2020 Annual Report on the Implementation of EU Trade Agreements

Foreword by Sabine Weyand, Director General DG TRADE, European Commission

We are publishing this 4th Annual Report in very unusual and unexpected circumstances. The economic consequences of the Covid-19 pandemic have upended many of our assumptions on international trade, sending shockwaves around the world. Global trade declined by over 15% in the first half of 2020, while global output fell by over a fifth in some advanced and emerging-market economies. Drastic declines in consumption and purchasing power in partner countries have hit many EU export sectors hard. EU exports to third countries could fall by 9-15%, while imports may drop by 11-14%.

The EU’s response has been firm, with the launch in July 2020 of a landmark €1.82 trillion 7 year budget, including a Covid 19 recovery tool ‘Next Generation EU’ worth 750 billion EUR, to support those hit hardest by this crisis, boosting private investment and supporting companies. All EU headline economic policies are expected to play their part in this recovery effort.

Accordingly, the European Commission is currently conducting a review of EU trade and investment policy with these – and other - global economic challenges in mind. The objective of this review is to shape a new roadmap for EU trade policy, responding to these challenges and taking into account the lessons learned from the Covid-19 crisis. The Trade Policy Review, which includes a public consultation running to 15 November 2020, will lead to the adoption of a new Communication on EU trade and investment policy in early 2021.

Going forward, our network of preferential trade agreements will help to counter and mitigate the negative effects of the pandemic by driving export performance, building resilience and diversifying supply chains. At the time of publication of this report, the EU applies 45 trade agreements representing around 33% of total EU external trade.

As the report shows, our trade agreements strongly facilitate and increase mutual trade and investment flows. This will be more important than ever to drive economic recovery from Covid-19.

In 2019, EU trade in goods with the 65 preferential partners covered by this report grew by 3.4%, compared to 2.5% growth with the rest of the world. Agri-food exports grew by up to 8.7%, compared to 7.6% to the rest of the world. EU trade agreements contributed €113 billion to the EU’s overall trade surplus of €197 billion.

These agreements help companies, in particular smaller ones, in the following ways:

- EU trade agreements eliminate tariffs for goods and open services markets. For instance, following the entry into force of the EU-Japan Economic Partnership Agreement there was in 2019 an increase in bilateral EU-Japan trade of 6%. Trade grew by 10% in products for which tariffs fell most significantly, such as wine and meat, as well as textiles, clothing and footwear. Under the trade agreement between the EU and Canada (CETA) bilateral trade

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1 Source: WTO
2 Source: OECD
3 European Commission estimates, goods and services combined.
grew by 9%. The CETA agreement, which contains very ambitious provisions on services, has seen EU services exports increase by 12.3% between 2017 and 2018.

- **EU trade agreements assist smaller companies to understand and access trade benefits.** Recent agreements contain specific SME chapters increasing transparency in partner countries, by providing easy to use information. For example, in 2019, Canada and Japan set up websites with information for smaller and medium-sized enterprises, delivering on commitments made in their deals with the EU. The EU-Japan Centre for Industrial Cooperation created a Helpdesk to address questions from SMEs on the EU-Japan agreement.

- **EU trade agreements establish an institutional framework** with partner countries, enabling us to monitor implementation jointly and prevent and address trade obstacles. In 2019, for example, intense work with Tunisia led to the removal of non-automatic import licenses on a wide variety of products representing a huge chunk of the country’s bilateral trade with the EU. After EU companies reported initial difficulties in exporting to Japan, Tokyo agreed to apply a simplified customs procedure for claiming and obtaining tariff preferences.

- **EU trade agreements provide tools for the Commission and its partners to exchange information and provide updates on each other’s legislation,** including in the areas of IPR and public procurement, to ensure the respect of the commitments taken under these trade agreements. For example, in 2019 the EU discussed with Colombia, Ecuador and Peru a range of issues related to the way these countries regulate government procurement, including national treatment and market access barriers.

- **EU trade agreements help promote standards and rules for goods and services coherent with international ones,** thus facilitating trade. By way of example, through the Deep and Comprehensive Free Trade Area, the EU supported Ukraine in developing a new public procurement law that conforms to WTO and relevant EU rules. The EU-Chile trade agreement has been a driving force for developing Chilean legislation on animal welfare based on OIE standards, paving the way towards standards for animal transport.

- **EU trade agreements play a role in contributing to sustainability goals,** improving labour conditions and protecting the environment in our partner countries. In 2019, the EU and Canada stepped up cooperation on climate, gender and SMEs. Early engagement by the Commission and the EU Parliament with Vietnam bore fruit when Hanoi ratified ILO Convention 98 on collective bargaining and adopted a revised Labour Code; Vietnam also reported on steps to eradicate child labour.

- **EU trade agreements provide valuable platforms for exchanging information and cooperation, building trust and shared objectives.** A telling example is cooperation between the EU and Canada to eliminate re-testing of certain products classified as cosmetics in the
EU and as drugs in Canada, such as sunscreens or certain shampoos, when imported to Canada. Regulators in Canada and the EU also organised several coordinated awareness-raising campaigns on the risks of button batteries to children.

Importantly, many EU trade agreements provide legal mechanisms to ensure that commitments are respected, including, if necessary, through dispute settlement. In 2019, the EU was engaged in dispute settlement proceedings against South Korea on the implementation of labour rights and initiated a bilateral dispute settlement case against Ukraine to address a ban by Ukraine on exports of raw wood. The EU also continued dispute settlement proceedings against the Southern African Customs Union to get unlawful safeguard measures on EU poultry lifted.

The above achievements attest to the many effective ways that our trade agreements support European companies - of all sizes. However, I am convinced that we can improve even further in relation to the implementation of our trade policy and our trade agreements. As Commission President Ursula von der Leyen has noted, “any legislation is only as good as its implementation”.

To increase the uptake of opportunities offered by our trade agreements, the Commission/DG TRADE recently launched a new online information portal: ‘Access2Markets’.

This innovative one-stop-shop is designed to help European companies – in particular SMEs - navigate the world of international trade. It provides a multilingual information service on 120 export destinations and sourcing conditions for all non-EU markets. In one single ‘click’ companies can pull up information on six key aspects: tariffs, internal taxes, rules of origin, customs procedures and product requirements, trade barriers, and trade flows. ‘Access2Markets’, through its new ‘RosA’ tool, also responds to stakeholder requests for clearer and more comprehensive information on the applicable rules of origin. Companies will be able to assess whether they fulfil rules of origin requirements to benefit from preferential duties.

In addition to improving awareness and access to information– essential in unlocking the potential of preferential trade agreements - I also see the need for more systematic and coherent implementation and enforcement action. That is why DG TRADE has just established a single entry point for stakeholders’ complaints regarding market access barriers in non-EU countries, as well as on the implementation of labour, environment or climate provisions in trade agreements. This new centralised complaints procedure streamlines our internal response to market access barriers and possible breaches of trade and sustainable development commitments, from a legal and economic angle, while strengthening communication between stakeholders and the Commission.

Under the guidance of Executive Vice-President Dombrovskis, the newly appointed Chief Trade Enforcement Officer (CTEO), Mr. Denis Redonnet, will be overseeing these and other Commission initiatives to unlock tangible benefits for citizens and companies – while also tackling existing barriers more systematically and preventing new ones from emerging. Given that improving implementation and enforcement remains a collective effort, the CTEO has also started to engage with other services in the Commission, the other EU institutions, EU Member States, as well as civil society and other stakeholders.