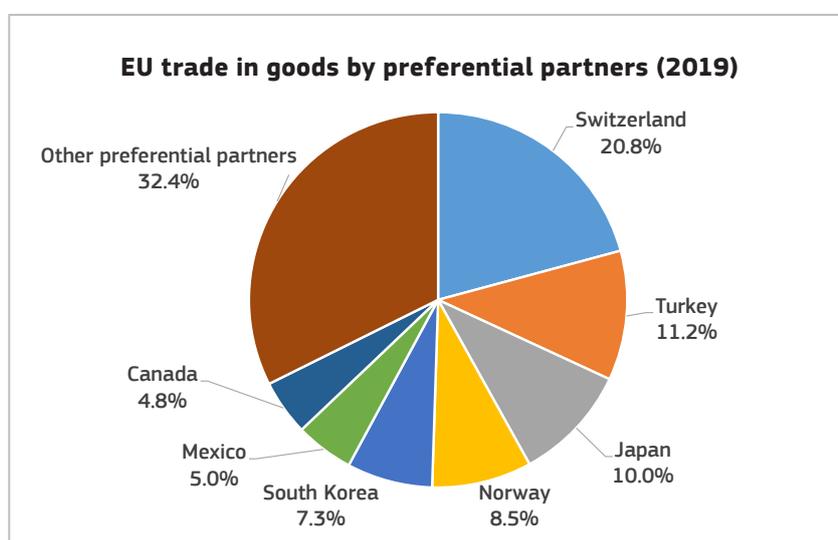
The report¹ provides an annual overview of the EU's 36 largest preferential trade agreements with 65 partners, divided into four regions: Asia, North and Latin America, EU neighbouring countries and African, Caribbean and Pacific partners. In addition, the report zooms in on some of the most important thematic and sectoral aspects of implementing trade agreements in 2019, in particular sustainability issues, the agri-food sector, services and investment, intellectual property rights and public procurement and small and medium – sized enterprises..

The report provides information inter alia on:

- The most important trends in trade and foreign direct investment flows;
- A first assessment of the implementation of the EU-Japan Economic Partnership Agreement as well as an overview of the preparations for the entry into force of the EU-Singapore Free Trade Agreement, which entered into force on 21 November 2019;
- Progress made and outstanding issues on removing trade barriers for EU exports and imports and steps taken to implement provisions on services and investment, IPR and public procurement;
- Progress made and outstanding issues on implementing sustainability provisions;
- Update on dispute settlement action to enforce commitments in EU trade agreements;
- Work accomplished and underway to support small and medium-sized businesses.

The report is accompanied by a staff working document² that has detailed information as per partner country and agreement. The Commission is also releasing on its website two information sheets on preference utilisation³ and FAQs⁴ to respond to frequent questions on utilisation of tariff preferences.

1. THE EU'S MAIN PREFERENTIAL PARTNERS



Among the 65 trading partners covered, Switzerland remained the EU's top trading partner, with 21% of trade, followed by Turkey and Japan with 11% and 10% each and Norway (8.5%), accounting for half of EU preferential trade, followed by South Korea (7%) and Canada (5%).

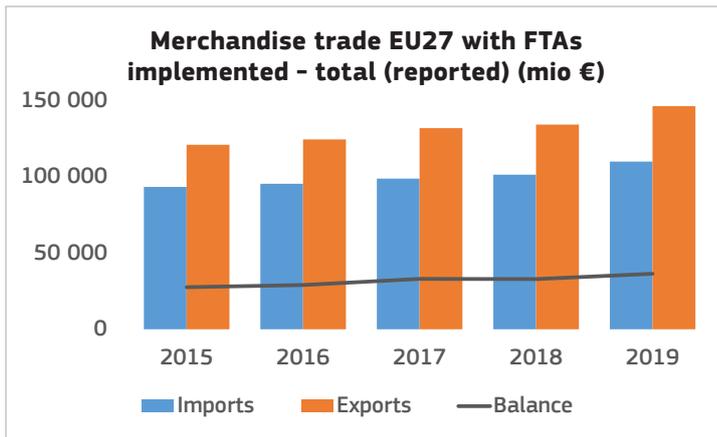
¹ The report can be found at : https://ec.europa.eu/transparency/regdoc/rep/1/2020/EN/COM-2020-705-F1-FN-MAIN-PART-1_PDF

² The Staff Working document can be found at: https://trade.ec.europa.eu/doclib/docs/2020/September/tradoc_158926.pdf

