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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** complementary information on

- **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*”), adding additional information on each of the 37 trade agreements covered, notably the agreement’s scope and state of play, main progress on implementation and outstanding issues for market access and trade and sustainable development, as well as any matters of specific relevance, where appropriate;

- **section IV** of the report, called “*Addressing trade barriers and finding solutions*”, providing a complete **list of trade barriers** (new barriers reported and barriers resolved in 2020).

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 are available at the Commission’s Transparency in Action website<sup>2</sup>.

- **General statistics** on trade in goods and services and on foreign direct investment for **all EU trading partner countries** can be found on the Commission/DG TRADE website<sup>3</sup>. These are regularly updated.

- **Statistics** on trade in goods and services and on foreign direct investment **between the EU and the 67 preferential trading partner countries** covered by this Staff Working Document can be found on the Commission/DG TRADE’s website<sup>4</sup>. These are specifically produced for the annual report and they are based on Eurostat data for the EU27 as they stood in March 2021 (no further updates). *NB: The latest statistics for trade in goods are for 2020, for trade in services and investment for 2019, except where indicated otherwise.*

- **Tariff Rate Quotas (TRQs)** for the EU and preferential partner countries’ fill rates in 2020 can be found on the Commission/DG TRADE’s website.<sup>5</sup>

- **Preference utilisation rates** (PURs) on EU imports for all 67 partner countries covered by the report as well as PURs on EU exports to the preferential partners, who shared the information can be consulted on the Commission’s/DG TRADE’s website<sup>6</sup>, 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.*

<sup>1</sup> <https://trade.ec.europa.eu/doclib/html/159794.htm>

<sup>2</sup> <https://trade.ec.europa.eu/doclib/press/index.cfm?id=1395>

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

<sup>4</sup> <https://trade.ec.europa.eu/doclib/html/159796.htm>

<sup>5</sup> <https://trade.ec.europa.eu/doclib/html/159797.htm>

<sup>6</sup> <https://trade.ec.europa.eu/doclib/html/159798.htm>

## EU TRADE AGREEMENTS COVERED BY SECTION II OF THE REPORT

(Agreement/date of application)<sup>7</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>8</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>7</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>8</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 SECTION II OF THE REPORT

(Agreement /date of application)

<b>Western Balkans – Stabilisation and Association Agreements</b>	
EU-Kosovo* <sup>9</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>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.
<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, 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, which in 2020 was the EU's 15<sup>th</sup> largest trade partner, overall, and 1<sup>st</sup> trade partner in ASEAN with a total trade of €43.2 billion, a decrease as compared to €45.5 billion in 2019. The trade and investment agreements are expected to contribute to solidify this situation by removing remaining obstacles and protecting EU investments. 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). Vietnam has a population of 96.5 million inhabitants. Though hit by the health pandemic, its GDP grew by 2.9 % in 2020, showing a remarkable resilience as compared to other countries.

## 2. PREPARATORY WORK PRECEDING ENTRY INTO FORCE

During the course of 2019 and 2020, the EU Delegation in Vietnam organised several outreach events to promote and raise awareness on the benefits of the EVFTA.

The EU supports the implementation of the EVFTA with a Partnership Instrument (PI) project launched in 2019, providing technical and legal support. This project complements a series of varied targeted actions, including at regional level, which also aim at strengthening responsible supply chains, reducing plastic waste and fostering the circular economy and strengthening food safety in Asia.

The EU supports also the implementation of the EVFTA chapter Sanitary and Phytosanitary (SPS) with Better Training for safer Food project (BTSF) launched in 2019, providing technical support and capacity building. This project complements a series of varied targeted actions, with the main aim for Vietnamese competent authorities to better understand the provisions of the SPS chapter, and in particular the preparation of written guidelines related to these specific provisions (the concept of “single entity”, the application of regionalisation principles, the pre-listing procedures, etc.).

### **3. FIRST STEPS IN IMPLEMENTATION**

During the first 8 months following the entry into force of the EVFTA, the EU and Vietnam have been setting up the necessary institutional structures under the agreement: The highest instance of the dialogue is the Trade Committee, which meets at ministerial level. The agreement also establishes 5 Specialized Committees and 2 Working Groups. The EU and Vietnam also agreed on the rules of procedure of the Trade Committee. A number of committees and working groups met already in the first half of 2021 (including the Specialized Committee on Trade in Goods, the Specialized Committee on Sanitary and Phyto-Sanitary measures, the Specialized Committee on Trade and Sustainable Development as well as the Working Group on intellectual property rights, including geographical indications). A meeting of the Trade Committee is envisaged for the second half of the year.

Already from the entry into force of the agreement and pending the first meeting of the specialized committees, the Commission and the Vietnamese authorities pursued an informal dialogue on the implementation of the agreement, in general, as well as online meetings in specific areas, including SPS measures, Rules of Origin, customs-related issues, trade and sustainable development.

The EU is working intensively with Vietnam to achieve a full implementation of the provisions under the SPS chapter, including the concept of “single entity”, the application of regionalisation principles and the pre-listing procedures. The EU is also focusing on solving the differentiation Vietnam applies among regulatory authorities of EU member states with regard to pharmaceuticals. The EU is attaching particular importance to the implementation of Vietnam’s commitments in the area of Trade and Sustainable Development. The EU aims at seeing an acceleration of the process leading to the completion of key labour reforms that Vietnam has started to implement, as well as the establishment of Vietnam’s domestic advisory group, in accordance with the agreement.

# 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>10</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.

The EU-Singapore trade and investment agreements, therefore, 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. The Agreements may offer inspiration for trade and investment agreements between the EU and other ASEAN Member States and as a pivot towards a region-to-region engagement.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market Access: Progress and outstanding issues

With entry into force of the Agreement progress was made on the implementation of the provisions on **geographical indications** within the Chapter on Intellectual Property Rights (IPR), which introduced enhanced provisions on the registration and protection of geographical indications (GIs) in Singapore: in 2020, the Trade Committee adopted a decision modifying the list of protected GIs within the scope of the Free Trade Agreement and a second decision on the interpretation of certain provisions in relation to the protection of GIs in the EUSFTA. As part of its EUSFTA commitments, Singapore passed its enhanced GI legislation as of 1 April 2019, introducing, inter alia, a proper GI registry system. To date, 140 EU GIs are successfully registered in Singapore.

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<sup>10</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.

Within the same Chapter Singapore also committed to introduce **border measures against counterfeit goods** protected by geographical indications, no later than three years of the entry into force of the ESFTA. This legislative change is **pending**.

The governing body of the EUSFTA is the Trade Committee, co-chaired by the EU Trade Commissioner and the Singapore Minister for Trade and Industry. The Trade Committee is set to meet in the second half of 2021.

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

The 1<sup>st</sup> TSD Board meeting bringing together the representatives of the Government of Singapore and the EU took place on 17-18 November 2020, followed by a dynamic discussion on 20 November 2020 with Civil Society. The meeting of the TSD Board already in the first year of the Agreement is a direct result of the commitments Singapore took before the European Parliament (NB: EUSFTA says “within two years of entry into force”). The meeting covered the main areas of joint interest: energy, climate change, circular economy, as well as labour conditions. Agreement was reached between EU and Singapore, among other things, that both sides should continue working together on the full and timely implementation of their respective commitments under the Paris Agreement. Singapore’s ratification of the remaining fundamental ILO Conventions: C105 (forced labour), ILO C87 (freedom of association) and ILO C111 (non-discrimination) was also discussed and the EU continues to encourage Singapore to present a roadmap to this end.

## **2.3 Sanitary and phytosanitary matters: Progress and outstanding issues**

The First meeting of the Committee on SPS between the Singapore and the EU took place on 16<sup>th</sup> November 2020. Both sides appreciated that the exchanges could take place despite the difficult circumstances caused by the pandemic and agreed to follow-up on the issues discussed. In the light of the EU harmonised legislation, the EU questioned the need for maintaining the “born and raised and slaughtered in the country of origin” clause in health certificates for imports of animal products from EU Member States to Singapore. It was agreed to deepen the discussion in further exchanges. The EU informed on the state-of-play and next steps of the Singaporean request to export meat and fishery products to the EU through Singapore from third countries or from EU through Singapore to third countries. Questions related to export inspections and health certifications of ornamental fish were also discussed. Singapore informed the EU about the latest developments related to several Member States pending applications to export animal products. Despite travel restrictions due to Covid 19, which made on-site verification inspections impossible, the export of several commodities from Member States were approved. Both sides exchanged views on the application of regionalisation principles in trade and committed to continue the dialogue on this matter.

# 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”) 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 EU and Japan amended the EU-Japan EPA in two important areas, namely **geographical indications** and **UN regulations on motor vehicles**. For both areas, the lists in the annexes were expanded in order to reflect additional GIs benefitting from protection, and additional UN regulations for motor vehicles that both Parties implement:

- ✓ The **Joint Committee** in January 2021 adopted Decision no. 1 on the enlargement of the list of **geographical indications** protected under the Agreement and
- ✓ Decision no. 2 on the listing of **additional UNECE regulations**, in respect of motor vehicles, that both Parties apply.

Furthermore, Japan informed the EU about the **oenological practices for use in wine that had been authorised in line with the EPA calendar** and about those that would be authorised in January 2021.

The Committee on **Customs and Rules of Origin** has successfully implemented its work plan<sup>11</sup>, and the Parties thus undertook to pursue discussions on other additional areas regarding certificates of origin with a view to offering further guidance to economic operators as regards the obligation to disclose as part of their “statements on origin” the specific

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<sup>11</sup> [https://trade.ec.europa.eu/doclib/docs/2019/july/tradoc\\_157973.pdf](https://trade.ec.europa.eu/doclib/docs/2019/july/tradoc_157973.pdf)

criterion that confers preferential origin (e.g. if the product concerned is “wholly obtained” in the EU or the partner country or the element leading to a change of tariff heading; etc.).

The Parties discussed **quota management procedures for the import into Japan of certain agricultural commodities** and processed agricultural products, notably further adjustments of quota management procedures in particular for cheeses, as a first step. New rules introduced by Japan following those discussions aim at the reallocation of unused quota volumes to efficient operators earlier during the fiscal year, and the discouragement of applications from companies that do not have the capacity to effectively utilise quota import licences in full. Discussions on other quotas, including malt, are or will be pursued in the months to come.

The **SPS specialised committee** met in November 2020 where the main outstanding issues were deeply discussed, in particular: the need for expediting the finalisation of the EU pending applications for exporting beef, poultry and pig products, the application of the “EU as single entity” and the adherence to the international standards on animal health (mutual recognition of the animal health project-regionalisation).

