Second annual report on the implementation of EU Trade agreements

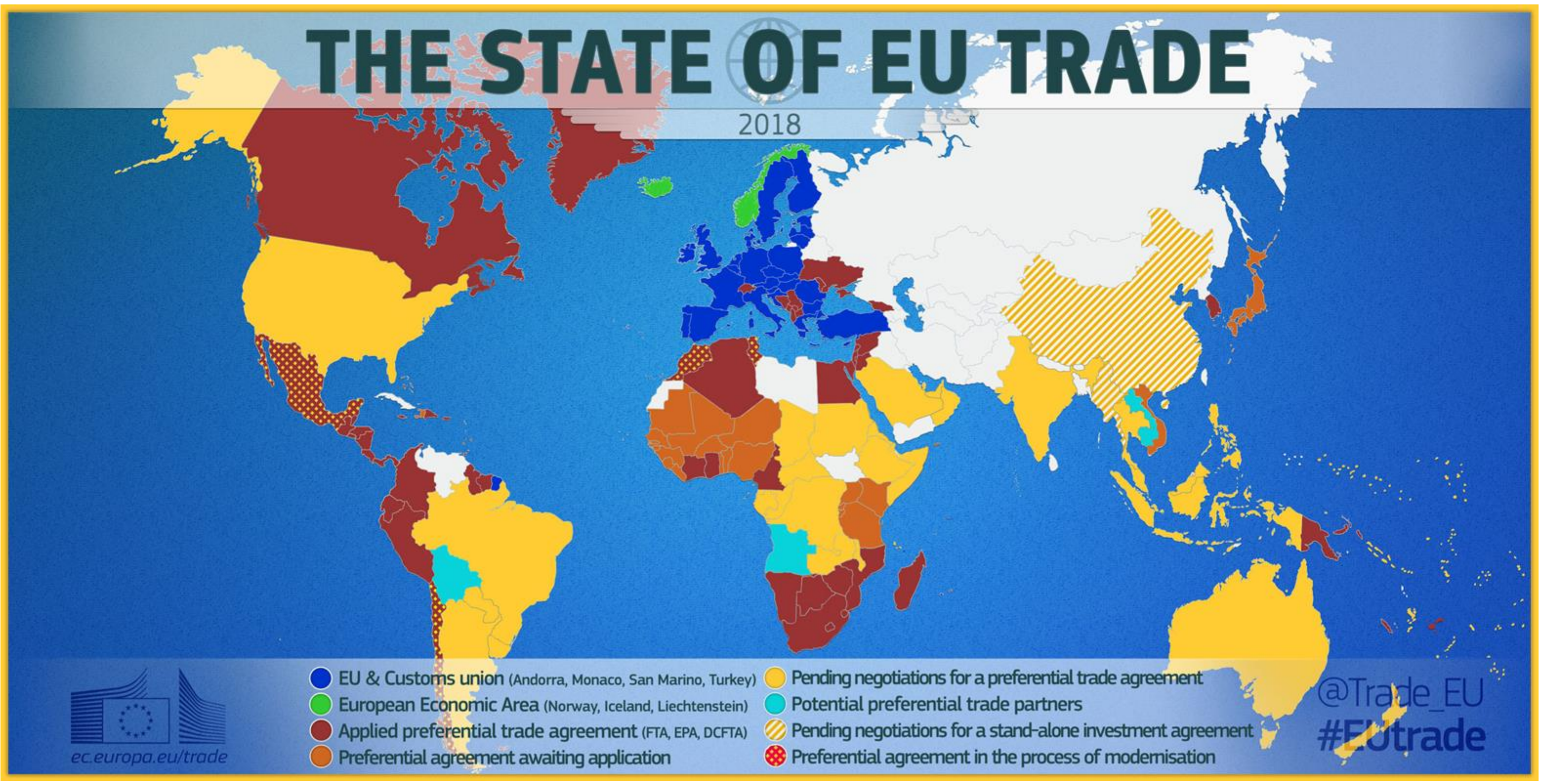


On 31 October 2018, the European Commission released its [second comprehensive report] on how EU trade agreements are implemented on the ground.

The report looks at annual indicators such as:

- Changes in trade in goods and services, and foreign direct investment
- Progress and outstanding issues on non-tariff barriers and rules, in particular those related to sustainable development
- The extent to which companies actually use the tariff reductions and quotas
- Steps the Commission is taking to improve the situation

Accompanying the report is a [Staff Working Document] that looks in detail at each trade agreement.



1. 2017: continuous gains in EU exports

EU trade agreements have contributed to a significant growth in EU exports. The EU now has the largest web of preferential trade agreements in place world-wide, around 70 in total spanning five continents. Trade with countries outside the EU provides jobs for 31 million Europeans. That means 1 in 7 jobs in the EU depends on exports.

