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**COMMISSION STAFF WORKING DOCUMENT**

**Individual information sheets on implementation of EU Trade Agreements**

*Accompanying the document*

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE  
COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE  
COMMITTEE OF THE REGIONS**

**on Implementation and Enforcement of EU Trade Agreements**

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**This Staff Working Document (SWD) contains** additional information (country information sheets) on 38 individual EU trade agreements, complementing section II of the Report on Implementation and Enforcement of EU trade agreements<sup>1</sup> (“the report”), called “*Making full use of the opportunities provided by EU trade agreements*”.

Its annex has a **list of new barriers reported and barriers resolved in 2021** completing section IV of the report, called “*Addressing trade barriers and finding solutions*”.

For the following information please consult the website of the Commission /DG TRADE:

- **Agendas and reports of meetings of the institutional bodies** (FTA committees and working groups, dialogues) as well as information on agenda and reports of civil society forum meetings<sup>2</sup>;

- **General statistics** (regularly updated) on trade in goods and services and on foreign direct investment for **all EU trading partner countries**<sup>3</sup>;

The Commission/DG TRADE’s Implementation & Enforcement webpage<sup>4</sup> has the following information, which is made available together with the annual report and staff working document:

- **Statistics** on trade in goods and services and on foreign direct investment **between the EU and preferential trading partner countries** (These are compiled for the annual report, based on Eurostat data for the EU27 as they stand in March 2022. *NB: The latest statistics for trade in goods are for 2021, for trade in services and investment for 2020, except where indicated otherwise*);

- **Tariff Rate Quotas (TRQs)** for the EU and preferential partner countries’ fill rates in 2021;

- **Preference utilisation rates (PURs)** on EU imports for partner countries as well as PURs on EU exports to the preferential partners, who shared the information, together with an explanation of the sources and methodology. They are updated once a year, in the fall. NB. *Figures for preference use on EU imports and EU exports are based on different datasets from distinct sources. Preference utilisation rates on imports use Eurostat figures and are harmonised. Preference utilisation rates on EU exports use data submitted by EU trading partners’ customs authorities, which apply different methods and practices: the data are therefore not harmonised and not comparable.*

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<sup>1</sup> <https://circabc.europa.eu/ui/group/7fc51410-46a1-4871-8979-20cce8df0896/library/5b6055b5-e853-4131-9e67-f504cc35a78f/details?download=true>

<sup>2</sup> [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/transparency-eu-trade-negotiations\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/transparency-eu-trade-negotiations_en)

<sup>3</sup> <https://ec.europa.eu/trade/policy/countries-and-regions/statistics/>

<sup>4</sup> [https://policy.trade.ec.europa.eu/enforcement-and-protection/implementing-and-enforcing-eu-trade-agreements\\_en](https://policy.trade.ec.europa.eu/enforcement-and-protection/implementing-and-enforcing-eu-trade-agreements_en)

## EU TRADE AGREEMENTS COVERED BY THIS STAFF WORKING DOCUMENT

(Agreement/date of application)<sup>5</sup>

<b>PART I: ASIA</b>	
EU-Vietnam Free Trade Agreement	1 August 2020
EU-Singapore Free Trade Agreement	21 September 2019
EU-Japan Economic Partnership Agreement	1 February 2019
EU-South Korea Free Trade Agreement	1 July 2011
<b>PART II: THE AMERICAS</b>	
EU-Canada Comprehensive Economic and Trade Agreement	21 September 2017
EU-Colombia-Peru-Ecuador Trade Agreement	1 March 2013 for Peru; 1 August 2013 for Colombia; 1 January 2017 for Ecuador.
EU-Central America Association Agreement	1 August 2013: trade pillar applies with Honduras, Nicaragua and Panama; 1 October 2013: Costa Rica and El Salvador; 1 December 2013: Guatemala.
EU-Chile Association Agreement	1 February 2003
EU-Mexico Global Agreement	Applied for goods since 1 July 2000; applied for services since 1 March 2001.
<b>PART III: EU NEIGHBOURING COUNTRIES</b>	
<b>Mediterranean and Middle East countries - Free Trade Areas</b>	
EU-Algeria	1 September 2005
EU-Egypt	21 December 2003
EU-Lebanon	1 March 2003
EU-Jordan	1 May 2002
EU-Morocco	18 March 2000
EU-Tunisia	1 March 1998
EU-Palestine <sup>6</sup>	1 July 1997
EU-Israel	1 January 1996
<b>Eastern countries – Deep and Comprehensive Free Trade Areas</b>	
EU-Ukraine	1 January 2016, and entered into force on 1 September 2017.
EU-Georgia	1 September 2014, and entered into force on 1 July 2016.
EU-Moldova	1 September 2014, and entered into force on 1 July 2016.

<sup>5</sup> For sake of consistency this report uses the short names for EU trading partners as listed in the inter-institutional guide, available at <https://publications.europa.eu/code/en/en-5000500.htm>

<sup>6</sup> This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of Member States on this issue.



## EU TRADE AGREEMENTS COVERED BY THIS STAFF WORKING DOCUMENT

(Agreement /date of application)

<b>Western Balkans – Stabilisation and Association Agreements</b>	
EU-Kosovo* <sup>7</sup>	1 April 2016
EU-Serbia	Interim Agreement on trade for Serbia: 1 February 2009; for the EU: 8 December 2009
EU-Bosnia and Herzegovina	Interim Agreement on trade 1 July 2008
EU-Montenegro	Interim Agreement on trade 1 January 2008
EU-Albania	Interim Agreement on trade 1 December 2006
EU-North Macedonia	Interim Agreement on trade 1 June 2001
<b>United Kingdom, Switzerland, Norway, Turkey</b>	
EU-Switzerland Free Trade Agreement	1972
EU-Norway Free Trade Agreement	1 July 1973
EU-Turkey Customs Union	Association Agreement signed in 1963; final phase of the customs union completed on 1 January 1996.
EU-United Kingdom Trade and Cooperation Agreement	1 January 2021
<b>PART IV: AFRICA, CARIBBEAN AND PACIFIC – Economic Partnership Agreements</b>	
EU-Ghana (interim)	15 December 2016
EU-Southern African Development Community (SADC)	10 October 2016 for Botswana, Eswatini, Lesotho, Namibia and South Africa; 4 February 2018 for Mozambique.
EU-Cote d'Ivoire (interim)	3 September 2016
EU-Central Africa (Cameroon)	4 August 2014 for Cameroon
EU-Eastern and Southern African States (interim)	14 May 2012 for Madagascar, Mauritius, Seychelles and Zimbabwe; for Comoros since 7 February 2019
EU-Pacific countries (interim)	20 December 2009 for Papua New Guinea; 28 July 2014 for Fiji, 31 December 2018 for Samoa and 17 May 2020 for Solomon Islands.
EU-CARIFORUM	29 December 2008 for Antigua & Barbuda; Belize; Bahamas; Barbados; Dominica; Dominican Republic; Grenada; Guyana; Jamaica; St. Kitts & Nevis; Saint Lucia; St. Vincent & the Grenadines; Suriname; and Trinidad & Tobago.

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\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

## **PART I: ASIA**

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE FREE TRADE AGREEMENT BETWEEN THE EU AND VIETNAM

## 1. THE AGREEMENTS

The economic partnership between the EU and Vietnam comprises two distinct agreements, namely a **free trade agreement** and an **investment protection agreement**. Negotiations began in 2012 and were finalized in December 2015 on a single text covering both agreements. In 2018, the EU and Vietnam decided to split the initial single agreement into a trade agreement and an investment protection agreement, respectively.

The **EU-Vietnam Free Trade Agreement (EVFTA)** was signed on 30 June 2019 and entered into force on 1 August 2020. It sets out the rules accompanying trade liberalization between the EU and Vietnam. The Agreement establishes a free trade area between the Union and Vietnam. Its objectives are to liberalize and facilitate trade and investment between the Parties under the Agreement, in a manner mindful of high levels of environmental and labour protection and relevant internationally recognised standards and agreements.

The **EU-Vietnam Investment Protection Agreement** was signed on 30 June 2019. The agreement, already ratified by Vietnam and by the European Parliament, will enter into force once ratified by all 27 EU Member States. The EU-Vietnam Investment Agreement sets out rules that give EU investors and their investments in Vietnam a high level of protection, while safeguarding EU governments' rights to pass new laws and update existing ones. It will replace and upgrade bilateral investment treaties that several Member States currently have in place with Vietnam. Once ratified, the Investment Protection Agreement will replace investor-to-state dispute settlement.

There is an important presence of EU companies in Vietnam. In 2021, EU-Vietnam bilateral trade flows increased to €49.1 billion from 43.2 billion in 2020. Vietnam was the EU's largest partner for imports of goods among ASEAN countries in 2021 (Vietnam's exports to the EU, rose from €34.5 billion in 2020 to €38.5 billion in 2021). Vietnam is an important regional economic actor and is part of a number of bilateral and major regional trade agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). Though hit by the health pandemic, its GDP grew by 2.9 % in 2020 and by 2.6% in 2021, showing a remarkable resilience.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market Access: Progress and outstanding issues

Since 1 August 2020, the EU and Vietnam have held regular informal meetings and convened the specialized committees and working groups established by the EVFTA. The first ministerial Trade Committee was held on 19 July 2021.

2021 saw the launch of an **EU project to improve the ability of EU Businesses (notably SMEs) to increase their trade and investment** in Vietnam by providing practical information on how to make the most of the EVFTA. The online guide to EU SME on Vietnam trade and investment was launched in March 2022.

On specific market access issues, substantial progress was achieved on **SPS-related issues**, leading to a simplification and acceleration of clearance procedures by Vietnam for authorizing imports from approved EU Member States' establishments (so called "pre-listing"). As a result, EU market access for animal products increased for various EU member states. Work also continued over the reporting period to reduce the important backlog Vietnam has on Member States' general applications for exports of animal products and plant products to Vietnam, as well as to amend the protocol on rules of origin, for which Vietnam's internal procedures and decision making are lengthy.

In addition, in the area of pharmaceuticals, progress was achieved on market access for EU pharmaceutical products: thanks to EU Delegation's intense engagement with Vietnamese authorities in Hanoi, on 30 December 2021 Vietnam decided to extend the validity of marketing authorizations until 31 December 2022 with the aim of ensuring continuity to international pharmaceutical businesses.

Furthermore, Vietnam, from the entry into force of the Agreement, has implemented its commitments to protect 169 EU GIs and took further steps to codify its EVFTA commitments, by reflecting them in its domestic legislation.

There are however still important unresolved issues:

In the pharmaceutical sector, Vietnam continues to apply discriminatory and cumbersome rules to medicinal products discriminating among EU member states' regulatory authorities. Vietnam's legislation on the extension of the validity of marketing authorizations still remains to be properly implemented: The EU contributed to Vietnam's public consultations concerning ongoing amendments to the relevant legislation and has regularly raised concern at technical and political level.

Pending the completion of the ongoing revision of Vietnam's IPR legislation, which is due in mid-2022, the EU main areas of concern continue to relate to the presence of counterfeit goods (online and in physical marketplaces), deficient enforcement of domestic IPR regulations, lack of ex-officio actions and efficient customs controls. The EU has continued the discussions with Vietnamese counterparts and is hopeful that over 134 legislative changes to the current IPR laws, including providing customs the power to act ex officio on presumed counterfeit imports from neighbouring countries, will be promulgated in 2022.

## 2.2 Trade and sustainable development: Progress and outstanding issues

Vietnam over the reporting period 2021 and the first quarter of 2022, has reported delays to complete its labour reforms, in particular in relation to freedom of association and collective bargaining, key obligations under EVFTA. The 2019 Labour Code contains provisions on independent workers representative organisations at enterprise level. Such provisions should be translated into implementing decrees. These decrees are currently still undergoing technical consultations with the relevant ministries despite the earlier commitment of Vietnam to enact them by end of 2020.

The EU has expressed concerns over delays in establishing **independent Workers Representative Organisations in Vietnam**. On the basis of relevant reports from the ILO supervisory committees and other sources, the EU closely monitors developments in Vietnam regarding for freedom of expression and assembly that are integral parts of freedom of association.

By 1 January 2021, Vietnam had also ratified and participated in 25 **ILO Conventions** including seven out of the eight fundamental Conventions. Vietnam is one of the leading countries when it comes to the ratification of ILO Core Conventions. The last fundamental ILO convention, i.e. C.87 on the Freedom of Association and Protection, awaits to be ratified in 2023 fully in line with the promise by Vietnam, and agreed by the European Parliament, at the EVFTA ratification. The EU encouraged Vietnam to elaborate a plan outlining the concrete steps towards ratification of ILO convention Nr. 87 on the Freedom of Association and Protection of the Right to Organise.

Vietnam's National Programme of Action on the **elimination of Child Labour** is now approved at national level and work is focusing on implementation at the regional level. A recent report showed considerable progress in this area during pre-pandemic period, while there are still more than 1 million children in child labour, more than half of them in hazardous works. Vietnam has committed to eliminate child labour by 2025 in accordance with Sustainable Development Goal 8.7. However, the recent National Action Programme aims at a child labour rate of still more than 4 percent by 2030 after 5.4 percent in 2018.

The Commission has also raised with Vietnam the issue of alleged **forced labour cases** in drug detention centres, issues monitored by ILO under Convention 105 on the Abolition of forced labour.

Vietnam established establishment a **Domestic Advisory Group (DAG)** in the fall of 2021 and, following the DAG establishment, the TSD Committee and the Joint Forum had a constructive first meeting in November 2021 – where Vietnam allowed many observers (beyond the actually DAG members) to participate. On 30 December 2021, Vietnam also followed up on its promise to broaden the membership of its DAG, whose members have been increased from three to six, though assumingly no independent workers' organisation is a member yet.

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE FREE TRADE AGREEMENT BETWEEN THE EU AND ITS MEMBER STATES AND SINGAPORE

## 1. THE AGREEMENTS

The economic partnership between the EU and Singapore is made up of two distinct agreements, namely a **free trade agreement** (EUSFTA) and an **investment protection agreement**.<sup>8</sup> Negotiations began in 2009, with negotiations for the trade agreement and the investment protection agreement being completed in 2012 and 2017, respectively. The trade agreement entered into force on 21 November 2019, and the investment agreement will enter into force once ratified by the EU Member States. These are the first agreements on trade and investment the EU ever concluded with an ASEAN Member State.

Singapore is an important regional economic actor, and is part of a number of major regional trade agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the ASEAN Free Trade Area (AFTA) and the Regional Comprehensive Economic Partnership (RCEP). Singapore's membership of ASEAN also gives it notable political as well as economic influence in the South East Asia region. Singapore was the largest ASEAN destination for EU exports of goods in 2021: EU exports to Singapore increased by 13% (from €24.1 billion in 2020 to €27.2 billion in 2021). EU-Singapore trade in goods increased by 4.5% in 2021. Singapore is the EU's largest trade and investment partner in South East Asia, ranking as the EU's 5<sup>th</sup> largest trade partner for services globally and 7<sup>th</sup> largest FDI destination (in 202, latest figures available).

The EU-Singapore trade and investment agreements contribute to solidifying the EU's presence in the region. The agreements offer new opportunities for EU companies to expand into other South East Asian markets, as they provide them with more opportunities and stronger protection to do business in Singapore, which is the central hub in South East Asia. At the first inaugural trade committee meeting under the EUSFTA the EU and Singapore agreed to strengthen their bilateral partnership on digital trade, in view of their joint vision to work towards a digital and green economic recover. EU and Singapore officials were tasked to start technical discussions to identify the relevant digital trade elements.

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<sup>8</sup> The decision to "split" the agreement into a free trade agreement and an investment protection agreement was made following the Opinion 2/15 of the European Court of Justice on the allocation of competences between the European Union and the Member States.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market Access: Progress and outstanding issues

During the second year of implementation of the EUSFTA, **progress** was made by Singapore in the implementation of its commitments within the Chapter on Intellectual Property Rights (IPR):

- In November 2021, Singapore adopted a new **Copyright Bill**, which provides a right to a single equitable remuneration for the producers of phonograms where their commercially published phonograms are used for broadcasting or public performance.
- In December 2021, **new GIs were registered in Singapore**. On 14 December 2021, the Commission adopted a Decision<sup>9</sup> approving, on behalf of the EU, amendments to Annexes 10-A and 10-B to the EUSFTA, to reflect the registration of new EU GIs in Singapore. This Decision was adopted by the EUSFTA Trade Committee on 19 April 2022.
- Finally, within the IPR Chapter, **Singapore also committed to introduce border measures against counterfeit GI goods**, no later than three years after the entry into force of the EUSFTA. This legislative change is expected to be enacted by Singapore by the end of 2022.

### 2.2 Trade and sustainable development: Progress and outstanding issues

The first EUSFTA Trade and Sustainable Development Board meeting took place in November 2020. The next meeting will likely take place in 2022.

On the occasion of the first EU-Singapore EUSFTA Trade Committee, which took place on 8 December 2021, the EU has raised vis-à-vis Singapore the need to breach the gaps between Singapore's labour legislation and the three ILO fundamental conventions mentioned above. These are convention No. 111 (elimination of discrimination of work), Convention 87 (freedom of association) regarding the rights for higher public official to join trade unions and convention on forced labour (No. 105).

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<sup>9</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A2022D0823&qid=1654231391477>

# **ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE ECONOMIC PARTNERSHIP AGREEMENT BETWEEN THE EU AND JAPAN**

## **1. THE AGREEMENT**

The **EU-Japan Economic Partnership Agreement** (“the EU-Japan EPA”; hereinafter “the Agreement”) entered into force on 1 February 2019. It is one of the most ambitious trade agreements concluded by the EU so far, providing for broad-based trade liberalisation coupled with rules and disciplines on aspects such as labour rights, environmental protection, antitrust, corporate governance and the commercial activities of state-owned enterprises, among other topics. The agreement thus pursues and develops the EU’s strive towards comprehensive trade agreements, and it provides a sound basis for the development of economic relations between the Parties.

The agreement is particularly important for the EU agri-food sector, offering huge potential for increasing EU exports of a large number of products, such as wine, pork, beef, cheeses and processed agricultural products. One noticeable achievement is the step by step approval and recognition of oenological practices of the other Party as well as the provisions on the protection of geographical indications –two areas in which there was very significant progress during the reporting period.

## **2. MAIN IMPLEMENTATION ISSUES**

### **2.1 Market Access: Progress and outstanding issues**

The first three years of EPA implementation have been overall satisfactory. Bilateral trade is quickly recovering from the Covid-19 crisis and trade flows are returning to the pre-pandemic levels.

In 2021 implementation activities brought positive outcomes for the protection of GIs and certain TRQs. On –GIs, the Joint Committee decided to add 28 additional EU GIs, and 28 Japanese GIs to the list of GIs protected under the Agreement. This was the second such extension of the GI list, and the EU and Japan are currently working towards a third one. Moreover, in order to increase the use by EU operators of the soft cheese as well as malt TRQs, Japan introduced substantive amendments to those TRQs management procedures. As a result, it is expected that the use of the soft cheese quota will reach 90% in FY 2021. The Commission continues to monitor the fill rate and management of TRQs under the Agreement.

Limited progress was further observed in the areas of government procurement, including through the adoption by Japan of circulars that set deadlines for procuring entities to ensure the publication of tender notices on the website of JETRO (Japan External Trade Organisation which is Japan’s “single point of access”). Those circulars do not, however, fully address EU’s concerns regarding timely publication of all tender notices falling under the EPA or GPA in Japan’s “single point of access”. Therefore, a systemic solution - through for example a specific IT tool ensuring the automatic and immediate publication of all tenders – is needed.



Some valuable results were also achieved on offshore wind power, as Japan removed the discriminatory provisions in its tendering guidelines. There are, however, additional concerns linked to regulatory aspects and cabotage, which require continuing and even enhancing technical discussions with Japan.

Finally, in 2021 no meaningful progress was reached with regard to Japan's overly complicated and lengthy market access approval procedures for certain EU agri-food products (fresh fruits and vegetables, meat from some Member States). In order to address this issue, Japan needs to recognise the EU as a single entity as set out in the EPA. This would allow Japan to simplify its lengthy and duplicative assessments conducted for each EU Member State individually, in spite of a common framework of SPS rules in the EU.

## **2.2 Trade and sustainable development: Progress and outstanding issues**

The Committee on Trade and Sustainable Development met (virtually) on 25-26 January 2022<sup>10</sup> and saw a rich exchange of information and review activities in the various areas covered by the TSD chapter, including on cross-cutting issues such as the TSD review process, with a focus on the role and function of DAGs but also the implementation of sustainability provisions in trade agreements of Japan as well as new EU initiatives in the area of Corporate Social Responsibility/Responsible Business Conduct (CSR/RBC).

Furthermore, the EU presented recent developments on its environmental policies, notably the initiatives adopted by the in the framework of the Circular Economy package, as well as the proposal for a Revision of the Waste Shipment Regulation. Building on the recent collaboration in the area of plastics policy, the EU proposed a technical dialogue with a focus on product requirements for circularity by design. Building on the update on the EU Forest Strategy, the EU and Japan are considering the possibility to hold a follow-up technical-level meeting on the EU proposal for a regulation to curb deforestation and forest degradation.

The Parties also updated each other on the respective policy developments on climate change, including the Japan-EU Green Alliance. In relation to the cooperation in multilateral fora, the Parties discussed the Methane Initiative, the Deforestation Initiative, and indicated their openness to cooperate to achieve further progress toward COP27. The EU and Japan also jointly played a key role in generating momentum towards the December 2021 ministerial statements on environment in the WTO. At the TSD Committee they stressed the positive contribution that bilateral discussions on trade and climate can bring to the multilateral processes, making specific reference to the joint event of June 2021 on Trade and Industry towards Climate Neutrality. Further work may involve cooperation on the development of standards and certification framework for the international trade for hydrogen.

In terms of trade and labour, the TSD Committee exchanged views on Japan's efforts on the ratification of the ILO C105 on forced labour, which was followed by the transmission from

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<sup>10</sup> <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/99bdf2d0-edad-42f8-8bf4-b38b51a2e6f7>

the Japanese government to the International Labour Office of the draft ratification instrument on 19 July 2022.<sup>11</sup> The EU and Japan also exchanged on their laws and practices regarding prohibition of discrimination in employment.

The Joint Dialogue with Civil Society was held on 27 January 2022. It provided an opportunity for active and engaged discussions between civil society representatives of both sides on all issues relating to Trade and Sustainable Development. Considering the level of interest in the exchanges, the members of the DAGs of each side agreed to explore the possibility to hold a follow up bilateral meeting to further explore topics of interests, among these i) Industry perspectives to deliver inclusive economic growth; ii) transition towards a carbon neutral economy (basically CBAM, EU taxonomy and Sustainable Finance) and iii) Sustainable Forest and Land Use. The EU DAG has proposed a further follow up meeting on the ratification and implementation of the ILO Conventions by the EU and Japan.

Last but not least, in 2021, Japan and the EU finalised the technical work on the ad-hoc TSD rules of procedure and on the establishment of the panel of experts. The formal adoption of the decision is expected in the course of 2022.

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<sup>11</sup> [https://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/forced-labour/WCMS\\_851358/lang--en/index.htm](https://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/forced-labour/WCMS_851358/lang--en/index.htm)

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE EU-SOUTH KOREA FREE TRADE AGREEMENT

## 1. THE AGREEMENT

The Free Trade Agreement between the EU and its Member States and the Republic of South Korea (in this report referred to as “the **EU-South Korea FTA**”) has been provisionally applied since July 2011. On 13 December 2015 it entered formally into force after ratification by EU Member States. The Additional Protocol to the FTA, to take into account the accession of Croatia to the EU, has been provisionally applied since 26 May 2014 and it entered into force on 1 January 2016.

The EU- South Korea FTA is the first of a new generation of comprehensive trade agreements which, apart from market opening commitments also offers a basis for regulatory co-operation in key sectors as well as a substantial chapter on sustainable development with binding provisions upholding and promoting social and environmental standards.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market Access: Progress and outstanding issues

Despite the difficulties brought by the pandemic, both sides continued working constructively on the implementation of the agreement and a number of FTA working groups and committees took place in the second half of 2021 and the first quarter of 2022.

**Progress** was made in implementing the EU –South Korea FTA in a number of areas:

- Sanitary and Phyto-sanitary measures: As a result of intense high-level engagement between the European Commission and the Republic of Korea, EU countries can, as of 5 September 2022, export pork and poultry to the Republic of Korea more easily. The Ministry of Agriculture, Food and Rural Affairs of the Republic of Korea (MAFRA) has decided to remove a longstanding trade barrier, which affected EU exports of pork and poultry products, as the Republic of Korea now recognises the EU's stringent regionalisation measures to control outbreaks of African swine fever and the highly pathogenic avian influenza. This decision could unlock over one billion euros of trade in the next years.
- The parties continued technical work to reflect technological and regulatory developments in the car sector, to facilitate trade by cutting red tape: In addition to the adoption of an administrative amendment to the car sector annex 2-C at the Trade Committee meeting in 2021, both sides continued technical exchanges to explore potential new amendments to annex 2-C with a view to reflect further technological and regulatory developments in the automotive sector. These new amendments once implemented would further the acceptance of automotive products by the competent

approval authorities on both sides and would enable businesses to save additional costs for testing and certification.

- In the machinery sector an important trade barrier was further removed in 2021 has been which concerned lengthy and cumbersome processes for Ballast Water Management System (BWMS) – an equipment to stabilize vessels in environmentally friendly ways. In October 2019, the EU submitted its claim to the WTO TBT committee and discussed the issue with Japan bilaterally at the February 2020 meeting of the Trade in Goods Committee under the FTA. Finally in October 2021, the Korean administration issued all the necessary certificates for the ballast water treatment application, allowing EU BWMS to access the Korean market.
- In the area of IPR protection, following the agreement in principle at the April 2021 Trade Committee to include additional 84 EU and Korean names in the list of 226 geographical indications (GIs) already protected, exchanges on the draft Trade Committee decision on the amendment of the GI Annexes continued in 2021 and early 2022 with the aim to finalize the necessary domestic procedures on both sides as soon as possible.
- Last but not least, the Commission services and the Korean authorities further continued technical cooperation on e-certification and harmonisation of health certificates to further facilitate trade of several processed agri-food products.

However, there are also a number of **outstanding issues** EU business is confronting in South Korea and on which the Commission has been focusing in 2021:

### **Sanitary and Phyto-sanitary measures:**

The lack of access of EU beef to the South Korean market, which has been closed to EU imports since early 2000s, remains a concern. In 2019, South Korea approved the application of two Member States (Denmark and The Netherlands), who can export beef to Korea, however other Member States are still waiting for the finalisation of their approval process.

### **Sector of offshore wind energy:**

This is a sector, which has seen a surge in new market access barriers (e.g. new regulation on local content requirements adopted in December 2021 and potentially other barriers in the implementation of the current legislation), following the announcement by the government of its long-term energy transition plan (2020- 2034) to deliver 40% renewable energy generation by 2034. Key issues identified currently include local content requirements, public procurement, certification/standards and price-setting transparency. Moreover, complex environmental impact assessments are delaying licensing processes, and social acceptance issues are obstacles to the emergence of wind power plants. There are more than 50 EU companies present in Korea who are involved in aspects of the offshore wind business including the largest wind power developers and manufacturers of turbines, small businesses, one-man businesses and consultancies, and certification companies.

Reacting to these developments as a first step, the EU Delegation- together with seven Member States (BE, DE, DK, ES, FR, IT, NL) -established a Task Force to identify and map technical obstacles for EU players aiming to enter the Offshore Korean Market.

Following the release by the Korean Ministry for Trade, Industry and Energy (MoTIE) of new rules on Local Content Requirement (LCR) for the offshore market in December 2021, the EU Ambassador sent a letter to Trade Minister. MoTIE. This led to discussions at the Trade in Goods Committee under the FTA as well as an informal working-level technical meeting in March 2022, followed by a written exchange on legal and technical questions. In addition, MOTIE informed that EU stakeholders have a new opportunity to express their views by sending their comments through the Korean Wind Energy Industry Association by 29 April. The Commission (EU DEL with help of MS, continues engaging with South Korea at various levels to raise its concerns and to get the local content requirements removed.

## EU beef exports to Korea

Finally, the lack of access of EU beef to the South Korean market, which has been closed to EU imports since early 2000s, remains a concern. In 2019, South Korea approved the application of two Member States (Denmark and The Netherlands), who can export beef to Korea, however other Member States are still waiting for the finalisation of their approval process.

## 2.2 Trade and sustainable development: Progress and outstanding issues

Over the reporting period, the main advances relate to the implementation by Korea of the Panel of Experts' report<sup>12</sup> of January 2021 in the **bilateral labour dispute launched by the EU under the TSD Chapter** of the EU-South Korea FTA.

In April 2022, as a follow-up to the dispute settlement process, the ratification process of three fundamental ILO Conventions was completed with their entry into force in Korea: Conventions No 87 on the Freedom of Association and Protection of the Right to Organise, No 98 on the Right to Organise and Collective Bargaining and No 29 on Forced Labour.

Following the TSD committee and technical meetings in April 2021, the amendments in the Korean Trade Union Act required to conform with the Panel report entered into force in July 2021. In November 2021, EU and Korea held an interim TSD committee meeting to assess the implementation of those amendments (as well as their implementing guidelines). Concerning the labour amendments, discussions mainly revolved around the possibility for dismissed and unemployed workers to join trade unions, the eligibility of trade union officials, the access of self-employed workers to trade unions and the certification procedure for trade unions in Korea. The Parties agreed to continue monitoring the application of the Panel of Experts' report and continue discussions at the next TSD committee, to be held in the last quarter of 2022.

The interim TSD committee meeting also examined progress towards the ratification of fundamental ILO Convention No 105 on the Abolition of Forced Labour. Concerning the latter, South Korea confirmed its commitment to continue its sustained efforts towards the ratification, and indicated that a research project to identify any inconsistent domestic legislation would soon be finalised. A dedicated technical meeting was held in March 2022 to review the initial results of that research project. The meeting identified a number of legal incompatibilities that would need to be addressed before Korea may ratify this Convention, in particular in connection with prison labour and with criminal prosecution of labour-related activities. The research project was published in May 2022 and further discussions are planned to take place on this matter at the next CTSD.

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<sup>12</sup> This report as well as other relevant documents are available on the Commission's webpage at <https://ec.europa.eu/trade/policy/accessing-markets/dispute-settlement/bilateral-disputes/> (Korea labour).

### 3. ACTIVITIES SUBJECT TO SPECIFIC MONITORING

In line with Article 14 of the FTA Protocol on Rules of Origin, South Korea's imports of key car parts and electronics from the most important suppliers (outside the EU) have been monitored. Like in previous years, China and Japan remain the largest car parts suppliers. Japan still pays full duty on car parts while China benefits from tariff reduction (within the South Korea-China agreement most car parts will be liberalised in 10 or 15 years).

Within the RCEP, South Korea excludes from liberalisation the key car parts such as engines, Lithium-ion batteries, a large number of car parts of 8708 for both Japan and China).

		2021 total import (1,000 \$)	2021 main import sourcing (outside the EU) and evolution of imports (1,000 \$)					
			1st	2020	2021	2nd	2020	2021
Electronic sector								
HS 8522	Parts and accessories for pictures and sound reproducing and recording apparatus	31.588	China	15.911	26.227	Japan	1.796	1.269
HS 8527	Reception apparatus	81.382	China	49.905	49.529	Malaysia	3.601	3.749
HS 8529	Parts for reception apparatus	3.684.079	China	1.887.365	2.101.714	Vietnam	1.135.058	890.934
Core car parts								
HS 8407	Spark-ignition reciprocating or rotary internal combustion piston engine	213.831	Japan	57.541	69.332	Mexico	187.335	54.300
HS 8408	Diesel or semi-diesel engines	728.326	Japan	122.591	138.636	China	32.143	78.665
HS 8409	Parts for engines of 8407 or 8408	1.236.069	China	218.943	293.740	Japan	153.756	170.859
HS 8708	Parts and accessories for motor vehicles of headings 8701 to 8705	4.491.110	China	1.397.347	1.700.748	Japan	596.515	488.415
HS 850760	Lithium-ion accumulators	3.357.026	China	1.523.972	3.099.823	Vietnam	30.126	54.838
Source : Kita.org								

The import pattern has not fundamentally changed since the EU-South Korea FTA has been signed and there has been no significant increase in imports of car components and key electronics from the largest suppliers into South Korea in 2021 compared to 2020. Korea's imports of combustion (gasoline and diesel) engines and parts for engines (HS 8407, 8408 and 8409) slightly increased in 2021 compared to 2020 (+8%), as well as the imports of core car parts (HS 8708) (+11%). The EU remains the largest supplier of diesel engines (HS 8408) and an important supplier of parts and accessories of the motor vehicles (HS 8708).

In 2021, Korea's imports of lithium-ion batteries mainly from China (HS 870560) has significantly increased to \$ 3.3 billion (+105 %) but those imports remain below Korea's exports of lithium-ion batteries (\$5.8 billion).