However, in some other sectors, there are still difficulties for EU companies to access the Japanese market. For example, when it comes to **procurement** of rail equipment, suppliers from the EU are experiencing obstacles to access the Japanese market due to the lack of transparency on the standards required and the lack of an independent third-party certification of compliance with technical requirements for products, leaving Japanese individual railway operators free to define their own requirements. The Commission is engaging with Japan on these issues in the Technical Expert Group (set up in the context of the EPA negotiations) and in the EU-Japan High Level Dialogues.

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

The Committee on **Trade and Sustainable Development** met virtually on 26-27 January 2021<sup>12</sup>. The Committee pursued its activities regarding the broad areas identified in 2020:

- ✓ As regards climate-related issues, the Parties provided an update on their Nationally Determined Contribution (NDC) in the context of the **Paris Agreement**, with Japan referring to its work to revise its NDC to reflect the new domestic measures. The Parties also took stock of the activities on responsible supply chains, including the high-level event on the role of responsible business conduct in building resilience, which took place on 21 January 2021. In this context, Japan reported on the adoption of the **National Action Plan on Business and Human Rights** in October 2020, and indicated the on-going efforts towards implementation.
- ✓ The Committee on Trade and Sustainable also considered the issue of **illegal logging** and related trade, in view of the planned review in 2022 of Japan’s Clean Wood Act; and Japan’s efforts on the ratification of the ILO C105<sup>13</sup> and C111<sup>14</sup>, including the

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<sup>12</sup> Minutes available at [https://trade.ec.europa.eu/doclib/docs/2020/march/tradoc\\_158664.pdf](https://trade.ec.europa.eu/doclib/docs/2020/march/tradoc_158664.pdf)

<sup>13</sup> On abolition of forced labour

<sup>14</sup> On professional discrimination

holding of a tripartite discussion in June 2020, and debates in December 2020 within All-Party Parliamentary Group for ILO activities.

EU and Japan held the first **Joint Dialogue with Civil Society** on 29 January 2021<sup>15</sup>. Representatives from governments and civil society organizations discussed crosscutting issues relating to Trade and Sustainable Development, trade and environment (including climate action) and trade and labour.

Japan and the EU continued discussions on **rules of procedure for dispute settlement** and the establishment of list of individuals willing to serve as panel experts.<sup>16</sup> Formal decisions should be taken in the course of 2021, pending agreement by the Japanese authorities.

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<sup>15</sup> Report available at [https://trade.ec.europa.eu/doclib/docs/2020/june/tradoc\\_158782.pdf](https://trade.ec.europa.eu/doclib/docs/2020/june/tradoc_158782.pdf)

<sup>16</sup> While the Committee on Trade and Sustainable Developments is to adopt decisions on dispute settlement rules, in accordance with the EPA, the dispute settlement mechanism is able to operate pending those decisions by relying, if need be, on the rules of procedure adopted under the general EPA chapter on dispute settlement.

# 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-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 2020.

Encouraging developments related to the **extension of the geographical indications’ (GI) list** protected in the Annexes of the FTA took place in 2020 and early 2021. Following the adoption in 2019 of the Rules of Procedure of the GI Working Group established under the FTA, the EU and Korea reached agreement in principle at the April 2021 Trade Committee to include additional 84 EU and Korean names in the list of 226 GIs already protected. Further work is necessary regarding one German Geographical Indication and the consequences of the removal of UK Geographical Indications.

The 2021 Trade Committee also adopted an administrative amendment to the car sector annex that reflects technological and regulatory developments in the automotive sector. This amendment will bring more clarity as to the terms of application of the rules and will enable businesses to save costs for testing and certification.

Regarding customs issues, the EU and Korea reached **mutual understanding** under Article 27 of the **Origin Protocol** concerning the verification procedure; the Customs Committee adopted a recommendation<sup>17</sup> to that effect.

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<sup>17</sup> Recommendation No 1/2020 of the Customs Committee established under the Free Trade Agreement between the European Union and its Member States, of the one part, and the Republic of Korea, of the other part of 8

However, some long-standing issues remain unresolved, including:

- ✓ The block 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 now export beef to Korea, however other Member States are still waiting for the finalisation of their approval process.
- ✓ The **lack of recognition by Korea of the regionalisation principle** for animal diseases (African swine fever and avian influenza) as implemented in the EU.

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

The Committee on Trade and Sustainable Development (CTSD) did not meet in 2020. During the reporting period, the main advances relate to the unfolding of the legal proceedings linked to the **bilateral dispute under the TSD (TSD) Chapter of the FTA**. The dispute, launched on 17 December 2018 when the Commission formally requested government consultations under Article 13.14 of the FTA, concerns Korea's obligation to: i) ratify all fundamental International Labour Organization (ILO) Conventions, and ii) respect in law and practice the core principles of the ILO, in particular the principle of freedom of association and right to collective bargaining.

As the government consultations did not solve all the issues, the EU requested on 4 July 2019 the establishment of a Panel of Experts to examine the matters and to solve the dispute. On 30 December 2019, the Panel of Experts was formally established.

During the reporting period the legal proceedings continued: a virtual panel hearing took place on 8 and 9 October 2020 and the Panel of Experts' issued its report on 20 January 2021.<sup>18</sup>

The Panel of Experts agreed with the EU that a number of provisions of the Korean trade union legislation were not consistent with the principles concerning freedom of association rights. The Panel also found that Korea has made continued and sustained efforts over the last years to ratify three of the four outstanding fundamental ILO Conventions. It nevertheless recognised that Korea's efforts were not optimal and clarified that there is an ongoing obligation in this regard, stating that it expected Korea to ratify expeditiously all outstanding fundamental ILO Conventions.

In the meantime, there have been important developments in Korea to promote labour rights. On 9 December 2020, Korea's National Assembly passed a number of legislative amendments to the Korean Trade Union Act aiming to bring it in compliance with the principle concerning freedom of association. On 26 February 2021, the Korean National Assembly completed the ratification process of three fundamental ILO Conventions: No 87 on the Freedom of

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December 2020 on the application of Article 27 of the Protocol concerning the definition of 'originating products' and methods of administrative cooperation (OJ L 434, 23.12.2020, p. 67).

<sup>18</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).

Association and Protection of the Right to Organise, No 98 on the Right to Organise and Collective Bargaining and No 29 on Forced Labour.

According to Article 13.15 of the FTA, the parties shall make their best efforts to accommodate the views and recommendations of the Panel of Experts. The CTSD is the institutional body established under the EU-Korea FTA with the responsibility to monitor this process. To this effect, the CTSD met on 13 and 14 April 2021. The discussions continued in a follow up technical exchange. As a result, the EU and Korea agreed to continue to engage on this, under the institutional framework of the agreement. They decided to meet to review the application of the amended Trade Union Act, shortly after it enters into force in July 2021, in an ad hoc interim meeting of the CTSD. They also agreed to review jointly the preparatory work taken forward by Korea for the ratification of the outstanding fundamental ILO Convention No 105 on the Abolition of Forced Labour in a technical meeting towards the end of 2021, or early 2022.

### 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 and China pay full duty (8%) on most of the car parts (within the RCEP, 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).

		2020 total import (1,000 \$)	2020 main import sourcing (outside the EU) and evolution of imports (1,000 \$)					
			1st	2019	2020	2nd	2019	2020
Electronic sector								
HS 8522	Parts and accessories for pictures and sound reproducing and recording apparatus	21.350	China	17.810	15.911	Japan	2.201	1.796
HS 8527	Reception apparatus	118.356	China	105.994	49.905	Vietnam	22.542	23.618
HS 8529	Parts for reception apparatus	3.722.255	China	2.734.900	1.887.365	Vietnam	1.416.857	1.135.058
Core car parts								
HS 8407	Spark-ignition reciprocating or rotary internal combustion piston engine	460.378	Mexico	84.473	187.335	Japan	165.819	57.541
HS 8408	Diesel or semi-diesel engines	518.785	Japan	136.315	122.591	China	49.033	32.143
HS 8409	Parts for engines of 8407 or 8408	1.035.704	China	237.877	218.943	Japan	191.392	153.756
HS 8708	Parts and accessories for motor vehicles of headings 8701 to 8705	4.048.337	China	1.203.616	1.397.347	Japan	729.595	596.515
HS 8705	Electric accumulators, including separators therefo	2.003.851	China	1.338.740	1.732.817	Vietnam	44,496	45,367
Source : Kita.org								

The import pattern has not fundamentally changed since the EU-South Korea FTA has been signed. Korea's imports of combustion (gasoline and diesel) engines and parts for engines (HS 8407, 8408 and 8409) showed a downward trend in 2020 compared to 2019 (-19%), while the imports of core car parts (HS 8708) slightly increased (+5%). EU imports of vehicles (HS 87) from Korea decreased by 18% in 2020 compared to 2019. EU imports of cars (HS 8703) from Korea decreased by 16% in 2020 compared to 2019.

## **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**”) has been provisionally applied since 21 September 2017. At the time of writing, 15 Member States had notified the completion of their ratification process (Austria, Czech Republic, Denmark, Estonia, Spain, Croatia, Latvia, Lithuania, Luxembourg, Malta, Portugal, Romania, Finland, Slovakia and Sweden). The ratification process is still ongoing in the remaining Member States.

In 2020-2021, significant progress was made in building the foundations of the **Investment Court System** (ICS) already established in CETA. Although the ICS provisions are not provisionally applied, the contours of the further work on the ICS were agreed between EU and Canada in the Joint Interpretative Instrument on CETA<sup>19</sup>. On 29 January 2021, the EU and Canada adopted four decisions putting in place CETA’s ICS provisions. The decisions – and all investment protection provisions in the agreement – will apply only once the elected lawmakers of all the 27 EU Member States will have approved CETA.

On 11 October 2019, the Commission had presented the proposals for the decisions to the Council and EU Member States in the Council unanimously approved the adoption of the decisions on 18 May 2020. The Commission has also kept the European Parliament fully informed about these decisions.

The four decisions adopted in January 2021 by the EU and Canada concern:

- Rules setting out the functioning of the Appellate Tribunal: these rules will ensure an effective appeal function, the first such appeal function to become operational in international investment agreements;
- A code of conduct for the judges of the Investment Court System: this will further bolster the assurances of the highest ethics standards already contained in the agreement;
- Rules for mediation: mediation is an area which traditional investment agreements have largely overlooked and;
- Rules for binding interpretations to be adopted by the CETA Joint Committee: these rules will facilitate the EU and Canada to maintain control of the interpretation of the agreement.

The decisions were adopted in all 23 authentic languages of CETA and are published in the EU Official Journal<sup>20</sup>.

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<sup>19</sup> Para. 6 (“Investment Protection”) of the Joint Interpretative Instrument on the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union and its Member States (OJ L 11, 14 January 2017, pp. 3–8).