This annual health check covers all economically significant EU trade agreements being applied in 2017. Combined, these agreements accounted for €1179 billion of trade in 2017, representing a third of the EU's total external trade. Once the trade agreements with Japan, Singapore and Vietnam come into effect, set for 2019, the share of EU trade benefitting from tariff cuts or other trade advantages will reach nearly 40%.

Key highlights for 2017

South Korea	12.2% increase in EU exports overall and 10% for agri-food products; exports of motor vehicles increased again by 7.3%, after decreasing by 7.5% in 2016
Colombia and Peru	10.5% and 12.2 % increase of EU exports to Colombia and Peru, respectively
Central America	7.2% increase in EU trade, reversing the negative trend of 2015 and 2016
Turkey	8.4% increase in EU exports to Turkey, a 40% decrease in the EU's deficit in agricultural trade
Ukraine	22% growth in EU exports, as the economic situation in Ukraine has been stabilising

Canada

CETA	7% increase in EU exports to Canada under CETA in only nine months following its entry into force (October 2017 to June 2018) with peaks in agricultural exports: fruit and nuts (29%) and sparkling wine (11%). Machinery and mechanical appliances exports grew by 8%, furniture and pharmaceuticals by 10%, clothing by 11%.

2. More potential for growth

In 2017, EU exports under its more modern trade agreements increased by 10%, while the overall increase of EU exports to the rest of the world was 7.6%.

An analysis of trade flows by sectors showed considerable increases in EU exports under some of our "new generation" trade agreements, in particular for transport equipment like railways and tramways (108% increase) or mineral fuels and oils (51%).

But there remains untapped potential in certain sectors such as **transportation equipment or machinery**. Even though 71% and 83% of exports from the EU in these categories benefit from tariff cuts, the high export value means that potential duty savings are particularly high. More exporters could still make use of these agreements in place.

Trade in services has increased with South Korea, Colombia, Ecuador, Peru and Central America since the entry into force of the agreements. The upward trend for Mexico and Chile is expected to further intensify once the modernised agreements start to be applied.

Trade agreements also eliminate technical barriers to trade and support the improvement of the business climate.

Achievements in 2017

- Chile agreed to open its beef market
- Peru opened up its dairy market
- Mexico lifted barriers regarding the registration and approval of health products and agro-chemicals
- Georgia, Moldova and Ukraine took steps to reform their government purchase regimes

2. Benefits for EU agri-food trade

Trade agreements open markets for high quality European agricultural products, food and beverages. In 2017, EU exports of agri-food products under comprehensive trade agreements concluded after 2006 increased by 6.2%, a higher rate than EU agri-food exports overall (which increased by 5.1%). Overall exports of food and drink products to Ecuador increased by 34%, to Chile by 29%, Serbia by 23%, and Turkey and Costa Rica by 14%. Looking at sectors, EU exports increased in 2017 for milk powders and whey (by 40% to €1.3 billion), for cheeses (by 12% to €1.5 billion) and for wine (by 9% to €2.9 billion). EU companies also gained better access to beef markets in Chile and Turkey.

EU exporters can further benefit from more than 600 so-called tariff rate quotas (TRQs), meaning that they can export without paying customs duties up to a certain threshold. In 2017, more EU exporters made use of these possibilities than in the previous two years. For instance, EU exporters managed to fully use up the tariff rate quotas made available by Peru for milk powder, ice cream and butter, thanks to the harmonised certificate for dairy products.

Our trade agreements also make sure that EU flagship food and drink products (geographical indications) are protected by our trade partners against copies and imitations in our partner countries. Examples of EU products protected include Camembert de Normandie, Cítricos Valencianos, Gouda Holland or Mortadella Bologna, as well as a large number of wines and spirits.

Moreover, EU trade agreements provide safeguards for EU producers of certain sensitive agricultural products such as beef, poultry or sugar. These provisions either fully exclude sensitive products from EU tariff cuts or limit the quantity imported. In practice, imports under EU trade agreements of products such as beef, poultry and sugar remain very low. Moreover, the potential impact of every new trade agreement on EU agriculture is carefully assessed before and during the negotiations through impact assessments and sustainability impact assessments.

Achievements in 2017 include

- Protection for 143 EU food and drink names in Canada
- Protection for 116 EU food and drink names in Ecuador
- Confirmation by the Moldovan Supreme Court that "Prosecco" is protected in Moldova as a geographical indication

3. Driving balanced and rules-based trade

All EU trade agreements concluded since 2010 include provisions on promoting trade and sustainable development. They have binding rules on certain labour standards and environmental protection. They also provide a **forum for dialogue** at government and civil society level between the EU and the partner country in order to work towards a more sustainable development.

In 2017 and 2018, the EU engaged in dialogues with several countries about:

South Korea	The ratification by South Korea of four conventions of the International Labour Organisation, and on ways to improve the social dialogue and emissions trading schemes
Georgia and Moldova	Labour standards and labour inspections
Ukraine	Sustainable forest management
Central America	Responsible business conduct and decent work
Colombia, Peru and Ecuador	Freedom of association, labour inspection, child labour, implementation of the Convention on International trade in endangered species and mechanisms of consulting civil society

The European Commission's 15-point Action Plan, released in February 2018, put forward practical steps to improve the implementation and enforcement of trade and sustainable trade provisions by:

Working with EU Member States, the European Parliament, international organisations (OECD, ILO, etc.)