Based on these trade statistics, it is not possible to establish a link between the allowance of duty drawback and the increase in EU imports of cars (+29%) from South Korea.

## **PART II: THE AMERICAS**



# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE EU-CANADA COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT (CETA)

## 1. THE AGREEMENT

The EU-Canada Comprehensive Economic and Trade Agreement (“CETA”; hereinafter ‘the Agreement’) has been provisionally applied since 21 September 2017 and 2021 was its fourth year of application. The Agreement will fully enter into force once all Member States have ratified it.

At the second meeting of the CETA Joint Committee on 25 March 2021 the Parties reviewed the implementation of the Agreement in various areas, took note of the positive evolution of EU-Canada trade flows, which have increased by almost 12% since CETA’s entry into force and had an exchange of views on a number of issues related to joint work between the EU and Canada under CETA (see also further below).

On 14 June 2021, at the EU-Canada Summit, EU and Canada leaders launched a series of joint events<sup>13</sup> to promote sustainability, environmental stewardship and climate action in agriculture, within the framework of the Agriculture Dialogue under CETA. The series of events started with an EU-Canada workshop on soil health on 26 October 2021, the second one held on 10 March 2022 concerned reduction of GHG emissions in the livestock sector and the third one held on 8 June 2022 on organic production. During the Summit, the EU and Canada also established the *EU-Canada Strategic Partnership on Raw Materials*, with a view to diversifying sources of important green and digital economy inputs away from less like-minded producers and foster competitive EU-Canada supply chains.

To mark the occasion of CETA’s fourth anniversary on 21 September 2021, DG TRADE and EUCCAN (the European Union Chamber of Commerce in Canada) co-hosted an event dedicated to SMEs’. 90 participants attended, including European SMEs, stakeholders and national authorities. 2 EU companies gave testimony on how CETA helped them in finding their parts to the Canadian market. The trade policy roundtable was followed by a workshop with presentations of all practical tools developed by the Commission for European companies (e.g. Access2Markets, ROSA, Access2Procurement Tool) as well as of the services offered by EEN (Enterprise Europe Network) and ETPOA (European Trade Promotion Organisations Association) to help European companies to internationalise.

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<sup>13</sup> [https://ec.europa.eu/food/horizontal-topics/farm-fork-strategy/international-dimension/eu-canada-dialogue\\_en?msclkid=76bf8992b04411ec8b59aa6c70522afb](https://ec.europa.eu/food/horizontal-topics/farm-fork-strategy/international-dimension/eu-canada-dialogue_en?msclkid=76bf8992b04411ec8b59aa6c70522afb)

## **2. MAIN IMPLEMENTATION ISSUES**

### **2.1 Market Access: Progress and outstanding issues**

Progress was made in 2021 and early 2022 in the area of services professional services: At the 2<sup>nd</sup> meeting of the CETA Joint Committee on 25 March 2021, the EU and Canada launched negotiations for a Mutual Recognition Agreement (MRA) concerning the professional qualifications of architects. On 10 March 2022, negotiations were concluded. The conclusion of the negotiations paves the way for the adoption of the MRA, which, once in force, will remove most of the bureaucratic obstacles for EU architects seeking to provide their services in Canada, and vice-versa, allowing them to work almost as freely as they would at home. Thanks to the MRA, architects meeting certain qualification- and experience-based criteria will have their qualifications recognised by the relevant European and Canadian authorities. Both EU and Canadian architects will have to register with the local authorities to get permission to exercise their profession, while EU architects in Canada will additionally have to complete a one-off 10-hour course. The MRA should in principle come into effect in early 2023. This MRA is the first of its kind, which the EU has ever negotiated with a third country.

In 2021, progress was also made in removing certain discriminatory measures for wines and spirits maintained at federal and provincial level, which the EU continues to raise with Canada:

- For example, Ontario and Quebec reduced the cost-of-service differential fees applied to EU products, based on the results of audits carried out in 2019-2020 at the EU's request.
- Canada took steps to eliminate the discriminatory aspect of the federal excise duty (exemption for local wines). The exemption was effectively removed on 30 June 2022.
- There is also an announced path towards compliance by provinces (Ontario, Quebec and Nova Scotia) to remove certain discriminatory measures on wines (by mid-2023, end 2023 and mid-2024 respectively).

In 2021, one additional EU food GI was registered directly in Canada (Piadina Romagnola/Piada Romagnola). The EU and Canada also consider amending the annexes of the 2003 Agreement between the European Community and Canada on trade in Wines and Spirits Drinks, incorporated into CETA, with regard to geographical indications (GIs) and oenological practices. This amendment will, for example, add EU wine and spirits GIs to the relevant annexes, if they accomplish the relevant registration procedures by 28 February 2023. This could include in particular GIs from Member States that joined the EU after 2003, which therefore are not listed in the annexes.

In 2021, progress was also made on SPS measures, as the work on the harmonisation of EU export certificates continued, with priorities put forward by both sides:

- At the end of 2021, after several years of negotiation, Canada accepted an EU harmonised certificate for poultry meat allowing for further trade facilitation of exports from authorised EU Member States.
- In 2021 France received authorisation to export grapevine plants to Canada.

In 2021, the CETA cheese TRQ that Canada grants to the EU was filled at 98%. Nevertheless, the EU continued to raise its concerns with the administration of this CETA TRQ and called upon Canada to introduce improvements in the context of its comprehensive TRQ review.

At the same time, several SPS issues are still outstanding and continue to be discussed with Canada:

- While 21 EU Member States are already recognised by Canada to be free of Asian and Citrus longhorned beetles, Canada has been requesting more information to additionally recognise as pest free areas the other six EU Member States affected with these pests. The EU continues to discuss also the possibility to export to Canada fresh tomato with vines, stems, and calyces as well as cherries and berries from Spain.
- The EU side made efforts to obtain approval of exports of meat/poultry from EU Member States that are not yet recognised by Canada for these products.
- The Commission decided to organise a follow-up audit in Canada in 2022 to make sure that all recommendations of the previous audit of production of pig and bovine meat have been followed up with concrete actions on the ground.

## **2.2 Trade and sustainable development: Progress and outstanding issues**

At the fourth annual meeting of the CETA Trade and Sustainable Development Committee, which took place on 9 and 10 February 2022, the EU and Canada discussed a number of implementation issues, notably:

- the *CETA Trade and Gender Recommendation*, noting good progress, in line with the Trade and Gender work plan, on exchanges and events aimed at sharing information on policies, laws and best practices on a range of issues, notably on the development of gender-relevant standards;
- Trade and labour issues and future cooperation on a number of policy areas, including combatting forced and *child labour in global supply chains*. Both sides highlighted their support to the International Labour Organization (ILO), their close collaboration in the ILO work and support to ILO's technical assistance projects, including in promoting global ratification of the ILO conventions, notably Convention 190 on Violence and Harassment. They also reaffirmed their commitment to further coordinate efforts to address forced labour in multilateral fora, in particular at the OECD and the G7;
- The EU and Canada exchanged views on topics such as energy transition, climate adaptation and greening of supply chains. They also exchanged on recent developments on *climate change* and environment policy, agreeing to explore future cooperation in these areas:
  - They acknowledged the successful CleanTech Workshop held virtually in March 2021 (leading to the delivery of the Canada-EU CleanTech Summit later in 2022) and the expert exchange on the impacts of trade on biodiversity held in January 2022.

- Discussions also covered a number of ongoing cooperation initiatives including on carbon pricing and border carbon adjustments, biodiversity, plastic pollution and circular economy, and chemicals management;
- Finally, the EU and Canada took note of the ongoing work on the review of the EU 15-point Action Plan on TSD, with the publication of the expert study taking place on the second day of the CETA TSD Committee meeting and further work on the EU side needed to analyse the study results and integrate them in the review.

In line with previous CETA TSD Committee meetings, the Committee was joined by the Chairs of the Canadian and the EU *Domestic Advisory Groups* (DAGs) under CETA and welcomed their feedback and suggestions for collaboration under the CETA TSD chapters. The EU and Canadian CETA DAGs had their fourth joint meeting a few days before the meeting of the CETA Trade and Sustainable Development Committee:

- At the meeting, the Canadian DAGs provided updates on the implementation of the Canada-United States-Mexico Agreement (CUSMA) and first cases;
- EU DAGs updated on the consultation process in the EU on the review of the TSD chapters of CETA;
- The DAGs also held a debate on the impact of the COVID19 pandemic on supply chains from the perspectives of forced labour/sustainable development/labour rights/environment.

The 4th CETA *Civil Society Forum* met before the CETA TSD Committee, with more than 150 registered participants from across the EU and Canada from business, social partners, environmental organizations and other civil society representatives. Four thematic sessions explored the following topics: (i) Trade and Environment / Trade and Climate Change; (ii) EU-Canada Cooperation on Labour; (iii) Developments in the field of Trade and Sustainable Development, Trade and Labour and Trade and Environment – Policy, Implementation, Enforcement; and (iv) CETA recommendations on SMEs and Trade and Gender.

## ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE EU-COLOMBIA/ECUADOR/PERU TRADE AGREEMENT

### 1. THE AGREEMENT

The **Trade Agreement with Colombia and Peru** (hereinafter the ‘Agreement’) has been provisionally applied with Peru since 1 March 2013 and with Colombia since 1 August 2013. Negotiations on a **Protocol of Accession of Ecuador** to the Agreement were concluded in July 2014 and the Protocol is being provisionally applied since 1 January 2017. Ratifications by Member States of both the Trade Agreement and the Ecuador Protocol are ongoing.

The Trade Agreement was also amended through the **Protocol of Accession of Croatia** to the EU. The Protocol entered into force with Peru on 1 May 2017. Ratification by Colombia is ongoing.

The supervision and facilitation of the operation and further development of the Agreement – including the evaluation of results obtained from the application of the Agreement – is under the direct responsibility of the Trade Committee, which comprises representatives of the EU and representatives of each signatory Andean Country. The Committee also supervises the work of all specialised bodies (e.g. the Sub-committees) established under the Agreement. The decisions adopted by the Committee are binding upon the Parties, which are to take all necessary measures to implement them. The Trade Committee is scheduled to meet at least once a year.

The annual meetings of the implementation bodies under the Trade Agreement (Trade Committee and eight specialised Sub-committees) took place in virtual format during the month of November 2021. The minutes of all meetings are publicly available.<sup>14</sup> The next Trade Committee will be chaired by Ecuador.

The Agreement has helped to stabilise trade despite fluctuations in commodity prices and a contributing factor supporting the diversification of the economy of the three EU trading partners, and a good basis for cooperation: In 2020, bilateral trade was impacted by the effects of the pandemic in global trade (experiencing a decline from €24 to €20 billion) driven amongst others by the significant decrease of commodities prices in the global market. However, in 2021, trade between the EU and the three Andean partners rebounded and grew again by 26%, from 20 billion in 2020 to around €27 billion in 2021. Exports to the EU of minerals and energy products significantly increased as well as imports by the three Andean partners of machinery and pharmaceutical products.

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<sup>14</sup> <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/48db684c-602f-470f-87a5-79b1932de21e>

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market Access: Progress and outstanding issues

In 2021, the EU and the Andean partner countries continued their work to improve the implementation of the Agreement, including through a number of cooperation activities. Examples of such activities are the IP Key Latin America<sup>15</sup> project in the area of **intellectual property**, the **RBCLAC project**<sup>16</sup> implemented in partnership between the OECD, ILO and UN OHCHR, a number of seminars targeting specific concerns in the area of **SPS** and the second edition of Expo Europa in Ecuador and respective projects (funded by the Partnership Instrument) have been put in place to assist more globally in the implementation of the Agreement.

#### *Colombia*

In 2021, Colombia and the EU made some progress on issues relating to **market access** in the automotive sector:

- The new policy to modernize Colombia's cargo fleet has proved satisfactory for truck importers as it effectively removed the import barriers derived from the previous 1:1 scrappage policy.
- The EU provided technical assistance through a TAIEX workshop to adopt and implement the 1958 UN Agreement on Vehicle Regulations. Colombia has since then been working towards accessing the UNECE 58 Agreement and has accordingly updated several technical vehicle regulations. The EU will continue to work with Colombia on these developments to prevent any deviations from the UNECE rules.

Progress was also made in the area of market access with the completion of the tender to launch a new Market Access Teams (MAT) project to provide expertise and timely information to the EU Delegation and Member States with the aim to facilitate access to EU companies to the Colombian market.

Some progress was also made on **SPS - regionalisation**, specifically Colombia recognised Belgium's free status for African Swine Fever (ASF).

On **public procurement**, the EU and Colombia continued discussions regarding the difficulties faced by EU companies when procuring at the sub-central level. Follow up and continued discussions on this topic continued.

In addition, a number of other **outstanding issues** persist, including the following:

- the ongoing WTO case regarding **antidumping duties** imposed to several EU companies exporting frozen fries to Colombia;

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<sup>15</sup> <https://ipkey.eu/en/latin-america>

<sup>16</sup> Responsible Business Conduct in Latin America and the Caribbean: <https://mneguidelines.oecd.org/rbclac.htm>

- EU companies exporting **biological controllers** are also affected by Colombia's unfit norms and procedures to regulate this type of products. This is especially relevant in the framework of the discussions on pesticides and maximum residue limits (MRL) as biological controllers could replace chemical pesticides. The EU will continue to monitor Colombia's work to better regulate this sector.
- Colombia also needs to conclude its investigation on the **usurpation of Geographical Indications (GIs) of EU's cheeses**. In addition, the EU and Colombia continued discussing the **certification requirements for good manufacturing practices for alcoholic drinks**.

**In 2021**, through its **cooperation projects**, the EU supported Colombia's move towards a more **sustainable and environmentally friendly economy**, including a pilot project on sustainable mining in the poverty-ridden pacific region of Colombia. Furthermore, Colombia took part in the EU's regional programmes on the fight against Antimicrobial Resistance, the promotion of Responsible Business Conduct and the adoption of Low Carbon and Circular Economy business actions.

### **Peru**

The Trade Agreement continues to promote **diversification** of Peruvian exports to the EU, i.e. promoting a gradual shift away from reliance on mineral products towards a range of higher value agricultural products. An example of this trend is that of vegetables. Since 2013, vegetable products exported to the EU have increased steadily and currently represent 34% of total exports to the EU.

**Limited progress** was made in the area of

- **Technical Barriers to Trade** where Peru, through its Supreme Decree 018-2021-AS of 12 June 2020, **extended** until 31 December 2022 the **permission to use stickers to display health warnings** on imported food products<sup>17</sup>; as well as in the area of
- **public procurement**, including by the government providing training to entities carrying out public procurements, although more efforts are necessary to fully remove these barriers.

A number of **challenges persist**:

- Among others, Peru continues to grant a more favourable tax treatment to local Pisco to the detriment of *EU alcoholic beverages*.
- Furthermore, Peru has yet to approve harmonised certificates to *allow prelisting for EU establishments* of processed meat products and deboned bovine meat. Similar to Colombia, Peru's lack of recognition of the regionalisation principle enshrined in the Agreement is of strong concern. Since early 2020 Peru has in place a ban of all exports of live pigs and pig meat from 12 Member States due to ASF (African Swine Fever).

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<sup>17</sup> Albeit this positive development, the EU continues to advocate for the indefinite use of stickers.

- In the field of *public procurement* there are also concerns regarding technical specifications in public tenders.

## ***Ecuador***

Ecuador has made **progress** in lifting barriers to trade in 2021:

- In SPS, and after more than one year of stalemate, the Ecuadorian authorities approved the operative plans for imports of **Spanish citrus fruits** (mandarines and oranges) and apples from Portugal. Virtual visits to ES and PT establishments took place at the end of 2021 and the final authorization to import those products was obtained in March.
- In the area of **industrial goods**, Ecuadorian authorities repealed RTE INEN No. 033 (3R), thus eliminating the need to present sworn documents for EU imports of ceramics as well as laboratory testing and certifications from AENOR from other origins.

At the same time, **outstanding issues** remain, including the following:

- With regard to the **management of Ecuador’s non-automatic licences (NALS) and tariff-rate quotas (TRQs) system**, and after a strong and continued pressure from the EU, the Ecuadorian authorities issued Resolution 097 at the end of 2021 to make them FTA and WTO compatible. However, due to the flaws and lack of clarity of the R097, it was revoked and replaced in March 2022 by a new Resolution 022. Renewed negotiations are ongoing between the EU and the Ecuadorian authorities in order to identify a solution in line with the text of the FTA.
- In relation to **EU Geographical Indications (GIs)**, the usurpation of the EU GI “Feta” case is still outstanding, while the re-submission to protect the EU GI for a Czech beer was accepted by the Ecuadorian authorities and the respective process is duly carried out in view of its expected final registration as a protected GI.

## **2.2 Trade and sustainable development: Progress and outstanding issues**

The implementation of the Trade and Sustainable Development (TSD) Chapter of the Trade Agreement was reviewed at the meeting of the TSD Sub-committee held in November 2021. The meeting allowed Parties to exchange on recent policy developments related to labour and environment, and on TSD-related cooperation activities and relevant priorities. The TSD Sub-committee offered also an opportunity to touch upon the review of the TSD policy in the EU, to illustrate the various initiatives undertaken under the Green Deal – from CBAM, to horizontal due diligence and related sectoral legislation (Sustainable Product Initiative, deforestation), as well as forced labour, and to address the consultations with civil society.

As regards TSD issues, the EU remains focused on labour related issues (inspections, freedom of association and collective bargaining, child labour, social dialogue, labour informality). Concerning environmental policies, priorities have expanded to include legislative



developments in areas related to circular economy, biodiversity, deforestation, and initiatives to address global environmental challenges.

Vis-à-vis **Ecuador**, the EU reiterated the importance given to the effective follow up to the ILO recommendations concerning the implementation of the Convention on freedom of association, in particular now that the matter has been seized by the judiciary at various levels. Ecuador was invited to join the Global Alliance on Circular Economy and Resource Efficiency.

Vis-à-vis **Colombia**, the EU has expressed its concerns about the attacks on trade unions and social leaders, and while it acknowledged the recent efforts made by the government to persecute those responsible for violent crimes, the EU recalled the importance of social dialogue as a pre-condition to address the root causes of violence.

In relation to labour issues in **Peru**, the exchanges touched upon various topics of concern, in particular the persistent challenges to the freedom of association and of anti-union violence, and the need to continue with domestic reforms to implement ILO recommendations. Among the environmental topics, the EU stressed the need to continue building the capacity and strengthen the systems for environmental quality control.

At the meeting of the TSD Committee, the EU side presented and engaged on a number of EU policies dedicated to sustainability issues:

- First, on the developments on the *European Green Deal and other EU climate policies*. There is shared interest by all parties on issues like circular economy, deforestation and biodiversity. Peru also referred to the efforts to continue to strengthen the institutional setting for environmental monitoring and the enforcement of environmental legislation. Peru also reported on advances in the area of air quality.
- Second, on the *Carbon Border Adjustment Mechanism (CBAM)*, designed to support the adoption of Green Deal policies in third countries, and at the same time aimed at minimising the risk of carbon leakage, which would jeopardise the EU's climate ambition. The EU underlined how the CBAM does not preclude progress in terms of international coordination for the adoption of effective measures such as carbon pricing, and stressed that the main principles of the CBAM underline its compatibility with WTO rules.

The parties identified a number of areas for follow-up, and agreed to engage on a continuous basis via intersessional technical meetings.

The functioning of the *Domestic Advisory Groups (DAGs)* gave rise to intense exchanges which confirmed the recognition that the role of civil society is a prominent one both in the implementation of the TSD provisions of the agreement, and in the reflection on the EU TSD policy review.

In that context, the EU underscored the principle of taking into account the views on the implementation of the Trade and Sustainable Development chapter, expressed in the framework of national mechanisms as set out in Article 281 of the Agreement. The EU also made specific

reference to the communiqué presented on 13 November 2020 during the Sub-Committee's dialogue with civil society and the general public held under Article 282 of the Agreement.

The Parties held the *Open Session with civil society* on 30 November 2021, via videoconference. Two topics took the centre stage in the lively discussions: the procedures for the establishment of the new domestic advisory body in Ecuador, and the findings of the ex-post evaluation carried out by BKP Economic Advisors. Labour related concerns were predominant among unions and other organisations working on social issues. Concerns were raised in relation to use of pesticides in banana cultivation, and on the environmental impact of illegal gold mining. Industry voiced concerns about costs of compliance with high social and environmental standards in the EU. As it was the case in the previous year, the EU DAG jointly with organisations from the civil society from the three countries submitted a communiqué calling, among others, for improved functioning of the DAGs and for access to information on cooperation projects.

### **3. ACTIVITIES SUBJECT TO SPECIFIC MONITORING AND SPECIFIC AREAS OF IMPORTANCE**

#### **3.1 Banana imports from Colombia, Ecuador and Peru**

The Trade Agreement provides for a preferential customs duty on bananas under heading 0803.00.19 (fresh bananas), progressively reduced since the date of provisional application of the Agreement until the year 2020 (following a schedule indicated in a tariff reduction table). Customs Tariffs have stabilised to 75 euros/tonne since 1 January 2020. This treatment was linked to a ‘stabilisation clause’ setting out an annual trigger volume for imports from each Andean country during the transition period.

Article 15 of Regulation (EU) No 19/2013<sup>18</sup> provided for the banana stabilisation mechanism (BSM). When the annual trigger volume of imports per country as set in the Agreement was met, the Commission examined the impact of these imports on the situation of the Union market for bananas to take a decision to either temporarily suspend the preferential customs duty or determine that such suspension was not appropriate. The stabilisation mechanism ended on 31 December 2019. In this context, and in accordance with Articles 3 and 13 of Regulation 19/2013, the Commission has monitored the evolution of imports of fresh bananas from Colombia, Ecuador and Peru. A comprehensive report on the functioning of the EU banana market after the BSM is due for the last quarter of 2022.

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<sup>18</sup> Regulation (EU) No 19/2013 of the European Parliament and of the Council of 15 January 2013 implementing the bilateral safeguard clause and the stabilisation mechanism for bananas of the Trade Agreement between the European Union and its Member States, of the one part, and Colombia and Peru, of the other part as amended by Regulation (EU) 2017/540 of the European Parliament and of the Council of 15 March 2017.

<b>2020/2021 imports of fresh bananas into the EU</b>			
<b>Country</b>	<b>2020 Total imports (1.000 tonnes)</b>	<b>2021 Total imports (1.000 tonnes)</b>	<b>Variation 2021/2020</b>
Colombia	1.185	1.162	-2,3%
Ecuador	1.516	1.600	5,5%
Peru	101	98	-3%
<b>Total</b>	<b>2.802</b>	<b>2.860</b>	<b>2%</b>

In 2021 EU imports of fresh bananas from Colombia amounted to 1.162 thousand tonnes, a bit more than 2% lower than in previous year. Ecuador exported 1.600 thousand tonnes of fresh bananas to the EU a roughly 5,5% higher than previous year. Peru exported 98 thousand tonnes of fresh bananas to the EU a roughly 4% below to previous year.

### **3.2 Colombian anti-dumping duties on frozen fries**

In November 2018, Colombia imposed definitive anti-dumping (AD) measures on imports of frozen fries from Belgium, Germany and the Netherlands, with duties ranging from ~3% to ~8%, imposed for 2 years and affecting 75% of EU exports to the country. The investigation showed serious shortcomings, notably with regard to dumping, injury and causality links. On 15 November 2019, the EU initiated a WTO dispute settlement procedure and requested consultations<sup>19</sup>. Consultations failed to settle the dispute. The EU requested the Dispute Settlement Body (DSB) to establish a panel to rule on the legality of Colombia's anti-dumping measures. The Panel was established by the DSB on 29 June 2020.<sup>20</sup> In October 2020, Colombia initiated the review of the measures to assess whether the conditions are met to extend the anti-dumping measures. The EU sent its first written submission to the panel on 8 March 2021. Panel hearings took place in July 2021 and in early February 2022.

### **3.3 Ex post evaluation of the implementation of the Trade Agreement**

An ex-post evaluation, which was carried out between April 2020 and July 2021 and covered the period from the start of the provisional application of the Agreement (2013 for the EU, Colombia and Peru, 2017 for Ecuador) to May 2020, was concluded in April 2022. Its final report<sup>21</sup> analysed the economic, social and environmental, and human rights (including labour rights) effects, which the Agreement has had since its application in the various Parties.

Some of the main conclusions of the evaluation are the following:

<sup>19</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_19\\_6221](https://ec.europa.eu/commission/presscorner/detail/en/ip_19_6221)

<sup>20</sup> <https://trade.ec.europa.eu/wtodispute/show.cfm?id=792&code=1>

<sup>21</sup> <https://ec.europa.eu/trade/policy/policy-making/analysis/policy-evaluation/ex-post-evaluations/>

- **In economic terms**, the reduction in barriers to trade between the Parties achieved through the implementation of the Agreement allows for resources to be allocated more efficiently. As a result, the economic effect of the Agreement on global gross domestic product (GDP) was positive, with gains estimated at USD 728 million (comparing world GDP in 2020 with the Agreement with world GDP in 2020 without the Agreement). All of the four Parties to the Agreement have benefited from an increase in their GDP, although the impact is modest.
- The estimated effects of the Agreement on **employment** across sectors follow the pattern of trade impacts and are most positive in the Andean countries in the fruits, vegetables, and nuts sectors, and in fisheries, notably in Ecuador. In industry, sectors such as food products, chemical products or textiles (the latter in Colombia and Peru) are also estimated as beneficiaries of the Agreement.
- The Agreement is likely to have contributed to an increase in overall **welfare** and **poverty** reduction, although it is difficult to draw conclusions based on available data. While the overall effects are likely to be limited, thanks to the Agreement and due to higher exports to the EU, jobs have been created in the Andean countries, mainly in agriculture, in rural areas which had much higher poverty levels and lower labour participation rate than in urban areas. However, these areas already benefited from lower levels of **informality** prior to the Agreement's entry into force, even if the Agreement contributed to further reduce them in the analysed period.
- The **environmental impact** of the Agreement overall is found to be small, with a very small negative impact on biodiversity and natural resources.
- The impact of the Agreement on the **human rights** situation in the Andean partner countries was found to be limited. Among others, the Agreement may have contributed to reducing child labour through creating job opportunities for adults. The Agreement did not have a significant impact on the right to water overall' while all Andean countries have faced water pressure prior to the application of the Agreement. The Agreement was found to have contributed to the creation of employment mostly on temporary contracts, which had a negative impact on the capacity of workers to organise.

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF PART IV OF THE ASSOCIATION AGREEMENT BETWEEN THE EU AND ITS MEMBER STATES AND CENTRAL AMERICA

## 1. THE AGREEMENT

The Association Agreement between the EU and its Member States, on the one hand, and Central America, on the other (hereinafter referred to as the "Association Agreement") was signed on 29 June 2012. 2022 marks the 10<sup>th</sup> Anniversary of its signature. The trade pillar (Part IV) of the Association Agreement (hereinafter referred to as the "Trade Agreement") has been provisionally applied for nine years, i.e. since 1 August 2013 with Honduras, Nicaragua and Panama, since 1 October 2013 with Costa Rica and El Salvador, and since 1 December 2013 with Guatemala. Ratification by Member States of the Association Agreement is ongoing.

The Trade Agreement is in a process of amendment through the signature of a **Protocol of Croatia's Accession to the Association Agreement**. The Protocol was signed on 26 November 2020 opening the way for a process of ratification by the parties. The EU ratified the Protocol in July 2021, and Central American countries are also advancing well in this process.

During the nine years of its application, the Trade Agreement has worked well, it has contributed to diversify the economy of our trading partners, while providing the basis for a good cooperation between both sides. The Association Agreement with Central America is a regional agreement, characterised by its comprehensive nature and a high level of ambition.

In 2021, the EU was the second export destination for Central America (16.2%) after the US (32.9%) and the third supplier (8.6%) after the US (30.2%) and China (roughly 12.8%)<sup>22</sup>. Total exports of merchandise from the EU to the Central American countries rose from €4.8 billion in 2020 to roughly €6.0 billion in 2021 – an increase of 23% - almost recovering to the pre-pandemic level of 2019. Meanwhile, imports from Central America, which had shown more resilience during the crisis, further increased from € 5.9 billion in 2020 to almost 7.0 billion in 2021, a robust growth of only 18% with respect to 2020.<sup>23</sup>

The Association Committee and its six specialised Sub-committees oversee the implementation of the Agreement<sup>24</sup>.

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<sup>22</sup> According to data from SIECA's Central American Trade Statistics System.

<sup>23</sup> Based on data from EUROSTAT.

<sup>24</sup> The Agreement establishes six specialized Sub-committees: Market Access; Agriculture; Customs, Trade Facilitation and Rules of Origin; Technical Obstacles to Trade; Sanitary and Phytosanitary Measures; Government Procurement; Intellectual Property; and Trade and Sustainable Development.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market Access: Progress and outstanding issues

The Association Committee met on 17 June 2021 at senior official level.

On Market Access, discussions continued on a number of outstanding (offensive issues for the EU side), as further described below. Central American partners raised the management of **Tariff Rate Quotas** that the EU is applying to Central American exports of sugar and rum.

In regard to **SPS** several trade restrictive measures persist in the region and are being discussed with the respective partner countries concerned:

- In Panama, several Member States' **export applications for meat products are pending** since 2016. **Delays** are also reported in export applications of several Member States and in the publication of **prelisting of EU establishments** habilitated to export animal products notably in Panama,. The setting up of a new Food Safety Agency in Panama in October 2021 has increased the uncertainty on the administrative process to register or update pre-approval of EU establishment. The **regionalisation principle is still not yet applied in Panama**.
- In Costa Rica, continued tax discrimination on imported beer prompted the EU side to request that a roadmap be established by Costa Rica to address the issue. Costa Rica had committed in a joint declaration under the Association Agreement to review its discriminatory taxation systems for beer (by 2014 at the latest) and the one for spirits (by 2017 at the latest).
- All Central America countries (except Costa Rica, which ceased to impose in its health certificates since 2020) still need to consider the elimination of the clause: "born and raised" in its health certificates for some imported products of animal origin. This clause goes against the recognition of EU as a single entity and constitutes a barrier trade.

As concerns the **Rules of Origin**, the Commission has worked constructively with Guatemala to establish a uniform application of the rules of origin for products of tuna loins. This work ensures that only originating tuna comes into the EU with preferential tariffs and avoids any possible misapplication of the tolerance rule whereby non-originating tuna could be imported to the EU. Work will continue through technical meetings and in the Sub-Committee on Customs, Trade Facilitation and Rules of Origin to ensure a common understanding of the rules of origin for tuna products and to protect the EU's financial interests.

In respect to **Geographical indications**, the Commission continues to monitor the full implementation of the commitments made under the Association Agreement. Among others, the Commission continues to engage with Central American authorities to enhance enforcement of all 116 EU GIs protected through the agreement and to achieve effective protection of the term "Parmigiano Reggiano" in Guatemala and of the term "Queso Manchego" in Costa Rica, notably by establishing sound proof of producers enjoying grandfathering rights. Discussions on these matters are continuing. At the same time, there is increasing interest in Central

American countries to seek protection for GIs through the existing Association Agreement. There have been applications for one new GI from Costa Rica (coffee ‘Tarrazú’) and for ten new GIs from El Salvador (coffee, cocoa and other food products), have successfully concluded their assessment procedure. A decision to add them to the protection under the agreement is envisaged to be taken in 2022.

On **Technical Barriers to Trade** (TBT), Regarding the Central American Technical Regulations (RTCA Spanish acronym) the implementation of article 305.4, the status of adoption of the technical regulations included in Annex XX was reported, indicating that, of the 23 Central American Technical Regulations (Reglamentos Técnicos de Centroamérica) included in that Annex, 21 are in force throughout the region, with the exception of Panama, which has 5 of them pending approval. The RTCAs pending harmonization refer to the registration of technical grade active ingredient, formulated synthetic pesticides, and the prohibition and restriction of pesticides (As of May 2022 there are two RTCAs on pesticides that have not yet been approved by CA countries).

## **2.2 Trade and sustainable development: Progress and outstanding issues**

The implementation of the Trade and Sustainable Development (TSD) Chapter of the Association Agreement continued in 2021 in line with the priority issues established for each partner country. The EU continued to attach particular attention to the policy response to mitigate the impact of the COVID-19 pandemic, including the protection of vulnerable groups and social dialogue.

The discussion at the TSD Board meetings<sup>25</sup> - which took place on June 7, 8 and 9, 2021 - continued to focus on the **labour dimension of the TSD Chapter**, where particular challenges exist in Central America. Priority issues discussed with all six partners included **freedom of association and collective bargaining, social dialogue, child labour and forced labour**. The EU welcomed the progress made by partners in tackling various labour and social challenges. It reiterated its concerns, notably regarding violence against trade unionists in Guatemala. The EU suggested organising an event to exchange experiences with other Latin American countries. The EU also suggested further bilateral or regional follow-up exchanges on key labour issues like COVID-19 response measures, child labour and informality.