<sup>20</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2021:059:TOC>.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market Access: Progress and outstanding issues

In 2020, the EU obtained Canada's commitment to apply the outcome of the settlement reached with Australia in WTO dispute DS537 also to alcoholic products imported from the EU. As a result of this settlement, Canada will remove the discriminatory aspect of the federal excise duty by mid-2022 and three Canadian provinces (Ontario, Quebec and Nova Scotia) will remove discriminatory measures on wines (by mid-2023, end 2023 and mid-2024 respectively). The EU will continue to monitor the implementation of CETA Declaration on Wines and Spirits. Despite remaining barriers, in 2020, **Canada has become the EU's 4<sup>th</sup> largest export market for wines.**

The EU made a detailed submission on the management of the **CETA cheese TRQs** in the framework of the comprehensive TRQ review launched by Canada. Although the EU has certain concerns on how the quotas are managed, the fill rate is high.<sup>21</sup> Moreover, CETA also increased duty-free access for EU cheese under Canada's WTO quota. As Canadian MFN tariffs on cheese are 245.5% or higher, duty-free exports to Canada under CETA preferences are a great opportunity for EU cheese makers.

<b>CETA's tariff-free quotas are being phased-in over 5 years</b>	
2017	824 tonnes
2018	5.900 tonnes
2019	8.850 tonnes
2020	11.800 tonnes
2021	14.750 tonnes
2022	17.000 tonnes

In 2020, **5 additional EU GIs were registered** directly in Canada, namely Sobrasada de Mallorca, Alicante, Tokaj/Tokaji, Stelvio/Stilfser and Finocchiona. The EU continues to exchange with Canada on how to best assist European stakeholders to ensure the effective GI protection in Canada.

In September 2019, the Commission carried out an **audit in Canada on the production of pig and bovine meat** intended for export to the European Union. Constructive exchanges took place between the Canadian authorities and the European Commission and resulted that **Canada demonstrated to have addressed all recommendations** satisfactorily. Nevertheless, the Commission will continue to monitor closely the situation and will plan a follow-up audit in Canada.

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<sup>21</sup> In 2020, 11.800 tonnes were available under the CETA quotas and 11.109 tonnes were used which constitutes a fill rate of 94%.

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

In 2020, the EU and Canada continued to advance joint actions to promote the objectives of the CETA Joint Committee **Recommendation on Trade, Climate Action and the Paris Agreement**.

At the third annual meeting of the CETA **Trade and Sustainable Development Committee**<sup>22</sup> 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<sup>23</sup>, on exchanges and events aimed at sharing information on policies, laws and best practices on a range of issues, including supporting women's entrepreneurship and conducting impact assessments of free trade agreements;
- ✓ **Trade and labour issues** and future cooperation on a number of policy areas, including combatting forced and child labour. 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;
- ✓ The EU and Canada updated each other on the developments in their respective domestic environment and **climate policies**, and reviewed their **bilateral cooperation activities** on these areas in 2020, which focused on climate change, clean technologies, biodiversity and circular economy. Planning forward, the Parties noted potential synergies on the World Circular Economy Forum, which Canada will host in 2021, and confirmed continued close cooperation under the Paris Agreement in the lead-up to COP26 as well as under the Convention on Biological Diversity in the lead up to COP15;
- ✓ Finally, the EU and Canada **recalled their commitment to undertake an early review of the TSD chapter** in CETA, with a view to the effective enforceability of CETA provisions on trade and labour, and trade and environment, as set out in Article 10 (a) of the CETA Joint Interpretative Instrument, and took stock of the process. In this framework, the Parties held, virtually, a second dedicated session on 23 October 2020, and had several interactions with the CETA DAGs as well as a broad discussion with civil society representatives during the 3rd CETA Civil Society Forum.

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<sup>22</sup> Report available at: [https://trade.ec.europa.eu/doclib/docs/2021/april/tradoc\\_159554.pdf](https://trade.ec.europa.eu/doclib/docs/2021/april/tradoc_159554.pdf).

<sup>23</sup> Work Plan available at: [https://trade.ec.europa.eu/doclib/docs/2020/september/tradoc\\_158945.pdf](https://trade.ec.europa.eu/doclib/docs/2020/september/tradoc_158945.pdf).

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 Canada DAGs** at their 3rd joint discussed the **TSD review and enforcement**, the impact of COVID-19 on trade (and more specifically on supply chains), as well as the impact of EU-Canada trade on climate change. They also identified joint priorities for 2020-2023.

The 3<sup>rd</sup> **CETA Civil Society Forum** met before the CETA TSD Committee, with more than 150 registered participants and 120 joining the sessions from across the EU and Canada from business, social partners, environmental organizations and other civil society representatives<sup>24</sup>. Four thematic sessions explored the following topics: (i) the update on the CETA Trade and Gender Recommendation, SME Recommendation and Recommendation on Trade, Climate Action and the Paris Agreement; (ii) the update on Early Review of the CETA TSD Chapters; (iii) EU-Canada Cooperation on Labour; and (iv) EU-Canada Cooperation towards a Sustainable COVID-19 Recovery.

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<sup>24</sup> Report available at: [https://trade.ec.europa.eu/doclib/docs/2021/march/tradoc\\_159494.pdf](https://trade.ec.europa.eu/doclib/docs/2021/march/tradoc_159494.pdf)

# 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 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.

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 2020. The minutes of all meetings are publicly available.<sup>25</sup>

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market Access: Progress and outstanding issues

In 2020, 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>26</sup> project in the area of **intellectual property**, the **RBCLAC project**<sup>27</sup> implemented in partnership between the OECD, ILO and UN OHCHR, a number of seminars targeting specific concerns in the area of **SPS** and respective projects (funded by the Partnership Instrument) to assist more globally in the implementation of the Agreement.

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<sup>25</sup> <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2100>

<sup>26</sup> <https://ipkey.eu/en/latin-america>

<sup>27</sup> Responsible Business Conduct in Latin America and the Caribbean: <https://mneguidelines.oecd.org/rbclac.htm>

## *Colombia*

In 2020, discussion in the area of SPS continued, **Colombia and the EU made significant progress on a harmonised certificate** to allow the prelisting for EU establishments producing meat products and advanced on the approval requirements for the harmonised certificate for dairy products. However, such progress still needs to be translated in practice, with tangible improvement of access of EU Member States. Follow up and continued discussions with Colombia remain necessary. Progress was also made in the area of **public procurement**: the Trade Committee adopted a decision extending coverage under the Agreement to six new Colombian agencies at the central level of government. On the sub-central level, the EU and Colombia continued discussions in order to find a solution to the problems faced by EU companies when procuring in the Colombian market. The EU also discussed with Colombia the upcoming reform of Law 80/1993 on Public Procurement.

At the same time, there remain a **number of outstanding issues**, notably in the area of SPS: Colombia still does not recognise the regionalisation principle enshrined in the Agreement and still has in place restrictions on exports of live pigs and pig meat from two EU Member States, due to African Swine Fever. 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** and the burdensome importation and taxation processes that apply to these products. In this regard, the EU monitored the implementation Decree 2106/2019 (*Decreto antitrámites*) which addresses some of these concerns, but whose implementation has been delayed.

Through its **cooperation projects**, the EU supported the reduction of red tape and other trade related objectives in Colombia. During 2020, the **EU continued supporting the improvement of the business environment in Colombia**, building on the three position papers developed with EU industry on public procurement, alcoholic drinks and the health sector. The EU presented these papers to the relevant Colombian authorities. Furthermore, Colombia took part in the EU's regional programmes on the fight against Antimicrobial Resistance<sup>28</sup> and the promotion of Responsible Business Conduct<sup>29</sup>.

## *Peru*

The Trade Agreement continues to promote the **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 fresh fruits, which accounted for 6% of Peru's exports to the EU in 2012. Exports of fresh fruits have since increased 300% and account now for 27% of Peru's exports to the EU.<sup>30</sup>

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<sup>28</sup> [https://ec.europa.eu/fpi/sites/fpi/files/annexes\\_aap\\_2018\\_phase\\_ii\\_3.pdf](https://ec.europa.eu/fpi/sites/fpi/files/annexes_aap_2018_phase_ii_3.pdf)

<sup>29</sup> [https://ec.europa.eu/fpi/sites/fpi/files/ann\\_8\\_-\\_action\\_fiche\\_for\\_responsible\\_business\\_conduct\\_in\\_latam\\_and\\_caribbean.pdf](https://ec.europa.eu/fpi/sites/fpi/files/ann_8_-_action_fiche_for_responsible_business_conduct_in_latam_and_caribbean.pdf)

<sup>30</sup> In fact, where the exports of more traditional products decreased, those of agricultural products continued to grow despite the pandemic and were thus responsible for easing up the fall in overall Peruvian exports during the year of the pandemic.

**Progress** was made in the area of **Technical Barriers to Trade**: Peru, through its Supreme Decree 021-2020-AS of 12 June 2020, **extended** until June 2021 the **permission to use stickers to display health warnings** on food products.<sup>31</sup> Peru also made efforts to address barriers in the area of public procurement during 2020, including by 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 flu). In the field of public procurement there are also concerns regarding technical specifications in public tenders.

### *Ecuador*

**Progress** was made in 2020 in the field of SPS: On November 12, 2020 (NB: date of the SPS trade subcommittee), the Ecuadorian sanitary authorities approved the single import procedure for pig meat from Spain, thus becoming the first Member State enjoying **prelisting of establishments**. Furthermore, Ecuador authorized imports of boneless cooked and matured hams from Italian establishments that enjoyed the pre-listing system for products already authorised in Ecuador provided the Italian authorities submit the CUES2 form (unique questionnaire for exports) within a three-month period. The approval of a list of Spanish and Italian establishments producing pig meat products was a step forward towards the implementation of the prelisting system. However, again, such progress still needs to be translated in practice, with tangible improvement of access of EU Member States.

In the area of **industrial goods**, the **imposition of safeguard duties on imports of ceramics could be averted**: In November 2019, the Trade Defence Department of MPCEIP admitted a request from domestic ceramic producers to apply a safeguard on imports but evidence was shown to be insufficient and measures were finally not imposed. The EU also continued raising its concerns with Ecuador on the draft technical norm that will require to include in the packaging or shipping document of each item of tableware detailed information on the manufacturer or importer (i.e. name, tax identification number, etc.).

In addition, **the management by Ecuador of tariff-rate quotas** under the Agreement remains problematic as Ecuador does not apply the first-come first-served system as prescribed under the Agreement. The EU in 2020 continued to address this issue with Ecuador with a view to finding a workable solution.