³ Information on PUR on EU imports: <https://trade.ec.europa.eu/doclib/html/159046.htm>; Information on PUR on EU exports: <https://trade.ec.europa.eu/doclib/html/159047.htm>

⁴ FAQ on preference utilisation

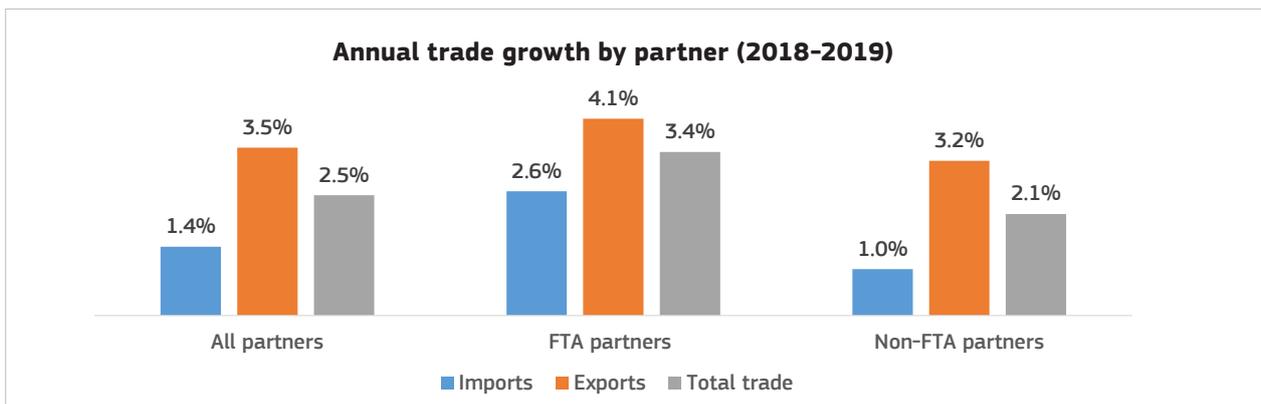
2. EU TRADE AGREEMENTS REMAIN IMPORTANT CONTRIBUTORS TO EU EXTERNAL TRADE



The 36 major EU trade agreements covered by this report made a major contribution to EU global trade in 2019. EU trade with the 65 partners was worth €1.236 billion, or 30.4% of EU total external trade, resulting in an EU surplus of €113 billion, a 12% increase on 2018.

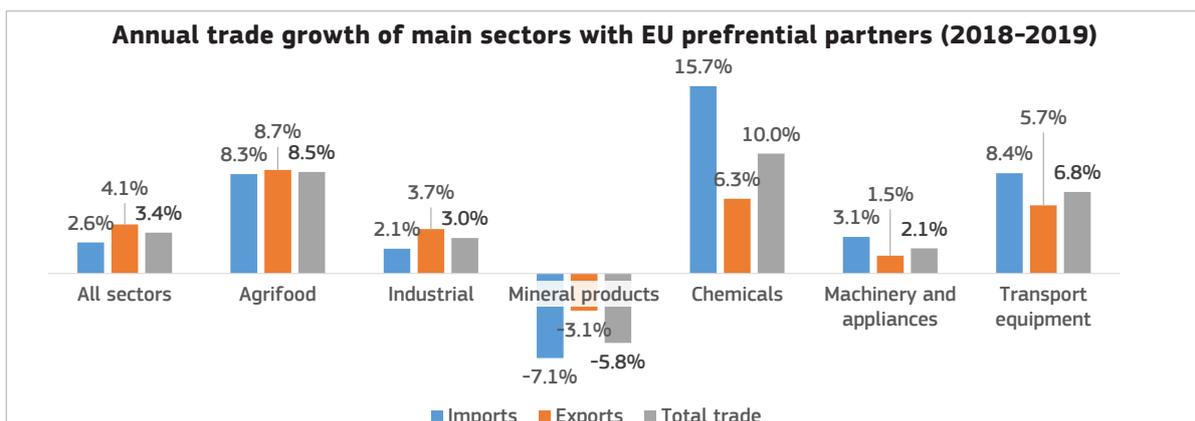
3. ENCOURAGING TRENDS AND DEVELOPMENTS IN EU PREFERENTIAL TRADE

EU preferential trade grew by 3.4% (exports 4.1%; imports: 2.6%) between 2018 and 2019, thus at a higher rate than EU overall trade (2.5%) and EU non-preferential trade (2.1%).