On the **environment**, the EU and Central America discussed the situation and prospects for organic agricultural production in the EU and in Central American countries. The exchange of views provided both parties useful insights into the respective conditions for organic agricultural production, trade patterns and product categories, the legal framework as well as challenges and opportunities relevant to further promote trade in organic products as trade in organics has the potential to yield benefits in terms of sustainability.

As regards cooperation, the Secretariat for Central American Economic Integration (SIECA) and the Inter-American Institute for Cooperation on Agriculture (IICA), which are supported by the EU through the INTEC programme, presented cooperation projects on trade facilitation,

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<sup>25</sup> Board on Trade and Sustainable Development

economic integration, sustainable value chains and sustainable agriculture: SIECA presented the activities carried out within Components I and III of the Central American regional economic integration programme INTEC, financed by the EU, related to trade and sustainable development for Central America. IICA showcased two EU regional cooperation projects: PROCAGICA, the Central America Coffee rust integral management programme, and AGROINNOVA, which aims to improve the situation and resilience of small producers of the Central American Dry Corridor.

Despite the circumstances of the COVID-19 pandemic, the Commission continued frequent interactions with the **EU Domestic Advisory Group (DAG)**. A **joint note was submitted by the EU and Central American DAGs** with recommendations about future TSD work under the Agreement. The Parties welcomed the joint work conducted by the DAGs and encouraged them to continue in this vein.

### **3. ACTIVITIES SUBJECT TO SPECIFIC MONITORING AND SPECIFIC AREAS OF IMPORTANCE**

#### **3.1 Banana imports from Central America**

Since entry into force of the agreement, the absolute volume as (from 797.000 tonnes in 2012 to 1.456.000 tonnes in 2019) well as the market share of bananas (from 18,8% in 2012 to 26,3% in 2019) imported from Central America to the EU has increased, thereby, contributing to diversify supply to the growing EU banana market.

Article 15 of Regulation (EU) No 20/2013<sup>26</sup> (the ‘Regulation’) provides for the stabilisation mechanism for fresh bananas (HS code 08 03 90 10). This stabilisation mechanism ended by the end of 2019. Customs Tariffs have stabilised to 75 euros/ton since 1 January 2020. The Commission continues to monitor with particular attention trade volumes between the EU and CA. In 2021, due to the Covid pandemic, EU imports of fresh bananas from Central America - by volume amounted to 1,353 million tons, a decrease by 7% when compared to export volumes in 2020 (1,467 million). In value, EU imports amounted to €756 million, constituting a 53% decrease when compared to 2020. No issues on price fluctuations were reported in the EU market.

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<sup>26</sup> Regulation (EU) No 20/2013 of the European Parliament and of the Council of 15 January 2013 implementing the bilateral safeguard clause and the stabilisation mechanism for bananas of the Agreement establishing an Association between the European Union and its Member States, on the one hand, and Central America on the other, of the other part as amended by Regulation (EU) 2017/540 of the European Parliament and of the Council of 15 March 2017.



2020/2021 imports of fresh bananas <sup>27</sup>			
Country	2020 Total imports (tons)	2021 Total imports (tons)	Variation 2021/2020
Costa Rica	1.034.172	1.020.138	-1%
Panama	261.120	214.991	-17%
Guatemala	172.161	118.683	-31%
<b>Total</b>	<b>1.467.453</b>	<b>1.353.812</b>	<b>-7%</b>

### 3.2 Ex-post evaluation of the trade pillar of the EU-Central America Association Agreement

Since December 2020, an ex post evaluation of the implementation of the Trade Agreement between the EU and Central America is being carried out. The project is analysing the impact of the implementation of the Agreement on sustainable development in its economic, social and environmental dimensions, as well as on human rights, including labour rights. The project has a duration of 16 months. During the period under review, the consultant provided the inception report in May 2021 and a draft interim report in November 2021.<sup>28</sup>

The **preliminary conclusions** are as follows:

- Regarding the economic analysis, the model suggest that there has been a significant increase in both EU imports and exports. The increase in EU imports amounts to 30% whereas EU exports have increased by 40% since 2010. The difference in the relative increase is likely to be attributable to the fact that CA countries enjoyed zero tariffs on an overwhelming majority of on their exports to the EU, under the GSP+ arrangement. Important developments have also been present in the evolution of trade in services and foreign direct investment.
- In terms of social analysis, the economic model estimates an employment increase in the CA countries in sectors such as fruits and vegetables, sugar, and processed food, stemming from increased exports to the EU. Empirical evidence suggests that women may have benefitted from employment increase in some agricultural sectors; however, positive effects may be relatively limited due to a low share (10% to 30%) of women in the total number of workers in those sectors. The EU-CA FTA is likely to have created positive effects for consumers related to a larger availability and accessibility of

<sup>27</sup> Statistics refer to the EU27

<sup>28</sup> [https://trade.ec.europa.eu/doclib/docs/2022/february/tradoc\\_160031.pdf](https://trade.ec.europa.eu/doclib/docs/2022/february/tradoc_160031.pdf)

products and services traded between the Parties under the Agreement, and risks related to potentially unsafe products have been limited.

- Finally, concerning trade and sustainable development, the evaluation confirms the fragility of Central America vis à vis climate change. Furthermore, a potential impact of the Agreement may have arisen through the fruits and vegetables sector on land conversion (related deforestation), ecosystems and biodiversity.

The **recommendations** by the consultant were published in January 2022<sup>29</sup>. The Commission/DG TRADE's assessment and follow-up actions will be included in a Staff working document, which should be published in the first half of 2023.

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<sup>29</sup> <https://op.europa.eu/en/publication-detail/-/publication/79f623fa-aa5c-11ec-83e1-01aa75ed71a1/language-en/format-PDF/source-254167460>

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE TRADE PILLAR OF THE ASSOCIATION AGREEMENT BETWEEN THE EU AND CHILE

## 1. THE AGREEMENT

Trade between the EU and Chile currently operates under the framework of the **EU-Chile Association Agreement** (hereinafter ‘the Agreement’), which includes a comprehensive Free Trade Agreement along with a political and a cooperation pillar. The Agreement entered into force in 2003 and it was the first EU bilateral agreement subject to an ex-post evaluation, conducted in 2016.<sup>30</sup> Although the Agreement has worked well overall, as illustrated by the doubling of bilateral trade since its entry into force, a European Commission impact assessment carried out in 2017 pointed at the need to modernise it, so as to adapt it to the new realities of global trade and investment, lifting it to the level of the more modern agreements that both the EU and Chile had concluded in the Americas and beyond, notably by complementing it with standard provisions enshrined in the latest version of deep and comprehensive trade agreements.

In November 2021, technical negotiations on the **modernisation of the Agreement** were concluded, resulting in the most comprehensive and progressive bilateral trade agreement negotiated by the EU to date:

- In addition to further liberalisation of trade in agriculture under reorganised conditions, public procurement, services and investment, the modernised Agreement includes modern rules of origin and customs and trade facilitation provisions, ambitious commitments on IPR (including the protection of EU Geographical Indications for foodstuff) and non-tariff barriers, state-of-the-art investment protection provisions (including an Investment Court System), and a new chapter on Trade and Sustainable Development among many other issues.
- It also contains strong provisions on sustainability and on energy & raw materials, which will help contribute to the green transition, as well as an ambitious chapter on SMEs and, for the first time in a bilateral EU agreement, separate chapters on trade and gender and on sustainable food systems.

## 2. MAIN IMPLEMENTATION ISSUES

In 2021, progress was made in addressing outstanding market access barriers in meetings of the institutional bodies and via EU demarches carried out by the EU Delegation in Chile.

This was for example the case **in the field of regulatory data protection concerning pharmaceuticals and agro-chemicals products**, there currently remains a lack of certainty with respect to two elements under Chilean law. *Firstly*, Chilean legislation provides protection of regulatory data upon request when applying for marketing authorisation (i.e. applicants must indicate that the submitted data are undisclosed). However, applicants do not receive any

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<sup>30</sup> [https://trade.ec.europa.eu/doclib/docs/2012/august/tradoc\\_149881.pdf](https://trade.ec.europa.eu/doclib/docs/2012/august/tradoc_149881.pdf)

document stating that such protection has been requested. Neither does the marketing authorization confirm that the protection has been granted. As a result, the pharmaceutical or agrochemical company has no legal documentation to defend itself against third parties trying to rely on their data to obtain a separate marketing authorisation. *Secondly*, Chilean law does not grant protection to data concerning a marketing authorisation for a product that obtained a marketing authorisation in any other country more than twelve months before the application is submitted to Chilean competent authorities.

In April 2021, the EU Delegation confirmed that the barrier had been partially solved. The problem of lack of legal documentation accrediting the protection had been resolved for pharma companies, as confirmed by the pharma association. For the agrochemical sector, the situation apparently improved during the pandemic thanks to electronic applications, although it is not clear whether this improvement will remain after the pandemic.

In addition, the provisions of the modernised EU-Chile Agreement will partially contribute to solving this barrier, as they incorporate for the first time the protection of regulatory data protection concerning pharmaceutical and agro-chemical products. These rules feature a higher level of protection than that of Article 39.3 of the TRIPS Agreement. Therefore, the modernised Agreement would give the EU another forum to discuss the identified issues bilaterally with Chile, in particular the first element, as the EU could indicate that formalities related to the protection of regulatory data cannot lead to lack of protection of the data, in accordance to the Agreement.

As illustrated further below there are many other many instances, **the modernisation of the Association Agreement**, will help to solve or at least alleviate barriers:

- This will be the case in the area of **IPR**, notably for concerns on **copy-right enforcement and related rights on the internet** to tackle online piracy since the modernised agreement should increase the standards of the enforcement measures available for right holders in Chile, approximating them to those available in the EU. These standards include the rules on the legal protection of technological measures and of rights management information. They also include effective, proportionate and dissuasive enforcement remedies, including on the possibility of issue injunctions against third parties (intermediaries) whose services are used to infringe an intellectual property right, aimed at prohibiting the continuation of the infringement.
- Likewise, in the area of **public procurement**, the modernised Agreement will establish rules aimed at more transparency, non-discrimination and fairness in public procurement procedures, and an increased use of electronic procurement. This will help to address requirements currently imposed by Chile, mostly for tenders run by the Ministry of Public Works, on local presence and local experience. In addition, Chile imposes designs and technical specifications that are an obstacle for EU companies, especially for newcomers, and applies excessively short deadlines for the submission of offers. In 2021, the Commission continued engaging with the Chilean authorities on

these issues. Following a letter by the EU Delegation, and despite the denial of any wrongdoing by the Chilean authorities, in November 2021 Member States were reporting positive developments for EU companies on the ground. Modernised texts on rules should introduce further disciplines, notably with regard to the use of objective and non-discriminatory criteria in determining the conditions for participation to tender procedures (including in relation to the criteria of experience in previous projects).

- The provisions of **TBT chapter** of the modernised agreement are also likely to mitigate several trade barriers EU business continues facing in Chile:
  - For example, imports of **hygiene products and cosmetics from the EU** presently suffer from **burdensome administrative procedures**, such as the cost and delay experienced by EU industry for the registration of products and the short duration of the registration. In practice, this means that products with different shades (e.g. lipsticks, eyeshadows...) cannot be registered under the same dossier, if the formula is not exactly the same (e.g. due to different mineral ingredients). For each imported cosmetic product, a certificate of analysis for each shipment and each batch is required and the analysis must be carried out by a Chilean laboratory. The TBT Chapter of the modernised Agreement *inter alia* provides for the selection of conformity assessment procedures proportionate to the risk of the products, disciplines on fees and cooperation on facilitation of acceptance of conformity assessment results.
  - Furthermore, imports of **EU electronic and fuel burning products are subject to a burdensome two-step certification procedure**. Certificates or tests carried out in the origin country, although valid in Chile, must be completed with tests in Chile which increase the cost for importing goods. This requirement also applies for products certified in their country of origin by internationally recognised laboratories and which are based on international standards, except if a bilateral agreement with a Chilean laboratory exists. The provisions on recognition of EU certificates in the TBT Chapter of the modernised Agreement will help to partially solve this issue.
  - Another example where the TBT chapter of the modernised agreement would help to solve the barrier can be found in the area of food safety, where Chile prohibits the use of potato starch in processed meat products. This practice does not appear to be in line with the CODEX Alimentarius, which allows for the utilisation of a certain percentage of potato starch in processed meat products. The barrier affects cold cut products such as mortadella. The barrier has been discussed in meetings of the TBT subcommittee as it is considered both by the EU and Chile as a technical regulation and not as a sanitary issue. In March 2021, the EU Delegation raised the issue once again with the Chilean Ministry of Health and, in October 2021, it provided detailed background documentation to the expert committee tasked with reviewing the Chilean legislation on food additives. This review, still underway, aims at bringing Chilean legislation in

line with the CODEX Alimentarius and could potentially solve the barrier. This potential solution would be in line with the provision of the TBT Chapter of the modernised Agreement, which includes the CODEX Alimentarius Commission into the list of organisations that develop relevant international standards.

In 2021, a new trade irritant was reported related to **import restrictions on seeds and dried legumes**, linked to Chile's request to fumigate with methyl bromide (a substance prohibited in the EU) at the place of origin, as the only accepted treatment to deal with the *Trogoderma Granarium* pest.

### **3. ACTIVITIES OF SPECIFIC MONITORING AND RELEVANCE IN 2021**

In 2021, monitoring activities continued to follow closely the procedure concerning requests for registration of several **trademarks** that, if registered, would be in conflict with **Geographical Indications** of EU cheeses and a meat product that Chile has agreed to protect under the modernised Agreement.

The **PI project on Data Collection on Public Procurement in Chile**, implemented in 2021, helped to obtain a better understanding of the public procurement market in Chile, by measuring its size, describing its features and its entry barriers. This could contribute to improving the participation of European companies in this market.

The **PI project on Preference Utilisation Rates (PUR)** concluded in August 2021, which included Chile, assessed the uptake of preferences of EU goods exported under the trade agreement with Chile, and identified potential areas for improvement, strengthening the implementation and enforcement of trade agreements in line with EU Trade Strategy.

In 2021, through its **regional cooperation programmes**, the EU supported Chile's move towards a more sustainable and environmentally friendly economy, including the Mineral Development Platform on sustainable mining; the fight against Antimicrobial Resistance, the promotion of Responsible Business Conduct and the adoption of Low Carbon and Circular Economy business actions.

## ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE TRADE PILLAR OF THE EU-MEXICO ASSOCIATION AGREEMENT

### 1. THE AGREEMENT

Mexico is the biggest trading partner of the EU in Latin America today, and was the first country in Latin America to sign an Economic Partnership, Political Coordination and Cooperation Agreement with the EU ('Global Agreement'). The **Global Agreement** was signed in 1997 and its trade provisions were later developed into a comprehensive Free Trade Agreement that entered into force in March 2000 for goods and in February 2001 for services (hereinafter called 'the FTA')<sup>31</sup>.

In order to adapt the Global Agreement to the new realities of global trade and investment, negotiations on its **modernisation** were launched in 2016. On 21 April 2018, after nine rounds of negotiations, an 'agreement in principle' was reached on the trade part outlining the numerous improvements to the legal framework of EU-Mexico bilateral trade relations. On 28 April 2020 the European Union and Mexico concluded the last outstanding element of the negotiation - agreeing on the exact scope of the reciprocal opening of public procurement markets at subcentral level and ensuring a high level of predictability and transparency in public procurement processes. This modernisation will set a new and modern framework for EU-Mexico bilateral trade and investment relations on the basis of reciprocity and will promote new opportunities for business, while including strong and clear commitments on trade and sustainable development (TSD) which are missing in the current Global Agreement. The legal revision of the texts is ongoing.

### 2. MAIN IMPLEMENTATION ISSUES

The **Global Agreement** is a well-functioning agreement that has created opportunities for companies from both parties. Despite that, the Parties continue to work on a number of implementation issues. Some of these issues are addressed in the negotiations of the modernised trade pillar. For example regarding access to public procurement, Mexico and the EU agreed in the modernisation to a significant expansion of market access opportunities removing some of the existing barriers at sub-central level. For the first time, Mexico will open up procurement in its economically most important States, thus providing EU suppliers with access to more procurement than it does offer to any trading partner. The modernised agreement will give access for EU bidders to the procurement markets of fourteen Mexican States and an additional two Mexican States in two years from entry into force of the agreement.

In 2021, the parties continued to **engage to address outstanding issues** such as in the area of SPS, TBT, IPR and government procurement.

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<sup>31</sup> The trade pillar was expanded by two decisions of the Joint Council: Decision No 2/2000 of the EC-Mexico Joint Council of 23 March 2000 related to trade in goods and Decision No 2/2001 of the EU-Mexico Joint Council of 27 February 2001 on trade in services.

In the area of **SPS**, within the Special Committee on SPS Measures, the Parties continued to engage in technical discussions on the following outstanding issues affecting EU exports:

- *No application of “pre-listing” for EU meat products exports.* Pre-listing is a priority in the EU’s SPS chapters in FTAs. To be authorised to export a certain commodity to the European Union, an exporting country should demonstrate that its controls meet EU requirements. If the exporting country's competent authority sees that an establishment meets the relevant EU import conditions, it can place the establishment on a list (often termed a "pre-list") of exporting establishments that meet relevant EU conditions. Mexico does *not* apply the pre-listing principle and inspects every establishment for meat before granting export approval.
- *Non- recognition of the EU policy on animal disease regionalisation for African Swine fever in Poland, Belgium, Italy and Germany and Highly Pathogenic Avian Influenza in Poland and France.*
- *Delayed market access applications for fruits and vegetables, and failure to complete the pending applications from EU Member States to export pig meat and poultry meat.*

Furthermore, in the realm of **technical barriers to trade**, in the **Special Committee on Standards and Technical Regulations**, the EU and Mexico discussed cumbersome import certification procedures into Mexico, for EU parts and components resulting from modified certification requirements under a number of Official Mexican Standard:

- Mexico provided useful information about a possibility to place products on the Mexican market while the certification is still ongoing and offered guidance to importers on individual products.
- Mexico also presented its modernised Quality Infrastructure Law that counts with several instruments facilitating recognition of conformity assessment results, in particular Mutual Recognition Agreements, Mutual Recognition Arrangements and Equivalence Agreements.
- The draft versions of a number of standards related to foodstuff (dairy products and alcoholic beverages) undergoing revision have nevertheless raised concerns from the industry, for including some trade restrictions which go beyond the legitimate policy objective.

Regarding **government procurement**, Mexico continues its implementation of the agreement signed with UNOPS (United Nations Office for Project Services), in relation to medicines acquisition for the public health sector. Certain concerns on transparency requirements of this process were raised in the Special Committee on Government Procurement:

- The Committee was an occasion for experts to exchange information on recent developments in the EU and Mexico in the field of public procurement policies, including the EU outline of a proposal for an International Procurement Instrument.
- Both the EU and Mexico exchanged statistics on the use of direct awards in their respective public procurement markets.



The EU and Mexico continued their cooperation on **intellectual property**, in particular through the Special Committee on Intellectual Property Matters, which met on 24 September 2021.

- This meeting included a discussion on the positive developments in the Mexican intellectual property legislative framework, with particular attention to the Federal Copyright Law. The EU referred to the persistent concerns expressed by EU companies operating in Mexico about the ineffective enforcement of intellectual property rights in the country, including at the border and both online and in physical marketplaces. These concerns, summarised in the 2021 Report on the protection and enforcement of intellectual property rights in third countries,<sup>32</sup> have led EU stakeholders to call for a national anti-piracy plan to adopt a strategy against major targets and to coordinate federal, state and municipal enforcement activities in Mexico.
- The EU and Mexico continue committed to using technical cooperation as a tool to ensure effective protection of intellectual property rights in accordance with the highest international standards, including effective means to enforce such rights. IP Key Latin America<sup>33</sup> remained in 2021 the main technical cooperation programme between the EU and Mexico, featuring a number of activities aiming to address some of the identified challenges in the area of intellectual property (e.g. symposium for judges, patent examination training, etc.). In 2021, IP Key Latin America and the Instituto Mexicano de la Propiedad Industrial (IMPI) presented a Study on the Economic Contribution of Intellectual Property in Mexico.<sup>34</sup>

In the area of **customs matters**, both parties continued dialogue on Rules of Origin, Customs Cooperation and Trade Facilitation and Mutual Administrative Assistance.

- During **the Special Committee on Customs Cooperation**, both Parties exchanged information on their COVID-19 responses to facilitate border crossings and clearance at Customs.
- The Parties also explored flexibilities for the issuance of Mexican Certificates of Origin (movement certificate EUR.1).

In the framework of the EU **project on responsible business conduct**<sup>35</sup>, Mexican Authorities, private business and stakeholders started cooperation activities aimed at sustainability in the private sector including conduct at the workplace and contractual obligations of employers and employees:

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<sup>32</sup> [Report on the protection and enforcement of intellectual property rights in third countries \(2021\) \(europa.eu\)](#)

<sup>33</sup> [Latin America | IPKEY](#)

<sup>34</sup> [IP-Key-LA Impact-Study-Mexico-2020\\_Report.pdf \(ipkey.eu\)](#)

<sup>35</sup> The project is implemented together with the International Labour Organization (ILO), the Organization for Economic Co-operation and Development (OECD), and the United Nations Office of the High Commissioner for Human Rights (OHCHR).

- The project aims at promoting smart, sustainable and inclusive growth, by supporting responsible business conduct practices in line with international instruments (OECD guidelines).
- It will feed into the implementation of the future Trade and Sustainable Development (TSD) Chapter under the modernised EU-Mexico Agreement, once it enters into force.

#### **Trade Barriers Regulation: Mobilising industry to solve the Tequila case**

In 2020, the Commission received a complaint from the Brewers of Europe on Mexico's refusal to issue export certificates for the geographical indication Tequila. Brewers of Europe alleged that the measure was WTO-incompatible, and was causing several hundreds of millions of euros of economic damage to the EU industry. The Commission opened an examination procedure in summer of 2020 and issued a report to the TBR Committee in April 2021 tacking stock of the situation and inviting the involved Parties to cooperate for a mutually agreeable solution.<sup>36</sup>

In October 2021, the Brewers of Europe notified that the affected EU company had found a mutually agreeable solution with the Mexican authorities allowing for the exports of Tequila to resume. Consequently, in February 2022<sup>37</sup>, the Commission formally ended its investigation under the EU's Trade Barriers Regulation into measures taken by Mexico relating to the exportation of Tequila. The positive outcome of the TBR procedure underlines the important role of effective trade enforcement tools.

<sup>36</sup> [Report to the TBR committee on Mexican measures related to the exportation of Tequila \(europa.eu\)](https://policy.trade.ec.europa.eu/news/trade-barriers-eu-concludes-two-examinations-ceramic-tiles-and-tequila-2021-05-04_en)

<sup>37</sup> See press release: [https://policy.trade.ec.europa.eu/news/trade-barriers-eu-concludes-two-examinations-ceramic-tiles-and-tequila-2021-05-04\\_en](https://policy.trade.ec.europa.eu/news/trade-barriers-eu-concludes-two-examinations-ceramic-tiles-and-tequila-2021-05-04_en)

### **PART III: EU NEIGHBOURING COUNTRIES**

**Mediterranean and Middle East countries –  
Free Trade Areas**

## ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE ECONOMIC PARTNERSHIP AGREEMENT BETWEEN THE EU AND ALGERIA

### 1. THE AGREEMENT

The EU and Algeria established a Free Trade Area (FTA) under the **EU-Algeria Association Agreement**, signed in 2002, which entered into force on 1 September 2005 (hereinafter called ‘the Agreement’). The Agreement provides for a reciprocal liberalisation of trade in goods, with elements of asymmetry in favour of Algeria, such as a 12 years transitional period for dismantling tariffs for industrial goods and a selective liberalisation on agriculture. In 2012, the EU and Algeria agreed to review the timetable for tariff dismantling set forth in the Agreement for certain products (steel, textile, electronics, and automobiles), extending the transitional period from 12 to 15 years. The complete dismantling of tariffs and thus **completion of the EU-Algeria free trade** was foreseen for **September 2020** but has only been implemented partially, as Algeria established additional duties for a series of products while prohibiting imports of certain other products, in particular cars.

Market opening for agricultural products so far only concerns a limited number of tariff lines, which are subject to either full liberalisation, Tariff Rate Quotas (TRQ) or a reduction of Most Favoured Nation (MFN) rates respectively, for both Parties. The agreement does not include a specific Dispute Settlement Protocol, but only general provisions on dispute settlement, allowing a Party to refer the matter to the EU-Algeria Association Council in accordance with Article 100 of the Association Agreement (this process has been initiated by the EU side in June 2020, see further information in section 2 below).

Algeria is a member of the **Regional Convention on pan-Euro-Mediterranean preferential rules of origin**, which it signed in 2012 and notified the EU of ratification in January 2017.

Algeria started negotiating its accession to the WTO in 1987. The EU continues to support Algeria’s efforts but the negotiation process with the Accession Working Party remains stalled since 2014.

### 2. MAIN IMPLEMENTATION ISSUES

Over the reporting period, Algeria **made very modest progress** on existing market access barriers:

- A customs duty hike imposed in 2017 on a group of 129 products was abolished by the 2022 budget law;
- Measures affecting the conditions of **maritime transport**, such as the obligatory use of FOB incoterms and utilization of the national carrier have been withdrawn:

In 2021, a **significant number of other market access issues** imposed since 2015 **remain in place** in Algeria, notably:

- Today both car imports and imports of car kits and loose parts (SKD/CKD) are prohibited. 2 executive decrees of 9/2020 were published aiming at restarting both activities, however they have never been applied until today: the government (i) has not authorised car dealers to reimport new cars and (ii) did not signed until today new deals to restart car manufacturing in Algeria (see details below):

- **De facto ban on vehicle imports remains:** On 29/1/2019 Algeria had established a total ban on import vehicles (they were under import licenses from 2016) effectively resulting in a zero import quota for cars for three years. In 2020 a decision was taken to phase out the import ban. The secondary legislation to implement the elimination of these measures and to authorize car dealers to import again, published in August 2020<sup>38</sup> was never applied, even after having been revised in Mai 2021<sup>39</sup>. As a consequence, not only EU but all car exports to Algeria remain practically banned since 2015.
- End of 2018 Algeria also **banned the import of car kits** and loose parts (SKD/CKD) intended for local manufacturing on the basis of several corruption cases. In August 2020 another executive decree for local car manufacturing<sup>40</sup> was published elaborating conditions for local manufacturing. These conditions run against the AA rules especially as regards the requirements of local content. This decree too was not followed by an entry into force and as a result today no car manufacturing takes place in Algeria. According to the local association of car distributors, Algeria needs today at least 700.000 new cars.
- Algeria in May 2021 re-established the **49/51 cap for foreign investments** for import, retail and distribution activities for consumer and intermediary goods (limiting its application to strategic sectors, such as oil, gas and transport);
- Algeria applies called **provisional safeguard measures** (so-called DAPS), introduced in 2018, having an effect equivalent to a custom duty, ranging from 30% to 200% of the value of the goods, levied on 992 tariff lines, covering industrial and agri-food products;
- Algeria bans the import of **medicines** for which there exists a locally-produced equivalent;
- Algeria applies obligatory inspections as well as restrictions on **frozen meat imports**.

In the recent past Algeria took a panoply of **new sectoral and horizontal measures** and also continues to apply practices restricting trade and investment, introducing red-tape, such as:

- Measures delaying the payments for imported goods, or the withdrawal of licenses from EU companies operating dry docks in the country;
- **Import restrictions for canned meat and fish** (adopted in September 2021), which result in delaying the issuance of the necessary veterinary authorisations;
- A new nomenclature for import activities and measures (decree No. 21-94 of March 2021) imposing **burdensome and repetitive registration requirements**. It obliges companies importing and selling consumer and other goods to re-register in the company's registry for a single category of imported goods, thus limiting the scope to trade in different categories of imported goods under one single registration. Furthermore, the creation of such new legal entities would need to follow the rules of the 2021 Budget Law mentioned above i.e. foreign investors should find Algerian

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<sup>38</sup> Executive Decree n° 20-227 of 19/8/2020

<sup>39</sup> Décret exécutif n° 21-175 du 21 Ramadhan 1442 correspondant au 3 mai 2021 modifiant et complétant le décret exécutif n° 20-227 du 29 Dhou El Hidja 1441 correspondant au 19 août 2020 fixant les conditions et les modalités d'exercice de l'activité de concessionnaires de véhicules neufs

<sup>40</sup> Executive decree 20-229 of 19/8/2020

partners as the Law foresees a 49% cap on foreign ownership. As a result of these new measures, those EU companies which did not succeed to find a negotiated solution with the Trade Ministry were obliged to either split, limit or close down their activities in Algeria.

- **Prohibition of importing goods under the denomination “other” as appears in the HS.** Despite the fact that the government had announced the end of this prohibition by 31/12/2021, the measure is still in place and banks are under instruction to refuse payments of imported goods designated in the invoice as “other”.
- While the above measures target all imports not specifically EU imports, they **affect EU companies disproportionately** as the EU is Algeria’s most important trading partner, accounting for a large portion of the country’s total trade. In particular, a number of trade barriers put in place by Algeria, including a car import ban, the safeguard duty on several hundreds of products (DAPS), additional duty hikes on other types of products as well as an import licensing scheme led to significant **decrease in EU exports**.

### **Dispute Settlement Procedure against Algeria: Several trade restrictive measures**

**Step 1:** After years of informal discussions to no avail, on 24 June 2020, in accordance with Article 100 of the Association Agreement, the EU side referred to the EU-Algeria Association Council a dispute concerning five measures mentioned above (DAPS or droits additionnelles provisoires de sauvegard, import ban on cars, import licensing scheme, duty hikes on 129 products and procedural restrictions in the maritime transport sector) The initiation of the procedure was followed by long technical consultations with a view to resolve the dispute by means of a joint decision of the EU-Algeria Association Council. Besides the regular technical consultations these issues were also discussed at the EU-Algeria Subcommittee on Trade in October 2020 and at the last Association Council meeting of December 2020.

**Step 2:** Failing amicable resolution, the EU in March 2021 initiated arbitration by notifying to the Algerian side its appointed arbitrator and inviting Algeria to appoint their own arbitrator and agree on the chairperson of the arbitration tribunal within two months.

**Step 3:** The Algerian side did not appoint an arbitrator and in the subsequent months it also refused to implement a tentative compromise reached within the context of consultations. Since late 2021 the Algerian side does not reply to proposals, signals by the EU side including several note verbales and a letter by EVP Dombrovskis of early December 2021.



## ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE EU-EGYPT ASSOCIATION AGREEMENT

### 1. THE AGREEMENT

The EU and Egypt established a free trade area (FTA) as part of the **EU-Egypt Association Agreement**, signed in 2001 (hereinafter referred to as ‘the Agreement’). The Agreement was provisionally applied from 21 December 2003 and officially entered into force on 1 June 2004. It provides for reciprocal liberalisation of trade in goods, with elements of asymmetry in favour of Egypt: Egypt was able to export to the EU all industrial products covered by the Agreement tariff-free from the day of entry into force of the Agreement, while it benefited from a transitional period of 3 to 15 years, depending on the product, to dismantle tariffs on EU imports. Egypt finalized the process of fully dismantling tariffs applied to industrial goods on 1 January 2019.

In October 2008, the EU and Egypt signed an **Agreement providing for liberalisation in agricultural, processed agricultural and fisheries goods**; the latter entered into force on 1 June 2010 and extended the list of agricultural products covered by the original Agreement. **Today, 80% of trade in agricultural goods is covered by duty-free treatment.**

In November 2010, the EU and Egypt signed a Protocol establishing a Dispute Settlement Mechanism (DSM), for which Egypt’s ratification process is still pending.

Egypt also signed the **Regional Convention on pan-Euro-Mediterranean preferential rules of origin** on 9 October 2013 and notified it on 1 June 2014. The main objective of the Convention is to provide a more unified framework for origin protocols.

In November 2011, the Commission received a Council mandate authorising it to negotiate a Deep and Comprehensive Free Trade Area (DCFTA) with Egypt. Egypt, while interested in enhancing bilateral cooperation on trade and investment has shown limited interest in a full-fledged DCFTA so far.

Since 2020, the EU and Egypt are engaged in a **regular trade dialogue on market access challenges**, focusing on enhancing the implementation of FTA commitments, elimination of trade irritants as well as improving transparency of business legislation.

## 2. MAIN IMPLEMENTATION ISSUES

The implementation of the trade related provisions of the Agreement is pursued within the Association Council, the Association Committee, and the various sub-committees, including the **Sub-Committee on Industry, Trade, Services and Investment**.

In 2021, the EU and Egypt intensified their **trade dialogue** within the sub-committee through regular technical consultations to further remove barriers to trade affecting businesses and investors, building on progress achieved in 2020.

Some **progress** could be achieved in 2021:

- The trade dialogue and high-level correspondence with Egypt's authorities led to a successful **removal *inter alia*** of Egypt's **import ban on ceramics and sugar** in March 2021 and June 2021, respectively.
- Close cooperation with the Egyptian authorities allowed to **avert the planned re-introduction of Egypt's customs duties on cars** imported from the EU.
- Partial progress was achieved in 2021 on Egypt's new **halal certification** requirements applying since October 2021: As a result of coordinated efforts of the EU and EU Member States, as well as the cooperation of the Egyptian authorities, the severe trade disruptions, which the new rules could entail for EU exports of dairy products have been prevented by the **extension of a transitional period** allowing additional time for business to adapt. Efforts are continuing to address remaining problems related to the new certification rules.