In relation to **EU Geographical Indications (GIs)**, the Ecuadorian government confirmed it had issued the respective certificates to protect 114 EU Geographical Indications (GIs), while issues remain to be solved, including in relation to the usurpation of the EU GI "Feta" and the other is the re-submission of a request to protect the EU GI for Czech beer.

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<sup>31</sup> Albeit this positive development, the EU continues to advocate for the indefinite use of stickers.

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

The implementation of the Trade and Sustainable Development (TSD) Chapter of the Trade Agreement continued in 2020 in line with the priority issues established per partner, which include labour inspection, freedom of association and collective bargaining, child labour, social dialogue, labour informality, implementation of environmental protection legislation, as well as consultation with civil society. During the meeting of the TSD Sub-committee in November 2020, all parties reported on the progress achieved on labour, environmental and cross-cutting issues like consultation of civil society, even if challenges remain.

The measures to mitigate the impact of the COVID-19 pandemic were an important part of this year's **labour discussions**, as was the progress made on the strengthening of labour inspection. The EU also reiterated and discussed with partners its key issues of concern; notably restrictions to freedom of association and the situation in the **banana sector in Ecuador**; and the **violence against trade unions and social leaders in Colombia**. With Peru, the discussions focused on the progress made with implementation of the understanding on labour rights reached in Quito in 2018. Peru highlighted the implementation of initiatives to address informality, child and forced labour, ensure freedom of association and strengthen labour inspection.

While issues related to labour commitments continued to dominate the discussions at the TSD Sub-committee, the exchanges on environmental and climate issues are becoming increasingly detailed. The EU presented 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.

The EU and Ecuador exchanged information related to the fight against illegal, unreported and unregulated (IUU) fishing. The consultations of civil society on TSD implementation made by each partner were also discussed. Colombia and Ecuador asked for follow-up discussions on **possible technical assistance to improve the work of their Domestic Advisory Group (DAG)**.

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

With the three partners, the **Commission continued to fund a number of cooperation activities during the year**. In Colombia, the Commission continued to fund an ILO technical assistance project to strengthen labour inspection capacity in rural areas and an UNIDO-led project to support sustainable mining and empowerment of local communities. In Peru, workshops were held on labour inspection (with the ILO) and on social dialogue and conflict resolution (with the support of TAIEX). The Commission and Ecuador agreed to set up with the ILO a pilot project to improve labour inspection tools for the agricultural sector. Several activities were carried out in the three partners under the project that is in place since January 2019 to support corporate social responsibility uptake in the Latin American region.

Despite the circumstances of the COVID-19 pandemic, the **EU DAG held two meetings in 2020**. The Commission attended the two meetings and debriefed DAG members. The latter expressed concerns about the implementation of the TSD commitments, including the violence against trade union leaders and environmental activists in Colombia, the situation of the banana sector in Ecuador, the monitoring of labour and environmental issues in Peru, and the socio-economic impact of COVID-19 on the EU and the Andean partners.

The parties held an **Open Session with Civil Society on 13 November 2020** via videoconference. An issue that was insistently raised by civil society representatives was the impact of the COVID-19 pandemic on labour markets and the impact of the policy responses on labour rights.

### **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/ton since 1 January 2020. This treatment is linked to a ‘stabilisation clause’ that sets out an annual trigger volume for imports from each Andean country during the transition period.

Article 15 of Regulation (EU) No 19/2013<sup>32</sup> provides for the stabilisation mechanism. When the annual trigger volume of imports per country as set in the Agreement is met, the Commission examines the impact of these imports on the situation of the Union market for bananas and take a decision to either temporarily suspend the preferential customs duty or determine that such suspension is 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.

<u><a href="#">2019/2020 imports of fresh bananas<sup>33</sup></a></u>			
<b>Country</b>	<b>2019 Total imports (tonnes)</b>	<b>2020 Total imports (tonnes)</b>	<b>Variation 2020/2019</b>
Colombia	1.127.604	1.182.394	4,9%
Ecuador	1.364.116	1.512.543	10,9%

<sup>32</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.

<sup>33</sup> Statistics are based on EU27

Peru	108.438	100.365	-7,4%
<b>Total</b>	<b>2.600.158</b>	<b>2.795.302</b>	

In 2020, EU imports of fresh bananas from Colombia amounted to 1.182.394 metric tons, a 4.9% higher than previous year. Ecuador exported 1 512 543 metric tons of fresh bananas to the EU a 10.9% higher than previous year. Peru exported 100 365 metric tons of fresh bananas to the EU a 7% below previous year.

In line with the commitment undertaken in the Joint declaration to Regulation (EU) 2017/540<sup>34</sup>, the Commission will continue to carry out regular analysis of the state of the market and the Union banana producers and, if need be, examine the situation together with Member States and the stakeholders.

### 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>35</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>36</sup> The EU has sent its first written submission to the panel on 8 March 2021. On October 2020, Colombia initiated the review of the measures to assess whether the conditions are met to extend the anti-dumping measures.

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

In 2 April 2020, the Commission hired a contractor to carry out an ex post evaluation of the implementation of the Trade Agreement between the EU and Colombia, Peru and Ecuador<sup>37</sup>.

The evaluation is undertaken over the period April 2020 to July 2021 covering the whole implementation period from the start of its provisional application (2013 for the EU, Colombia and Peru, 2017 for Ecuador) to May 2020 (pre-Covid). The report will analyse the economic, social and environmental, and human rights (including labour rights) effects which the Agreement has had since its application in the various Parties. In terms of evaluation criteria, it will review the effectiveness, impact, efficiency, coherence and impact of the Agreement and its implementation. It will also comprise a number of case studies to illustrate or add detail to broader findings.

In 2020, the consultant submitted the inception report presenting the evaluation methodology as well as a descriptive summary of the Agreement and its implementation so far, and a brief

<sup>34</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0540&qid=1579189798344&from=EN>

<sup>35</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_19\\_6221](https://ec.europa.eu/commission/presscorner/detail/en/ip_19_6221)

<sup>36</sup> <https://trade.ec.europa.eu/wtodispute/show.cfm?id=792&code=1>

<sup>37</sup> <https://ec.europa.eu/trade/policy/policy-making/analysis/policy-evaluation/ex-post-evaluations/>

review of relevant studies on the Agreement. The inception report incorporated comments made by stakeholders

The next report will be the draft interim report, scheduled for April 2021, that will provide the preliminary findings of the evaluation after research and data analysis will be completed, including feedback from stakeholders.

The final step will be the preparation of the final report that will include an update of the findings based on additional information and data, a systematic summary of stakeholder consultations, as well as some elements of the overall analysis and case studies, along with the responses to the evaluation questions.

# 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. The trade pillar (Part IV) of the Association Agreement has been provisionally applied for seven 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.

During the seven years of its application, the 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.

The Association Committee and its six specialised Sub-committees oversee the implementation of the Agreement<sup>38</sup>. The last annual meeting took place in a virtual format during the month of November 2020. The minutes the meetings are publicly available<sup>39</sup>.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market Access: Progress and outstanding issues

The Association Committee met on 26 November 2020 at senior official level. A key deliverable of this Committee was the **signature of the Protocol for Croatia's accession to the Association Agreement**, after several years of discussions and the signature of two Joint Committee Decisions on Rules of Origin in December 2021.

Substantial **progress** was made on **trade in services in Panama**, where the EU airline KLM company was not granted license to operate ground handling and aircraft maintenance services since Panama's Civil Aviation regulation required 60% local ownership for companies

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<sup>38</sup> The Agreement establishes six specialised Sub-committees on: 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.

<sup>39</sup> <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2230>

operating in this sector. This requirement contravened the provisions in the Agreement. The requirement was removed and the company was finally granted the license to continue operating these services in Panama.<sup>40</sup> (see more in the below box).

### **KLM case in Panama: a success of EU economic diplomacy**

*Since 1966, KLM has been providing groundhandling and maintenance services to EU carriers and other international airline companies in Panama. In 2014, a specific maintenance permit as required under the Civil Aviation Regulation and from that date onwards, KLM was only granted temporary permits.*

*In 2020, the authorities communicated KLM that the temporary permits would no longer be issued, as the company did not comply with the requirement that 60% of the property of the company operating the services should be detained by Panamanian capital. Following a number of demarches by the European Commission, in cooperation with the company and MS authorities, the Civil Aviation Regulation was amended and KLM was issued a permanent license.*

In the area of **SPS**, **several challenges persist** in Central American countries for EU exports. 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 in Panama, Honduras, Guatemala and Nicaragua. The **regionalisation principle is still not yet applied in Nicaragua and Panama** affecting notably pig exporters of two Member States. Discussions with competent authorities continued in 2020. On a positive note, Costa Rica ceased to impose in its health certificates for some imported products of animal origin the clause "born and raised" in the same exporting party. This clause goes against the recognition of EU as a single entity constituting a trade barrier now solved in Costa Rica. The EU invites other Central America countries to consider the elimination of the clause.

On **Geographical indications**, increasing interest in Central American countries to seek protection for GIs through the existing Association Agreement was noticed. This allows to make progress in considering to include a number of new GI, which were in the process of application in Central American countries at the time of concluding the agreement and are mentioned in the joint declaration annexed to the agreement. In this respect, a number of new GIs have been applied for protection, notably from Costa Rica and El Salvador, and the applications are currently assessed. As regards enforcement, the Commission continues to monitor the full implementation of the commitments made under the Association Agreement, whereby, not all issues could be entirely solved, notably as regards the protection of the term "Parmiggiano" in Guatemala and of "Queso Manchego" in Costa Rica. Discussions on these matters are continuing.

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<sup>40</sup> On March 6, 2021, the airline was issued the permanent permit to operate at the Panama Tocumen Airport.

On **Technical Barriers to Trade** (TBT), issues persist notably with Costa Rican fire safety regulations in that do not recognise the EU standard on fire safety equipment; discussions on this trade barrier continued in 2020. Costa Rica provided information on the procedure for the recognition of equivalence of fire safety standards. **Costa Rican tax legislation** also remains a key issue of concern as it imposes a higher tax on imported beer than on locally produced one and the parties continued in 2020 to engage to find a workable way forward that would bring Costa Rican legislation into compliance with the non-discrimination obligations under the Agreement.

## **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 2020 in line with the priority issues established for each partner country. In 2020, the EU also attached 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 meeting<sup>41</sup> 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. 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, informality and labour inspection.

On the **environment**, the EU informed the Central America partners about the European Green Deal, the EU Biodiversity Strategy, the Circular Economy Package and the 2030 Climate Goals Plan. With Guatemala, the EU discussed the country's opposition to the listing of the hazardous pesticide "Paraquat" under the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade. With Panama, the EU discussed illegal, unreported and unregulated fisheries issues.