SOME HIGHLIGHTS IN 2019

- EU agri-food exports grew by 8.7% (+ €4.4 billion), as compared to overall agri-food exports to the rest of the world, which grew by 7.6%.
- EU industrial exports picked up from (+1.9%) in 2018 to (+3.7%) in 2019; top exports remain machinery (+1.5%), chemicals (+6.3%) and transport equipment (+5.7%).
- Trade in services with preferential partners covered by this report that took commitments in services⁵ grew by 3.3% in 2018, thus more strongly than EU total trade in services.



⁵ Norway, Ukraine, Moldova, Georgia, Chile, Central America, the Andean countries, Mexico, Canada, Cariforum, South Korea and Japan

4. EU COMPANIES BENEFIT FROM NEW OPPORTUNITIES: EU-JAPAN A CASE IN POINT

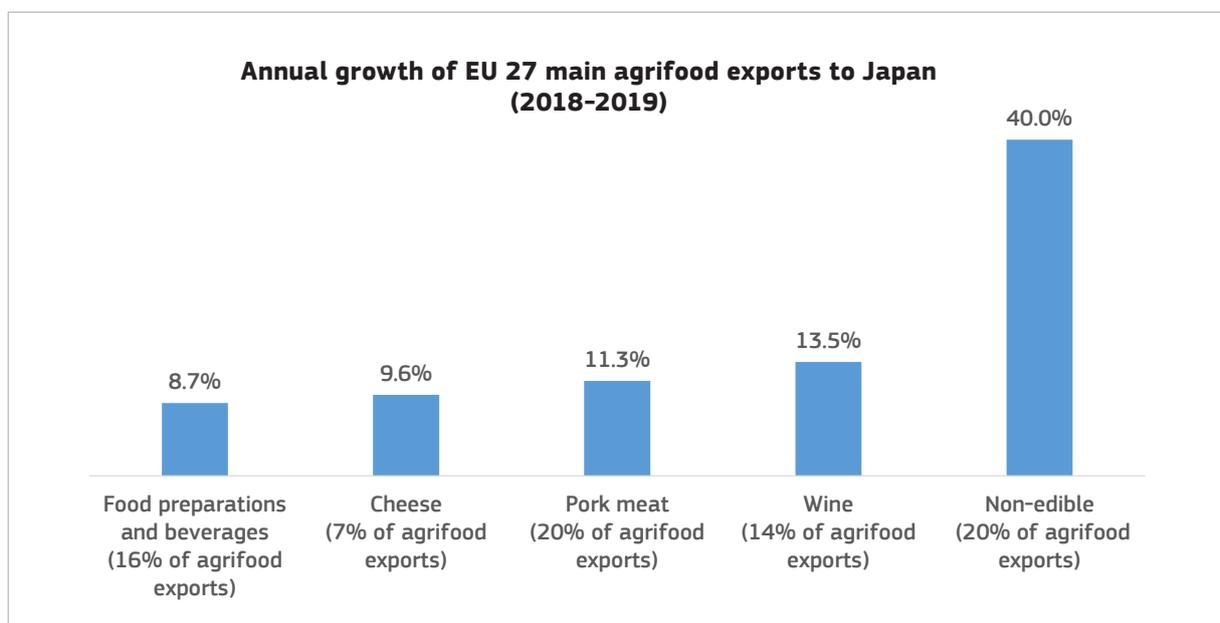
The EU's most recent trade agreements help companies to access new markets by:

- eliminating tariffs;
- easing administrative procedures;
- greater coherency on standards and rules for goods and services.

The EU-Japan Economic Partnership Agreement (EPA) agreement is a good example. In its first year of application the agreement started to realise its huge potential for increasing EU exports, cutting red tape and simplifying procedures.

EU EXPORTS TO JAPAN: DEVELOPMENTS IN 2019

- EU goods exports to Japan rose by 6% overall
- EU exports of textiles, clothing and footwear benefitting from tariff cuts rose by 10%
- Agri-food bilateral trade was up 16% and EU pork, cheese and wine exports grew by 12%, 10% and 14%, respectively.
- Japan approves and recognises EU oenological practices, step-by-step



HOW THE EU-JAPAN AGREEMENT SUPPORTED BILATERAL TRADE IN 2019

Following discussions in the relevant EPA committees, Japan

- applies a simplified customs procedure for claiming and obtaining tariff preferences;
- uses improved quota management procedures benefitting EU imports of agricultural commodities and processed agricultural products; and
- is taking concrete steps for preparing domestically to ratify two fundamental ILO conventions on non-discrimination and on forced labour.