At the same time, a number of **market access barriers continue to exist** in Egypt and were subject to discussions in the relevant committees under the Agreement. The most significant one concerned Egypt's import registration regime, which continues to affect EU companies, whose registration applications have been waiting for approval for several years, with no possibility to export to Egypt during that time. The measures at issue include, *inter alia*

- the introduction of registration requirements for foreign factories or companies owning trademarks and wishing to import covered goods into the customs territory of Egypt as a pre-condition for importation;
- the registration procedure, which has been administratively burdensome, non-transparent, costly and time-consuming; and
- the failure of the Egyptian authorities to process a number of applications for registration submitted by EU companies and to keep the applicants informed on the status of those applications.

Given that the EU's longstanding and repeated requests for Egypt to resolve this problem have not been adequately addressed, the **EU in January 2022 filed a request for consultations at the World Trade Organization**, which are the first step in WTO dispute settlement proceedings (see further below).

### **WTO dispute against Egypt: DS609 – Import Registration Requirements**

**Step 1:** On 26 January 2022, the EU filed in the WTO a request for consultations with Egypt concerning the registration requirements imposed by Egypt affecting the importation of certain categories of goods from the EU into Egypt. The registration requirements cover 29 categories of goods including agricultural and food products, cosmetics, toys, textiles, garments, household appliances, furniture and ceramic tiles. These requirements are designed as a precondition to trade in Egypt, hence being inconsistent with Egypt's GATT commitments.

**Step 2:** The EU and Egypt held consultations in a virtual format on 23 February 2022. Proceedings are ongoing.

In addition to the above, the bilateral trade dialogue covered also the following issues:

- Egypt's customs related measures, including the new Advanced Cargo Information system;
- Regulations increasing customs fees and imposing new development fees on a number of goods, including imported steel products representing an additional financial burden for EU exports;
- Egypt's measures affecting EU agri-food exports, including the new risk-based import control system on food products, the food import licensing scheme, the new mechanism for import of seed potatoes and checks of pesticide residues in fruit;
- Import refusals due to Egypt's zero-radioactivity requirement, affecting mostly shipments of wood, office furniture and whey powder.

Finally, Egypt has not yet implemented the state aid/subsidy control rules as foreseen by Article 34 of the Association Agreement, which is needed to secure a level playing field.

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE ASSOCIATION AGREEMENT BETWEEN THE EU AND LEBANON

## 1. THE AGREEMENT

The EU and Lebanon on 17 June 2002 signed an **Association Agreement**<sup>41</sup> creating a Free Trade Area (FTA). Its economic and trade provisions were provisionally applied as from 2003, based on an Interim Agreement, which entered into force on 1 March 2003. The Association Agreement (hereinafter referred to as ‘the Agreement’) entered into force on 1 April 2006. The Agreement **liberalised two-way trade in industrial goods** with an asymmetrical transition period of 12 years in favour of Lebanon. The phased-in liberalisation of industrial products by Lebanon started in 2008 and was completed in 2015.

In regard to agri-food trade, the Agreement as of its provisional application, **granted tariff-free access to the EU market** for most Lebanese agricultural and processed agricultural products (i.e. 89% of products enter tariff and quota free), with only 27 agricultural products facing a specific tariff treatment, mostly Tariff Rate Quotas (TRQs). On the other hand, agricultural liberalisation by Lebanon has been more limited.

In 2010, the EU and Lebanon signed an additional protocol on a **Dispute Settlement Mechanism**, which entered into force on 1 September 2018.

In 2014, Lebanon signed the **Regional Convention on Pan-Euro-Mediterranean preferential rules of origin** (PEM Convention). The country notified its ratification in October 2017 and formally joined on 1 December 2017<sup>42</sup>.

Lebanon joined the **Agadir Agreement** in March 2020.

Lebanon is still in the process of applying to join the WTO, which the EU continues to support, including by technical assistance, in light of the needs of the Lebanese government.

## 2. MAIN IMPLEMENTATION ISSUES

**Additional custom duties** raised in 2019 (and updated in October 2020) continued to be in place throughout 2021. They include a temporary additional duty of 3% on most imports and additional duties on imports of about 18 groups of products. Eight of them affect imports from the EU, with duties ranging from 7% to 20%. These trade barriers have been raised several times at the highest level vis-à-vis the Lebanese authorities, as they do not appear to be in line with the Agreement, since they affect selected goods and differentiate between trading partners.

Since the resignation of the government in August 2020, following the explosion at the Port of Beirut, Lebanon continued to function with a caretaker government for most of 2021, only managing to appoint a new cabinet in September. Mostly for this reason, and despite a

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<sup>41</sup> <https://ec.europa.eu/world/agreements/downloadFile.do?fullText=yes&treatyTransId=3121>

<sup>42</sup> For more information see [https://ec.europa.eu/taxation\\_customs/business/calculation-customs-duties/rules-origin/general-aspects-preferential-origin/arrangements-list/paneumediterranean-cumulation-pem-convention\\_en](https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/rules-origin/general-aspects-preferential-origin/arrangements-list/paneumediterranean-cumulation-pem-convention_en)

continuous deterioration of the economic situation in Lebanon, there have been no significant decisions concerning trade, and little dialogue with the EU on trade matters.

Neither the **Sub-Committee on “Industry, Trade and Services, Customs”** nor the EU-Lebanon **Joint Working Group on Trade and Investment** met since December 2019.

Discussions continued during 2021 about the possible adoption by Lebanon of the PEM transitional Rules of Origin (the revised rules of the PEM Convention, applicable on a bilateral basis pending the adoption of the revised PEM Convention by all contracting parties). Lebanon finally referred the issue to its Ministry of Justice, who ruled that a specific law would need to be adopted by Parliament before Lebanon can sign these rules, which is likely to provoke a considerable delay.

The draft national budget for 2022, still not adopted at the time of reporting, was leaked by the press and included the extension of the additional 3% custom duty introduced in 2019 for another 10 years, plus a new 10% import duty on products having a locally produced substitute. The government has been alerted of the possible infringement of the Association Agreement.

## ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE ECONOMIC PARTNERSHIP AGREEMENT BETWEEN THE EU AND JORDAN

### 1. THE AGREEMENT

The **Association Agreement** (hereinafter called ‘the Agreement’) creating a **Free Trade Area** between the EU and Jordan was signed in 1997 and entered into force in 2002. It liberalised two-way trade in goods, with asymmetrical transition periods in favour of Jordan, whereby Jordan phased in tariff reductions over a 12 year period. Tariff dismantling has been completed.

The EU and Jordan upgraded the Agreement in 2006 concluding an **additional Agreement on trade in agricultural and processed agricultural products**. Today all Jordanian agricultural products can enter the EU duty free with the exception of virgin olive oil and cut flowers, which are under tariff rate quotas (TRQs), while agricultural liberalisation on the Jordanian side is substantial, but not complete. A Protocol establishing a bilateral Dispute Settlement Mechanism was added to the Agreement in 2011 but is not operational pending the establishment of the list of individuals to serve as arbitrators.

Jordan is a member of the **Regional Convention on pan-Euro-Mediterranean preferential rules of origin** (PEM Convention), which it signed in 2011 and ratified in 2013. In 2016 the EU and Jordan agreed on a simplified Rules of Origin scheme, modified in 2018, granting Jordanians further flexibilities in regard to rules of origin linked to employment of Syrian refugees and implementation of decent work standards. As of 1 September 2021, Jordan and the EU started to apply the PEM transitional rules of origin (the revised rules of the PEM Convention, applicable on a bilateral basis pending the adoption of the revised PEM Convention by all contracting parties).

### 2. MAIN IMPLEMENTATION ISSUES

The **Subcommittee on trade, industry and services** met in November 2020 and the next meeting should take place in the autumn of 2022.

Nevertheless, the EU side continued to raise **outstanding issues** in official meetings under the Agreement, such as on the occasion of the EU-Jordan Association Committee in May 2021, as well as in written correspondence and technical meetings. Some **progress** was recorded in 2021 in improving the conditions for exports of some agricultural products from the EU: Jordan notably removed restrictions imposed on the import of fresh persimmon fruits.

However, concerns remain with the lack of full predictability and transparency of the Jordanian system of *erga omnes* licences for agricultural products. One example concerns the conditions applied by Jordan to the import of dairy products, notably some types of cheeses, such as labneh cheese and grilled cheese. There are also some issues with testing procedures and practices on imports of seed potatoes to Jordan.

### **3. ACTIVITIES OF SPECIFIC INTEREST**

Under the **simplified Rules of Origin initiative**, adopted in 2016 and amended in 2018, Jordanian exporters of 52 product groups can benefit from the same rules of origin as those applied by the EU on the Least Developed Countries, provided that certain conditions are met as regards to employment of Syrian refugees. Between 2016 and 2021, the Preference Utilisation Rate (PUR) for Jordanian exports of textiles and clothing to the EU increased significantly, reaching 77%, indicating the positive impact of the simplified Rules of origin scheme.

Furthermore, the EU continues working with the ILO and the Jordanian Government to ensure **decent working conditions** in companies exporting to the EU.

## ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE ECONOMIC PARTNERSHIP AGREEMENT BETWEEN THE EU AND MOROCCO

### 1. THE AGREEMENT

The EU and Morocco established a **Free Trade Area (FTA)** as part of the **EU-Morocco Association Agreement** (the “Agreement”), signed in 1996, which entered into force on 1 March 2000. Trade for industrial products is now entirely liberalised, while market opening for agricultural products is also substantial. The Agreement provides for a reciprocal liberalisation of trade in goods, with elements of asymmetry in favour of Morocco: since the day of entry into force of the Agreement, all industrial products covered could be exported by Morocco to the EU tariff-free, while Morocco benefited from a transitional period of 12 years. The transitional period for Morocco to reduce its tariffs on industrial products to zero ended in March 2012.

The EU and Morocco also signed an agreement on **additional liberalisation of trade in agricultural products**, processed agricultural products, fish and fisheries products, which entered into force in October 2012. A number of EU products remain subject to tariff rate quotas when exported to Morocco while for the other products the full liberalisation was completed on 1<sup>st</sup> October 2020. Only a few Moroccan products are still subject to tariff rate quotas when imported into the EU.

A protocol establishing a **Dispute Settlement Mechanism** was agreed upon by the EU and Morocco and entered into force in 2012 but is not operational pending the establishment of the list of individuals to serve as arbitrators.

Morocco also signed the **Regional Convention on pan-Euro-Mediterranean preferential rules of origin** (PEM Convention) on 18 April 2012 and ratified it in May 2019. Negotiations in view of an Agreement for the Protection of Geographical Indications (GIs) were concluded in 2015. Ratification is still pending.

Negotiations for a *Deep and Comprehensive Free Trade Agreement* started in 2013 and were put on hold at the request of Morocco. The Joint Statement of the EU–Morocco Association Council of June 2019 referred to the aim of creating an area of economic convergence and social cohesion.

The EU Trade Policy Review communication of 18 February 2021 specifically highlighted Morocco and Tunisia as priority countries for modernising trade and investment relations with in the Southern Neighbourhood region. The modernisation of the EU-Morocco trade and investment relationship could support economic recovery and meet our common challenges in the field of resilient value chains, climate change, quality job creation and decent working conditions and the digital agenda.



## 2. MAIN IMPLEMENTATION ISSUES

A new Government took office in 2021, which confirmed Morocco's focus on import substitution in its industrial and trade policies, aiming at reducing imports while actively supporting domestic production. This takes the form of the pursuit of an active industrial policy via an "industrial project bank", aimed at **supporting projects with the potential of substituting imports with domestic products**, as well as **mandatory domestic preferences in public procurement** and the compulsory use of goods of Moroccan origin in public procurement for all goods.

There were no meetings of the **Subcommittee on trade, industry and services** since July 2020, but the Commission services and the EU Delegation conveyed concerns in 2021 to Morocco about the **significant increase in Morocco's non-tariff barriers**, both during technical discussions and in written correspondence between senior officials.

A number of **technical exchanges** took place upon EU request:

- Technical consultations took place in 2021 on Morocco's requirement to **localise the production of pharmaceutical products** in order to obtain marketing authorisations. The meeting clarified the nature of the requirement and confirmed that Morocco does not grant market authorization for pharmaceutical products if an equivalent domestic product is already available.
- On **cosmetics**, technical consultations in 2021 allowed to exchange on Morocco's registration system and on progress in digitalizing the registration procedures.
- On **exports of raw hides and skins**, technical consultations in early 2022 confirmed that the system of export licenses, that according to Morocco are motivated for environmental reasons, represent a restriction of exports of such products. Morocco endeavored to lift these restrictions once the dedicated industrial zones for tanning, currently under construction, will become operational.

The EU expressed concerns in writing with regard to Morocco's system of **conformity assessment** for imported products. Morocco since 2020 applies compulsory third party certification for compliance with Moroccan standards to a wide range of industrial products, with adverse effects for EU exports. Only five private international companies are designated to carry out the checks on imported products subject to technical regulations. Conformity assessments need to be undertaken mostly in the country of origin of the goods, and for a more limited range of products upon their entry into Morocco. Domestic products are subject to a much lighter regime of conformity checks. European operators have reported difficulties with the new system mainly related to additional costs and delays and different interpretations of the applicable requirements by the conformity assessment companies.

Morocco applies safeguard measures on imports of welded steel pipes, hot rolled steel plates, wire rods and reinforcing bars, cold-rolled steel sheets and plated or coated sheets, as well as coated wood boards. It also applies anti-dumping duties on PVC including from some EU companies. Morocco launched a new safeguard investigation in 2021 targeting imports of lighting columns. The EU swiftly submitted written observations, and the EU Delegation and (several) Member States engaged in intensive outreach with local authorities to convey the EU's concerns in respect of the potential application of safeguard measures given that the conditions

for imposing safeguard measures were not fulfilled. The investigation was closed in March 2022 without the application of a safeguard measure.

#### **European General Court ruling on Western Sahara & Sustainable Fisheries Agreement<sup>43</sup>**

On 29 September 2021 the General Court of the EU annulled two Council decisions relating to international agreements with Morocco:

- the agreement between the EU and Morocco extending tariff preferences to products originating in Western Sahara (;
- the Sustainable Fisheries Partnership Agreement.

The Council and the Commission both lodged appeals in December 2021. Pending a final judgement the Court decided that the effects of the Council decisions would be upheld, i.e. the agreements continue to apply between the Parties.

On 22 December 2021 the European Commission issued the second staff working document on the benefits for the people of Western Sahara of extending tariff preferences provided under the EU-Morocco Association Agreement to products from Western Sahara. The report finds that exports to the EU and employment figures show a continuing and moderate increasing trend, export and employment figures have increased, which can be considered as due largely to the favourable economic conditions of Western Sahara and to granting of the tariff preferences under the Agreement, following the amendment of Protocols 1 and 4 of the EU-Morocco Association Agreement, which entered into force on 19 July 2019. The Agreement is thus resulting in benefits for Western Sahara and its population in terms of exports, economic activity and employment.

Finally, Morocco has not yet implemented the state aid/subsidy control rules as foreseen by Article 36 of the Association Agreement, which are needed to secure a level playing field.

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<sup>43</sup> <https://curia.europa.eu/jcms/upload/docs/application/pdf/2021-09/cp210166en.pdf>

## ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE ASSOCIATION AGREEMENT BETWEEN THE EU AND TUNISIA

### 1. THE AGREEMENT

A **Free Trade Area (FTA)**, as part of the **EU-Tunisia Association Agreement** hereinafter ‘the Agreement’), was signed on 17 July 1995 and entered into force on 1 March 1998. This provided for reciprocal liberalisation of trade in goods. Since the day of entry into force of the Agreement, Tunisia is free to export to the EU all industrial products covered by the Agreement tariff-free, while it benefited from a transitional period of 12 years for imports from the EU, which ended in 2010. The FTA thus established the principle of **two-way trade free of any trade tariffs for industrial goods**.

As regards **agricultural, agri-food and fisheries products, the FTA foresees liberalisation for selected products**, with the EU granting tariff-free quotas for a number of products. Contrary to other countries in the region (e.g. Morocco or Egypt), the EU and Tunisia have not yet negotiated an agricultural top-up and hence market access on both sides is more limited than is the case with most other Southern Mediterranean partners.

The EU and Tunisia signed a Bilateral Protocol in 2009 on the establishment of a Dispute Settlement Mechanism (which entered into force in September 2011), however, it is not yet operational pending the establishment of the list of individuals to serve as arbitrators.

Tunisia also signed the **Regional Convention on pan-Euro-Mediterranean preferential rules of origin** on 16 January 2013. Tunisia is considering joining the revised rules of the Pan-euro-med Convention on rules of origin, based on the exchanges with the EU notably with respect to bilateral derogations, mainly on textile, but has not formalised its request.

Four rounds of negotiations on a *Deep and Comprehensive Free Trade Agreement* (DCFTA or “Accord de libre échange complet et approfondi” ALECA in French) took place between 2015 and 2019 and are on hold since then.

The EU Trade Policy Review communication of 18 February 2021 specifically highlighted Morocco and Tunisia as priority countries for modernising trade and investment relations with in the Southern Neighbourhood region. The modernisation of the EU-Tunisia trade and investment relationship could support economic recovery and meet our common challenges in the field of resilient value chains, climate change, quality job creation and decent working conditions and the digital agenda.

### 2. MAIN IMPLEMENTATION ISSUES

Several **long-standing market access issues remained** unresolved in 2021. They mainly concern systematic technical controls on imports without risk analysis and technical specifications that can impose restrictive conditions on the product and/or the importer; burdensome customs measures (such as the request for an export declaration or a free sale certificate by EU operators); sectorial market access limitations on pharmaceuticals, cosmetics,

cars, tyres, ceramic tiles; and de facto non-automatic licences on cheese, chocolate and chocolate products.

The EU side was able to negotiate a partial exception for some products of strong EU export interest from the scope of the Finance law 2022 adopted on 28 December 2021, which provided for an *erga omnes* increase of MFN customs duties for a series of products. Such increase built on a similar tariff increase decided in the budget law for 2018, still in force. The EU alerted Tunisian authorities ahead of the adoption of the measure of its negative impact on European exporters. While the overall measure went ahead, considered necessary by the Tunisian authorities to address the country's current severe trade and economic situation, some products of strong export interest for the EU were removed from the list. The increase in *erga omnes* MFN customs duties notably affects some EU exports of some agricultural products, which, contrary to industrial products, are not liberalised under the Free Trade Area established as part of the EU-Tunisia Association Agreement.

Finally, Tunisia has not yet implemented the state aid/subsidy control rules as foreseen by Article 36 of the Association Agreement, which are needed to secure a level playing field.

## ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE INTERIM ASSOCIATION AGREEMENT BETWEEN THE EU AND PALESTINE

### 1. THE AGREEMENT

The **Interim Association Agreement** creating a Free Trade Area (FTA) between the EU and Palestine<sup>44</sup> (hereinafter called ‘the Interim Agreement’) was signed in 1997 and entered into force on 1 July 1997. The Interim Agreement **liberalised two-way trade in industrial goods** by providing duty-free and quota-free access for industrial goods traded in both directions, with some **limited liberalisation of agricultural products** by both parties. The latter was an asymmetrical liberalisation to the extent that the EU dismantled its tariffs on the first day of the agreement while Palestine had a phased reduction of tariffs.

The Agreement was first updated in 2005 and a more **significant update was signed in 2011 to further liberalise trade in agricultural**, processed agricultural products (PAPs), fish and fishery products. **The EU removed all tariffs and quotas on agricultural products and PAPs imported into the EU for a period of ten years, which is renewable.** Palestine continues to maintain a number of tariffs and quotas on selected agricultural and PAP imports from the EU.

Products from Israeli settlements in Palestinian territory do not benefit from the preferential tariff preferences under the EU-Palestine or EU-Israel Association Agreements.

Palestine is a member of the **Regional Convention on pan-Euro-Mediterranean preferential rules of origin** (PEM Convention), which it signed in 2013 and notified the EU of its ratification in 2014.

### 2. MAIN IMPLEMENTATION ISSUES

The **Joint Economy Committee** in charge of follow-up of the Paris Protocol (agreement dealing with trade related issues under the Oslo Accord) has not met since 2009. The Palestinian Authority undertook efforts with **limited results to re-activate the committee**, pending positive response from the Israeli side.

The last meeting of the **EU-Palestinian Subcommittee on Trade** was held on 28 September 2021 where trade relations were discussed both in bilateral and regional context, notably focussing on how the EU could facilitate trade talks between Israel and the Palestinian Authority, either in bilateral or trilateral format.

The Interim Association Agreement is far from reaching its full potential, hindered by restrictions imposed by the Israeli authorities. Moreover, Palestinian trade also faces

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<sup>44</sup> This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

competitiveness issues and has often difficulties in meeting the standards required on the EU market.

The EU continues to support the expansion of Palestinian trade within the broader Euro-Mediterranean region and remains committed to engage with both the Israeli and the Palestinian sides to improve the conditions of Palestinian trade. Some concrete progress was achieved with the introduction of a pilot project for containerised transport between the West Bank and Jordan via the Allenby bridge, a project that was supported by the EU Delegation in Jerusalem.

## ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE ECONOMIC PARTNERSHIP AGREEMENT BETWEEN THE EU AND ISRAEL

### 1. THE AGREEMENT

EU-Israel relations are governed by an **Association Agreement** (hereafter named “Agreement” or “AA”) that has been provisionally applied since 1996 and fully entered into force in 2000. The terms of the Agreement provided for full elimination of customs duties applicable to industrial products and partial liberalisation for agricultural products creating a **Free Trade Area (FTA)**. The EU and Israel had already had an FTA from 1975, eliminating duties on industrial products and over 80% of agricultural tariff lines. The AA improved the provisions on rules of origin and included a series of further reciprocal agricultural concessions. However, the FTA does not include commitments on services and investments, regulatory convergence or modern trade rules.

The EU and Israel subsequently **upgraded the FTA by signing agreements, which further liberalised trade in agricultural products, notably in processed agricultural products and fish and fishery products**. The first agreement was signed in 2003 and the second is in force since 2010. The latter further increased reciprocal market access in agro-food products and is based on the “negative list approach” (i.e. all agro-food trade is liberalised on both sides apart from a limited number of sensitive lines on either side). For the sensitive agricultural products such as fruit and vegetables, sugar, etc., market access on both sides is provided in the form of duty free quotas. Moreover, the EU maintains its entry price system, but with an ad valorem duty component set at 0%.

Discussions for a **Dispute settlement protocol** under the FTA took place in December 2016 on the occasion of the EU-Israel trade-subcommittee, but have *not* been finalised. There are currently no discussions on resuming this process.

Israel is a member of the **Regional Convention on Pan-Euro-Mediterranean preferential rules of origin** (PEM Convention), which it signed in 2013 and notified the EU its ratification and entry into force in 2014. Israel has expressed its interest in adhering to the new revised PEM Convention.

The EU and Israel signed in 1999 a “**Good Laboratory Practice**” (GLP) agreement, ensuring the high quality, validity and reliability of health and environmental data generated during the testing of cosmetics, industrial chemicals, pharmaceuticals, food additives, animal feed additives, pesticides by means of mutual recognition of OECD principles of good laboratory practice (GLP) and compliance monitoring programmes. The EU and Israel also have an **Agreement on Conformity Assessment and Acceptance of industrial products (ACAA) on pharmaceuticals**, in force since January 2013, which facilitates trade on both sides, as it recognises each partner’s certification of conformity of pharmaceutical products without the need for re-testing at import.

In June 2013, the EU and Israel signed an **EU-Israeli Aviation Agreement** (“Open Skies Agreement”), which fully entered into force in August 2020.<sup>45</sup> It gradually allowed over a five-year period all EU airlines to operate direct flights to Israel from anywhere in the EU and Israeli carriers to operate flights to all airports throughout the EU. The Agreement has also prompted the Israeli Ministry of Tourism to adopt an incentive scheme for airlines bringing visitors to Eilat. On 31 December 2020, Israel and the U.K. signed a bilateral agreement mirroring provisions of the EU-Israel Open Skies agreement, it entered into force on 1 January 2021.

In June 2016, **Israel joined EUROCONTROL**, the European body for the coordination and security of civil aviation, in order to better integrate into the European aviation system and to ensure the efficient management of this increased traffic.

## 2. MAIN IMPLEMENTATION ISSUES

Substantial progress has been achieved regarding the long-standing trade irritant that certain Member States (those that acceded in and post 2004 and Luxembourg) face in their exports of **medical devices** to Israel. The list of the so-called “recognised” countries gives some Member States’ operators access to a fast-track authorisation procedure in Israel, while others are confined to a standard track. However, a legislative amendment to solve the issue is currently discussed in the Knesset. Moreover, to bridge the gap until the new legislation is ready, the Israeli government has set up a pilot project of six months (1 January – 30 June 2022) under which certifications by Notified Bodies from all Member States are already and de facto accepted for the fast-track procedure. The government has already expressed its willingness to extend the duration of the pilot if necessary.

No significant roll back of commitments in the FTA has been recorded; however there are **a number of persistent trade irritants**, among those:

- The lack of data protection on biological medicines;
- The rigid regime of kosher certification for imported meat.

The last meeting of the **EU-Israel sub-committee on industry, trade and services** was held on 6 and 7 December 2021 where trade relations were discussed in both bilateral and regional context, including a follow-up of the Union for the Mediterranean Ministers joint declaration of Ministers of Trade, adopted in November 2020, regarding efforts in removing obstacles to Palestinian trade. EU and Israel also exchanged views on existing trade irritants, as well as on some cross cutting issues, e.g. reduction of carbon emissions, and IPR.

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<sup>45</sup> As of spring 2018, the EU-Israeli air transport market is fully open with no restrictions on the number of flights.



## **Eastern countries – Deep and Comprehensive Free Trade Areas**

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE DEEP AND COMPREHENSIVE FREE TRADE AREA BETWEEN THE EU AND UKRAINE

This report only covers the year 2021, when bilateral EU-Ukraine trade reached its highest value since the entry into force of the DCFTA in January 2016 (€52.4 billion, i.e. a 100% increase as compared to 2015). This positive evolution has been seriously impacted since the start of the unprovoked and unjustified Russian aggression on 24 February 2022.

## 1. THE AGREEMENT

The **Deep and Comprehensive Free Trade Area (DCFTA)** between the EU and Ukraine, the trade part of the Association Agreement<sup>46</sup>, provisionally entered into force on 1 January 2016 while the full Association Agreement formally entered into force on 1 September 2017. This information sheet constitutes the report on the implementation of the EU-Ukraine DCFTA, in line with the reporting requirements of the Regulation implementing the anti-circumvention mechanism provided for in the EU-Ukraine Association Agreement.<sup>47</sup>

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market access: Progress and outstanding issues

Ukraine's **regulatory approximation** to the EU acquis continued to progress well. In some areas, effective enforcement by independent and transparent institutions is challenging.

Overall implementation of the DCFTA was discussed during the **6<sup>th</sup> EU-Ukraine Association Committee** in Trade Configuration (ACTC), held on 22-23 November 2021 in hybrid form (in Brussels and online). During this meeting, the Committee adopted the update of the Annex XVII of the Association Agreement, notably a list of EU acquis in some services areas to which Ukraine has committed to approximate (telecommunications, postal and courier, and international maritime transport).

In 2021 both sides further agreed on a "**Priority Action Plan for enhanced implementation of the EU-Ukraine DCFTA in 2021-2022**", with the aim of intensifying bilateral cooperation. In February 2021 both sides also agreed to activate the **review of the scope of liberalisation**

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<sup>46</sup> The EU-Ukraine Association Agreement was published in OJ L 161, 29.5.2014, p. 3–2137. <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A22014A0529%2801%29>

<sup>47</sup> Regulation (EU) 2016/400 of the European Parliament and of the Council of 9 March 2016 implementing the anti-circumvention mechanism provided for in the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Moldova, of the other part (OJ L 77/53 of 23.3.2016). According to its Article 14, the Commission shall submit an annual report on implementation of this Regulation and Title V (DCFTA) of the Association Agreement. The report shall, inter alia, include information about the application of the anti-circumvention mechanism and set out a summary of the statistics and the evolution of trade with Moldova.

**of customs duties** on imports, as foreseen in Article 29 of the Agreement. The DCFTA also foresees the possibility of negotiating an **Agreement on Conformity Assessment and Acceptance of Industrial Products** (ACAA) once Ukrainian sectoral and horizontal legislation, institutions and standards have been fully aligned with those of the EU. In 2021, the first conclusions were obtained of the pre-assessment mission that was launched in 2020 to examine progress in relation to the work done on the pre-conditions for the ACAA negotiations.

Progress was made on a number of **customs related**<sup>48</sup> **issues** as Ukraine advanced in the implementation of legislation to comply with the requirements under the Common Transit Convention and the Convention on the Simplification of Formalities in Trade in Goods<sup>49</sup>. Work also progressed on Authorised Economic Operators (AEOs). An agreement on the update of Annex XV on approximation of customs legislation was reached at the end of 2021, and the update is planned to be formalised in due course by the Association Committee in Trade configuration.

In regard to **public procurement**, Ukraine's alignment to EU's public procurement legislation continued in 2021 and both sides agreed that there was a good basis to launch the assessment on the completion of Phases 1 and 2 of the roadmap in Annex XXI-A., to be formalised through a decision of the EU-Ukraine Association Committee in Trade Configuration (ACTC) in due course.

In the area of **SPS**<sup>50</sup>, Ukraine continued to implement the SPS strategy, particularly as regards animal welfare, which is of particular interest for stakeholders. Work is ongoing on 80 implementing acts, and transitional periods are foreseen until 2026 for some categories of animals.

There has been no decisive progress in 2021 on the **wood export ban**, a long-standing trade irritant on which the EU had initiated bilateral **dispute settlement** in 2019. A panel published its final ruling in December 2020 and found Ukraine's 2015 temporary export ban incompatible with Article 35 of the Association Agreement. Ukraine did not notify in 2021 any measure that it has taken to comply with the panel ruling.<sup>51</sup>

In the **rules area**, **systemic problems remained with the enforcement of IPR** as confirmed by the report on the protection and enforcement of intellectual property rights published by the Commission in April 2021<sup>52</sup>. The issues were raised in the 19<sup>th</sup> IPR Dialogue, which took place on 27 January 2022. As regards **Geographical Indications (GIs)**<sup>53</sup>, cooperation continued in order to ensure alignment of Ukraine's GI system with EU norms and standards. In the **field of competition**, both sides discussed ways of addressing outstanding issues related to the independence of the anti-monopoly committee, the way the committee applies competition law

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<sup>48</sup> The 5<sup>th</sup> Customs Sub-committee took place on 22 September 2021.

<sup>49</sup> Law of Ukraine No 78-IX "On a common transit regime and introduction of the national electronic transit system", adopted on 12 September 2019.

<sup>50</sup> The 6<sup>th</sup> SPS Sub-committee took place on 15 and 22 November 2021.

<sup>51</sup> More Detailed information and regular updates can be found on DG TRADE's website:

[https://policy.trade.ec.europa.eu/enforcement-and-protection/dispute-settlement\\_en](https://policy.trade.ec.europa.eu/enforcement-and-protection/dispute-settlement_en)

<sup>52</sup> [https://trade.ec.europa.eu/doclib/docs/2021/april/tradoc\\_159553.pdf](https://trade.ec.europa.eu/doclib/docs/2021/april/tradoc_159553.pdf)

<sup>53</sup> The 5<sup>th</sup> GI Sub-committee took place on 17 November 2021.

to individual cases and the quality of decisions of the competition authority. The EU remains actively involved in the ongoing discussion in Ukraine to revise and review the existing legislative framework on competition.

## **2.2 Trade and sustainable development: Progress and outstanding issues**

The **5<sup>th</sup> Sub-Committee on Trade and Sustainable Development (TSD)** was held on 28 October 2021.

In regard to the establishment of the **TSD Group of Experts**, it was noted that Ukraine had not yet identified five Ukrainian TSD experts in accordance with the provisions of the Agreement. Ukraine and the EU agreed a **timetable of steps** to be taken so that a full group of experts would be in place in 2022.

With respect to **trade and labour**, the Parties noted the need to bring the Ukrainian legal framework in line with and implement ILO standards, including ILO conventions 81 and 129 on labour inspections, as a cross-cutting issue for all labour standards. The EU and Ukraine noted the positive contribution of the EU-funded ILO project ‘Towards safe, healthy and declared work in Ukraine’ and stressed the importance of taking into account its recommendations in the preparation of draft laws on labour relations, occupational health and safety and labour inspections. The Parties also agreed on the need for improving social dialogue.