As regards cooperation, the EU committed to actively involve the Central American partners in consultations for the programming of projects to be implemented under the EU multiannual financial framework 2021-2027. The EU stressed its willingness to strengthen cooperation with the Central American partners notably on labour matters and invited the partners to formulate needs for possible EU interventions, both at national level and from a regional integration point of view, in line with the SDGs and the main focus areas of the Commission's work on International Partnerships. Gender equality, climate change and democracy and human rights should continue to be mainstreamed in all projects.

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<sup>41</sup> Committee on Trade and Sustainable Development

Despite the circumstances of the COVID-19 pandemic, the Commission continued frequent interactions with the **EU Domestic Advisory Group (DAG)**. Its membership was renewed during the year, continuing to ensure a balanced representation of employers' associations, trade unions, and NGOs.

A **joint declaration 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. Costa Rica's suggestion to start briefing the Civil Society Forum in more detail about relevant cooperation projects was welcomed by all Parties.

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

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

Article 15 of Regulation (EU) No 20/2013<sup>42</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 volume between the EU and CA. Despite the Covid pandemic, CA export volume to the EU remained steady with 1,467 million tons in 2020 representing an increase of 6%. However in value, volume reached EUR 1,613 million that constituted a 3.4% decrease compared to 2019. No issues on price fluctuations were reported in the EU market.

<b>2019/2020 imports of fresh bananas<sup>43</sup></b>			
<b>Country</b>	<b>2019 Total imports (tons)</b>	<b>2020 Total imports (tons)</b>	<b>Variation 2020/2019</b>
Costa Rica	940.542	1.034.172	10%
Panama	254.613	261.120	3%
Guatemala	183.490	172.161	-6%
<b>Total</b>	<b>1.378.645</b>	<b>1.467.453</b>	<b>6%</b>

<sup>42</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.

<sup>43</sup> Statistics are based on EU 27

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

In December 2020, the Commission hired a contractor to carry out an ex post evaluation of the implementation of the Trade Agreement between the EU and Central America. The project will analyse 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. Stakeholder consultations are an important element of this evaluation and will include a number of activities, such as civil society dialogue in Brussels, online public consultation, targeted surveys/interviews/roundtables and workshops in the six Central American countries and in the EU. The project has a duration of 15 months.

## 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 cooperation pillar. The Agreement entered into force on 1 February 2003 and all ratifications were completed on 1 March 2005. During the following 18 years the Agreement has worked well as shown by the doubling of bilateral trade and provided the basis for a good cooperation between both sides, which have continuously worked to implement it so that its benefits can be reaped to the maximum extent possible. The Agreement with Chile was considered highly ambitious at the time of its conclusion. It was the first trade agreement subject to an ex-post evaluation, that was completed in 2016.<sup>44</sup> In 2017, the European Commission conducted an impact assessment that showed the need for modernising the agreement, to lift it to the level of the more modern agreements that both the EU and Chile have concluded in the Americas and beyond.

In 2013, the EU and Chile agreed to explore options for a **comprehensive modernisation** of the Agreement to bring it up to date to recent trade policy developments, to address important trade and investment issues that are relevant today and to avoid the risk of losing ground to other partners such as China and the US. A scoping exercise was successfully concluded with Chile in January 2017. Negotiations for modernising the Agreement were launched on 16 November 2017 in Brussels, following the adoption of the negotiating directives by the Council. The EU and Chile are now negotiating an ambitious, comprehensive and progressive modernised agreement. The most important areas include (1) further liberalisation in agriculture and food products, (2) rules of origin, customs and trade facilitation provisions, (3) non-tariff barriers for industrial and agri-food products, (4) market access for services sectors of key EU and Chilean interest, (5) comprehensive investment liberalisation and protection disciplines, (6) improved public procurement rules, (7) improved rules on intellectual property rights, including the protection of geographical indications (GIs) on foodstuffs, (8) Trade and Sustainable Development, (9) competition and subsidies disciplines, (10) a chapter on Trade and SMEs, (11) provisions on anticorruption and (12) trade and gender dedicated provisions with the aim of identifying and addressing those barriers faced by women to benefit from trade opportunities, building on sustainable development goals and reaffirming commitments of international conventions.

In addition, a specific chapter on sustainable food systems (SFS) will be introduced and is being negotiated. This represents one of the first practical implementations of the commitment set in

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<sup>44</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)

the Farm to Fork Strategy that the EU will seek to ensure that there is an ambitious sustainability chapter in all EU bilateral trade agreements.

In 2019, a Sustainability Impact Assessment was published. The study concludes that the Agreement is unlikely to raise sustainability concerns across the four sustainability pillars (economic, social, environment and human rights). The modernised Agreement builds on the already substantial existing liberalisation and thus the expected economic effects are relatively small.

## 2. Main implementation issues

Economic and trade relations with Chile continued to develop in a positive manner during 2020. The Commission in 2020 **continued to address outstanding market access barriers** through the appropriate meetings of the institutional bodies and EU demarches delivered by the EU Delegation in Chile:

- In the field of **Intellectual Property Rights’ enforcement for pharmaceuticals and agro-chemicals products** there remains a lack of certainty on test data protection: Even if, according to Chilean law, data protection is granted with the application for marketing authorisation upon request, agrochemical companies do not receive a document stating that such protection has been required together with the application and the document providing marketing authorization does not confirm that the protection has been granted. This leaves the company that first generated the data without legal documentation to defend itself against third parties’ registration. Chile has introduced a new marketing application form for pharmaceutical products. The EU delegation is monitoring the application to assess whether the issue is solved and it proposed the same solution to the Chilean Ministry of Agriculture for agro-chemicals products. The second concern regards the requirement to apply for marketing authorisation for a product *within 12 months* following the marketing authorisation obtained for the same product in any other country. This is a particularly short deadline for EU companies which may render practically impossible registration and entry on the Chilean market. Chile does not contemplate to extend this deadline in the short or medium term.
- Since 2014, **Chile applies cumbersome administrative procedures related to export hygiene products and cosmetics**. The main issues identified by EU industry have to do with the cost and delay for the registration of a product. For certain products, the procedure for registration is particularly cumbersome. For example, 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.

- Chile **has recently prohibited the use of potato starch** in processed meat products, which does not seem in line with the CODEX Alimentarius that 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. The EU delegation raised again the issue in March 2021 with the Chilean Ministry of Health and will soon present the case to the expert group that is assisting with a review of the Chilean legislation on food additives.

Some of the existing barriers are also being addressed through the **ongoing negotiations on a modernised agreement**:

- For example, in the area of **public procurement** (mostly for tenders run by the Ministry for Public Works), Chile imposes requirements on **local presence** (i.e. the need to have a local ID but also a local representative) as well as requirements on **local experience** (i.e. tenders attributing more weight to local experience compared to foreign experience). Chile also applies excessively **short deadlines** for the submission of offers considering the documentation required and complex technical specifications. The Commission in 2020 continued engaging with the Chilean authorities on these issues. The **modernisation of the agreement** currently under negotiation is supposed to establish modernised rules aiming at more transparency, non-discrimination and fairness in public procurement procedures, and an increased use of electronic procurement. 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 negotiations for a modernised agreement aims at covering a wide range of public tenders including for goods, services, works and works constructions.
- Long-standing concerns that regard the **enforcement of the copyright legislation on the internet** (digital piracy) are being addressed in the context of the ongoing negotiation for the modernisation of the Agreement. The modernised texts should increase the standards of the enforcement measures available for right holders in Chile, approximating them to those available in the European Union. These standards include the rules on the legal protection of technological measures and of rights management information, as well as the provisions on enforcement, 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.

## 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>45</sup>. The 20th anniversary of the Global Agreement was marked by a joint communique at the 14<sup>th</sup> meeting of the EU-Mexico Joint Committee on trade in October 2020.

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.

### 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 2020, progress was recorded in the area of **sanitary and phytosanitary measures (SPS)**, with Mexico setting import requirements for apples from France. In May 2021 Mexico lifted

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<sup>45</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.

the embargo on Belgium over African Swine Fever (ASF), accepting that ASF has been eliminated from Belgium in all species, including wild boar.

The **Special Committee on SPS Measures** contributed to exchange technical information and advance on matters of mutual interest. During 2020, both Parties engaged in technical discussions on the following **outstanding issues** affecting EU exports:

- No application of prelisting for EU exports, which focuses on the evaluation of official inspection and certification systems rather than on inspection of individual establishments,
- No recognition of the EU policy on animal disease regionalization,
- No progress with 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, discussions over the new Mexican **nutritional labelling legislation** of foodstuff (NOM 51) helped to **iron out difficulties faced by EU imports with its implementation**, which entered in application on 1 October 2020. Mexico issued interpretative instructions shortly after the **Special Committee on Standards and Technical Regulations**, where the EU also raised concerns over import delays of EU parts and components resulting from cumbersome procedures to attest compliance with (renewed) certification requirements. As a result of this Committee, the **discriminatory treatment** between national and imported conformity assessment procedures **for cheese was scrapped**.

Regarding **government procurement**, the Mexican Government signed in July 2020 an agreement with UNOPS (United Nations Office for Project Services) with the aim of undertaking international public tenders for medicines and medical devices. The procurement through UNOPS was raised in the **Special Committee on Government Procurement**, which also provided the opportunity for experts to exchange information on recent developments in the EU and Mexico in the field of public procurement policies, including the respective legislative and institutional responses in this field to face the COVID-19 crisis. Work with UNOPS also helped clarifying the tenders' modalities and ensure that protected patents were removed from the list of generics procurement.

The EU and Mexico continue to shape a positive agenda through the implementation of a number of cooperation activities **in the area of intellectual property (IP)** through the IP Key Latin America<sup>46</sup> a project which supports EU interests by helping countries in Latin America (LA) address selected emerging challenges in the area of intellectual property. During 2020, amid the pandemic, IP Key organised seminars on IP and and Green Technologies, and a seminar on enforcement of Geographical Indications Rights. The **Special Committee on Intellectual Property Matters**, addressed various IPR matters. This included a discussion on the developments in the Mexican IP framework, with the improvements brought about by the recently updated Federal Law for the Protection of Industrial Property. EU brought up concerns about certain aspects of IP rights enforcement in Mexico, such as the effectiveness of border measures and preliminary injunctions, and the availability of pirated and counterfeit goods in physical markets.

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<sup>46</sup> <https://ipkey.eu/en/latin-america>

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 and 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>47</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. The project aims at promoting smart, sustainable and inclusive growth, by supporting responsible business conduct practices in line with international instruments (OECD guidelines). This project 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.

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<sup>47</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).