5. AGRI-FOOD CONTINUES UPWARD TREND UNDER EU TRADE AGREEMENTS

EU trade agreements are essential for Europe's farmers: 35% of EU agri-food trade is with preferential partners and this share has been rising over the past 10 years. Top export destinations Switzerland, Japan and Norway stand for 11% of EU agri-food exports. Top sourcing countries Ukraine, Switzerland and Turkey together make up 13% of total EU agri-food imports.

HEALTHY GROWTH OF EU AGRI-FOOD TRADE WITH PREFERENTIAL PARTNERS IN 2019:

- EU agri-food exports up 8.7% (+ €4.4 billion), as compared to overall agri-food exports (7.6%)
- EU agri-food imports up 8.3%, as compared to overall agri-food imports (2.3%)
- The agri-food trade balance under preferential agreements remained at +€6.4 billion



EU trade agreements pay special attention to the protection of **geographical indications (GIs)**. This has important advantages for EU producers in practice. A Commission study⁶ shows that GI's share in EU exports is large (€17 billion for the EU28 in 2017) and growing (by 56% between 2010- 2017).

GOOD NEWS FOR GEOGRAPHICAL INDICATIONS IN 2019

- CETA: 5 new EU regional specialties were registered for protection in Canada: Piave, Pancetta piacentina, Salame piacentino, Coppa piacentina and Vinagre de Jerez
- The EU-Japan EPA protects 211 EU GIs

6. EU TRADE AGREEMENTS REMAIN A MAIN AVENUE TO PREVENT OR REMOVE TRADE BARRIERS

Committees and working groups under EU trade agreements lead parties together regularly to jointly examine any implementation issue. These institutionalised exchanges have proven crucial to overcome barriers and identify potential hurdles before they affect the beneficiaries of these agreements.

HOW FTA COMMITTEES HELPED TO RESOLVE TRADE BARRIERS: EXAMPLES IN 2019

- **Switzerland** granted additional meat tariff rate quotas (TRQ) and autonomous TRQs for seasoned meat.
- **Ecuador** removed additional duties ('fiscal stamps') on imported alcoholic beverages, allowing EU alcoholic beverages to compete on an equal footing with local beverages.
- **Egypt** stopped requiring veterinary checks of live animals in the EU destined for export to Egypt
- **Tunisia** lifted non-automatic import licenses on a wide variety of EU products

7. EU TRADE AGREEMENTS OFFER NEW OPPORTUNITIES TO PROVIDE SERVICES, INVEST, PROTECT IPRS AND PARTICIPATE IN PUBLIC TENDERS

All the EU's more recent trade agreements have **provisions on services**, helping to establish and bolster a regulatory framework to facilitate the provision of services, while protecting consumers. The recent EU trade agreements with Canada and Japan are a powerful illustration.

Investment liberalisation provisions seek to remove restrictions on market access, foreign ownership and types of commercial presence, in both services (establishment) and non-services areas (manufacturing, mining, agriculture, etc.).

⁶ Study on economic value of EU quality schemes: <https://op.europa.eu/en/publication-detail/-/publication/a7281794-7cbe-11ea-aea8-01aa75ed71a1>

NEW MARKETS FOR EU SERVICES: IMPLEMENTING CETA AND THE EU-JAPAN EPA

- Implementing **CETA, Canada** updated its coastal shipping laws, allowing EU services providers to compete for services of commercial dredging and increased the threshold reviewing foreign acquisitions (from €658 million to €987 million).
- Implementing the **EU-Japan EPA**, Japan applies domestic regulation principles to services and investments in other sectors and opened additional distribution channels for EU private insurance companies, including its postal network.

EU trade agreements' chapters on **public procurement** provide EU companies access to public contracts used to buy goods and services, including public works.

EU TRADE AGREEMENTS AND PUBLIC PROCUREMENT: CETA AND EU-JAPAN EPA

- Under **CETA** a wide range of sub-central government procurements are accessible to EU bidders.
- Under the **EU-Japan EPA** 48 larger cities (300,000 inhabitants) are accessible to EU bidders as are some national entities, including 87 hospitals and academic institutions and 29 electricity distribution entities.

MONITORING THE IMPLEMENTATION OF PROCUREMENT COMMITMENTS: EXAMPLES IN 2019

- Under the **EU-Ukraine Free Trade Area**, the EU supported Ukraine in developing a new public procurement law that includes sustainability aspects, such as life-cycle costs, environmental, innovative and social considerations.
- Under the **EU-Association Agreement with Colombia, Peru and Ecuador**, the EU raised concerns about technical specifications in some tenders. Peru agreed to raise awareness and accept international standards in procurement procedures.