The EU and Ukraine also discussed **sustainable and legal forest management**. Ukraine presented the main developments towards ensuring the legality of harvested wood and the timeline for the Ukrainian Forest Strategy to be adopted by the end of 2021. The parties reiterated the principle that any system for a robust forest control and inspection body/ies should be independent from the State Forest Resources Agency and wood harvesting activities.

As regards **climate and energy**, the parties discussed the importance of the commitments under the Paris Agreement on climate change and the European Commission’s proposal on a Carbon Border Adjustment Mechanism. The parties reiterated the importance the energy sector has for sustainable economic growth, climate and Ukraine’s security. Ukraine informed about further measures taken in the field of energy efficiency and renewable energy sources, including eco-design and energy-labelling measures.

The meeting of the TSD Sub-Committee was followed by an open **Joint Civil Society Forum**. On this occasion, members of the **EU Domestic Advisory Group (DAG)** of the **Ukrainian DAG** produced a joint statement<sup>54</sup>.

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<sup>54</sup> [https://www.eesc.europa.eu/sites/default/files/files/joint\\_statement\\_5th\\_dag-to-dag\\_oct\\_2021.pdf](https://www.eesc.europa.eu/sites/default/files/files/joint_statement_5th_dag-to-dag_oct_2021.pdf)

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE DEEP AND COMPREHENSIVE FREE TRADE AREA BETWEEN THE EU AND GEORGIA

## 1. THE AGREEMENT

The **Deep and Comprehensive Free Trade Area (DCFTA)** of the **EU-Georgia Association Agreement**<sup>55</sup> (AA) entered into force on 1 July 2016, after having been applied on a provisional basis since 1 September 2014.<sup>56</sup> This information sheet constitutes the fifth report on the implementation of the EU-Georgia DCFTA, in line with the reporting requirements of the Regulation implementing the anti-circumvention mechanism provided for in the EU-Georgia Association Agreement.<sup>57</sup>

The Government of Georgia adopted in December 2020 its **third Action Plan for the implementation of the DCFTA 2021-2023**<sup>58</sup>. This report outlines the priorities of the Association Agenda in different sectors (including for example Technical Barriers to Trade, SPS measures, customs or IPR) and the planned activities related to each priority with indicators, responsible implementing institutions and timeframe for implementation.

As part of the process of amending 21 origin protocols within the **PEM Convention**, the EU implements a transitional set of rules of origin applicable alongside the rules of the PEM Convention, on a bilateral basis, pending the adoption of these amendments. On 1 September 2021, the new rules became applicable, in an initial stage, between the EU and Georgia. In 2021 and 2020 they became applicable between Georgia and Turkey and Georgia and the Ukraine, respectively.

Background: On 1 July 2017 Georgia joined the **Convention on pan-Euro-Mediterranean preferential rules of origin** (“PEM Convention”)<sup>59</sup>. The joint Decision of the Customs sub-committee on the linkage of the rules of origin in bilateral trade to the Protocol of PEM Convention<sup>60</sup> entered into force on 1 June 2018. This allows Georgia to benefit from diagonal cumulation of origin with the EU and Turkey as of 1 June 2018, and to be better integrated in

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<sup>55</sup> The EU-Georgia Association Agreement was published in OJ L 261, 30.08.2014. <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2014:261:FULL&from=EN>

<sup>56</sup> When it comes to DCFTA application to breakaway regions Abkhazia and South-Ossetia, the EU gives its full support to Georgia's territorial integrity. However, in accordance with Article 429 (Territorial application) of the Association Agreement, conditions enabling effective implementation of the DCFTA, and notably de facto government control over those territories, would need to be created in either Abkhazia or South Ossetia for the DCFTA to apply to those regions, which is not the case at present.

<sup>57</sup> Regulation (EU) 2016/401 of the European Parliament and of the Council of 9 March 2016 implementing the anti-circumvention mechanism provided for in the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part (OJ L 77/2016). According to its Article 4, the Commission shall submit an annual report on implementation of this Regulation and Title IV (DCFTA) of the Association Agreement. The report shall, inter alia, include information about the application of the anti-circumvention mechanism and set out a summary of the statistics and the evolution of trade with Georgia.

<sup>58</sup> [DCFTA AP 2021-2023 ENG.pdf](#)

<sup>59</sup> The Decision of the Joint Committee of the PEM Convention on Georgia accession was published in OJ L 329, 3.12.2016 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:22016D2126>

<sup>60</sup> Council Decision (EU) 2017/2433 of 18 December 2017 on the position to be adopted on behalf of the European Union within the Customs Sub-Committee; OJ L 344, 23.12.2017, p. 21.

regional trade flows. The rules of origin providing for diagonal cumulation became applicable between Georgia and the EU in 2018. In 2017 and 2018, they also became applicable between Georgia and the following partners: Switzerland and Lichtenstein, Iceland and Norway.

Georgia officially became a Contracting Party to the **Energy Community Treaty** on 1 July 2017.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market Access: Progress and outstanding issues

The **8<sup>th</sup> Association Committee in Trade Configuration** was held by video conference in December 2021.

The approximation commitments for 2015-2021 are mostly on track, but have not been entirely implemented to date. This concerns in particular the final adoption of draft laws approximating to EU telecommunication and postal directives. The timeline for approximation of Georgian legislation was back-loaded in the negotiation process until, e.g. 2022 in the TBT area or even 2027 with regard to certain veterinary measures, plant protection and food safety.

**Progress** was made by Georgia in 2021 in several areas of **legal approximation**:

- In the area of **SPS** the necessary steps to add Georgia to the lists of countries from where **export of snails is permitted are being finalised**. Georgia is also looking to accelerate the process of allowing for exports of queen bees and aquaculture to the EU.
- In the area of **technical barriers to trade**, the new Market Surveillance Agency (MSA), established in 2020, continues **institutional development and has started implementation of market surveillance activities** regarding the technical regulations adopted in line with DCFTA approximation process. Georgia has highlighted progress on the increased number of recognised services and introduction of new demanded service in the field of calibration of density meters. For supporting the legal approximation process of Georgia, GEOSTM, strives to ensure the adoption of EU harmonised standards according to the DFCTA. As of November 2021, in total the Georgian standards base consists of 19 331 standards, out of which: 6841 – International (ISO/IEC), 12490 – European (CEN/CENELEC/ETSI), including harmonised standards. The Georgian Centre for Accreditation is preparing for peer evaluation from co-operation for Accreditation (EA) in 2022. Furthermore, the digitalisation of their accreditation services is progressing. Georgia initiated a study that will assess current conformity assessment capacities in Georgia and will suggest a market based assessment on needs.
- On **Public Procurement**, the **Association Committee for Trade Configuration adopted Decision No 2/2021** on the positive assessment of Phase 1 set out in Annex

XVI-B<sup>61</sup> to the Agreement. After the completion of the internal procedures to allow signing and adoption of the Association Council Joint Decision, mutual market access to public procurement procedures for supplies at central government authority level in the EU and Georgia will be granted. Georgia is working on the **final draft for the new Public Procurement Law**, which, according to Georgia, encompasses **1<sup>st</sup>, 2<sup>nd</sup> and 4<sup>th</sup> phases of the approximation** (except for utilities) and is ready to be presented to Parliament.

- In the area of **IPR**, the Georgian Government has made efforts to **reform the intellectual property protection and enforcement system**. The Intellectual Property Centre of Georgia – Sakpatenti- carried out advocacy and awareness raising and training activities for judges, SMEs, students, teachers and provided technical assistance (including the exchange of best practices etc.).
- In the area of **energy policy**, Georgia, since joining the Energy Community in 2017, is approximating its energy acquis according to the Energy Community work programme. Georgia continues to develop the related framework, methodologies and regulations relating to the implementation of the Energy Efficiency Law, Law on Energy Performance of Buildings and Law on Energy Labelling. Relevant by-laws adopted in 2021 concern e.g. the minimum energy efficiency requirements for building unit and building elements and national methodology for calculating the energy efficiency of buildings. The Georgian draft National Energy and Climate Plan (NECP) is being discussed with stakeholder groups, adoption is expected in early 2022. As of 2021, the implementation performance of energy-related provisions is at 45 percent.
- In the area of **customs and trade facilitation**, there is good cooperation with well-advanced implementation of the customs code and electronic systems. On the New Computerised Transit System (NCTS) deployment phase 5, Georgia is a frontrunner in the region, deployment of the software was started in January 2021. As of the end of 2021, Georgia is working on the development for the national programme and is expected to have its first Authorised Economic Operators (AEO) in the near future. Georgia was one of the first countries where the Rules of Origin were applicable from 1 September 2021. Georgia and EU have the intention to sign the Agreement on the accession to the EU customs and Fiscalis programmes.
- In the area of **services**, the approximation in the context of the DCFTA experienced some delays. On postal services, Georgia was notified of new EU acts adopted since 2013. Georgia is set to provide its position on the substance of updated Annex XV-B and XV-C. A new draft postal law is ready for adoption, but Georgia preferred to introduce commitments of the 2018 EU Regulations on cross-border parcel delivery services and submit one draft law to Parliament with an extended deadline. With regard

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<sup>61</sup> Annex XVI-B of the DCFTA foresees Georgia's approximation to EU public procurement acquis in five phases. The completion of each phase will result in mutual market access to public tendering procedures.

to telecommunication commitments, the draft amendment of the Law of Georgia on Electronic Communication has been prepared, for the purpose of approximating with the Directive on privacy and electronic communications<sup>62</sup>, Authorisation Directive<sup>63</sup>, Access Directive<sup>64</sup> and Framework Directive<sup>65</sup>. The procedure for adoption will start in 2022. Georgia's new commitments of the European Electronic Communications Code might be included into the pending draft and the deadline set out in Annex XV-B might be postponed. The EU noted the importance of strong digital flexibility and transformation needed, e.g. on eHealth and Digital Trust, Cyber Security and regional agreements (EaP roaming).

There remained a number of **outstanding issues** in 2021:

- In the area of **Energy Policy**, the pace of reforms implemented by the Georgian government is commendable, but developing relevant legislation on renewables and energy efficiency remains a priority.
- With regard to the new **Public Procurement Law**, evidence of compliance with the approximation phases has been requested for review.
- In the area of **IPR**, inquiries were made about the IPR protection in Georgia relating to the implementation, enforcement and capacity of the relevant law-enforcement bodies. This data will be provided in 2022.
- In the area of **services**, there are delays with regard to the approximation processes concerning postal and telecommunications services.

## 2.2 Trade and sustainable development: Progress and outstanding issues

The 6<sup>th</sup> TSD Sub-Committee under the DCFTA was held in December 2021 by video conference. It included dynamic discussions with the **Civil Society Forum**.

**Progress** was made in 2021 by Georgia in implementing the TSD chapter commitments in 2021, EU-Georgia TSD implementation priorities are adopted in the **new action plan for the period 2021-2023**:

In regard to **environment protection related commitments**, Georgia adopted the **National Climate Change Strategy 2030** and its Action Plan 2021-2023, that identifies measures and actions that support the development of the Georgian economy and infrastructure in a way which sets Georgia on a pathway to meet its international obligations and national ambitions

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<sup>62</sup> Council Directive 2002/58/EC of 12 July 2002: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32002L0058>

<sup>63</sup> Council Directive 2002/20/EC of 7 March 2002: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32002L0020>

<sup>64</sup> Council Directive 2002/19/EC of 7 March 2002: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32002L0019>

<sup>65</sup> Council Directive 2009/140/EC of 25 November 2009: <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32009L0140>



for climate change mitigation. Georgia is in the process of adopting the **Law on Biodiversity**, and several decrees regarding forest management, record keeping and monitoring. Georgia has submitted its **4<sup>th</sup> National Communication** to the UNFCCC on April 2021. Also, Georgia submitted an updated 'National Determined Contribution', with more ambitious targets. The EU noted that this would still result in an increase in emission. However, with the support of EU4Climate, Georgia is working on the preparation of a Long-Term Low Emission Development Strategy, and aims to ratify the Kigali amendment by 2022.

With regard to **labour conditions**, Georgia established a **full-fledged labour inspection** service with extended mandate. The Labour Inspection Service is in place since 1 January 2021 and its institutional development is underway. Georgia implemented recent amendments that brought its Labour Code closer to EU and international standards. The Parties also discussed measures to address child labour and the importance of effective social dialogue and promotion of collective bargaining. Additionally, Georgia has been encouraged to pursue efforts on ensuring non-discrimination and equal pay between men and women and complete alignment of the legal framework to ILO fundamental Conventions 100 (Equal Remuneration) and 111 (Non-discrimination).

### **3. MONITORING IN SPECIFIC AREAS**

An **anti-circumvention mechanism** applies to several agricultural goods i.e. beef, pork, sheep and poultry meat, dairy products, eggs and albumins, mushrooms, cereals, malt, starches and sugars as well as to processed agricultural products such as: sweetcorn, processed sugars and cereals and cigarettes. For none of the products under the anti-circumvention mechanism the respective trigger levels were exceeded in 2021, due to the low trade levels for those products in the analysed period.

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE DEEP AND COMPREHENSIVE FREE TRADE AREA BETWEEN THE EU AND MOLDOVA

## 1. THE AGREEMENT

The **Deep and Comprehensive Free Trade Area** (DCFTA) between the EU and Moldova is the main economic pillar of the **Association Agreement** (AA) and has been provisionally applied since 1 September 2014 (it fully entered into force on 1 July 2016). The DCFTA comprises two main components: trade liberalisation (in the form of a Free Trade Agreement) and regulatory approximation to the EU acquis. This information sheet constitutes the report on the implementation of the EU-Moldova DCFTA, in line with the reporting requirements of the Regulation implementing the anti-circumvention mechanism provided for in the EU-Moldova Association Agreement.<sup>66</sup>

The DCFTA applies to the entire territory of the Republic of Moldova (i.e. including Transnistria) since 1 January 2016, as per Decision No 1/2015 of the EU-Republic of Moldova Association Council. The EU is monitoring the implementation of these arrangements and its adherence by both Chisinau and Tiraspol on a yearly basis, and progress is assessed in the framework of the annual ACTC.

***Third-year review clause of the Association Agreement** (review of the duty free tariff-rate quotas or “TRQs”):* Since 23 January 2020, parties apply the results of the negotiation on tariff rate quotas, formalised through a Decision of the EU-Moldova Association Committee in Trade Configuration. As a result of the negotiations, which were initiated after Moldova requested the activation of the review clause contained in the DCFTA (Article 147(5)), the EU had agreed to increase TRQs for two products (grapes and plums), to introduce a new TRQ for cherries, and to raise the levels of imports triggering the anti-circumvention mechanism for wheat, barley, maize and processed cereals, taking into account the trade patterns over the last years. In return, Moldova agreed to raise the TRQs for EU exports of pork and poultry meat, dairy and sugar.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1. Market Access: Progress and outstanding issues

Moldova made significant progress in the regulatory approximation process in different fields of the EU acquis, especially on **customs, TBT and SPS**. Such approximation needs to be accompanied by effective enforcement by independent and transparent institutions, which is challenging in some areas, as well as by the necessary secondary legislation. Overall

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<sup>66</sup> Regulation (EU) 2016/400 of the European Parliament and of the Council of 9 March 2016 implementing the anti-circumvention mechanism provided for in the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Moldova, of the other part (OJ L 77/53 of 23.3.2016). According to its Article 14, the Commission shall submit an annual report on implementation of this Regulation and Title V (DCFTA) of the Association Agreement. The report shall, inter alia, include information about the application of the anti-circumvention mechanism and set out a summary of the statistics and the evolution of trade with Moldova.

implementation of the DCFTA was discussed during the **8<sup>th</sup> EU-Moldova Association Committee in Trade Configuration (ACTC)**, which was held on 16 December 2021.

In 2021, Moldova took **further steps to approximate its legislation** to the EU acquis and comply with the commitments under the DCFTA:

- ✓ As regards **technical barriers to trade (TBT)**, Moldova is advancing in the implementation of EU technical standards and the withdrawal of conflicting standards. Regarding the selection of potential priority sectors to negotiate an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA), Moldova will propose a new list of potential sectors, taking into account the potential export volumes and the need for full compliance with EU legislation. The new EU acquis in the area of TBT, including the new EU Regulation on market surveillance will be reflected in the updated Annex XVI of the Association Agreement.
- ✓ In the area of **sanitary and phytosanitary measures (SPS)**, Moldova continued its approximation to the EU acquis. Moldova cooperated constructively and obtained good practical results, including the listing for export of dairy products to the EU. The first establishment for the export of dairy products has been authorised for export to the EU. The audits on poultry and category B eggs are programmed to take place in 2022. It remains important to ensure that the Moldovan National Food Safety Agency (ANSA) has enough capacity to implement the new provisions, in an independent and transparent manner. Both sides agreed to work towards an update of the Annex XVII (SPS) in 2022.
- ✓ In regard to **public procurement**, Moldova is moving forward with its legal and institutional alignment to the EU acquis. The assessment of the approximation under phases 1 and 2 under the indicative time schedule for institutional reform, approximation and market access (Annex XXIX-B) is finalized and, the focus will now be on phases 3 and 4, the completion of which could trigger additional mutual market access for Moldova.
- ✓ In the area of **Customs**, in 2021 the Moldovan Parliament adopted the new Customs Code, which is based on the Union Customs Code. It will now be important to plan the implementation ahead of the entry into force. Moldova made very good progress on the mutual recognition of authorised economic operators (AEOs), where the country is the front-runner among the DCFTA countries. A Mutual Recognition Agreement (MRA) could be concluded in 2022. Moldova will also work towards the deployment of the New Computerised Transit System (NCTS), in order to join the Common Transit Convention by 2024.
- ✓ On **intellectual property rights (IPR)**, Moldova developed a new draft Law on Copyright and Related Rights, consulted with relevant stakeholders and made it available for public consultation on the website of the State Agency on Intellectual

Property (AGEPI). Moldova also cooperated with the EU Intellectual Property Office on trademarks and designs and provided updated statistics on IPR enforcement.

At the same time, a **number of issues remain** to be resolved:

- ✓ The EU has reiterated on several occasions that some provisions currently included in the Domestic Trade Law constitute a systemic breach of Moldova's international commitments. In 2021, Moldova announced the launch of a public consultation for a legislative proposal, which would take over key elements of EU directive 633/2019 on unfair practices in the agricultural and food supply chain and at the same time re-establish the full compliance of the law with Moldova's international commitments in trade matters.
- ✓ Concerning the **Application of the DCFTA to Transnistria**, the Trade Facilitation Agreement remains very important for businesses on the left bank of the Dniester River in their exports to the EU. Continuous engagement of the two sides is necessary to ensure the application of the DCFTA to the entire territory of Moldova, in particular in the fields of TBT, customs and IPR.

## **2.2 Trade and sustainable development: Progress and outstanding issues**

The last meeting of the **TSD Sub-Committee** between the EU and Moldova took place on 19 October 2020, which was held online, followed by an open Joint Civil Society Forum on the same day, during which members of the EU Advisory Group were able to meet the Moldovan Advisory Group. This meeting of the Sub-Committee enabled a substantial exchange on labour, forestry and energy provisions.

As regards labour provisions, priority issues discussed at the 2020 TSD Subcommittee included child labour and labour inspections. After the 2020 TSD Subcommittee, Moldova carried out an important reform, bringing the competence for labour inspections on occupational health and safety back within the remit of the State Labour Service. Further amendments to the legal framework remain necessary to complete alignment with ILO standards on labour inspections. Progress was also evident on environmental matters, in particular through the transmission by Moldova of the updated and more ambitious Moldova Nationally Determined Contributions (NDCs) under the UNFCCC, with support of EU4Climate.

## **3. MONITORING IN SPECIFIC AREAS**

An **anti-circumvention mechanism** applies to several agricultural goods (including pig and poultry meat, dairy products, eggs, sugar and some cereals such as wheat, barley and maize) as well as to processed agricultural products such as sweet corn, processed sugars, dairy and cereals and cigarettes. In 2021, Moldova exceeded the thresholds for wheat (103%), processed cereals (285%) and sweet corn (190%) but provided satisfactory explanations for the respective levels.

## **Western Balkans – Stabilisation and Association Agreements**

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE TRADE PILLAR OF THE EU-KOSOVO\* STABILISATION AND ASSOCIATION AGREEMENT

## 1. THE AGREEMENT

The EU and Kosovo signed a **Stabilisation and Association Agreement (SAA)** on 27 October 2015. The SAA is the prime instrument of the EU's overall policy towards the Western Balkan countries' Stabilisation and Association process. Under this process, all Western Balkans partners have a clear European perspective.

The SAA - including the trade-related part - entered into force on 1 April 2016 and foresees:

- Upgrading the existing trade relations by gradual establishment of a free trade area over a period lasting a maximum of 10 years.
- Almost unrestricted market access to the EU for goods produced in Kosovo: upon entry into force of the SAA, the EU has abolished all customs duties that had applied to Kosovo, with the exception of a few product lines in the agricultural sector, which are subject to specific duties or tariff-quotas. NB: Kosovo has abolished the customs duties on a number of tariff lines (industrial, agricultural and fishery products), while for the rest it will reduce the duties progressively over 10 years.
- Kosovo's commitment to ensure the **gradual approximation of its laws with the EU acquis** in a number of important areas, such as public procurement, standardisation, consumer protection, working conditions and equal opportunities. The SAA also provides for a gradual liberalisation in the areas of rights of establishment, supply of services and movement of capital; and it includes provisions on competition matters, state aid, and intellectual property rights.

The Commission was informed in November 2019 of Kosovo's plans to submit an application for WTO observer status.

## 2. MAIN IMPLEMENTATION ISSUES

Kosovo has been relatively slow in implementing the SAA and has yet to reap its benefits. This is partly because Kosovo suffers from **problems of administrative capacity** in the trade field. There is a need to enhance the capacity of the Trade Department to undertake trade defence related investigations in line with EU procedures and to determine protective measures for imports, if necessary. There is also a weak level of cooperation and coordination among institutions involved in trade development.

In addition, Kosovo needs to put in place a more transparent trade policy, in line with WTO practices, and avoid protectionism. A draft law on foreign trade has been prepared, but it contains provisions that still needed to be brought in closer alignment with WTO rules and principles and SAA provisions. The Commission has expressed concerns that the draft law would give the government too much control over trade and would be too protectionist.

No **progress** was made in 2021 in the implementation of the SAA's trade related commitments and a number of important issues remain unresolved:

- In the car sector, **Kosovo still requires homologisation for imported used vehicles**, which represent the majority of vehicle imports. The non-recognition of EU and/or UNECE homologations for vehicles and components and the systematic retesting of vehicles or components constitutes a non-tariff barrier to trade and a restriction to the free movement of goods between the EU and Kosovo, and as such is a breach of the SAA. Although Kosovo has promised to remove this trade barrier, in practice no progress was made in 2021.
- Kosovo still needs to adopt **legislation on losses of petroleum (through evaporation) during transportation**, which has been a longstanding concern of EU investors, as such losses are not recognized by officials and are therefore subject to customs duties and taxes. The EU has urged Kosovo to remedy this as well as the adoption of a law on trade in petroleum products.
- Kosovo still lacks adequate **legislation on trade in arms, military equipment and dual-use goods**, which the EU side has criticised.
- Kosovo is only partially aligned with EU Regulations on dumping and countervailing duties.

# ANNUAL INFORMATION SHEET ON IMPLEMENTATION OF THE TRADE PILLAR OF THE EU-SERBIA STABILISATION AND ASSOCIATION AGREEMENT

## 1. THE AGREEMENT

The EU and Serbia signed a **Stabilisation and Association Agreement** (SAA) on 29 April 2008. The SAA is the prime instrument of the EU's overall policy towards the Western Balkan countries' Stabilisation and Association process. Under this process, all Western Balkan countries are granted a clear perspective to become EU Member States.

The SAA entered into force on 1 September 2013, although the trade-related part of the SAA already entered into force, through an Interim Agreement from 1 February 2009 for Serbia, and from 8 December 2009 for the EU. This Agreement established a free-trade area over a transitional period of six years.

The SAA covers products in all Chapters of the Harmonised System. Only a few exceptions, concerning a limited number of agricultural and fishery products were not fully liberalised and are still subject to preferential quantitative concessions (Tariff Rate Quotas).

The SAA also includes provisions concerning competition and state aid, investment and related payments, a high level of protection of intellectual property rights and strengthened co-operation in customs matters. Since the entry into force of the full SAA in 2013, a number of additional disciplines have been implemented concerning, notably, government procurement, legislative approximation in many areas including standardisation, as well as provisions regarding services and establishment.

Serbia began EU accession negotiations in January 2014.

Serbia started negotiating its accession to the WTO in 2004. The EU continues to support Serbia's efforts but the negotiation process has been stalled for several years.

## 2. MAIN IMPLEMENTATION ISSUES

Serbia has generally made **good progress** in implementing the SAA since its entry into force.

In 2021, a proposal by Serbia to introduce **import tariffs** on certain EU processed meat products could be averted that would clearly have been a breach of the SAA. Serbia was arguing that this was necessary as a temporary safeguard measure to protect domestic producers, although insufficient evidence was provided to the EU to demonstrate that a safeguard measurement could be justified, and there was no evidence of any sudden increase in imports nor any causal link to difficulties being suffered by domestic producers in the sector. As in the similar measure, which was introduced by Bosnia and Herzegovina, the decision to proceed with the introduction of tariffs seems to have been driven by political considerations, and an attempt to manage domestic competition issues by blocking foreign imports.



A new system to manage **wine quotas**<sup>67</sup> was adopted by Serbia in January 2021, changing the previous allocation principle (i.e. first come/first served system) that has worked well in the past, into a system where the import quota is allocated over 4 quarters and the allocation per trader is restricted to 15% of the available quota in each of the first three quarters. Although the EU expressed concerns that this risks harming market access by EU exporters and imposing additional costs, in practice it seems to be operating without major problems for EU exporters or domestic businesses. The Commission **continues to monitor the situation**, as the measure represents a step backwards in the state of alignment with the EU approach, but is currently not taking any further action.

Serbia continued to raise concerns regarding the impact of the **EU's steel safeguard measures** at the highest political levels.

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<sup>67</sup> Under the SAA, the EU grants Serbia access to the EU market for a quota of 67,300hl of wine and Serbia has granted a quota of 25,000hl for EU wines.

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE TRADE PILLAR OF THE EU-BOSNIA AND HERZEGOVINA STABILISATION AND ASSOCIATION AGREEMENT

## 1. THE AGREEMENT

The EU and Bosnia and Herzegovina signed a **Stabilisation and Association Agreement** (SAA) on 16 June 2008. The SAA is the prime instrument of the EU's overall policy towards the Western Balkan countries' Stabilisation and Association process. Under this process, all Western Balkan countries are granted a clear perspective to become EU Member States.

The SAA entered into force on 1 June 2015, although the trade-related part of the SAA already entered into force through an Interim Agreement on 1 July 2008. This Agreement established a free-trade area over a transitional period of five years. The Agreement covers products in all Chapters of the Harmonised System. Regarding agricultural products, the agreement is largely asymmetrical. EU agricultural imports from Bosnia and Herzegovina are almost completely liberalised (with very few exceptions). On the other hand, EU agricultural exports to Bosnia and Herzegovina remain subject to tariffs and tariff rate quotas (TRQs).

The Agreement also includes provisions concerning competition and state aid, investment and related payments, a high level of protection of intellectual property rights and strengthened co-operation in customs matters. Since the entry into force of the full SAA on 1 June 2015, a number of additional disciplines have been implemented concerning, notably, government procurement, legislative approximation in many areas including standardisation, as well as provisions regarding services and establishment.

Bosnia and Herzegovina started negotiating its accession to the WTO in 1999. The EU continues to support Bosnia and Herzegovina's efforts but the negotiation process has been stalled for several years.

## 2. MAIN IMPLEMENTATION ISSUES

Bosnia and Herzegovina (BiH) has made reasonable progress in implementing the SAA provisions since their entry into force. However, the political situation in the country became increasingly unstable during 2021, reducing the ability of the federal authorities to make progress on reforms. Several SAA sub-committees were delayed. No progress was made on BiH's WTO accession.

A **long-standing trade irritant** relates to BiH's **excise duties on beer**, which imposes different conditions for importers and domestic producers. In May 2020, BiH promised to prepare a new Law on Excise Duties and a Rulebook in line with EU acquis. However, no progress was made in 2021, despite the Commission's engagement with BiH.

A major concern in 2021 was a proposal by BiH to introduce **import tariffs on EU beef and pork**. BiH argued that this was necessary as a temporary safeguard measure to protect domestic producers, but no clear justification was presented. The Commission expressed its concerns that

such a measure would constitute a breach of the SAA. The decision to proceed with the introduction of tariffs seems to have been a political move in disregard of BiH's commitments under the SAA. After considerable engagement by the EU side with BiH, the BiH authorities decided not to proceed with the measure.

There was good news regarding public procurement. BiH did not extend its 30% preferential rate for domestic businesses in public procurement after 31 May 2021. The government had argued that this measure was necessary in order to support economic recovery following the pandemic, but it was a clear breach of article 74 of the SAA, and no economic or legal assessment of the measure was undertaken.

Like Serbia and North Macedonia, Bosnia and Herzegovina continued to raise concerns regarding the **EU's steel safeguard measures** during 2021.

# ANNUAL INFORMATION SHEET ON IMPLEMENTATION OF THE TRADE PILLAR OF THE EU-MONTENEGRO STABILISATION AND ASSOCIATION AGREEMENT

## 1. THE AGREEMENT

The EU and Montenegro signed a **Stabilisation and Association Agreement (SAA)** on 15 October 2007. The SAA is the prime instrument of the EU's overall policy towards the Western Balkans' Stabilisation and Association process. Under this process, all Western Balkan countries are granted a clear perspective to become EU Member States.

The SAA entered into force on 1 May 2010, although the trade-related part of the SAA already entered into force through an Interim Agreement on 1 January 2008. The SAA established a free-trade area over a transitional period of five years. From the date of the Interim Agreement, the EU granted permanent liberalisation of 97.3% of tariff lines, representing almost duty free treatment to all imports from Montenegro. By 2013, Montenegro had liberalised 95% of its tariff lines, representing 99% of EU imports during the three years preceding the entry into force of the agreement. The SAA covers products in all Chapters of the Harmonised System. Only a few agricultural and fishery products are not fully liberalised and subject to preferential quantitative concessions (TRQs).

The SAA covers products in all Chapters of the Harmonised System. Regarding agricultural products, the agreement is largely asymmetrical. EU agricultural imports from Albania are almost completely liberalised (with very few exceptions). In this regard, Albania expressed during the last Subcommittee meetings on Agriculture and Fisheries their wish to improve their existing market access under the SAA for certain fish and fishery products tariff rate quotas (TRQs). On the other hand, EU agricultural exports to Albania remain subject to tariffs and TRQs.

Montenegro began EU accession negotiations in June 2012.

Montenegro has been a member of the WTO since 29 April 2012.

## 2. MAIN IMPLEMENTATION ISSUES

Montenegro continues to make **good progress** in implementing the SAA since its entry into force. There are no significant trade barriers.

Among others, Montenegro has made substantial progress in adapting its legislation to the EU acquis in the field of dual use goods. Montenegro has already drafted an update to its framework Law on Export Control of Dual-Use Goods, to bring it in line with most provisions of the latest EU Regulation (821) from May 2021<sup>68</sup>, although certain parts of the EU Regulation can only be integrated once Montenegro becomes an EU member state. The **List of dual use goods and technologies** is regularly updated and aligned with the EU List.

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<sup>68</sup> <http://data.europa.eu/eli/reg/2021/821/oj>

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE TRADE PILLAR OF THE EU-ALBANIA STABILISATION AND ASSOCIATION AGREEMENT

## 1. THE AGREEMENT

The EU and Albania signed a **Stabilisation and Association Agreement (SAA)** on 12 June 2006. The SAA is the prime instrument of the EU's overall policy towards the Western Balkan countries' Stabilisation and Association process. Under this process, all Western Balkan countries are granted a clear perspective to become EU Member States.

The full SAA entered into force on 1 April 2009, although the trade-related part of the SAA already entered into force through an Interim Agreement on 1 December 2006. The SAA established a free-trade area over a transitional period of ten years. As regards the EU, in 2006, 98.7% of its tariff lines were already duty-free, representing 100% of the value of imports from Albania. By 2010, Albania had liberalised 92.7% of its tariff lines for imports from the EU.

The SAA covers products in all Chapters of the Harmonised System. Regarding agricultural products, the agreement is largely asymmetrical. EU agricultural imports from Albania are almost completely liberalised (with very few exceptions). On the other hand, EU agricultural exports to Albania remain subject to tariffs and tariff rate quotas (TRQs). In this regard, Albania expressed during the last Subcommittee meetings on Agriculture and Fisheries their wish to improve existing market access under the SAA notably for certain fish and fishery products TRQs, including basic agricultural and processed agricultural products.

The SAA also includes provisions concerning competition matters, investment and related payments, a high level of protection of intellectual property rights and strengthened co-operation in customs matters. Since the entry into force of the full SAA on 1 April 2009, a number of additional disciplines have been implemented concerning, notably, government procurement, legislative approximation in many areas including standardisation, as well as provisions regarding services and establishment.