Enabling civil society, including the social partners, to play their role in implementation

Delivering results to increase the effectiveness of implementation by, for example, setting partner-specific priorities, more assertive enforcement, and stepping up resources

Improving communication and transparency

4. Improving implementation on the ground

The Commission constantly monitors the evolution of trade flows under the agreements in place.

Sometimes, EU exporters do not benefit from duty rebates as they have insufficient knowledge of the trade agreements or experience difficulties with the administrative procedures.

The Commission is working to raise awareness of opportunities linked to trade agreements amongst EU companies, in particular small and medium sized companies. This is done in close liaison with EU Member States and business networks, which are best placed to assist them.

The Commission is improving its own **databases** to facilitate access to information on trade opportunities in particular by small operators (like Market Access Data Base and Trade Helpdesk). It is also preparing **step-by-step guidance** for businesses per Member State to help companies prepare for the entry into force of new EU trade agreements.

The monitoring of trade obstacles is being intensified together with Member States, both within the EU and in the rest of the world. The recently established FTA Coordinators' Network and the Expert Group on Trade and Sustainable Development are dedicated to the implementation of trade agreements. They complement the work done in the Trade Policy Committee (the main body allowing for a weekly coordination between the Commission and Member States representatives on all topics related to EU trade policy) and the Market Access Advisory Committee. This committee is a coordination body focused on joint strategies to remove and prevent barriers to trade with non-EU - countries. This is convened by Commission services, and Member States and business representatives participate.

The Commission consistently uses the committees established under the agreements to raise issues and concerns with partner countries.

Trade success stories

Spain: A taste of Iberia for Canada's dining tables

The EU-Canada trade agreement (CETA) has given a boost to Spanish exports of food and drink to Canada over the past year and a half, growing by almost 18%, in particular for olives, olive oil, wine, juices, spices, and frozen and canned vegetables. CETA has opened new opportunities for Spanish firms – fewer tariffs and less non-tariff barriers mean more trade and investment.

"The food and beverage industry is definitely among the sectors which benefit most from the agreement – as preliminary figures clearly show", says Mauricio García de Quevedo, Director General of the Spanish Federation of Food and Drink Industries. FIAB represents over 29,000 companies employing half a million workers. It is dedicated to food safety, consumer welfare and the sector's sustainable economic development.

Poland: Polish super-berries boost South Korea

Poland is the world's largest producer of chokeberry, a fruit packed with vitamins and antioxidants. Over 90% of the production is exported. The trade agreement with South Korea enabled a small Polish chokeberry producer, Aronia Polska, to enter the South Korean market – a move that was previously only possible for the biggest players in the industry. Upon ratification of the trade agreement in 2011, South Korea began to recognise EU agricultural certificates. This made exporting much easier for producers of all sizes. In Poland alone, one in 8 jobs depends on exports to countries outside the EU.

Italy: Italian organic fertilisers crack the South American market

Biolchim, an Italian manufacturer of organic fertilisers from Bologna has made full use of the EU trade agreements to expand its trade with South American countries such as Chile, Colombia and Peru. Benefitting from reduced or no customs duties the company was able to lower its operating costs and invest more in research and development instead (up to 1.5% of annual turnover). Biolchim's increased investment in R&D for new products also benefits South American farmers, for whom Biolchim's products can bring about increases in yields of up to 40%. Biolchim also increased its workforce by 50%.

2018 report on implementation of EU Trade agreements

Trade agreements in focus

The report covers 35 of the most economically significant EU trade agreements with 62 partners in effect in 2017. Since these agreements respond to specific economic and political objectives for the EU, it is important to assess the success of each agreement in light of these objectives.

The agreements covered by the report are grouped into four categories depending on their scope and economic and political objectives:

- **First generation agreements** are the ones preceding the 2006 "Global Europe" Communication", including with Norway, Switzerland, eight Mediterranean countries, Mexico and Chile, focussing on tariff elimination and the Customs Union with Turkey. The Stabilisation and Association Agreements with five Western Balkan countries contain additional provisions to prepare for their progressive integration into the EU market.

- **Second generation agreements**, like those with South Korea, Colombia, Peru and Ecuador, Central America and most recently, Canada, extend to new areas, including on competition, protection of intellectual property rights and customs' cooperation, commitments on services and establishment and sustainable development..

- **Deep and Comprehensive Free Trade Areas** concentrate on tightening economic links between the EU and its neighbours like Ukraine, Georgia and Moldova, by bringing their regulatory framework closer to EU law, notably in trade-related areas.

- **Economic Partnership Agreements** focus on development needs of African, Caribbean and Pacific regions.

Trade