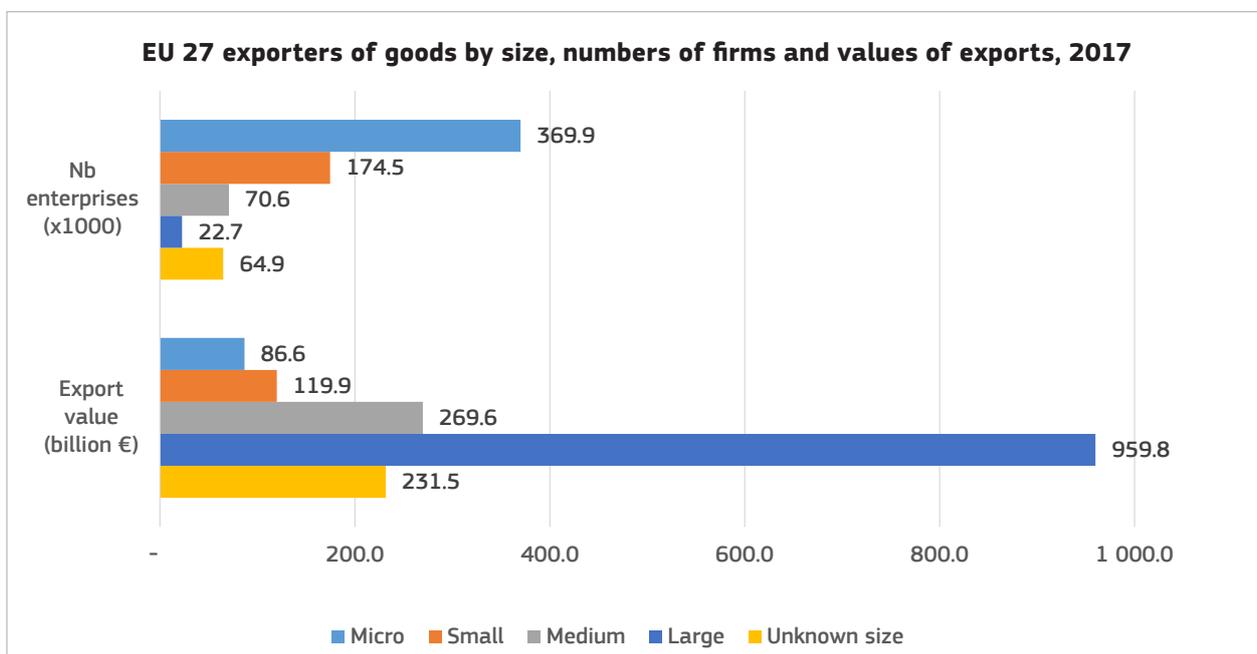
EU trade agreements also protect EU right holders' **intellectual property rights** in trading partner countries. The Commission monitors its trading partners' legislation and enforcement and raises problems with its trading partners in the respective IPR Sub-Committees or IPR Dialogues.

IPR ISSUES SUCCESSFULLY RAISED BY THE COMMISSION IN 2019 INCLUDED:

- **EU-Association Agreement with Colombia, Peru and Ecuador:** the EU raised concerns about Ecuador's localisation requirements for the manufacture of patented products. On the EU's request, Ecuador withdrew the requirements.
- **EU-Ukraine Free Trade Area:** the EU raised concerns about a number of draft laws (ultimately dropped) that would have restrictive patentability and denied protection to certain substances and new uses of medicines.

8. HELPING SMALL AND MEDIUM-SIZED BUSINESSES TO ACCESS OPPORTUNITIES

As seen in the graph below, the number of EU SMEs exporting extra EU has been growing steadily between 2014 and 2017, i.e. by 6% on average.



Source: Commission/DG Trade Chief Economist Unit; calculations based on the Eurostat TEC database

In 2019, the Commission continued work with its partners to propose concrete actions to implement provisions on small and medium-sized businesses in its most recent trade agreements.

IMPLEMENTATION OF SME PROVISIONS: SOME EXAMPLES IN 2019

- Canada and Japan set up **special websites** with information for SMEs
- The **EU's Green Gateway to Japan Programme** (Green Gateway) provided assistance to European SMEs wanting to export to Japan, helping them find the right partners.
- The **SME contact points** for EU's trade agreements with Canada and Japan began work in areas of **common interest**.