In March 2020 the Member States decided to open EU accession negotiations with Albania and North Macedonia. However, one Member State has blocked the opening of these negotiations due to a dispute with North Macedonia.

Albania has been a member of the WTO since 8 September 2000.

## 2. MAIN IMPLEMENTATION ISSUES

Albania continues to make **good progress** in implementing the SAA provisions since their entry into force.

Among others, Albania has made substantial progress in **adapting its legislation to the EU acquis in the field of dual use goods**. Albania is drafting an update to its framework Law on Export Control of Dual-Use Goods, to bring it in line with most provisions of the latest EU

Regulation (821) from May 2021, and is making efforts to enhance capacity for the application of dual use export controls. Albania's national List of dual use goods and technologies is regularly updated and aligned with the EU List.

There are no significant trade barriers. However, there remains a concern regarding an economic cooperation agreement concluded between Albania and the United Arab Emirates, which seems to exempt certain strategic projects from all public procurement and public competition rules, including a project to develop the **Durres port**. This would put into question ongoing technical EU assistance to the port as well as future planned investments under the EU's Economic and Investment Plan for the Western Balkan countries. Although Albania has given the Commission assurances that the projects and procedures included in the Agreement with the United Arab Emirates will be in line with the obligations of the SAA, they have not yet explained how Article 6 of the Agreement will be applied in practice, and how compatibility with Article 74 of the SAA will be ensured.

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE TRADE PILLAR OF THE STABILISATION AND ASSOCIATION AGREEMENT BETWEEN THE EU AND NORTH MACEDONIA

## 1. THE AGREEMENT

The EU and North Macedonia signed a **Stabilisation and Association Agreement** (SAA) on 9 April 2001. The SAA is the prime instrument of the EU's overall policy towards the Western Balkan countries' Stabilisation and Association process. Under this process, all Western Balkans countries are granted a clear perspective to become EU Member States.

The SAA entered into force on 1 April 2004, although the trade-related part of the SAA already entered into force through an Interim Agreement on 1 June 2001. Trade liberalisation between the EU and North Macedonia was completed over a period of ten years. The SAA covers products in all Chapters of the Harmonised System.

Regarding agricultural products, the agreement is largely asymmetrical. EU agricultural imports from North Macedonia are almost completely liberalized (with very few exceptions). On the other hand, EU agricultural exports to North Macedonia remain subject to tariffs and Tariff Rate Quotas (TRQs).

The SAA also includes provisions concerning competition matters, investment and related payments, a high level of protection of intellectual property rights and strengthened co-operation in customs matters. Since the full entry into force of the SAA, a number of additional disciplines have been implemented concerning, notably, government procurement, legislative approximation in many areas including standardisation, as well as provisions regarding services and establishment.

On 25 March 2020, the Council agreed to open EU accession negotiations with North Macedonia and Albania. However, one Member State has blocked the opening of these negotiations due to a dispute with North Macedonia.

North Macedonia has been a member of the WTO since 4 April 2003.

## 2. MAIN IMPLEMENTATION ISSUES

North Macedonia has made good progress in implementing the SAA since its entry into force. No trade irritants arose in 2021.

North Macedonia has made **good progress** in adapting its legislation to the EU acquis in the field of **dual use goods**. Following the adoption by the EU of a revised Regulation (821) on dual use goods export controls<sup>69</sup>, North Macedonia put on pause its own draft Law on dual use goods, and is now reviewing what changes need to be made to bring it in line with the EU legislation. North Macedonia's national List of dual use goods and technologies is regularly updated and aligned with the EU List.

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<sup>69</sup> Reference: <http://data.europa.eu/eli/reg/2021/821/oj>

North Macedonia is preparing legislation **on export credits**, which it intends to bring in line with EU Regulation 1233/2011 during 2022.

Like Serbia and Bosnia and Herzegovina, North Macedonia has continued to raise concerns regarding the EU's steel safeguard measures during 2021.



**United Kingdom, Switzerland, Norway, Turkey**

## ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE EU-UNITED KINGDOM TRADE AND COOPERATION AGREEMENT<sup>70</sup>

### 1. THE AGREEMENT

The **EU-UK Trade and Cooperation Agreement (“TCA”)** concluded between the EU and the UK sets out preferential arrangements in areas such as trade in goods and services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters, thematic cooperation and participation in Union programmes. It is underpinned by provisions ensuring a level playing field and sustainable development (LPFS) as well as respect for fundamental rights.

The Trade and Cooperation Agreement was signed on 30 December 2020, was applied provisionally as of 1 January 2021 and entered into force on 1 May 2021. The Commission presented a report on the implementation and application of the EU-United Kingdom Trade and Cooperation Agreement on 24 March 2022.<sup>71</sup>

The **main benefits of the trade part of the agreement** can be summarised as follows:

#### *Goods:*

- Zero tariffs or quotas on goods, as long as the rules of origin are met.
- Traders can self-certify the origin of goods and enjoy full bilateral cumulation, but cumulation with products originating in third countries is not allowed.
- Mutual recognition of trusted traders programmes ensures lighter customs formalities and smoother flow of goods.
- Common definition of international standards and possibility to self-declare conformity of low-risk products to facilitate for producers to export to both markets.

#### *Services*

While the TCA framework for services is significantly below the freedoms of establishment or to provide services within the single market, we achieved ambitious outcome for the EU in trade in services and investment, for example:

- Comprehensive coverage: all modes of services supply and investment, in almost all economic sectors;
- Market access on services and investment beyond the level achieved in other trade agreements;

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<sup>70</sup> Additional information on the first year of application of the EU TCA can also be found in the first Annual Report on its application and implementation published by the Commission on 24 March 2022:

[https://ec.europa.eu/info/sites/default/files/com\\_2022\\_126\\_1\\_en.pdf](https://ec.europa.eu/info/sites/default/files/com_2022_126_1_en.pdf)

<sup>71</sup> [https://ec.europa.eu/info/publications/annual-report-implementation-and-application-trade-and-cooperation-agreement-between-european-union-and-united-kingdom-great-britain-and-northern-ireland\\_en](https://ec.europa.eu/info/publications/annual-report-implementation-and-application-trade-and-cooperation-agreement-between-european-union-and-united-kingdom-great-britain-and-northern-ireland_en)

- Common regulatory provisions for a number of services sectors, such as for example delivery services, telecommunications services, international maritime transport services, and for the first time, a regulatory chapter on legal services resulting in a clearer presentation of our existing commitments;
- Best practice rules on licensing and qualifications;
- A mechanism to agree on arrangements for the mutual recognition of professional qualifications;
- Rules on temporary stay of persons for business purposes, in line with the highest standards of EU services agreements.

### ***Intellectual property***

There are commitments going beyond multilateral treaties in the area of IPR covering wide range of various types of IPR, including copyright and related rights, trade marks, designs, plant varieties, trade secrets, etc. The chapter also contains strong civil, administrative and border enforcement provisions

### ***Public procurement***

The TCA incorporates the GPA rules and includes additional and market access, beyond the GPA commitments, which covers privately-owned procuring entities with monopoly rights in all utility sectors, procuring entities operating gas and heat networks, as well as some additional services. There are non-discrimination rules for EU-owned companies established in the United Kingdom, even for small procurement (national treatment below the GPA threshold), as well as additional public procurement standards (e.g. enhanced use of electronic means, acceptance of self-declarations, sustainable procurement and single portal for all tenders).

### ***Level playing field and sustainable development:***

Given their geographic proximity and close economic ties, as well as the scope and the depth of the TCA, the EU and the United Kingdom agreed to robust commitments to ensure a level playing and to contribute to sustainable development.

More specifically, these provisions mean that:

- The current high standards applicable in the areas of labour and social standards, environment, and climate cannot be lowered in a manner affecting trade or investment.
- Robust and comprehensive rules prevent distortions created by subsidies, anti-competitive practices, or discriminatory and abusive behaviour by state-owned enterprises.
- Specific standards and rules and the joint political declaration in the area of taxation counter tax avoidance and harmful tax regimes and practices.
- A wide-ranging set of commitments building on the EU's most ambitious precedents ensure that trade supports sustainable development.

**The enforcement** of the level playing field provisions in the TCA is based on the following mechanisms mainly:

- Effective implementation domestically, including regarding subsidies the creation of an independent authority and the control of their legality by courts; as well as an appropriate administrative and judicial proceedings in the areas related to labour and social standards, environment and climate;
- Appropriate and effective governance and dispute settlement mechanisms for solving disputes between the EU and the United Kingdom, including through the horizontal dispute settlement mechanism or tailored panel of experts;
- Unilateral remedial measures to react quickly to trade-distorting subsidies and the possibility to apply unilateral rebalancing measures in the case of significant divergences in the areas of labour and social, environment or climate protection, or of subsidy control.

## 2. MAIN IMPLEMENTATION ISSUES

The consequences of the United Kingdom and the EU to split into two separate customs territories, and two separate markets for goods and services, each with its own regulatory regime, **inevitably created barriers** to trade that did not exist before.

Although the TCA provides for trade without tariffs and quotas on all imports between the parties, frictionless trade in goods ended and non-tariff barriers re-emerged. As of January 2021, **all exports from the United Kingdom to the EU are subject to customs procedures and checks**<sup>72</sup>. Agri-food consignments must be accompanied by health certificates and undergo sanitary and phytosanitary (SPS) inspections at Member States' border control posts. In addition, all goods need to comply with different rules and regulatory measures, as the principle of mutual recognition ceased to apply. In this regard, businesses reported widely about disruptions in supply chains which could be expected.

The Commission published timely and detailed information on the applicable provisions of import formalities to bring EU goods into the United Kingdom on its website<sup>73</sup> and is making every effort to **assist Member States and EU businesses** to navigate the new environment. In this context, **extensive guidance** was published on preferential treatment, rules of origin and customs procedures. The Commission is also working with the United Kingdom to provide clarifications to operators, where needed. For example, in relation to the declaration of EU origin, the Commission obtained clarification from the United Kingdom that there is no obligation for EU exporters to provide a Member State as a country of origin under the TCA, and that the “EU origin” is the only origin relevant for the purposes of the statements on origin for exports from the EU to the United Kingdom. The latter was a concern for operators since an initial notice from the United Kingdom HM Revenue & Customs pointed to the contrary.

The **Commission closely monitored the implementation of United Kingdom's commitments** across the entire agreement, with a particular focus on matters related to level

<sup>72</sup> The United Kingdom gradually imposed the checks on goods throughout 2021 and decided to further delay the SPS checks and the requirement for an Entry Summary Declaration that were supposed to be introduced in July 2022.

<sup>73</sup> [https://ec.europa.eu/taxation\\_customs/customs-4/international-affairs/third-countries/united-kingdom/new-import-formalities-bring-goods-eu-uk-1-january-2022\\_en](https://ec.europa.eu/taxation_customs/customs-4/international-affairs/third-countries/united-kingdom/new-import-formalities-bring-goods-eu-uk-1-january-2022_en)

playing field and sustainable development notably as regards United Kingdom's subsidy rules, developments related to the environment, including the chemical sector, United Kingdom's Emission Trade Scheme as well as freeports.

The Commission also monitored the **subsidies for supporting renewable energy** (in particular, offshore wind energy) under the United Kingdom's 'Contracts for Difference' scheme.<sup>74</sup> In this context, the Commission expressed its concerns about the inclusion of 'the percentage of United Kingdom content' in the supply chain plan questionnaire of the fourth Allocation Round.

#### **WTO case against the United Kingdom: Renewable energy (DS 612)**

**Step 1:** The Commission raised this issue in the meetings of the Trade Specialised Committee on Goods and the Trade Specialised Committee on Level Playing Field for Open and Fair Competition and Sustainable Development, as well as the Trade Partnership Committee. The Commission requested the United Kingdom to remove information on local content from the questionnaire and adapt the scoring of the eligibility criteria, as well as to issue additional guidance to confirm that the question on the United Kingdom content has been removed and would not be scored in any way, including in the implementation stage, effectively removing any role of location.

**Step 2:** Given that the United Kingdom maintained the local content criterion, which the EU considered it to be in breach of WTO non-discrimination (National Treatment principle) rules, we decided to bring the matter to the WTO and on 28 March 2022 requested the consultations with the United Kingdom. As a result of the WTO consultations, the United Kingdom has now clarified that, both for the current and future allocation rounds, United Kingdom's content does not play any role whatsoever in the allocation of subsidies and that CfD beneficiaries do not need to achieve any particular level of United Kingdom's content to receive payments. Any request for information on United Kingdom's content remains for information purposes only. This agreement reached with the United Kingdom on 1 July 2022 is reflected in an exchange of letters at ministerial level between Executive Vice President Valdis Dombrovskis and the United Kingdom's Secretary of State for International Trade Anne-Marie Trevelyan. The United Kingdom also published additional guidance to ensure that this is fully understood by the industry.<sup>75</sup>

<sup>74</sup> <https://www.gov.uk/government/publications/contracts-for-difference/contract-for-difference>

<sup>75</sup> [https://policy.trade.ec.europa.eu/news/eu-and-uk-agree-way-forward-wto-dispute-concerning-uks-green-energy-subsidy-scheme-2022-07-01\\_en](https://policy.trade.ec.europa.eu/news/eu-and-uk-agree-way-forward-wto-dispute-concerning-uks-green-energy-subsidy-scheme-2022-07-01_en)

## ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE EU-SWITZERLAND TRADE AGREEMENT

### 1. THE AGREEMENTS

The EU-Swiss trade relations are among the deepest worldwide outside the context of a customs union/internal market. For Switzerland, the EU is by far the most important trading partner. For the EU, Switzerland is the fourth overall trading partner, number three for services.

The cornerstone of EU-Swiss trade relations is the EU-Switzerland **Free Trade Agreement of 1972**<sup>76</sup> (hereinafter, the “**FTA**”), one of the oldest agreements signed by the EU. It concerns goods but lacks provisions on services, investment, intellectual property rights (IPR), government procurement or social and environmental values. No dispute settlement mechanism is foreseen beyond the regular annual dialogue in Joint Committee meetings. As a consequence of the rejection of European Economic Area membership by the Swiss people in 1992, Switzerland and the EU agreed on a **package of seven sectoral agreements** signed in 1999 (known in Switzerland as ‘Bilaterals I’). Some of them are relevant from a trade perspective:

- The **Free Movement of Persons Agreement**<sup>77</sup> allows for the provision of services, limited in time.
- The Mutual Recognition Agreement in relation to **conformity assessment**<sup>78</sup> ensures that, in twenty regulated sectors, the conformity assessment provided by one party is recognised by the other, which facilitates trade between the parties.
- The **Public Procurement Agreement**<sup>79</sup> builds on the WTO Government Procurement Agreement.
- The Agreement on trade in **agricultural products**<sup>80</sup> includes sanitary and phytosanitary rules, as well as tariffs and tariff rate quotas for agricultural products, except for cheese that is fully liberalised.
- A protocol on **processed agricultural products** (protocol 2), which was added to the Free Trade Agreement in 2004. It includes a mechanism whereby in practice Switzerland receives compensation for the very significant price differential of basic agricultural products - which serve as inputs to processed agricultural products - between the EU and Switzerland.

In the last two decades, there was **no major evolution** to this rather complex setting. The gap is growing between the current legal arrangements governing trade relations between the EU and Switzerland and the standards governing modern and comprehensive trade agreements concluded by the EU and Switzerland/EFTA, respectively. A modernisation of the FTA is therefore needed to unlock the potential for further bilateral trade.

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<sup>76</sup> <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=OJ:L:1972:300:TOC>

<sup>77</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A22002A0430%2801%29>

<sup>78</sup> [http://trade.ec.europa.eu/doclib/docs/2013/december/tradoc\\_152006.pdf](http://trade.ec.europa.eu/doclib/docs/2013/december/tradoc_152006.pdf)

<sup>79</sup> [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22002A0430\(06\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22002A0430(06))

<sup>80</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2002.114.01.0132.01.ENG](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2002.114.01.0132.01.ENG)

Between 2014 and 2018, both parties negotiated an **Institutional Framework Agreement (IFA)** to streamline the operation of 5 of the 7 existing bilateral agreements between Switzerland and the EU, covering: the Agreement on the Free Movement of Persons; the Agreement on Air Transport; the Overland Transport Agreement; the Agreement on Trade in Agricultural Products and the Mutual Recognition Agreement.

This IFA aims at re-structuring EU-Swiss trade relations, notably by providing crucial rules and procedures for the dynamic take-over and homogenous application of internal market law, for enforcement of state aid rules and dispute settlement. A Joint declaration is annexed to the agreement, where both parties commit to modernise the trade-related agreements.

Negotiations were concluded in November 2018. However, following consultations with its stakeholders between January and April 2019, the Swiss Federal Council came to the conclusion that it could not agree on the text, as it felt that further clarifications were needed.

Discussions on the IFA resumed in January 2021 with a view to identifying solutions to the three contentious points: wages and posted workers; state aid and free movement of people. Notwithstanding the efforts by the EU side to bridge these remaining differences, on 26 May 2021, the Federal Council took the decision to **unilaterally terminate the negotiations on the EU-Swiss Institutional Framework Agreement**.

In February 2022, the **Swiss Federal Council** announced its new approach for negotiations with the EU that seeks to address the pending issues concerning overall EU-Swiss relations based on a broad package of measures. Since then, the European Commission has engaged with the Swiss side in exploratory discussions to gain a better understanding of the Federal Council's proposals. In the EU's view, Switzerland needs to show unambiguous political will to engage with the EU on the open structural issues within a credible timetable. These issues include:

- the dynamic alignment with EU law;
- a level playing field between Switzerland and the EU;
- a functioning dispute settlement mechanism;
- Switzerland's regular financial contribution to the EU cohesion policy for the future.

The systemic solution the EU and Switzerland would agree upon now would also need to apply to any additional agreement they would conclude in the future. Finally, the EU considers that agreements should remain interconnected in case of non-compliance.

The EU side reiterated that without a deal, there would be no status quo. This means that there cannot be any new agreements providing for Swiss access to the EU Single market, and that any update of the existing agreements will be decided on a case-by-case basis, which will inevitably lead to an erosion of Swiss market access over time. For example, as a direct consequence of the refusal to sign the IFA, the EU did not update the Mutual Recognition Agreement Chapter for Medical Devices<sup>81</sup>.

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<sup>81</sup> [https://ec.europa.eu/health/latest-updates/notice-stakeholders-status-eu-switzerland-mutual-recognition-agreement-mra-medical-devices-2021-05-26\\_en](https://ec.europa.eu/health/latest-updates/notice-stakeholders-status-eu-switzerland-mutual-recognition-agreement-mra-medical-devices-2021-05-26_en)

## 2. MAIN IMPLEMENTATION ISSUES

The 68<sup>th</sup> **EU-Switzerland Joint Committee** under the FTA took place on 30 November 2021 via videoconference due to the pandemic. Recalling the progress made in recent years to deepen bilateral relations, the EU expressed its deep regret regarding Switzerland's unilateral decision to end talks on the Institutional Framework Agreement (IFA). Both sides discussed issues related to *inter alia* market access, processed agricultural products, exchange of views on relations with main partners, and Switzerland's new Foreign Economic Policy Strategy.

Nevertheless, in 2021 some progress was made on implementation, notably on adapting the **reference prices of basic agricultural products** needed in the context of the price compensation mechanism for processed agricultural products (protocol 2 to the FTA): The last adaptation of Protocol 2 entered into force on 1 March 2021. Looking forward, on 30 November 2021, following the Annual Joint Committee meeting on Agriculture which took place on 18 November 2021, parties agreed to start discussions on the next price adaptation of Protocol 2 based on updated prices, and to address outstanding issues notably on the reference prices for potatoes. In spring 2022, the discussions continued in order to reach the mutual solution.

The Joint Committee under the **EU-Switzerland Agreement on Mutual Recognition** in relation to conformity assessment met on 1 December 2021. The main issue discussed in the meeting related to the non-update of the EU-Switzerland Mutual Recognition Agreement (MRA)<sup>82</sup> in the sector of medical devices as a consequence of Switzerland's decision to withdraw from discussions on the IFA (see remarks under section I above).

By contrast, a number of **implementation issues** regarding **public procurement**, the **agricultural sector**, the **services sector** and **state aid** remain unsolved:

- EU Member States noted that persistent inconsistencies in **procurement procedures** regularly lead to preferential treatment of Swiss companies. In June 2019, Switzerland revised the Federal Law on Public Procurement (LMP) and the corresponding ordinances. One of the novelties is that the contracting authority examines the tenders on the basis of economic, ecological and socially sustainable award criteria and a contract must be awarded to the "most advantageous" tender instead of the "most economically advantageous", as was the case before. The ecological and socially sustainable award criteria are an important improvement but should in no way be used as a pretext to unjustifiably disadvantage European market players.
- One of the market access barriers in agriculture for EU companies is the **certification of organic food** in Switzerland. There exists only one certification body for organic food in Switzerland, which is currently the private organization Biosuisse, whose label (the "Biosuisse Bud") is highly recognized by consumers. However, the awarding of the Biosuisse label lacks transparency in many respects, so that, even when equivalent, few EU products meet the required conditions to acquire the label. In addition, the strict

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<sup>82</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A22002A0430%2805%29>



content requirements of the Biosuisse label for food products mean that suppliers of organic raw materials from the EU are indirectly disadvantaged compared to Swiss suppliers.

- Market access in the services sector remains a major issue. The so-called “**flanking measures**” that the Swiss put in place to accompany the implementation of the EU-Switzerland Free Movement of Persons Agreement<sup>83</sup> are a long-standing trade issue, as the EU considers them burdensome and disproportionate. For example, Switzerland imposes obligations on EU natural persons who want to supply a service in Switzerland, including an 8-days pre-announcement obligation, a deposit requirement and an obligation to contribute to control costs. Protocol 1 to the draft IFA included a number of specific solutions to some of the issues raised by the EU in relation to “flanking measures”. However, with the unilateral termination of the negotiations of the IFA by the Swiss government, the solutions enshrined in Protocol 1 have become obsolete.
- **The lack of a level playing field as regards state aid** also remains an issue. The FTA does contain state aid rules but these are not respected by Switzerland. The other existing agreements between the EU and Switzerland (with the exception of the Air Transport Agreement) do not include effective state aid rules. Solutions were found in the context of the EU-Swiss IFA, which includes State aid rules for the future market access agreements between the EU and Switzerland and the creation of a dispute settlement mechanism. However, as explained above, the Swiss side decided to terminate the negotiations on the IFA.

In 2021, the EU and Switzerland continued their exchange at expert level **on FTA preference utilisation, notably on rules of origin**, following the launch of a study<sup>84</sup> by the Swiss State Secretariat for Economic Affairs (SECO), which aims to estimate the economic potential from the creation of a cumulation zone between common free trade partners.

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<sup>83</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A22002A0430%2801%29>

<sup>84</sup> The study is available in German with an executive summary in English:  
[https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik\\_Wirtschaftliche\\_Zusammenarbeit/Wirtschaftsbeziehungen/Freihandelsabkommen/nutzung\\_freihandelsabkommen.html](https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Freihandelsabkommen/nutzung_freihandelsabkommen.html)

## ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE EU-NORWAY TRADE AGREEMENT

### 1. THE AGREEMENT

The Free Trade Agreement (FTA) between Norway and the EU entered into force on 1 July 1973. It applies to goods only and is one of the oldest trade agreements signed by the EU.

Although still in force, it has been superseded in many respects by the **Agreement on the European Economic Area (EEA)**, which entered into force on 1 January 1994, and brings together the EU Member States and the three EEA EFTA States — Iceland, Liechtenstein and Norway — in the internal market. The EEA agreement ensures the free movement of goods, services, capital and persons between Norway and the EU and is the backbone of EU-Norway cooperation. Members of the EEA fully apply the whole *acquis communautaire* related to the "four freedoms" through dynamic incorporation of the relevant legislative acts into the Protocols and Annexes of the EEA Agreement via Joint Committee Decisions.

The EEA Agreement does *not cover the common agricultural and fisheries policies*, which means that agricultural and fisheries products are not in free circulation between the EU and Norway. Preferential trade in agricultural products between the EU and Norway is ruled by Article 19 of the EEA Agreement and provides duty free access for 36 tariff lines and a number of tariff rate quotas. Processed agricultural products are covered by a dedicated protocol to the EEA agreement but are also not in free circulation. Negotiations on a limited number of tariff-rate quotas for exports of fisheries products from Norway to the EU have started in summer 2022 in conjunction with negotiations on Norway's financial contribution to economic and social cohesion in the EEA ("financial mechanism"). This reflects the practice of past cycles of the financial mechanism.

### 2. MAIN IMPLEMENTATION ISSUES

**In 2021 the main** implementation issues continue to be processed agricultural products (PAPs) and **geographical indications (GIs)**:

**EU exports of processed agricultural products<sup>85</sup> remain below their potential due to high customs tariffs** and this has been a long-standing trade barrier. As of March 2022, there is still a lack of progress towards a constructive negotiation process on the liberalisation of trade in PAPs within the framework of Article 2 (2) and Article 6 of Protocol 3 to the EEA Agreement.

Norway has repeatedly expressed its wish to keep Protocol 3 unchanged and has been unwilling to make any commitments towards further liberalization in processed agricultural products considering the perceived positive results of the Protocol.

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<sup>85</sup> Trade in processed agricultural products is regulated by Protocol 3 to the EEA agreement and to a certain extent by Protocol 2 to the 1973 FTA. Protocol 3 of the EEA foresees the possibility to levy customs duties based on the cost of the basic agricultural products in the EU and in Norway.

The **negotiations on Geographical Indications** (GIs) launched in 2013 **remain suspended** since April 2016. The Council of the European Union in its Conclusions of December 2018 called on Norway to “resume the negotiations on the protection of geographical indications, which is an important element of international trade in agricultural products and foodstuffs”. In the context of the Joint Working Group on processed agricultural products of 14 November 2019, the Commission urged the Norwegian delegation to consider resuming the negotiations on Geographical Indications. Despite the Norwegian delegation explaining that it would consult back with relevant authorities on the possibility to resume these negotiations, there has been no positive development in this area in 2021.

## ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE EU-TURKEY CUSTOMS UNION AND TRADE AGREEMENTS

### 1. THE AGREEMENT

The contractual relations between the EU and Turkey date back to 1963 when the European Economic Community (i.e. the EU's predecessor) and Turkey signed an **Association Agreement** (the 'Ankara Agreement'), in which both parties agreed to progressively establish a **Customs Union** over a period of several years. An Additional Protocol was signed in November 1970, setting out a timetable for the abolition of tariffs and quotas on industrial goods circulating between the parties. The final phase of the Customs Union was completed on 1 January 1996 in the shape of the EU-Turkey Association Council Decision No 1/95, which is currently in force.<sup>86</sup>

The Customs Union ensures the free movement of all industrial goods and certain processed agricultural products between the EU and Turkey. It also requires Turkey to align with the EU's customs tariffs and rules, commercial policy, competition policy and intellectual property rights, as well as with the EU's technical legislation related to the scope of the Customs Union. The Customs Union with Turkey therefore goes well beyond the traditional free trade agreements which the EU has concluded with other third countries.

In addition to the Customs Union, the EU and Turkey concluded two **further bilateral preferential trade agreements**: The Agreement between the European Coal and Steel Community (ECSC) and Turkey on trade in products covered by the Treaty establishing the ECSC established a **Free trade agreement for coal, iron and steel products** in 1996, along with relevant competition rules. Association Council Decision No 1/98 (amended by Decision No 2/2006) provides for **preferential concessions on trade in certain agricultural and fishery products**.

On 21 December 2016, the European Commission adopted a Recommendation for a Council Decision authorising the opening of negotiations with Turkey on an **Agreement on the extension of the scope of the bilateral preferential trade relationship** and on the modernisation of the Customs Union. The negotiations can start only once the Council adopts the related negotiating directives. In this respect, the Council (General Affairs Council meeting of 26 June 2018, and repeated on 18 June 2019) noted that *"Turkey has been moving further away from the European Union. Turkey's accession negotiations have therefore effectively come to a standstill and no further chapters can be considered for opening or closing and no further work towards the modernisation of the EU-Turkey Customs Union is foreseen."*

In 2020, the **1-2 October Special European Council offered Turkey a conditional positive agenda** 'with a specific emphasis on the modernisation of the Customs Union and trade facilitation', provided constructive efforts were made to stop illegal activities vis-à-vis Greece and Cyprus. Inversely, in case Turkey failed to do so, all options would be on the table. The

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<sup>86</sup> [http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:21996D0213\(01\):EN:HTML](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:21996D0213(01):EN:HTML)

**European Council** of 10 December 2020 asked the HRVP and Commission to ‘*submit a report on the state of play concerning the EU-Turkey political, economic and trade relations and on instruments and options on how to proceed*’. That **report** was published on 22 March 2021.<sup>87</sup>

The European Council of 25 March 2021<sup>88</sup> concluded that “*provided that the current de-escalation is sustained and that Turkey engages constructively [...] the European Union is ready to engage with Turkey in a phased, proportionate and reversible manner to enhance cooperation in a number of areas of common interest*”. In particular, the Council invited the Commission to *intensify talks with Turkey to address current difficulties in the implementation of the Customs Union, ensuring its effective application to all Member States*, and invited in parallel the Council to work on a mandate for the modernisation of the Customs Union. *Such a mandate may be adopted by the Council subject to additional guidance by the European Council*. Following these Conclusions, the Commission intensified talks with Turkey and the mandate was discussed by the Council.

The European Council on 25 June 2021<sup>89</sup> took *note of the start of work at technical level towards a mandate for the modernisation of the EU-Turkey Customs Union and recalls the need to address current difficulties in the implementation of the Customs Union, ensuring its effective application to all Member States. Such a mandate may be adopted by the Council subject to additional guidance by the European Council*.

## 2. MAIN IMPLEMENTATION ISSUES

As regards the implementation of the existing bilateral preferential trade framework, some **limited progress** was achieved in 2021 on outstanding issues:

- Turkey had imposed **additional duties** on many products originating outside the EU, requiring **proof of origin** for the affected categories, contrary to the Customs Union. Interventions by the Commission with the Turkish authorities throughout 2020 resulted in an amendment of the implementation rules in January 2021. The amendment clarified that shipments from the EU with A.TR. certificates were in principle exempt from origin checks, unless trade defence measures were in place. Turkish customs stopped requiring the certificates of origin, and, following the Commission’s interventions in 2021, Turkish authorities issued additional clarifications to Turkish importers (who kept requiring it, as often they did not get the right advice from customs consultants). Since then, the number of the certificates of origin required overall has been gradually decreasing and the recent clarifications should result in a further improvement of the situation.

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<sup>87</sup> [https://ec.europa.eu/neighbourhood-enlargement/joint-communication-european-council-state-play-eu-turkey-political-economic-and-trade-relations\\_en](https://ec.europa.eu/neighbourhood-enlargement/joint-communication-european-council-state-play-eu-turkey-political-economic-and-trade-relations_en)

<sup>88</sup> <https://www.consilium.europa.eu/media/48976/250321-vtc-euco-statement-en.pdf>

<sup>89</sup> <https://www.consilium.europa.eu/media/50763/2425-06-21-euco-conclusions-en.pdf>

- **Elements of Turkish legislation on cosmetics saw improvements** (although it is not yet fully aligned with the EU acquis): As of January 2021, Turkey its past requirement towards EU companies to upload the full cosmetic product safety assessment report in Turkey's electronic notification portal (a request that had raised confidentiality concerns). Furthermore, Turkey no longer obliges producers to upload the entire artwork of the product to the Agency website. Now only packaging visuals are required. Nevertheless, Turkey still requires companies to create new barcodes and new packaging specifically for the Turkish market.

A number of **important market access barriers** are being raised with Turkey regularly and in different fora. In particular, in the **Customs Union Joint Committee** that took place in July 2021 and in the context of the bilateral **EU-Turkey Trade Barriers Group** in March 2022. These barriers hamper the proper implementation of the Customs Union, among them first and foremost restrictions Turkish authorities imposed on imported **pharmaceutical products**, through de facto mandatory localisation requirements combined with import bans for equivalents to localised products.

#### **WTO case against Turkey on pharmaceutical products (DS583)**

**Step 1:** In 2019 the EU initiated WTO dispute settlement against Turkey: the panel was composed on 17 March 2020.

Step 2: The Panel's ruling of 28 April 2022 upheld all of the EU's claims against Turkey. In particular, the Panel ruled that Turkey cannot require foreign producers of pharmaceutical products to move their production to the country in order for those pharmaceuticals to be eligible for reimbursement by social security schemes in Turkey.

**Step 3:** Turkey appealed on 25 April 2022. Appeal arbitration proceedings pursuant to Article 25 of the DSU are under way based on an ad hoc appeal arbitration agreement between the EU and Turkey.

In addition to the localisation requirements, **several other barriers** continue to affect trade with Turkey in the **pharmaceutical sector**, in particular the application by Turkey of **artificial exchange rates** instead of actual exchange rates for pharmaceutical products.

Other barriers include **export tax** measures that Turkey continues to apply to hides, skins and wet-blue leather as well as copper scrap and **new export restrictions** on cotton and timber, clearly violating Turkey's Custom Union obligations.