**PART III.1: 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 of tariff dismantling set forth in the Association Agreement for certain products (steel, textile, electronics, and automobiles), extending the transitional period from 12 to 15 years. Complete dismantling of tariffs and thus **completion of the EU-Algeria free trade area was foreseen for September 2020** and was only implemented partially. Market opening for agricultural products so far only concerns a limited number of tariff lines subject to full liberalisation, Tariff Rate Quotas (TRQ) or a reduction of Most Favoured Nation (MFN) rates respectively, for both Parties. The agreement contains general provisions on dispute settlement but so far, no additional negotiations were initiated on a specific Dispute Settlement Protocol.

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

A significant number of **market access issues** remain in place in Algeria and new ones appeared in 2020. Although these measures are not specifically targeted at the EU, 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.

As of 2015 Algeria started to adopt a **series of trade restrictive measures** in various forms. 2018 saw the introduction of the so called DAPS<sup>48</sup>, a tax having an effect equivalent to a custom duty, ranging from 30% to 200% of the value of the goods, which was levied on 1.095 tariff lines, covering industrial and agri-food products. This measure broadly replaces a formal import ban which, in 2017, had affected 877 products. A custom duty hike imposed in 2017 on another group of 129 products still applies. In 2020 a decision was taken to phase out the ban on import on vehicles - which were, until 2017, subject to an import licence scheme effectively resulting in a zero import quota for cars for three years but the secondary legislation to implement the elimination of these measures is still pending. In practical terms this implies that the EU car exports to the country remain banned since 2015.

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<sup>48</sup> *Droit additionnel provisoire de sauvegarde*

In the recent past Algeria took a panoply of **additional measures** and applied practices restricting trade and investment, affecting the conditions of maritime transport such as the obligatory use of FOB incoterms and utilization of the national carrier, delaying payments for imported goods, withdrawing the licenses from EU companies operating dry docks in the country, a ban on imports of medicines for which there exists a locally-produced equivalent, particularly stringent mandatory security devices for vehicles, coupled with obligatory inspections as well as restrictions on frozen meat imports.

On **24 June 2020** the EU referred to the **EU-Algeria Association Council** a **dispute** concerning a number of trade barriers put in place by Algeria, including a car import ban, a safeguard duty on several hundreds of products, additional duty hikes on other types of products as well as an import licensing scheme. These barriers led to significant decrease in EU exports, amounting to an estimated € 1.5 billion since 2015. Following the initiation of the **Dispute Settlement procedure** in accordance with Article 100 of the Association Agreement the EU and Algeria held technical consultations with a view to resolve the dispute in a mutually agreeable way by means of a joint decision of the EU-Algeria Association Council, including at the EU-Algeria subcommittee on trade in October 2020 and at the informal Association council meeting of December 2020. Given that despite efforts it has not been possible to resolve the dispute amicably, **in March 2021 the European Union 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. Since then, technical consultations for agreeing on an amicable solution have been intensified. If Algeria commits to abolishing the contested measures in accordance with an agreed timetable, implementation of that commitment would bring Algeria into compliance with the Association Agreement and thus remove the grounds on which the dispute is based<sup>49</sup>.

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<sup>49</sup> The key steps in the procedure will be published on DG Trade's website.  
(<https://ec.europa.eu/trade/policy/accessing-markets/dispute-settlement/bilateral-disputes/> ).

## 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 the 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 exploring the possibilities to modernise the Free Trade Agreement, has shown limited interest in a full-fledged DCFTA so far.

In 2020, Egypt suspended the bilateral exchanges on potential ways to enhance trade and investment relations with the EU but **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

Dialogue on 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 (hereinafter referred to as ‘the Trade Sub-Committee’).

In 2020, the bilateral trade dialogue, in the form of regular technical trade consultations, focused on **market access barriers remaining and new measures** introduced by Egypt in 2020, affecting bilateral trade.

- **Partial progress** could be made in 2020 on Egypt's **registration scheme**<sup>50</sup> imposed on entities exporting certain goods to Egypt. As a result of coordinated efforts of the EU and EU Member States, as well as the cooperation of the Egyptian authorities, **a certain degree of trade facilitation was achieved in 2020, which allowed for advancing the registration of some EU exporters**, while efforts are continuing to resolve all pending application requests and the structural problems related to the scheme. The EU is insisting on removing this barrier or at least introducing more transparency, rapidity, and streamlining of the administrative processes, in order to facilitate the registration from a practical point of view.
- **Progress** was also made on import **restrictions on sugar** introduced by Egypt in June 2020, which blocked EU sugar exports for several months. Following the dialogue between the EU and Egypt under the FTA, supported by EU interventions in the relevant WTO committees (including the WTO Council for trade in goods) and high level correspondence with Egypt's authorities. The restrictions on sugar were eliminated in June 2021.

The bilateral trade dialogue also covered the following issues:

- Egypt's **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 import conditions for live animals and meat, the new risk-based import control system on food products, the food import licensing scheme, checks of pesticide residues in fruit and the seed potato import mechanism.

In November 2020, in the framework of the **11<sup>th</sup> Trade Ministerial Conference of the Union for the Mediterranean**, the EU and Egypt intensified their trade dialogue, at the political and technical level, to further remove barriers to trade affecting businesses and investors, building on the progress achieved already in 2019. The EU and Egypt, together with other partner countries in the region, agreed to jointly work to avoid the resurgence of protectionism and trade restrictions, and to refrain from adopting trade restrictive measures, which could be incompatible with existing rules. Moreover, all partners emphasized the importance of creating a favourable business environment and encouraged the development and implementation of measures that would help strengthening regional trade and investment, advancing regional value chains in the context of a post Covid-19 sustainable recovery.

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<sup>50</sup> This measure applies to 29 categories of manufactured goods since the beginning of 2016.

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

### 1. THE AGREEMENT

The EU and Lebanon signed on 17 June 2002 an **Association Agreement**<sup>51</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’) fully 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** to 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>52</sup>.

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

Lebanon is still in the process of applying to join the WTO, which the EU continue to support, including by technical assistance if requested by the Government.

### 2. MAIN IMPLEMENTATION ISSUES

New **trade barriers** were raised in 2019, notably the temporary additional duty of 3% on most imports and the additional duties on imports of some selected products. These issues were discussed in the Joint Working Group and raised several times at the highest level vis-à-vis the Lebanese authorities, as they appear not to be in line with the Association Agreement, and require formal process and consultations. Some trade barriers introduced in 2019 were discussed and subsequently solved: the mandatory requirement of registration of factories for certain products, which is not being implemented by Lebanon, and the double certification requirement for imports, which was removed. However, the list of additional duties on imports

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<sup>51</sup> <https://ec.europa.eu/world/agreements/downloadFile.do?fullText=yes&treatyTransId=3121>

<sup>52</sup> For more information see [https://ec.europa.eu/taxation\\_customs/business/calculation-customs-duties/rules-of-origin/general-aspects-preferential-origin/arrangements-list/paneumediterranean-cumulation-pem-convention\\_en](https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/rules-of-origin/general-aspects-preferential-origin/arrangements-list/paneumediterranean-cumulation-pem-convention_en)

of some selected products still remains, and was last updated in October 2020. The Lebanese caretaker government has justified this decision as a way to protect certain national products. The additional duties affecting the EU range from 7% to 20%. They do not appear to be in line with the Association Agreement, as they affect selected goods and they differentiate between trade partners.

Neither the **Sub-Committee on “Industry, Trade and Services, Customs”** nor the EU-Lebanon **Joint Working Group on Trade and Investment** met in 2020. The **Joint Working Group** scheduled in March 2020 was cancelled at the request of Lebanon, and no other meeting has taken place since then, mainly due to the current political situation, as massive demonstrations in October 2019 brought the country to a halt and provoked the government to stand down. A new government which presented itself as technocratic was appointed in February 2020 but resigned on 10 August, after the explosion at the Port of Beirut.

# 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. In 2020 Jordan joined in the majority agreement on the revised rules of origin of the Pan Euromed Convention.

## 2. MAIN IMPLEMENTATION ISSUES

A **potential new trade barrier was averted** in 2020. In spring 2020 Jordan consulted the European Commission on its intention to introduce a 5% “service fee” for customs processing on imported goods from the EU. In official correspondence and subsequent exchanges, the EU expressed serious concerns about the compatibility of the proposed measure with both the WTO Agreement and the EU-Jordan Association Agreement. While recognising the budgetary challenges that Jordan was facing, the European Commission recalled that the EU is providing Macro Financial Assistance to support Jordan’s macro-economic stability. Notably, the third MFA programme was approved in January 2020 for EUR 500 million and reinforced in April 2020 by additional EUR 200 million, as part of EU global response to COVID-19. Following these exchanges, the Jordanian authorities put on hold plans to introduce the “service fee”. The European Commission continues to monitor the situation closely.

On 14 May 2020 Jordan notified to the WTO Committee on Safeguards its decision, following the completion of an investigation, **not to impose safeguard measures** on the imports of prepared or preserved potatoes and of potato chips.

During the **EU-Jordan Subcommittee on Industry, Trade and Services** that took place on 30 November 2020, the EU raised concerns regarding the conditions applied in Jordan to the

import of dairy products, notably some types of cheese such as labneh cheese and grilled cheese. EU concerns were also raised in official correspondence and contacts continue with a view to clarifying the Jordanian system of erga omnes licences for agricultural products, ensuring its full transparency and solving obstacles related to the granting of licences to EU exporters.

The Subcommittee also discussed the implementation of **simplified Rules of Origin initiative**. Under the initiative, 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 2017 and 2019, the Preference Utilisation Rate (PUR) for Jordanian exports of textiles and clothing to the EU increased significantly, from 15% to 65%, indicating the positive impact of the simplified Rules of origin scheme. A joint EU-EBRD information session was organised in December 2020 to promote further participation by the private sector in the rules of origin initiative. The EU is also 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 and the digital agenda.

## 2. MAIN IMPLEMENTATION ISSUES

The meeting of the **Subcommittee on trade, industry and services** took place on 1 July 2020, after a long break between 2014 and 2019. It provided the opportunity to review developments in trade and industrial policies on both sides, discuss the implementation of the Association Agreement (notably the operationalisation of the dispute settlement mechanism), and share market access concerns. The Subcommittee was followed by the Committee on Customs

Cooperation on 8 July 2020 and the Subcommittee on Agriculture and Fisheries on 16 July 2020.