To further help SMEs access the opportunities under EU trade agreements the Commission launched its new import and export portal "**Access2Markets**" which was launched on 13 October 2020.

WHAT "ACCESS2MARKETS" OFFERS TO SMES:



- **Information in one place** on exports and imports (tariffs, import and export requirements, benefits under EU trade agreements, taxes, trade statistics).
- Information on the EU's trade agreements and **step-by-step guides** on importing and exporting.
- A **Rules of Origin Self-Assessment tool** for companies to assess whether their products meet the criteria for preferential rules of origin treatment under EU trade agreements.

9. PROGRESS ON TRADE AND SUSTAINABLE DEVELOPMENT

In 2019, the Commission made further progress in implementing trade and sustainable development commitments in its trade agreements, guided by its 15-point action plan. **Pre-implementation work with Vietnam**, in close liaison with the European Parliament and stakeholders, delivered some early outcomes.

PROGRESS IN IMPLEMENTING TRADE AND LABOUR COMMITMENTS: EXAMPLE OF VIETNAM

- **Vietnam** ratified ILO Convention 98 on collective bargaining and adopted a revised Labour Code.
- Vietnam ratified the core ILO convention 105 on forced labour in June 2020 and provided a concrete timeline for ratifying the last remaining fundamental ILO Convention 87 on freedom of association by 2023.
- Vietnam reported on steps to eradicate child labour.

WORKING WITH CIVIL SOCIETY AND BUSINESS IN IMPLEMENTING SUSTAINABILITY COMMITMENTS:

- **Supporting Domestic Advisory Groups:** EU assistance to DAGs continued, including through funds to enable meetings and capacity building workshops.
- **Activating the role of business:** The Commission continued to promote responsible business practices including through a technical assistance project for Latin America, in cooperation with the ILO, OECE and OHCHR.

ENFORCING TRADE AND SUSTAINABLE DEVELOPMENT PROVISIONS:

- The Commission continued its dispute settlement case against **South Korea** and an expert panel is now deliberating on the case.
- Following enhanced bilateral engagement with **Peru**, the latter reported on the advances made on various fronts to address the EU's substantive concern

10. TRADE AND DEVELOPMENT PARTNERSHIPS WITH AFRICAN, CARIBBEAN AND PACIFIC COUNTRIES

In 2019, **31 ACP countries were implementing EPAs** with the EU, their biggest trading and investment partner. In 2019, the EU and five countries of the Eastern and Southern Africa (ESA) EPA launched negotiations to add rules on trade in services, investment, public procurement, intellectual property rights and trade and sustainable development.

IMPLEMENTATION OF EPAS IS GAINING CRUISING SPEED IN 2019:

- **EU imports** from the 31 EPA partner countries **increased by 4.6%** (double-digit growth rates for Eswatini, Fiji, Cameroon, South Africa and the Dominican Republic).
- CARIFORUM's agri-food exports to the EU increased by 11%
- Diversification is growing for some ACP countries, including South Africa, Mauritius, Dominican Republic and CARIFORUM

PROGRESS IN IMPLEMENTATION OF EPAS IN 2019: SOME EXAMPLES



- EU and the **Southern African Development Community (SADC)** held their **first ministerial-level Joint Council** and put in place procedural rules for the agreement's full operation.
- **Ghana and Cote d'Ivoire** adopted domestic legislation to fully implement their commitments and engaged in first discussions with the EU on sustainability aspects in the cocoa value chain
- The EU and **Cameroon** worked closely together to evaluate the effects of three years of tariff cuts and to design accompanying measures.
- The EU and **CARIFORUM** countries intensified dialogue on sustainable development and the European Green Deal.

11. ENFORCING COMMITMENTS IN EU TRADE AGREEMENTS

In 2019, to enforce the commitments under its bilateral trade agreements, the Commission continued its dispute against **South Korea** on labour rights. The Commission also brought bilateral disputes against **Ukraine** on the country's export restrictions on wood and against the **Southern African Customs Union** on the latter's safeguard measure imposed on EU poultry imports.

In 2019, to enforce commitments under its customs union with Turkey and its bilateral trade agreement with Colombia, the EU resorted to the WTO dispute settlement system. On 2 April 2019, the EU requested **consultations with Turkey** at the World Trade Organization to fight localisation requirements imposed by Turkey in the pharmaceutical sector and on 2 August requested the establishment of a panel. On 15 November 2019, the EU requested **dispute settlement** consultations at the World Trade Organization with **Colombia** to fight anti-dumping measures on imports of frozen fries. A panel was established on 29 June 2020.