Furthermore, Turkey is systematically refusing to open the annual quotas for beef and live cattle foreseen under the bilateral agreement and has refused to issue licenses to importers.

The **non-discriminatory implementation** of the **Additional Protocol to the Association Agreement** towards all Member States including the Republic of Cyprus also remains a critical demand.<sup>90</sup>

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<sup>90</sup> See statement of the members of the European Council of 25 March, stressing the need to implement the current Customs Union to all Member States: <https://www.consilium.europa.eu/media/48976/250321-vtc-euco-statement-en.pdf>

#### **PART IV: AFRICAN, CARIBBEAN AND PACIFIC COUNTRIES**



# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE ECONOMIC PARTNERSHIP AGREEMENT (EPA) BETWEEN THE EU AND GHANA

## 1. THE AGREEMENT

Pending an Economic Partnership Agreement (EPA) with the West African region, Ghana concluded a **stepping stone (or interim) EPA with the EU in December 2007**.<sup>91</sup> The EPA was signed on 28 July 2016 and entered into provisional application on 15 December 2016. The EU-Ghana interim EPA will be replaced by the regional EU-West Africa EPA once the latter enters into force.<sup>92</sup> By the end of 2020, all EU Member States and 15 out of 16 West African countries have signed the regional EPA; Nigeria's signature is still outstanding.

Ghana's HS2017 updated market access offer foresees that 78% of tariff lines will be progressively liberalised over the period 2020-2029. Ghana's HS2017 tariff liberalisation schedule is available on the website of the Directorate-General for Trade.<sup>93</sup>

The Parties recently revamped efforts towards EPA implementation, following political impetus arising from the meeting between Executive Vice President Mr. Valdis Dombrovskis and the President of Ghana Mr. Nana Akufo-Addo on 19 May 2021 in Brussels.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market access: Progress and outstanding issues

**The third meeting of the EPA Committee** took place on 29 and 30 July 2021. The meeting brought together Senior Officials from the Parties to take stock of progress on EPA implementation. The Parties agreed on four draft texts on (1) the Rules of Procedure of the EPA Committee, (2) the Rules of Procedure for Dispute Settlement, (3) the Draft Code of Conduct for panellists and mediators, and (4) the Monitoring and Evaluation of the interim EPA implementation. As a result, the EU launched the procedures for the publication of the text (1) in the Official Journal, and for the adoption of the later three texts.

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<sup>91</sup> The official name of the Agreement ("stepping-stone Agreement") reflects the fact that the initial and ultimate objective for economic partnership in West Africa is a comprehensive, regional Agreement. It is also called "interim EPA".

<sup>92</sup> The regional Economic Partnership Agreement was signed in December 2014 by the European Union and 13 West African Countries. In 2018, Gambia and Mauretania signed the Agreement, which means that only Nigeria's signature is still missing. The Agreement will enter into provisional application when the 16 West African Countries sign it and 2/3 (11 out of 16) of these countries ratify it.

<sup>93</sup> Published on DG Trade's website: [https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc\\_158599.pdf](https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc_158599.pdf)

The Parties discussed ways of supporting Ghana to become a **hub for vaccines** and medicines manufacturing in Africa. They agreed to step up the policy dialogue and to work closely with the Ghanaian National Coordination Unit and the Secretariat of the African Continental Free Trade Agreement (AfCFTA), ensuring that the private sector takes advantage of the implementation of current trade agreements, notably the AfCFTA (in place since 30 May 2019), and the interim EPA with the EU.

The first meeting of the EU-Ghana Special Committee for **Customs and Trade Facilitation** took place on 30 November 2021. The EU has completed the necessary administrative requirements to apply the cumulation of origin provided for in Article 7 of the Agreement. The Parties also exchanged contact points for mutual administrative assistance.

The EU assisted Ghana to transpose its market access commitments to the Harmonized System nomenclature HS2022, which entered into force on 1 January 2022.

With regard to **tariff liberalisation**, Ghana started reciprocating its preferential access to the EU at the beginning of 2020, while the EU continuously upheld duty-free quota-free access to its market for Ghanaian products since 2008.

The “actual” liberalisation started on 1<sup>st</sup> July 2021, when Ghana published the tariff cuts, applicable to EU products on its Customs Integrated System<sup>94</sup>.

The Customs Division of the Ghana Revenue Authority is setting up a Unit dedicated to tariffs and trade, for effective monitoring and enforcement of the application of the tariff cuts. Ghana’s Export Promotion Agency has set up an end-to-end electronic trade hub to provide up-to-date export related information to the exporter community.

The **EU Delegation** to Ghana has systematically worked in close coordination with the EU Member States and the local private sector to **address trade barriers and to implement the interim EPA**.

These efforts were underpinned in 2021 by *ad hoc* **technical assistance projects** as follows.

- The ‘**Project to support the EPA implementation between the EU and Ghana**’ (€4 million, 2020-2024’) is aimed at maximising the benefits of the EPA for Ghana by strengthening the country’s capacity to implement the EPA, upgrading SMEs in three value chains, improving the quality of their products, and better integrating them in the regional and global value chains; improving and aligning Business Policy & Regulatory Environment for three value chains with regional directives. Through a close

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<sup>94</sup> <https://external.unipassghana.com>

cooperation with Ghana's Ministries of Trade and Industry and of Finance, the **EU projects are assisting key stakeholders in a smooth roll-out of the EU-Ghana EPA**. In implementing the project, the Commission (through its EU Delegation) actively seeks the views of the European and Ghanaian private sectors on the challenges and opportunities the Ghanaian market provides.

Background: The project does not target any particular sector but rather focuses on building up Ghana's capacity to implement the EPA and to engage on EPA-related matters, on improving competitiveness at firm level and on mainstream regional policies in favor of industrial competitiveness. To this end, the project encompasses four main components: iEPA ownership and management; Export and competitiveness; iEPA related reforms and business environment and public private dialogue support mechanism. Among the most relevant outcomes occurred in 2021 are the completion of the long and simplified version of iEPA handbook and a two-page leaflet in the iEPA for public and private sector awareness, significant number of trainings of the EPA Secretariat Staff, several reports on the needed reforms, notably a report one on identification and documentation of all commitment on fiscal matters deriving from iEPA and other commenting on all the obligations of Ghana that derived from the iEPA in the field of trade facilitation and customs were drafted, finally a report on trade reforms derived from iEPA has been as well completed.

- The EU-funded **West Africa Competitiveness Program** (€4.1 million, 2019-2021) continued to support small and medium local trade associations to become more present in forums and events and to better make their voice heard with regard to value chains in the agriculture sector.
- The Investment Promotion component (€2.8 million, 2018-2021) of the **EU-funded Ghana Employment and Social Protection Programme** was used by the EU to campaign for more Ghanaian small and medium enterprises to be linked with larger companies in the ECOWAS region and the EU market for improved export promotion and value-chain development in agriculture.

## 2.2 Trade and sustainable development goals

The interim EPA with Ghana does not include a trade and sustainable development chapter. Nevertheless, the parties cooperate closely under the framework of the **Cotonou Agreement**. Sustainability was also part of the 2021 EPA Committee meeting.

### **Sustainable Cocoa Initiative**

In 2021 the parties continued a **dialogue on sustainability of the cocoa value chain**.

- In 2021, a series of eight thematic roundtables - “CocoaTalks” took place, which looked into various aspects of sustainability in the cocoa value chain – living income, standards, transparency and traceability related to child labour and deforestation, due diligence, agroforestry, development and financing assistance and consumer perspective. The 2021 series of the Cocoa Talks was concluded with a technical wrap-up in December 2021, taking stock of the thematic meetings and outlining the way forward, which is expected to be politically confirmed at a High level event in the first half of 2022.
- The Cocoa Talks dialogue was mirrored locally in Ghana under “The Sustainable Cocoa Dialogue”. The latter reached its climax at the High-level conference on 30 June 2021. The event drew conclusions from a series of four events held in the first half of 2021 – including thematic roundtable discussions on child labour, deforestation and coordination needs. Each time, the dialogue brought together the full spectrum of stakeholders: the Government of Ghana, representatives of the dialogue partners, civil society, the industry and the farmers. The EU in Ghana is now at the centre of the process with all stakeholders in demand for the dialogue to continue.

### Background:

Ghana, Ivory Coast and Cameroon together account for 48% of EU imports of cocoa products (cocoa beans, shells, paste and butter), for a value of 4.6 million euros in 2021. In particular the EU imports almost 60% of cocoa beans and shells from these three countries. While cocoa beans are duty-free on a MFN basis, exports of processed cocoa (butter, paste and powder) benefit from EPA preferences. All three countries take advantage of the quota free-duty free regime of the interim EPA for cocoa and its transformed products since 46% for Ghana, 47% for Côte d'Ivoire and 35% for Cameroon of the exported cocoa to EU consists of processed products.

In September 2020, the European Commission launched a **Sustainable Cocoa Initiative** with a focus on Côte d'Ivoire, Ghana and Cameroon. The objective of the multi-stakeholder dialogue is to foster progress in the elimination of child labour in cocoa supply chains, enhancing the protection of forests in cocoa-producing regions, and ensuring a living income for cocoa farmers. The dialogue brings together key stakeholders from the cocoa value chain including government representatives from the producing countries, EU Member States, European Parliament, EU chocolate business representatives, retailers, farmers, and non-governmental organisations.

## **ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE ECONOMIC PARTNERSHIP AGREEMENT (EPA) BETWEEN THE EU AND THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)**

### **1. THE AGREEMENT**

The EU-SADC Economic Partnership Agreement (EPA), between the EU and six countries from the Southern African Development Community (SADC): Botswana, Eswatini, Lesotho, Mozambique, Namibia and South Africa, was signed on 10 June 2016. It entered into provisional application on 10 October 2016 for all Parties to the Agreement except for Mozambique, for which it entered into provisional application on 4 February 2018. Hence, 2021 marked the *fifth year* of provisional application of the Agreement for all its Parties except Mozambique.

All SADC EPA States except South Africa receive duty free and quota free treatment for all their goods (except arms and ammunition) imported into the EU. South Africa receives such treatment for 96% of its exports to the EU and an additional 2.7% of exports from South Africa benefit from reduced tariffs or from preferential tariff rate quotas. The Southern African Customs Union (SACU), comprising Botswana, Eswatini, Lesotho, Namibia and South Africa, grants duty free and quota free treatment to 84.9% of products exported by the EU to the region. An additional 12.9% of EU exports benefit from partial liberalisation (reduced tariffs or tariff rate quotas). Mozambique (a Least Developed Country and not a member of SACU) liberalises a smaller percentage of exports from the EU. The final wave of liberalisation will take place in 2025 (for Mozambique in 2028).

The **EU-SADC EPA is the first and only regional EPA in Africa to be fully operational** (all partners are implementing the tariff cuts foreseen by the EPA). Since the 2019 meeting of the EU-SADC EPA Joint Council, the institutional framework of the EPA is fully in place and operational.

Launching accession negotiations with Angola is still awaiting agreement from the SADC EPA States. At the beginning of 2020, **Angola requested to join the EU-SADC EPA** and preparatory exchanges were held in 2020. The Trade and Development Committee (TDC) of February 2020 took note of the request for starting accession negotiations from Angola and of a draft **roadmap** for this accession process presented by the EU.

At the 8<sup>th</sup> TDC in November 2021 the Parties finally agreed to **launch the joint EPA review process**, as foreseen in the agreement itself and the first technical meeting took place. In early 2021, the Parties finalised the list of indicators which will enable them to monitor the impact of the Agreement, but progress towards compiling the first joint monitoring report suffered from data collection challenges. To address the challenges, SADC EPA States benefitted, as from late 2021, of capacity building by an external consultant.

The Commission is planning to launch an independent **ex-post EPA evaluation study** by an external contractor in the beginning of 2023. Its outcomes will feed into the joint review process.

## **2. MAIN IMPLEMENTATION ISSUES**

### **2.1 Market access: Progress and outstanding issues**

As from 1<sup>st</sup> January 2019, all SADC EPA States apply the reduction in EPA customs duties for goods coming from the EU. The final wave of liberalisation will take place in 2025 (2028 for Mozambique). In 2021, SADC EPA States migrated to the Harmonized System nomenclature of 2022 (HS 2022), except for Mozambique, who is continuing to apply HS 2017 and is yet to migrate to the HS 2022.

Further progress is still to be made in the area of **rules of origin and SPS, in particular in regard to the lifting of SPS bans** imposed by South Africa on poultry since 2017 following several Avian Influenza outbreaks throughout the EU. The bans are still in place.

- The SADC EPA rules of origin provisions foresee the application of **diagonal cumulation** between the SADC EPA States. This could support integration within the SADC region. In the absence of a required notification by the SADC EPA States, the

diagonal cumulation has however not yet entered into force. This issue was discussed by the EU and the SADC EPA States on several occasions and the EU has offered the SADC EPA States technical assistance to advance on the matter.

- South Africa requested to increase applied duty rates to articulated dumpers and also further expanded **local content** requirements applying in public tenders.
- In 2021, **South Africa's SPS measures on poultry and pork** meat have brought EU's exports to South Africa to a complete standstill. So far, South Africa does not recognise the EU system of regionalisation or the disease-free status according to the World Organisation for Animal Health (OIE) standards. But even other meat exports from EU (not subject to avian influenza or FMD) were suffering from delays in authorizations, given that discussions over authorisations and health certificates tend to be very lengthy.

In 2021 there has been also an **increase in the number of trade defence investigations/measures taken by South Africa** on behalf of SACU (frozen fries, industrial bolts, pasta and, notably, poultry).

#### **Dispute against SACU over frozen poultry under the SADC EPA**

**Step 1:** In April 2020, the EU had sent SACU a request to establish an arbitration panel regarding safeguard measures imposed by SACU against imports of frozen poultry from the EU.

**Step 2:** The panel selection process was temporarily suspended due to the Covid-19 crisis, but was finally completed in 2021. By March 2022, the arbitration process had advanced to oral hearing of the parties before the arbitration panel.

**Background:** On 15 December 2016 a provisional safeguard measure of 13.9% was imposed by SACU on imports from the whole EU based on Article 34 of the EU-SADC EPA. On 28 September 2018, SACU adopted a final safeguard measure against imports of poultry from the EU. The safeguard measure takes the form of increased tariff duties, subject to progressive reduction over a period of four years. The safeguard was set at 35.3% for the first six months, which were reduced to 30% in March 2019, 25% in March 2020 and in March 2021 to 15%. The safeguard expired on 11 March 2022.



## **2.2 Trade and sustainable development: Progress and outstanding issues**

The EU-SADC EPA includes a **chapter on cooperation on Trade and Sustainable Development** and Parties have used it, for example, to engage in discussions on trade and climate change during the Trade and Development Committee (TDC) meetings in February 2020 and November 2021. The discussions in the TDC concerned notably the European Green Deal, and the SADC EPA States expressed the need to deepen the dialogue on its impact on trade. Based on agreement of the TDC, discussions in the context of the EPA's Trade and Sustainable Development Chapter are planned to take place regularly.

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE ECONOMIC PARTNERSHIP AGREEMENT (EPA) BETWEEN THE EU AND CÔTE D'IVOIRE

## 1. THE AGREEMENT

Pending an Economic Partnership Agreement (EPA) with the West African region, Côte d'Ivoire concluded a stepping stone or **interim EPA** with the EU in November 2008.<sup>95</sup> The interim EPA was signed on 26 November 2008 and entered into provisional application on 3 September 2016. The EU - Côte d'Ivoire interim EPA will be replaced by the regional EU-West Africa EPA once the latter enters into force.<sup>96</sup> By the end of 2020, 15 out of 16 West African countries had signed the regional EPA, with only Nigeria's signature still outstanding.

Côte d'Ivoire is the **first country in West Africa that started liberalising its market for trade with the EU** and applying reciprocity to the market access enjoyed in the EU. The liberalisation of the first 1115 products was applied from 1 January 2019. The second round of tariff liberalisation took effect on 1 January 2021. The liberalisation process will be completed by 1 January 2029. Côte d'Ivoire's HS2017 updated market access offer and schedule have been published on Directorate-General for Trade website.<sup>97</sup>

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market access: Progress and outstanding issues

The 5th **EU-Côte d'Ivoire EPA Committee** was held on 18 to 22 October 2021 in Brussels. A number of meetings was held in the margins of the Committee: (1) the first meeting of the Special Committee on Customs and Trade Facilitation between the Parties, and (2) the meeting between the European Economic and Social Committee and the Ivoirian Technical Group of the Civil Society to discuss the mechanisms for setting up a joint platform for EPA monitoring.

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<sup>95</sup> The official name of the agreement ("stepping-stone agreement") reflects the fact that the initial and ultimate objective for economic partnership in West Africa is a comprehensive, regional agreement. It is also called "interim EPA".

<sup>96</sup> The Economic Partnership Agreement was signed in December 2014 by the European Union and 13 West African Countries. In 2018, the Gambia and Mauretania signed the Agreement, to date only Nigeria is yet to sign the EPA. The Agreement will enter into provisional application when all the 16 West African Countries sign it and 2/3 (11 out of 16) of these countries ratify it.

<sup>97</sup> Offer and schedule can be found on the DG Trade website:

[https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc\\_158598.pdf](https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc_158598.pdf)

The Parties signed two EPA Committee decisions on (1) the Procedure for Dispute Settlement and Code of Conduct of the Arbitrators, and (2) the List of Arbitrators.<sup>98</sup> The Parties also adopted the second joint monitoring report at the Trade Committee meeting in October 2021, prepared under the EU-Côte d'Ivoire monitoring mechanism for the Agreement.<sup>99</sup>

In 2021, further progress was made on tariff liberalisation: On 1 January 2021 the decision setting out the rules and principles for the second phase of tariff dismantlement entered into force as Côte d'Ivoire continued to implement its market access commitments.

In 2021, EU companies were able to benefit from the first and second rounds of tariff liberalisation of products with significant EU exports, such as medicines (mixed or unmixed products for therapeutic or prophylactic purposes), light oils and preparations of petroleum or bituminous minerals with specific characteristics, category of aeroplanes and other powered aircraft, vaccines (human and veterinary medicine), road tractors for semi-trailers, printed books, laboratory reagents.

EU-Côte d'Ivoire trade relations are overall good. Trade barriers still exist, e.g. tax discrimination on imported spirits and on imported meat: For several years, Côte d'Ivoire has maintained discriminatory taxation on imported spirits and wines, which are subject to an excise tax 25% higher than that applied to locally manufactured beverages. Besides, in early 2021 Côte d'Ivoire introduced a VAT on imported meat, whereas local meat remains exempted. The 2021 joint EPA Committee addressed these issues and Côte d'Ivoire has committed to tackle them.

EU projects managed by the EU Delegation in Côte d'Ivoire, in close liaison with business stakeholders, made an important contribution towards improving business climate and addressing key impediments in important sectors of the economy. Examples of initiatives that took place in 2021 include the following:

Within the framework of the contract “S’investir ensemble” signed in 2019, the EU Delegation continued to work together with the European private sector (Eurocham100), as well as with

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<sup>98</sup> (EU Official Journal «L» on 17/11/2021).

<sup>99</sup> [Rapport de suivi de l'Accord de Partenariat Economique intérimaire Union Européenne - Côte d'Ivoire \(europa.eu\)](#).

<sup>100</sup> The European private sector is supported by a European Chamber of Commerce and national chambers of Commerce to identify trade and investment barriers. Eurocham, the European Chamber of Commerce, set up with the support of the EU delegation 10 years ago, was the first European chamber in West Africa. This Chamber was also the first European chamber in West Africa to join the network of European chambers

the national private sector, represented by the Union des Grandes Entreprises Industrielles de Côte d'Ivoire (UGEI) and the Confédération Générale des Entreprises de Côte d'Ivoire (CGEI), to improve the business climate.

Eurocham continued to organise strategic monitoring sessions on key impediments to doing business in sectors such as energy, agriculture and new technologies. These sessions aimed at better understanding the evolution and identifying the challenges and problems concerning a specific sector to be able to issue recommendations.

## **2.2 Trade and sustainable development goals**

The interim EPA with Côte d'Ivoire does not include a dedicated chapter on trade and sustainable development (TSD). Nevertheless, the parties cooperate closely under the framework of the Cotonou Agreement to ensure the contribution of trade to the achievement of the sustainable development goals. Sustainability topics have also been discussed in the 2021 EPA Committee. Furthermore, the parties continued to work together to address sustainability matters under the EPA, e.g. (the introduction of) a monitoring mechanism and (the creation of) an EPA civil society platform:

In the context of the second joint monitoring report 2020 (covering the year 2019) adopted in October 2021<sup>101</sup>, both parties stressed the importance of sustainable development issues, and the need to include them in future reports.

Côte d'Ivoire and the EU have stepped-up efforts to establish an EPA civil society platform with the support of both the European and Ivorian Economic and Social Committees in order to address all trade and sustainable development issues. In the margins of the joint EPA Committee of October 2021, the two social and economic committees met and agreed to strengthen further their cooperation including on sustainability aspects.

### **Sustainable Cocoa Initiative<sup>102</sup>**

In 2021 the parties continued a dialogue on sustainability of the cocoa value chain.

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(EBOWNN) in 2017. In addition, national chambers of commerce from France, Belgium, UK and more recently Germany are present in Côte d'Ivoire.

<sup>101</sup> Available here: [Rapport de suivi de l'Accord de Partenariat Economique intérimaire Union Européenne - Côte d'Ivoire \(europa.eu\)](https://europa.eu/rapport-suivi-accord-partenariat-economique-interimaire-union-europeenne-cote-ivoire).

<sup>102</sup> For background and content of the initiative, see country sheet on Ghana.

Following the start of the (virtual) “Cocoa Talks” in September 2020 in Brussels, the EU delegation in Côte d’Ivoire launched early 2021 the “EU-Côte d’Ivoire Political Dialogue on Sustainable Cocoa”. During eight sessions in Côte d’Ivoire, the most relevant aspects regarding the sustainability of cocoa were covered, namely the price of cocoa and a living income, standards, the traceability of cocoa and the fight against child labour and deforestation, as well as the mobilisation of development cooperation and finance. By bringing together all relevant stakeholders in Brussels as well as in the main cocoa-producing countries to discuss those key topics, the EU is seeking to build consensus on a common pathway towards a sustainable cocoa sector.

# **ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE ECONOMIC PARTNERSHIP AGREEMENT (EPA) BETWEEN THE EU AND CAMEROON**

## **1. THE AGREEMENT**

On 15 January 2009, Cameroon and the EU signed an interim (or **stepping-stone**) **Economic Partnership Agreement** (EPA). The European Parliament approved this agreement on 13 June 2013 and the Parliament of Cameroon proceeded to its ratification on 22 July 2014. On 4 August 2014, the agreement entered into provisional application. Being a regional agreement, the EPA **is open to the accession of other Central African countries**.

The EPA provides Cameroon with duty-free quota-free access to the EU market for all products originating from Cameroon. This benefits, among others, exports of Cameroonian bananas, aluminium, processed cocoa products, plywood and other fresh and transformed agricultural products.

For its part, **Cameroon will progressively reduce its tariffs to zero for 80% of its imports from the EU by 2029**. This targeted elimination of import tariffs will help Cameroon's local producers to develop their production and become more competitive and, indirectly, it will benefit local consumers.

To ensure the protection of certain **sensitive agricultural markets and industries**, but also to maintain fiscal revenues, the EPA allows Cameroon to maintain tariffs on 20% of imports of goods originating from the EU (such as meat, wines and spirits, malt, milk products, flour, fruit and vegetables, wood and wood products, used clothes and textiles, paintings, and used tyres).

## **2. MAIN IMPLEMENTATION ISSUES**

### **2.1 Market access: Progress and outstanding issues**

Cameroon's **tariff dismantling** applies to **three groups of goods**. It started in August 2016 for group 1 (1727 tariff lines), in 2017 for group 2 (985 tariff lines), and in 2021 for group 3. The two first groups mainly consist of essential items that are often used as inputs for industrial

processes in Cameroon or consumer products that are not found on the local market such as: medicines and medical equipment, industrial and agricultural inputs, machines, chemicals, spare parts for vehicles, computers, and paper. The third group includes a number of products, such as cars, on which Cameroon has traditionally charged the highest duties.

Following the special EPA Committee meeting on 28 October 2020, the suspension of tariff dismantling introduced by Cameroon due to the Covid 19 crisis was lifted, and as of 1 January 2021 is now back on track. By (date), **Cameroon has fully removed import duties for all products of group 1 and reduced its tariffs by 90% on products of group 2 and by 30% of group 3.** The HS2017 update of the Market Access Offer is published on DG TRADE website<sup>103</sup>.

The **5<sup>th</sup> EPA Committee** took place in April 2021<sup>104</sup> and allowed both sides to discuss the finalisation of the protocol on rules of origin and exchange views on a possible deepening of the EPA to cover other subjects (such as trade in services and sustainable development).

Given the importance of agri-food exports to Cameroon and recurring difficulties related to respect of the EU sanitary and phytosanitary norms, the 2021 EPA Committee meeting also **recommended to operationalise the EPA sub-committee on agriculture and fisheries** to step-up the dialogue on these issues.

Cameroon and the EU are also actively monitoring the effects of the agreement. The first **joint monitoring report**, covering years 2014-2019, was adopted by the 5th EPA Committee in 2021 and published<sup>105</sup>:

- The most important outstanding issue concerns the **rules of origin**. Negotiations on a protocol started at the end of 2016. A draft text of the protocol was agreed at technical level at the 6<sup>th</sup> meeting of the EPA Committee on 9<sup>th</sup> June 2022. In the meantime, Cameroon benefits from the general EPA rules of origin included in EU Market Access Regulation. The rules of origin applicable to products imported from the EU are laid down in Cameroon's Presidential Decree 2016/367 of 3 August 2016.”
- The report also informs about tariff preference use on both sides in 2020: While -in terms of value- 99% of exports from Cameroun were using preferences, exports are still limited to a few sectors, showing lack of diversification of Cameroonian exports. By contrast, EU exports to Cameroon used preferences only at a rate of 59%.

To increase awareness among Cameroonian business of the opportunities the EPA creates, the EU in 2021 has been intensifying **its communication efforts and outreach to the private sector**:

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<sup>103</sup> [https://trade.ec.europa.eu/doclib/docs/2020/february/tradoc\\_158637.pdf](https://trade.ec.europa.eu/doclib/docs/2020/february/tradoc_158637.pdf)

<sup>104</sup> [Joint conclusions: Cinquieme reunion \(virtuelle\) du comité APE CAM-UE, les 26 et 27 avril 2021 \(europa.eu\)](#)

<sup>105</sup> "Monitoring de l'Accord de Partenariat Économique (APE) d'étape, Union Européenne – Cameroun, Rapport Conjoint 2020 pour la période 2014 / 2019", July 2021, available here : [Rapport monitoring conjoint APEi UE Cameroun \(europa.eu\)](#).

- ✓ Despite the difficulties related to COVID-19 sanitary conditions, ten outreach events took place, either in virtual, hybrid or traditional form, involving groups of local Cameroonian entrepreneurs from various sectors with potential to develop an export activity or invest in EU-produced inputs and equipment that could upgrade their production activities.
- ✓ In early 2022, the EU Delegation in Cameroun published a **practical EPA guide for Cameroonian companies**<sup>106</sup> and held an **EPA workshop** in the framework of the Salon PROMOTE 2022, a major international trade fair held in Yaoundé in February 2022.

For the EPA to deliver benefits including to EU firms and local business the improvement of the business environment, notably the conditions for foreign direct investment, will be key. Therefore, the EU and its Member States in Cameroon have also been supporting the creation of a **European Business Organisation (EBO)**, since 2020. Once operational, EBO Cameroon, which is still awaiting authorisation from the Cameroonian government, could contribute to foster a private-public dialogue in Cameroon to the benefit of all market operators.

The EPA also comes with a **package of accompanying measures** that help Cameroon and its companies to make better use of the Agreement, such as technical assistance provided by the EU to Cameroon, to evaluate the fiscal impact of the Agreement and to reform the Cameroonian fiscal system in a way to compensate for the loss of custom revenues. Other EU-funded EPA accompanying measures support the local private sector, for instance as regards the adaptation of local producers to the EU sanitary and phytosanitary standards (e.g. through the EU-financed COLEACP programme, Fit-4-Market or a similar EU programme related to shrimps supply chain), or their capacity to develop a business plan (e.g., through the EU programme *Dispositive d'Appui a la Competitivite du Cameroun*). This action is complemented by activities of the European Investment Bank increasing the capacity of local commercial banks to provide access to finance for local business.

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<sup>106</sup> [https://www.eeas.europa.eu/sites/default/files/epa\\_brochure.pdf](https://www.eeas.europa.eu/sites/default/files/epa_brochure.pdf)



## 2.2 Trade and sustainable development goals

The EPA with Cameroon does not currently include a dedicated chapter on trade and sustainable development. Such a chapter could be negotiated in the future on the basis of a '*rendezvous clause*' included in the Agreement. Nevertheless, the parties cooperate closely under the framework of the **Cotonou Agreement**.

The Parties continue to cooperate on matters related to trade and sustainable development. For instance, **Cameroon is party to a Voluntary Partnership Agreement**, which is a key component of the EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan<sup>107</sup>.

### **Sustainable Cocoa Initiative**<sup>108</sup>

In 2021 the parties continued a **dialogue on sustainability of the cocoa value chain**. In November 2021, Cameroon participated in the EU Multi-stakeholders **Dialogue for Sustainable Cocoa**. Preparatory talks are now underway to operationalise the national dialogue through working groups dedicated on specific aspects of the initiative.

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<sup>107</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52003DC0251>

<sup>108</sup> For background and content of the initiative, see country sheet on Ghana.

## **ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE ECONOMIC PARTNERSHIP AGREEMENT (EPA) BETWEEN THE EU AND THE EASTERN AND SOUTHERN AFRICAN REGION (ESA)**

### **1. THE AGREEMENT**

Pending a comprehensive Economic Partnership Agreement (EPA) with the full Eastern and Southern African region, an **interim EPA** was signed in 2009 by four ESA countries (Madagascar, Mauritius, Seychelles and Zimbabwe). This interim EPA is provisionally applied since 14 May 2012 by the EU and 5 EPA partners. Comoros, Zimbabwe and Seychelles have also ratified the EPA, while Mauritius and Madagascar provisionally apply it. Zambia took part in the negotiations of the interim EPA and may decide to sign the agreement in the near future. The agreement remains open for the possible accession to other ESA countries who would want to join.

Parties agreed to undertake further steps towards the development of a **common methodology aimed at finalising a monitoring and evaluation framework** for the interim EPA, and consulted stakeholders from the public and private sector. This is an important step to define a joint understanding of progress made implementing the EPA and to identify remaining challenges in order to be able to address them adequately.

Negotiations for the deepening of the Agreement continued in 2021. Since the beginning of this process, **six rounds of negotiation meetings took place**, all but the first one by video conference. In 2021, three negotiating rounds took place, in April, July and November. **The modernised Economic Partnership Agreement** will include: updated rules of origin; provisions on customs and trade facilitation; sanitary and phytosanitary measures; technical barriers to trade; trade in services, investment liberalisation and digital trade; public procurement; intellectual property rights; trade and competition; trade and sustainable development; agriculture; fisheries; dispute avoidance and settlement; institutional structure; and economic development cooperation /means of implementation. A **sustainability impact assessment** looking into the impact of the new agreement has been conducted in parallel to the negotiations, with public consultations.

Background: In 2017, the then-four ESA partners (ESA4) implementing the Agreement requested to deepen it beyond trade in goods, in accordance with the ‘rendezvous clause’ embedded in the Agreement. In May 2019, the EU and ESA5 Countries (Madagascar, Mauritius, Seychelles, Zimbabwe and Comoros) agreed on a **joint scoping paper** that paved the way for the official *launch of the negotiations in October 2019*.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market access: Progress and outstanding issues

The interim EPA offers duty-free, quota-free access for all imports from the ESA EPA States to the EU since 1 January 2008. The five ESA EPA States are in the process of opening their markets to EU imports in line with the individual tariff schedules of each ESA EPA State annexed to the interim EPA.<sup>109</sup>

- ✓ The **implementation of tariffs dismantling schedules**, initially foreseen to start in 2012 (for ESA4), was **completed by Seychelles and Mauritius** on 1<sup>st</sup> January 2022, when the percentage of tariff lines fully liberalised for products originating in the EU reached 97.5% in Seychelles and 96.2% in Mauritius.
- ✓ Tariff commitments implementation encountered some difficulties in **Zimbabwe, Madagascar and Comoros**. A **catch-up scenario** was however agreed for each of the three countries:
  - Zimbabwe has now fully met its tariff liberalisation commitments. With Madagascar, discussions continue. By 2022, Madagascar and Zimbabwe will liberalise around 80% of their trade.
  - Comoros will complete its market access liberalisation schedule by 2024. Comoros will need two additional years (2024 instead of 2022) as it joined this agreement much later (in 2019) than the other four ESA partners.<sup>110</sup>

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<sup>109</sup> The ESA countries were not in a position to table a common regional market access offer and each country presented an individual offer based on its specificities.