In 2020 Morocco pursued a more **mercantilist stance in its trade and industrial policies**, focused on reducing the trade deficit by actively pursuing the emergence of domestic companies in sectors with high import prevalence, and by granting domestic preferences in public procurement:

- In February 2020 Morocco introduced a **new system of externalised conformity checks** for a wide range of industrial products submitted to technical regulations. Under the system, only three companies (Applus Formento, Bureau Veritas and TUV Rheinland) are designated to do the checks. For the majority of the products submitted to this regime, conformity assessments need to be undertaken in the country of origin, and for the rest upon entry in Morocco. While the technical regulations against which conformity is checked have not changed, operators have reported difficulties with the new system mainly related to additional costs and delays and different interpretations of the applicable requirements by the three conformity assessment companies.
- This new system comes on top of the **Moroccan Cmim marking** which was introduced in February 2019 and identified as a trade barrier. The Cmim mark needs to be affixed on products subject to specific technical regulation (initially electrical products and toys, but the system was extended to further families of products). Although the Cmim marking is largely equivalent to the European CE marking, the latter does no longer suffice for exports of products to Morocco.
- The **requirement to localise the production of pharmaceutical products** in order to obtain marketing authorisation is an additional trade barrier and it was not possible to organise technical consultations on the matter in 2020.
- In September 2020, the Moroccan Government issued guidelines **encouraging domestic preference and the use of goods of Moroccan origin in public procurement**. During tendering procedures, bids presented by foreign companies are increased by a percentage not exceeding 15%. The new guidelines provide that companies that implement contracts as part of a public procurement scheme must certify that imported products are only used in case there is no Moroccan product that satisfies required standards. Public procurement contracts above 100 million dirhams (around € 9 million) are subject to prior authorisation by a special commission chaired by the Ministry of Finance (for public administrations) or the Ministry of Interior (for local authorities) and subject to a lower rate of domestic preference of 7,5%.
- In July **Morocco unilaterally reduced tariff rate quota for imports of coated wood boards** exempted from safeguard duties, from 29,106 tonnes (as foreseen in the conclusion of the safeguard investigation in 2019) to 19,845 tons, of which 80% to be reserved to imports from the EU, for the period August 2020-July 2021. Morocco invoked "force majeure" justifications linked to the impact of the Covid-19 pandemic

for the sector, and indicated it would reassess the situation in the beginning of 2021. A specific quota of 4,920 tonnes was allocated to the EU in February 2021.

**Morocco renegotiated its Free Trade Area with Turkey**, which once in force, will result in an increase of tariffs applicable on a wide range of products, and **increased MFN tariffs of up to 40%** in the 2021 Finance Bill. These tariff hikes do not apply to EU products but nonetheless affect the supply lines of EU companies based in Morocco insofar they source from third countries.

On 23 December 2020 the European Commission issued a **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 export and employment figures have increased, which to a large extent can be considered as due to the granting of the tariff preferences under the Agreement amending 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. It is to be noted that there are some Court cases pending in the EU on this Agreement, as well as on the Sustainable Fisheries Partnership Agreement with Morocco, which also covers the waters of Western Sahara.

## 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**, 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 can export to the EU all industrial products covered by the Agreement tariff-free, while it benefited from a transitional period of 12 years, which ended in 2010. This Free Trade Area establishes 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 what 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.

Tunisia also signed the **Regional Convention on pan-Euro-Mediterranean preferential rules of origin** on 16 January 2013. Tunisia gave in early 2021 its agreement in principle to join the outcome of 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. Tunisia is now waiting for a formal political mandate to be able to sign the modification of the original protocol with the EU.

Negotiations on a *Deep and Comprehensive Free Trade Agreement* (DCFTA or “Accord de libre échange complet et approfondi” ALECA in French) started in 2015. The objective is to extend agricultural liberalisation, include services and investments, as well as a number of modern trade rules and regulatory convergence commitments, with a view to better integrate Tunisia into the EU market. Four rounds have taken place thus far, the most recent one in May 2019.

### 2. MAIN IMPLEMENTATION ISSUES

Several **long-standing market access issues remained** unresolved in 2020, and were raised by the EU at the Trade Sub-Committee meeting in March 2021:

- 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;
- (New) de facto non-automatic licences on cheese, chocolate and chocolate products, introduced in spring 2020.

## 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>53</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. This 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 17 November 2020 where trade relations were discussed both in bilateral and regional context, notably focussing on possible follow up actions in the trilateral (EU-Israeli-Palestinian) process.

The Interim Association Agreement is far from reaching its full potential, hindered by restrictions imposed by the Israeli authorities. Moreover, Palestinian trade also faces competitiveness issues and has often difficulties in meeting the standards required on the EU market.

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<sup>53</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.

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.

To this end, at the UfM Trade Ministerial meeting of 3 November 2020 the Commission has presented its most recent update of the **Technical progress Report** on the implementation of the "Package of Measures to facilitate trade of Palestinian products with other Euro-Mediterranean Partners", initially adopted at the UfM Trade Ministerial Meeting of 2010.

## 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 one 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 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 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.

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.

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 entered into force in August 2020.<sup>54</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.

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. In preparation for the end of the BREXIT transition period on 31 December 2020, Israel and the U.K. signed a bilateral version of the EU-Israel Open Skies agreement, which entered into force on 1 January 2021.

## **2. MAIN IMPLEMENTATION ISSUES**

No significant roll back of commitments in the Agreement has been recorded; however there are **a number of persistent trade irritants**. These include the discriminatory treatment of EU Member States, who have joined since 2004 and of Luxembourg, on import authorization of medical devices, the lack of data protection on biological medicines and the rigid regime of kosher certification of meat. Israel continues imposing local content requirements in government procurement contracts. In line with its commitments under the Government Procurement Agreement in the WTO, as of 2020 Israel started phasing out from the exceptions regarding local content. Following an EIB refusal to fund the Green and the Purple Lines of Tel Aviv's Light Train under the current local content conditionality, the government withdrew this request from that tender. In a meeting with the EU Delegation in January 2021, the government confirmed its strict adherence to its commitments under the GPA, with no deviation.

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<sup>54</sup> As of spring 2018, the EU-Israeli air transport market is fully open with no restrictions on the number of flights. Over the last five years the average annual growth was a staggering 11.5%.

## **PART III.2: EU NEIGHBOURING COUNTRIES**

### **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

## 1. THE AGREEMENT

The **Deep and Comprehensive Free Trade Area (DCFTA)**, the trade part of the Association Agreement<sup>55</sup>, provisionally entered into force on 1 January 2016 while the full Association Agreement formally entered into force on 1 September 2017.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market access: Progress and outstanding issues

Ukraine's **regulatory approximation** to the EU acquis is progressing rather well in most areas. The pace of adoption of legislative acts has sometimes been impressive. Such approximation needs to be accompanied by effective enforcement by independent and transparent institutions, which is challenging in some areas. Overall implementation of the DCFTA was discussed during the **5<sup>th</sup> EU-Ukraine Association Committee in Trade Configuration (ACTC)**, held on 8-9 December 2020 online. In view of progress with legal approximation Ukraine requested to activate the **review of the scope of liberalisation of customs duties** on imports, as foreseen in Article 29 of the Agreement five years after the entry into force of the DCFTA. 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 2020, a pre-assessment mission was launched to examine progress in relation to the work done on the pre-conditions for the ACAA negotiations. Discussions on these two issues will take place during 2021.

Some progress was made in 2020, notably in the area of **SPS**<sup>56</sup>:

- ✓ As regards **sanitary and phytosanitary measures (SPS)**, Ukraine has advanced in implementing the SPS Strategy adopted in November 2019, and some important acts in the area of animal welfare were adopted early 2021. However, work is only starting in the **phytosanitary area**, and almost no legislation has been approximated yet.
- ✓ Ukraine recognizes regionalization measures in EU Member States for animal diseases such as Avian Flu, but fails to recognize regionalization measures of African Swine Fever (ASF).

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<sup>55</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>56</sup> The 5<sup>th</sup> SPS Sub-committee took place on 19 November 2020.

- ✓ The **recognition of equivalence** of Ukrainian provisions on certification of **cereal seed** with those of the EU, was granted in 2020 upon Ukrainian request.

Progress was also made on a number of **customs related**<sup>57</sup> **issues** as Ukraine advanced legislation to comply with the requirements under the Common Transit Convention and the Convention on the Simplification of Formalities in Trade in Goods. Work progressed on Authorised Economic Operators (AEOs). The update of Annex XV on approximation of customs legislation should be finalised in 2021.

In regard to **public procurement**, Ukraine's alignment to EU's public procurement legislation continued in 2020 and the completion of Phase 1 could be finalised and formalised through a decision of the EU-Ukraine Association Committee in Trade Configuration (ACTC) in 2021. Legislative alignment is also moving forward in relation to the fulfilment of Phases 2 and 3 (Ukraine adopted a new Public Procurement Law on 19 September 2019, which entered into force on 20 April 2020).

**Outstanding issues** in 2020 in **trade in goods** included the following:

- ✓ The **wood export ban** is a long-standing trade irritant which violates Ukraine's commitments under the Association Agreement and led the EU to initiate **dispute settlement** in 2019. A panel was formally established on 28 January 2020. The **panel published its final ruling**<sup>58</sup> on 11 December 2020 and found Ukraine's 2015 temporary export incompatible with Article 35 of the Association Agreement.<sup>59</sup> Ukraine informed the EU in writing on 29 June 2021 of its progress to comply with the arbitration panel ruling' but was not in a position to notify any measure that it has taken to comply with the panel ruling.
- ✓ In the field of **customs and trade facilitation**, Ukraine will have to effectively implement the agreed provisions from the EU Customs Code in its national legislation. There are three kinds of provisions: provisions that should not be implemented if not relevant, provisions that should be implemented according to the principle of best endeavour and provisions that should be effectively implemented. It is important that Ukraine agrees with the concerned Commission services which provisions should be implemented and to what extent in the first place (*this is an outstanding issue*).
- ✓ Ukraine has recently introduced a draft amendment to its public procurement law that, if adopted, would introduce **local content requirements** that would potentially be in breach of Ukraine's DCFTA and WTO GPA obligations.
- ✓ As regards EU exports to Ukraine of mechanically separated **poultry meat** (MSM), Ukraine agreed to **extend the use of bilateral certificates** until mid-October 2021, pending the adoption of further hygiene legislation by Ukraine allowing EU requested technical amendments to the Ukrainian poultry MSM import certificate.

<sup>57</sup> The 4<sup>th</sup> Customs Sub-committee took place on 23 September 2020.

<sup>58</sup> [https://trade.ec.europa.eu/doclib/docs/2020/december/tradoc\\_159181.pdf](https://trade.ec.europa.eu/doclib/docs/2020/december/tradoc_159181.pdf)

<sup>59</sup> More detailed information on the case can be found at [https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc\\_159429.pdf](https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc_159429.pdf)

In the **rules areas**, there remained **systemic problems 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>60</sup>. The issues were raised with in the 18<sup>th</sup> IPR Dialogue, which took place on 18 November 2020. As regards **Geographical Indications (GIs)**, Ukraine adopted the framework law laying the foundation of a GI system in Ukraine according to EU norms and standards. In the **field of competition**, remaining issues relate to the independence of the anti-monopoly committee, how it applies competition law 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.