<sup>110</sup> More details can be found here: [http://trade.ec.europa.eu/doclib/docs/2012/march/tradoc\\_149213.pdf](http://trade.ec.europa.eu/doclib/docs/2012/march/tradoc_149213.pdf)

The last **EPA Committee, Customs Cooperation Committee and Joint Development Committee** – a sub-Committee of the EPA Committee - were held in January 2020 where a number of decisions advancing the implementation of the Agreement were taken, notably:

- The **amendment of the Protocol on Rules of Origin** with a view to simplifying and facilitating trade between the ESA EPA sub-region and the EU. The technical amendments, which entered into force in March 2020<sup>111</sup>, allow *inter alia* ‘accounting segregation’ for fungible materials and the use of the Registered Exporter (REX) system for EU exports to the ESA EPA countries (e.g. the EU must use REX for exports to ESA partners, while the latter are free to use REX for their exports to the EU).
- The **update of Annex II relating to the product specific rules** in line with the 2017 Harmonised System nomenclature.
- The advancing of a consolidated concept note on an appropriate **monitoring and evaluation framework** to assess the effectiveness of the current agreement.

The next EU-ESA EPA Joint Committee is scheduled to take place in the third quarter of 2022.

In 2021, the EU Delegations in the region, notwithstanding Covid-19, maintained a **close dialogue with government and private sector** on economic matters, including trade policy:

- For example, at ESA5 level, two Market Access Team meetings, comprising EU Member States representatives covering trade topics and EU Business associations, were set-up and carried out in 2021 to exchange information on trade policy and enquire on trade barriers.
- In Comoros, the EU continued the dialogue with the Ministry for Economy on tariff dismantling schedule. The EU is heading the trade and private sector group and met regularly with the private sector, national and European on trade opportunities and business environment, including delivering a presentation on the current EPA and its opportunities.
- In Madagascar, the EU maintained close dialogue with the private sector, in the framework of the elaboration of the White paper of the Malagasy Private Sector, with the support of the ICR (Investment Climate Reform) Facility. In parallel, discussions were engaged with the France-Madagascar Chamber of Commerce, with a view to broaden the scope of their activities and include both services to European businesses and public-private dialogue dedicated to EU businesses based in Madagascar.
- In Mauritius, the Delegation met with the EU private sector to discuss the business environment in Mauritius. E-licencing and regulatory assessment projects also led to private sector consultations. Meetings were held with representatives of government, with leading private sector associations and with industry captains. Support was provided to individual companies to facilitate export to the EU.
- In Seychelles, project launches and political dialogues are being used as an opportunity to consult and engage with the private sector. Besides virtual bilateral meetings, a mission was carried out in Seychelles to further deepen the dialogue with Seychelles authorities, business organizations and enterprises trading with the EU. A presentation on the interim EPA and its opportunities has been delivered to the private sector. Specific requests from individual companies were answered.

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<sup>111</sup> OJ L93, Decision No 1/2020 of the EPA Committee of 14.1.2020, p.1

- In Zimbabwe, EPA awareness dialogue meetings were conducted in 5 provinces to discuss opportunities and barriers to trade as part of capacity building of the Zimbabwe national EPA Committee. A presentation on EPA opportunities was delivered on the occasion of Zimbabwe International Trade Fair. An EPA Performance Planning Monitoring and Evaluation (PPME) tool was developed for use by the Zimbabwe National EPA Committee to track progress in the implementation of the interim EPA Agreement. Bilateral virtual meetings were held to facilitate exports of avocado to the EU.

In addition, several **EU development cooperation programmes** are linked to the EPA. They aim to facilitate tax and customs reforms, improve the business environment and improve ESA States' competitiveness. Current programmes to support ESA-EPA countries include:

- Capacity-building assistance to help ESA5 producers and farmers meet EU standards through the **Fit for Market programme** (€ 20 million) launched in 2016;
- Under the 11<sup>th</sup> EDF (2014-2020), €10 million were earmarked for each of the four initial signatory countries to help them implement the EPA and they are already benefitting through concrete projects:
  - Mauritius has set up an online single-entry point for businesses to obtain licences and permits and is in the process of reforming its intellectual property rights system. The Industrial Property Act 2019 and related regulations are expected to be proclaimed and in force by end January 2022. For the use of Regulatory Impact Assessment (RIA) as a policy instrument to critically assess the positive and negative effects of proposed and existing regulations and non-regulatory alternatives, a pilot RIA is being carried out in collaboration with the Organization for Economic Co-operation and Development (OECD).
  - Madagascar has started work on an APEX export promotion agency and a one-stop-shop for customs clearance, and the information, communications and technology; tourism; and textile sectors will be developed.
  - Seychelles is working on diversifying its economy and ways to add value in the manufacturing, agriculture and fisheries sectors.
  - Zimbabwe is developing an online customs portal connecting customs posts around the country. It is also helping small and medium-sized businesses export, with a focus on agricultural value chains.

## 2.2 Trade and sustainable development goals

The EU and the ESA5 EPA States under the umbrella of the **Cotonou Agreement** and in the framework of development cooperation already work together closely on achieving the sustainable development goals, including ensuring the contribution of trade policy towards that objective. The interim EU-ESA EPA does not include a dedicated chapter on trade and sustainable development. However, in the course of the ongoing negotiations to deepen the Agreement, the Parties are committed to negotiate an ambitious **Trade and Sustainable Development chapter**, in line with EU trade policy.

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE ECONOMIC PARTNERSHIP AGREEMENT (EPA) BETWEEN THE EU AND CARIFORUM

## 1. THE AGREEMENT

The **Economic Partnership Agreement (EPA)** between the EU and CARIFORUM is a regional trade and development Agreement between the EU and its Member States and 15 Caribbean countries. The Agreement was signed in October 2008 and entered into provisional application on 29 December 2008. In 2021, the Agreement was provisionally applied by the EU and its Member States and by 14 Caribbean States.<sup>112</sup> Haiti still needs to ratify the Agreement in parliament before applying it, due to domestic legal requirements. By the end of 2021, 25 EU Member States and 10 Caribbean States had ratified the EPA.<sup>113</sup>

The EU - CARIFORUM EPA is asymmetric in terms of commitments, but ‘comprehensive’ both in the geographic and thematic sense. The Agreement covers the whole region and includes not only provisions on trade in goods, but also trade in services, competition, innovation and intellectual property rights, government procurement and an important development component with the EU commitment towards fostering long-term sustainable economic growth in the Caribbean.<sup>114</sup>

On 3 February 2021 the Commission published the **10-year Evaluation Study**<sup>115</sup> of the EU-CARIFORUM EPA looking into the implementation, as well as economic and sustainability impacts of the Agreement for the 14 CARIFORUM partner countries and for the EU, as well as at cooperation commitments and relevant cooperation assistance.

The study serves as a direct input to **the ongoing 5 years’ Joint Review process of the EU-CARIFORUM EPA** and considerations of the Task Force that met virtually on regular basis in 2021, discussing the implementation of the EPA and its impact across the various parts of the Agreement. The final report of the Review process will identify key implementation challenges and provide joint conclusions and recommendations on the functioning of the EPA. It is planned to be finalized by mid-2022 and it should be approved by the next Trade and Development

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<sup>112</sup> Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

<sup>113</sup> On the Cariforum side, the agreement has not been ratified yet by the Bahamas, Jamaica, Suriname and Trinidad and Tobago; on the EU side, the agreement has not been ratified yet by Hungary, Poland and Slovenia.

<sup>114</sup> Further info on: [Access2Markets The EU-CARIFORUM Economic Partnership Agreement \(europa.eu\)](https://ec.europa.eu/trade/policy/policy-making/analysis/policy-evaluation/ex-post-evaluations/)

<sup>115</sup> <https://ec.europa.eu/trade/policy/policy-making/analysis/policy-evaluation/ex-post-evaluations/>

Committee and presented for considerations of to EU-CARIFORUM Joint Council, planned tentatively for 2<sup>nd</sup> or 3Q 2022.

The region has high food imports dependency and the **EU is increasingly becoming an important exporter of processed agricultural goods** to CARIFORUM, a market that has traditionally been dominated by US imports. However, China is also gaining importance and influence in the region, becoming an important trading partner for CARIFORUM countries ahead of the EU in some countries, i.e. Belize, the Dominican Republic, Grenada, Guyana, Haiti and St. Kitts and Nevis. The region remains of strategic importance to US and is an important voting bloc of 14 States at the United Nations and in other fora. There is an increased interest of China in the region competing with the US interests and, as estimated, China has committed more than US\$7bn in flexible loans and investments in Caribbean countries since 2005, focusing on construction sector, maritime transport, communication technology and 5G telecoms system, tourism and energy (Trinidad & Tobago with Guyana and Suriname) as well as more recent support post-pandemic economic recovery, vaccines and creation of the disaster relief funds.

## **2. MAIN IMPLEMENTATION ISSUES**

### **2.1 Market access: Progress and outstanding issues**

In 2021, CARIFORUM partners progressed with the **implementation of their market access schedules for goods**, which is well advanced in most Caribbean States. While some countries are in delay with the applicable schedules, five CARIFORUM States<sup>116</sup> have reported the implementation of the full schedule of tariff liberalisation.

In general, CARIFORUM partners have up to 25 years (until 2033) to complete import tariff cuts. They have excluded from these cuts around 17% of goods and services, which they consider sensitive:<sup>117</sup> The list includes fresh fruits and vegetables, most alcoholic beverages, some garments, a number of processed agricultural products, fish, meat, chemicals and furniture. Overall, only 25% of CARIFORUM's agricultural and fisheries products have been covered by liberalisation under the EPA.

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<sup>116</sup> The Bahamas, Belize, the Dominican Republic, Guyana and Jamaica.

<sup>117</sup> The Cariforum states submitted individual market access schedules and not one single regional offer. Hence figures and information provided here are an average over all 14 market access schedules.

The **Dominican Republic** (DR) is not only the most important partner, accounting for 37% of EU trade with CARIFORUM, but also the most advanced in terms of EPA implementation and the most dynamic partner in the CARIFORUM region. Its exports to the EU have increased by more than 86% since the start of implementation in 2008 and bilateral trade has augmented 160% as a whole based on Eurostat data. The Dominican Republic and the EU are holding **regular informal bilateral discussions** (“mesa del comercio” or “trade table”) to **solve a number of market access barriers**, notably delays in issuance of import licenses, discriminatory application of the VAT tax (ITBIS) on imported products, concerns over implementation of the fiscal control and traceability system for alcoholic beverages and tobacco (TRAFICO) and application of a law requiring a local representation of foreign brands<sup>118</sup>. This “trade table” served as a platform to find a satisfactory legal solution on discriminatory taxation ITBIS on EU imported products (notably cheese and ham), but still waiting for the enforcement. With regard to TRAFICO, it allowed inter alia to channel timely concerns of the EU exporters and it led to extension of the implementation deadline and a potential exclusion from this system of the imported beers and wines, under the final consideration by the tax authorities.

**Ongoing implementation activities** with all the CARIFORUM partners under the EPA include:

- creation of the Task Force on Rules of Origin and **start of the modernisation of the Rules of Origin Protocol**;
- creation of **the Special Committee on Services**;
- on-going negotiations of **geographical indications (GIs)**;
- ongoing efforts to create the annual **Joint Monitoring Mechanism** – with the agreed final set of compliance and impact indicators ready for a first pilot report;
- technical assistance **on HS transposition** of the market access offers – offered by the Commission to CARIFORUM countries/customs authorities to advance on a correct transposition of tariff commitments of market access offers from the 2002 Harmonised System (HS) nomenclature to the 2017/2022 HS version. HS transposition was successfully finalised by Dominican Republic.

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<sup>118</sup> [Access2Markets Barrier: Dealer Protection Law - discrimination \(europa.eu\)](https://ec.europa.eu/eu-external-access2markets/en/barriers/dealer-protection-law-discrimination).



- **Support to Intellectual Property Rights (IPR)** under CARIFI project implemented together with EUIPO aimed at increasing implementation capacity of the CARIFORUM States on IPR commitments under EPAs. Over the 2020 - 2021 period several meetings, workshops, training and events were conducted virtually, including trainings on: Trademarks Classification, GIs, Protecting non-EU GIs in the EU and an IPR Enforcement Seminar for Law Enforcement Agencies. EUIPO has proposed a 6-month extension in the implementation period to overcome the impact of the pandemic on the planned project implementation and an increase in the total cost of the action of EUR 720,000.

The **10-year Evaluation Study of the EU-CARIFORUM EPA** published in 2021<sup>119</sup> identified some **key implementation challenges** and cooperation needs for the region, such as:

- Implementation delays of the full comprehensive scope of the agreement, capacity constraints and absorption capacity of the authorities/agencies in the CARIFORUM countries;
- a lack of business awareness of the agreements and deficits in observing transparency obligations for business purposes;
- need for a greater Member States' engagement to support business to business relations;
- need to increase communication around EPA potential and to support for business-to-business links and platforms, for the EU to counter traditional US dominance in the region and the growing influence of China.

In line with these recommendations, the EU engaged in activities **to raise awareness, to provide business oriented information about the EPA, as well as to support to business-to-business links and fora:**

- ✓ In 2021, DG TRADE together with the EU Delegation in Barbados and Dominican Republic and in close collaboration with the Caribbean Export Development Agency organized a webinar on the findings and recommendations of the 10-year ex-post

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<sup>119</sup> Final report: [https://trade.ec.europa.eu/doclib/docs/2021/january/tradoc\\_159352.pdf](https://trade.ec.europa.eu/doclib/docs/2021/january/tradoc_159352.pdf)

evaluation study of the EPA - “**How to unlock the trade potential behind the EPA**”. The Webinar gathered 430 participants, with approximately 150 stakeholders from the EU.

- ✓ During 2021, under **the Policy Support Facility**, the EU has launched a regional project with the objective to reach out to business and explain opportunities of this EPA for trade and investment.
- ✓ The EU Delegation in Dominican Republic started to implement another **project on “Support to improved transparency and market access for European operators in the area of customs”**. This project is meant to improve preference utilisation rates by EU exporters through the promotion and use of the EPA signed between CARIFORUM and the EU.
- ✓ The Delegation in Barbados organised **the 2021 Trade and Investment Convention (Trinidad and Tobago) and a virtual investment forum (Guyana)**.
- ✓ **The EU Delegation to the Dominican Republic** is organising since 2017 a successful **EPA promotion event** with EPA awards given each year to several SMEs in different categories of goods and services for the best trade performance under EPA. Its **4th edition took place in November 30, 2021** and included some new categories such as exporting women, resilience and sustainability. Each year it is accompanied by media presence and production of EPA promotion material<sup>120</sup>.
- ✓ The EU Delegation in Dominican Republic has also organised a series of seminars on EU policies, including the EPA, in the framework of **the Diploma in EU-Dominican Republic** relations as well as a number of workshops on the efficient utilisation of EPA preferences and the Access2Markets tool. Also, a workshop called **Services Go Global** was held, with the purpose of providing support for the strengthening and development of Dominican exports of services. This workshop was coordinated by **the Services Coalition and the Ministry of Industry, Commerce and MSMEs of the Dominican Republic**, supported and financed by the Caribbean Export and the European Union.

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<sup>120</sup> Video summary of the EPA awards event: <https://www.youtube.com/watch?v=sjeK6d0-9fs>  
<https://www.youtube.com/watch?v=sjeK6d0-9fs> <https://www.youtube.com/watch?v=sjeK6d0-9fs>  
<https://www.youtube.com/watch?v=sjeK6d0-9fs>

- ✓ In the context of EPA promotion, the Delegation in Dominican Republic also produced in 2021 a tutorial<sup>121</sup> on the tool Access2Markets in Spanish language for domestic use in Dominican Republic and the rest of Latin American countries.

## 2.2 Trade and sustainable development: Progress and outstanding issues

- The EU-CARIFORUM EPA is the first EU's trade agreement with specific chapters on sustainable development and social aspects (Chapter IV - Environment and Chapter V – Social aspects). These generally reaffirm the Parties' commitment to existing international conventions and agreements to conserve, protect and improve natural environment, respect core labour standards, and to prioritise sustainable development. It is further strengthened by a reference to Article 32 of the Cotonou Agreement and principles included in this agreement and subsequent post-Cotonou Agreement bringing these in line with more recent conventions.
- This dimension is also strongly supported through development cooperation programmes.

Among the actions taken by the Parties in 2021 to achieve the objectives of the EPA's trade and sustainable development chapter were the following:

EU cooperation funds supported CARIFORUM states in implementing programmes to **improve energy efficiency**, developing the CARIFORUM's renewable energy potential (e.g. in Barbados, Dominica, Grenada, St. Vincent and St. Kitts and Nevis), increasing grid penetration for energy from renewable sources, as well as by supporting the circular economy, notably with a focus on plastics and waste management.

EU funds supported **resilient workforce in St. Lucia** (with a particular focus on unemployed workers, young people, women,); development of a regulatory, institutional and digital

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<sup>121</sup> Acces2Markets video tutorial: <https://www.youtube.com/watch?v=z1zRPtOFt5o>  
<https://www.youtube.com/watch?v=z1zRPtOFt5o> <https://www.youtube.com/watch?v=z1zRPtOFt5o>  
<https://www.youtube.com/watch?v=z1zRPtOFt5o>

framework for **sustainable delivery of social services in Barbados** (by also providing training opportunities for young people to gain alternative employment); **strengthening of the capacity of Jamaican business** to provide gender sensitive and inclusive services to SMEs (notably by encouraging inclusiveness and participation of women); development of **the export readiness of companies in Trinidad and Tobago** (while promoting gender equality, youth inclusive participation in trade, compliance with environmental standards and sustainable approaches to trade); or strengthening of the structural involvement **of civil society in the regional development and integration agenda of the CARIFORUM** (notably with regard to the capacity for CSOs to influence and participate in **CARIFORUM's** social and economic policies including in relation to the EPA).

In **Dominican Republic**, EU funds supported **sustainable value chains for processed fruit and quality standards by SMEs** operating in avocado, pineapple and mango (including training on quality systems and food innocuousness, sustainable practices and responsible business conduct and social responsibility best practices). It has covered 70 Dominican SMEs, 1000 small farmers, and mobilised 100 technicians in the above mentioned areas.

Furthermore, under the **ACP Business Friendly** project, the EU, together with the Organization of African, Caribbean and Pacific States, supported a webinar on sustainable production and exports. This activity was aimed at cocoa producers and exporters in the Dominican Republic and sought to raise awareness of new production trends and demands of the European market, in line with the Green Deal and sustainable production practices. The event brought together agricultural exporters and potential exporters, as well as representatives of various multilateral institutions and private associations.

# ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE ECONOMIC PARTNERSHIP AGREEMENT (EPA) BETWEEN THE EU AND PACIFIC STATES

## 1. THE AGREEMENT

The EU is implementing an “**Interim**”<sup>122</sup> **Economic Partnership Agreement (EPA)** with Papua New Guinea since December 2009 and with Fiji since July 2014 (i.e. the original signatories), and with Samoa and Solomon Islands since December 2018 and May 2020, respectively, following their accessions to the Agreement. The interim EPA only covers trade in goods. Originally it was supposed to be replaced by a comprehensive regional EPA with all Pacific States<sup>123</sup>, however the negotiations were put on hold in 2016 mainly due to lack of progress and the withdrawal of Papua New Guinea from the negotiations. Currently, the preferred way forward is the geographical widening of the interim EPA and later, deepening of its content and/or increasing its scope, based on rendezvous clause.

In 2021, **preliminary accession talks** continued with potential future members - Tonga and Timor-Leste. The Parties are open to consider the request for accession by Vanuatu, which graduated from Least Developed Countries (LDC) status on 4 December 2020, and Kiribati and Tuvalu whose graduation from LDC status is due soon. These countries will lose the EU's Everything-But-Arms (EBA) preferences three years after the graduation from LDC status. They will fall under the standard Generalised Scheme of Preferences (GSP), unless they decide to accede to the EPA.

The interim EPA provides for **rules of origin for processed fisheries products** (mainly tuna), which is not provided for in any other EPA – the so-called "global sourcing" provision, which is intended to boost development in the region. This means that fish brought on-shore by foreign vessels but processed in a Pacific EPA country can be exported to the EU duty-free and quota-free, regardless of where the fish was caught. This significant concession by the EU has boosted

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<sup>122</sup> The title "interim" has lost much of its meaning, as this EPA is being transformed into a definitive one, with more and more countries in the region choosing to **accede** to it rather than seeking to continue the regional negotiations as a block for a "full" EPA with all the 14 countries in the region.

<sup>123</sup> Regional negotiations involved 14 Island States: Fiji, PNG, Samoa, Solomon Islands, Tonga, Vanuatu (all 6 currently WTO members), Cooks Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau and Tuvalu (all 8 are neither WTO members nor observers). To note: **Timor-Leste** is part of the Small Pacific Islands group of ACP States, signatory to the Cotonou Agreement, but was not part of the regional EPA negotiations as it is not a member of the Pacific Islands Forum with which negotiations were carried out.

investments in the tuna cooking and canning industry, creating tens of thousands of new jobs in Papua New Guinea (since 2009) and Solomon Islands (since 2020).

The Parties held their **8<sup>th</sup> Trade Committee meetings** (virtual), between 4 and 8 October 2021, on the margins of which other bilateral meetings and the second meeting of the Special Committee on Customs Cooperation and Rules of Origin took place. Tonga and Timor-Leste attended as observers and renewed their commitment to accede to the EU-Pacific interim EPA.

- The Trade Committee adopted its first two decisions, namely on (1) the Rules of Procedure of the Trade Committee and Special Committees, and (2) the amendment of Annex II to the Agreement to take account of the accession of Samoa and of Solomon Islands.
- The Parties made progress on the preparation of (3) the **Joint Declaration on trade and sustainable development** – they agreed to complete all internal processes, clearing the way for its endorsement at the next Committee meeting; and (4) the National EPA Implementation Plan of Actions by the Pacific States.
- The Parties also made progress in the preparation of the **joint monitoring and evaluation mechanism** involving civil society, which has been discussed in the last four EPA Committees. In the 2021 Committee meeting, the Parties progressed on the concept note on monitoring and evaluation of the EPA implementation, with a view to agree on the mechanism in next EPA Committee in 2022.

The Parties agreed to hold the next Trade Committee in Apia, Samoa in 2022.

## **2. MAIN IMPLEMENTATION ISSUES**

### **2.1 Main steps in implementation**

In 2021, progress was made in **implementing tariff liberalisation** under the interim EPA:

- On 30 March 2021, the EU and Fiji held a dedicated Senior Official meeting during which they agreed on the way forward – a roadmap for Fiji’s effective implementation and ratification of the interim EPA. The EU assisted in the transposition of the Fijian Market Access Offer from Harmonised System (HS) 2007 to HS 2017 nomenclature. These efforts aim at enabling economic operators on both sides to maximise the expected benefits, including the improved rules of origin, which have attracted

important investments and generated jobs in the tuna canning industry in Papua New Guinea and Solomon Islands.

All exports from Papua New Guinea, Fiji, Samoa and Solomon Islands continued to enter the EU market duty-free and quota-free on a permanent basis. Taking full account of differences in development levels and sensitive sectors, Papua New Guinea has liberalised 88% of imports from the EU since 2008, Fiji undertook to liberalise 87% over 15 years, Samoa will liberalise 80% over 20 years and Solomon Islands will liberalise 83.5% over 18 years.

Unlike the EPAs with other ACP partners, the Pacific EPA **does not have a development cooperation chapter**. Nevertheless, development cooperation is crucial in order to assist the Pacific States to meet some specific EPA implementation needs and to improve their capacity to export.

The EU continued to play an active role to support trade relations with the Pacific, particularly through **three combined trade-related assistance actions** funded under the Pacific Regional Integration Support Programme (PRISE): Contracted in 2021 for a total value of EUR 26.25 million, these actions (Strengthening Pacific Intra-Regional and International Trade –SPIRIT, Safe Agriculture Trade Facilitation in the Pacific - SAFE and Improving Pacific Islands Customs and Trade - IMPACT) have initiated complementary activities to support the implementation of the EPA and new accessions to it and improved awareness of EU preferential trade schemes and market access requirements. Initial interventions, which will continue over a period of four years included assisting Pacific countries to:

- formulate national EPA implementation plans (Fiji, Samoa, Solomon Islands), accession (Timor-Leste and Tonga),
- address sanitary and phyto-sanitary requirements (e.g. coconut, coffee, kava and turmeric value chains),
- harmonise of customs operations at regional and national levels (ASYCUDA and single windows),
- implement the EPA and WTO trade facilitation commitments.

### **Example: Implementation of the Pacific EPA by Papua New Guinea**

- In 2021, Papua New Guinea completed its Plan of Actions in order to enhance the implementation of the EPA. The EU Delegation in Papua New Guinea organised the second EU- Papua New Guinea Business, Trade and Investment Conference, with the view to raise awareness on EPA benefits, increase business opportunities and contacts, and foster new partnerships between the EU and Papua New Guinea, Fiji, Samoa, Solomon Islands, Tonga and Timor-Leste.
- The EU Delegation continued to implement one of its flagship projects in the economic sector, namely the Support to Rural Entrepreneurship, Investment and Trade in Papua New Guinea (EU-STREIT Papua New Guinea), the EU largest grant-funded programme in the country and in the Pacific sub-region, which is intended to contribute to sustainable and inclusive economic development of rural areas. Apart from improving the livelihood of smallholder farmers, it also has the potential to increase exports to the EU.

## **2.2 Trade and sustainable development goals**

The Pacific EPA does not include a chapter on trade and sustainable development. Nevertheless, the EU and the Pacific States are cooperating in the framework of the **Cotonou Agreement**, to step up efforts on trade and sustainable development matters under the EPA.

In 2021, the Parties increased efforts to promote the principles of trade and sustainable development (TSD) through a non-binding instrument – **Joint Declaration on trade and sustainable development** that seeks political endorsement. The aim is to build the foundation for potential commitments on TSD between the EU and the Pacific States. Although the Joint Declaration entails no new legal commitments, it constitutes an important political commitment and a milestone for the Pacific partners to place sustainable development solidly at the heart of the EU-Pacific trade relations under the interim EPA. The Parties agree on the principles and some concrete actions (information and experience sharing) in order to develop and implement cooperation and capacity-building activities in priority areas. The joint declaration places the EU-Pacific States' joint objectives firmly on the map of efforts towards meeting the UN 2030 goals:

- During the Trade Committee in October 2021, the Parties discussed the draft Joint Declaration, including the comments made by EU Member States on the inclusion of



internationally recognised core labour standards (ILO conventions), the multilateral environmental agreement (in particular the UNFCCC and the Paris Agreement), with specific attention to gender issues.

- The Pacific partners reiterated their commitment to sustainability and particularly referred to the fight against climate change – a critical challenge for the Pacific region. They are consulting stakeholders ahead of endorsing the Joint Declaration possibly at the next Trade Committee, expected in the second half of 2022 in Apia, Samoa.

## Annex

### SECTION IV OF THE REPORT: ADRESSING BARRIERS AND FINDING SOLUTIONS

#### *LIST OF BARRIERS RECORDED AND SOLVED in 2021*

(1 January 2021 – 31 December 2021)

#### 1. NEW TRADE AND INVESTMENT BARRIERS REPORTED IN 2021

	COUNTRY	BARRIER	SECTOR	A2M <sup>124</sup>
1	Algeria	Restrictions to maritime auxiliary services providers (Exec. Decree 20-348)	Services - Transport	16782
2	Algeria	Re-registration of companies	Horizontal	16942
3	Dominican Republic	Discriminatory VAT on imported ham and cheese.	Agriculture and Fisheries	16702
4	Egypt	Temporary import ban of ceramic tiles	Ceramics and Glass	16502
5	India	Quality Control Orders on Footwear	Textiles and Leather	16842
6	India	Quality Control Order for Man-made Fibres	Chemicals	17182
7	Indonesia	Medical devices	Other industries	17164
8	Japan	Procurement - Single Point of Access for tenders	Horizontal	16822
9	Nigeria	Nigerian postal legislation	Services - Communication	17002
10	Oman	Import restrictions of olive oil	Agriculture and Fisheries	17242
11	Philippines	Ceramic tiles mandatory certification	Ceramics and Glass	16862
12	Saudi Arabia	Setting of mandatory expiry dates for several food products	Agriculture and Fisheries	16882
13	Saudi Arabia	Saudi Arabia ECall 4G requirement	Automotive	16922
14	South Korea	Restricted market access for European vacuum street-cleaners	Electronics	16902
15	United States of America	Spanish ripe olives	Agriculture and Fisheries	17062
16	Vietnam	Market access procedures for animal products and for food additives	Services - Communication	16982

<sup>124</sup> More details about the barriers can be found at this reference number under the Barriers section of “Access2Markets” portal <https://trade.ec.europa.eu/access-to-markets/en/barriers>

## 2. TRADE AND INVESTMENT BARRIERS RESOLVED IN 2021<sup>125</sup>

	COUNTRY	BARRIER	SECTOR	A2M <sup>126</sup>
1	Australia	Australian Fuel Standards – sulphur content	Automotive	15423
2	Bangladesh	Export restrictions on hides and skins	Textiles and Leather	12325
3	Bosnia and Herzegovina	Preferential rate for domestic businesses in public procurement	Horizontal	16665
4	Canada	EU harmonised certificates for exports of animal products to Canada	Agriculture and Fisheries	16362
5	Canada	exports of grapevine plants to Canada	Agriculture and Fisheries	16682
6	Chile	IPR enforcement - pharmaceuticals and agro-chemicals	Pharmaceuticals	11405
7	China	Financial services	Services - Financial	11001
8	Ecuador	Procedure for the approval of establishments without prior inspection	Agriculture and Fisheries	17022
9	Egypt	Temporary import ban of ceramic tiles	Ceramics and Glass	16502
10	Egypt	Temporary ban on imports of white sugar	Agriculture and Fisheries	16185
11	Egypt	Several measures on imports related to Covid-19	Horizontal , Iron, Steel and Non-Ferrous Metals, Agriculture and Fisheries	15796
12	India	Standards on alcoholic beverages	Wines & Spirits	14123
13	India	Mandatory veterinary certificates for importing leather	Textiles and Leather	14382
14	India	Indian ban on import of furskins	Textiles and Leather	12401

<sup>125</sup> Fully resolved or partially resolved barriers

<sup>126</sup> More details about the barriers can be found at this reference number under the Barriers section of “Access2Markets” portal <https://trade.ec.europa.eu/access-to-markets/en/barriers>

15	Indonesia	IPR: local working requirements	Horizontal	12780
16	Indonesia	New Regulation on Traditional Markets, Shopping Centers and	Services - Distribution	10144
17	Indonesia	Import permit for importing batik patterned fabrics	Textiles and Leather	12480
18	Japan	Non- recognition of EU' s regionalisation measures	Agriculture and Fisheries	12741
19	Japan	Member States applications on beef and ban due to Bovine	Agriculture and Fisheries	15324
20	Kenya	Cessation of warehousing goods in customs bonded warehouses	Horizontal	16102
21	Mexico	Complaint regarding trade restrictive measure to the export of Tequila destined for use of flavoured beer	Wines & Spirits	16162
22	Nicaragua	Non- recognition of EU' s regionalisation measures implemented due	Agriculture and Fisheries	17042
23	Pakistan	Animals and meat import restrictions - BSE	Agriculture and Fisheries	11623
24	Peru	Peru implementation of FTA provisions.	Agriculture and Fisheries	10500
25	Saudi Arabia	Setting of mandatory expiry dates for several food products	Agriculture and Fisheries	16882
26	Singapore	IPR-Deficient Neighbouring rights for performers and phonogram	Services - Recreational, incl. news agency services	11840
27	South Korea	Non- recognition of EU' s regionalisation measures implemented due	Agriculture and Fisheries	12740
28	South Korea	Ballast water treatment systems for Korean vessels	Shipbuilding	14782
29	South Korea	Illegal use of EU MS national flag	Agriculture and Fisheries	16962
30	South Korea	Restricted market access for European vacuum street-cleaners	Electronics, Machinery	16902

31	Thailand	Non-recognition of regionalisation due to avian influenza	Agriculture and Fisheries	15404
32	Thailand	Cumbersome and undue delays of import application procedures	Agriculture and Fisheries	11600
33	Tunisia	Higher tariffs on "non-essential" consumer products (including	Chemicals, Cosmetics, Textiles and Leather, Agriculture and Fisheries	13049
34	United States of America	Sheep and goat meat market access to the USA	Agriculture and Fisheries	13623
35	United States of America	Section 232 tariffs on steel and aluminium imports	Iron, Steel and Non-Ferrous Metals	14162
36	United States of America	Boeing Subsidies	Aircraft	11880
37	United States of America	Import restrictions on poultry meat and egg products	Agriculture and Fisheries	14534
38	Vietnam	Market access procedures for animal products and for food additives	Agriculture and Fisheries	16982
39	Turkey	Amendments to the Cosmetic legislation	Cosmetics	14822