In relation to **services**, joint work continued on updating the appendices of Annex XVII on the list of EU acquis in three services sectors: postal and courier services; telecommunication services; and international maritime transport services. This update should be finalised in 2021. To support Ukraine's aspirations to further approximate its national legislation in the area of the digital economy, the EU concluded in 2020 an **on-site assessment of Ukraine's policy framework, institutional capacity** and the current state of play of implementation of its commitments listed in the telecommunications Annex. The findings of this assessment will be used to formulate recommendations for adjusting or improving Ukraine's telecommunications policy framework.

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<sup>60</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)

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

The **4<sup>th</sup> Sub-Committee on Trade and Sustainable Development** (TSD) was held on 27 October 2020.

The TSD Sub-Committee discussed the establishment of the **TSD Group of Experts**, with the EU expressing concerns that several years after the entry into force of the Agreement, Ukraine still had not selected the fourth and fifth Ukrainian TSD experts in accordance with the provisions of the Agreement. Ukraine and the EU agreed a **timetable of steps** so that a full group of experts would be in place by the end of 2021.

With respect to **trade and labour**, at the Sub-Committee meeting the Parties noted the need to bring the Ukrainian legal framework and practice in line with ILO standards; including ILO conventions 81 and 129 on labour inspection as a cross-cutting issue for all labour standards. The EU welcomed action taken to tackle undeclared work but deeply regretted that the Action Plan developed by the Ministry of Economy with EU/ILO support was side-lined. The EU also took note of efforts made to address wage arrears. Ukraine clarified that following the shift in government (March 2020), the work on the **modernization of labour legislation** - the labour code and other laws (trade unions, dismissals, etc.) **had stalled**. The EU stressed the need to consult with social partners, and to respect ILO fundamental Conventions including 87 and 98 on freedom of association and collective bargaining, when launching the reform programme.

Parties also discussed **sustainable and legal forest management**. Ukraine presented the main developments towards ensuring the legality of harvested wood in 2020 (draft law on the domestic wood market). A core issue is the organization and distribution of responsibilities between control and inspection on the one hand, and wood harvesting and trade on the other. Both parties agreed that a system securing **robust forest control and inspection body/ies**<sup>61</sup> should be independent from the State Forest Resources Agency. Such a system is not in place at present.

Finally, in relation to **cooperation** foreseen under the DCFTA on **climate change** goals (Paris Agreement) and the prudent and rational management of **natural resources**, the sub-committee discussed the contribution of the **energy sector reform** to sustainable economic growth in Ukraine. Ukraine informed about the 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**, during which members of the **EU Domestic Advisory Group (DAG)** were able to meet the **Ukrainian DAG**. The two DAGs produced a **joint statement**<sup>62</sup>, welcoming the joint statement adopted by the Parties following the EU-Ukraine Summit held on 6 October 2020 and taking note of the willingness to start reviewing market access liberalisation under the commitments of the DCFTA, while deploring the fact that the Group of Experts has still not been established

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<sup>61</sup> Article 294 of the DCFTA states “In order to promote the sustainable management of forest resources, Parties commit to work together to improve forest law enforcement and governance and promote trade in legal and sustainable forest products”.

<sup>62</sup> [https://www.eesc.europa.eu/sites/default/files/files/4th\\_joint\\_statement\\_eu\\_ukraine\\_dag.pdf](https://www.eesc.europa.eu/sites/default/files/files/4th_joint_statement_eu_ukraine_dag.pdf)

on the Ukrainian side and reiterating that Ukraine continues to disregard a number of core labour obligations under the Association Agreement and DCFTA.

# 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>63</sup> (AA) entered into force on 1 July 2016 after being applied on a provisional basis since 1 September 2014.<sup>64</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>65</sup>

The Government of Georgia adopted in December 2020 its **third Action Plan for the implementation of the DCFTA 2021-2023**<sup>66</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.

On 1 July 2017 Georgia joined the **Convention on pan-Euro-Mediterranean preferential rules of origin** (“PEM Convention”)<sup>67</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>68</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 regional trade flows.

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

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<sup>63</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>64</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>65</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>66</sup> [DCFTA AP 2021-2023 ENG.pdf](#)

<sup>67</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>68</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.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market Access: Progress and outstanding issues

The 7<sup>th</sup> **Association Committee in Trade Configuration** was held by video conference in February 2021.

The approximation commitments for 2015-2020 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 in 2020 in several areas of legal approximation:

- ✓ In the area of **SPS** Georgia was added to the list of countries **authorised to export processed pet food**, other than canned pet food, to the EU. A number of Georgian establishments are already authorised to export fruit, vegetables, honey and fishery products (from the Black Sea) to the EU. Georgia also submitted a residue monitoring plan for aquaculture, and work is underway on the EU questionnaire on queen bees.
- ✓ In the area of **technical barriers to trade**, Georgia established the **new Market Surveillance Agency (MSA)** functioning under the Ministry of Economy and Sustainable Development. This agency has set up a new electronic platform established with the customs services, which facilitates market surveillance procedures by sending conformity documentation prior to importation. In January 2021, the **Georgian Centre Accreditation become an associate member of the international organization for accreditation bodies (ILAC)**, and it continues digitalisation of its accreditation services. Georgia is on schedule with the approximation of EU legislation on market surveillance of industrial and consumer products in accordance with Annex III-A of the DCFTA as amended in 2019.
- ✓ In the area of **public procurement**, the State Procurement Agency (SPA) of Georgia handed in evidence to the European Commission that it had completed the necessary legislative approximation in order to **complete the first phase of the Public Procurement strategy** in accordance with Annex XVI-B of the DCFTA<sup>69</sup>. One of the main achievements is the set-up of an impartial and independent review body, the “Dispute Resolution Council”, which is tasked with the review of decisions taken by contracting authorities or entities during the award of contracts. Once the Association Committee in Trade configuration has given its positive assessment, the Association Council may decide to grant reciprocal market access for supplies for central government authorities in Georgia and in the EU. This would be genuine new market access given that Georgia is not a party to the WTO Agreement on Public Procurement. This process is expected to be completed in the 2021. Georgia also advanced on the **draft law aiming to approximate to basic elements of EU**

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<sup>69</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.

**Public Procurement Directive**<sup>70</sup> and to the EU Directive on the coordination of the laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply and public works contracts<sup>71</sup>, which will complete phase 2 of Annex XVI-B.

- ✓ In the area of **IPR**, the **Validation Agreement between Georgia and the European Patent Organization** signed in October 2019 is considered a positive and decisive step **guaranteeing that the quality of patents** delivered in Georgia will be at the highest standard. The implementation of the IPR Chapter of the DCFTA is advancing well and Georgia has brought the majority of its laws in compliance with the DCFTA.
- ✓ In the area of **energy** policy, the Protocol of Accession to the Energy Community Treaty commits Georgia to approximate its legislation to key energy and energy-related EU acquis. Georgia's legislation approximating to the EU electricity and natural gas market directives and the law on renewables entered into force in 2019, whereas the law on energy efficiency was adopted in Parliament in May 2020. Georgia continues to develop energy related legal acts, and has been working on a **natural gas emergency plan and natural gas market concept design** in 2020. Rules on security of supply in electricity has been adopted, along with market rules and several bylaws.
- ✓ In the area of **customs and trade facilitation**, Georgia is in the process of adopting the secondary implementing legislation, as a follow-up to the adoption of the new customs code in 2019, approximating to the Union customs code. Georgia has raised strong interest in a mutual recognition agreement with the EU on Authorised Economic Operator programmes (AEO). Georgia is equally preparing to join the Common Transit Convention with the assistance of a twinning project as well as the start of the development of the New Computerised Transit System 5, which is the next step before the accession to the convention.

There remained a number of **outstanding issues** in 2020:

- In regard to **public procurement**, institutional capacity needs to be further built both within the Georgian State Procurement Agency and within the contracting authorities.
- In the area of **IPR**, the exhaustion regime of Georgia is still not line with its DCFTA commitments, as it provides for a regime of international exhaustion as opposed to domestic exhaustion as foreseen in the agreement.

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

The **5<sup>th</sup> TSD Sub-Committee** under the DCFTA was held in July 2020 by video conference. It included dynamic discussions with the Civil Society Forum.

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<sup>70</sup> Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014

<sup>71</sup> Council Directive 89/665/EEC of 21 December 1989

Progress was made by Georgia in implementing the TSD chapter commitments in 2020, finalising its revised TSD implementation work plan for 2021-2023:

- In regard to **environment protection related commitments**, Georgia continued to advance legislative work on the implementation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and obtained Category 1 status under the Convention. Georgia equally established a **climate change council** in 2020 and its government drafted a new and more ambitious “National Determined Contributions”, which were approved in April 2021. There has also been progress with regard to the adoption of a forest code in May 2020 and current works on its bylaws.
- With regard to **labour conditions**, Georgia in September 2020 adopted a Law on the Labour Inspectorate, which will ensure further improvements in terms of occupational health and safety, labour/employee rights, collective redundancies, anti-discrimination and gender equality. Georgia also in September 2020 amended its Labour Code, bringing Georgian legislation closer to EU and international standards.

### 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 2020, 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.

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. In October 2017, Moldova activated the review clause foreseen in the DCFTA (Article 147(5)). As a result of the negotiations, which were concluded in July 2019, 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’s regulatory approximation to the EU acquis is progressing rather well in most areas. Such approximation needs to be accompanied by effective enforcement by independent and transparent institutions, which is challenging in some areas. Overall implementation of the DCFTA was discussed during the 7<sup>th</sup> EU-Moldova Association Committee in Trade Configuration (ACTC), which was held on 20-21 October 2020.

In 2020, 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. Both sides have agreed to proceed to the formal update of Annex XVI of the Association Agreement to reflect the new EU acquis

in this area, including the new EU Regulation on market surveillance. Moldova also submitted a list of potential priority sectors to negotiate an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA), which is foreseen in the Association Agreement.

- ✓ In the area of **sanitary and phytosanitary measures (SPS)**, Moldova continued its approximation to the EU acquis. There was some progress in Moldova's request to export poultry and category B eggs to the EU, with audits scheduled to take place in 2021. 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.
- ✓ As regards **public procurement**, Moldova is moving forward with the legal and institutional alignment in the field of public procurement. Moldova has almost completed the approximation under phases 1 and 2 of the indicative time schedule for institutional reform, approximation and market access (Annex XXIX-B). The level of completion will have to be reviewed. Moldova was granted access to publish tenders in the EU "Tenders Electronic Daily" (TED) portal.

At the same time, a **number of issues remained** in 2020, which will need to be resolved:

- ✓ On 4 December 2020, Moldova amended its Domestic Trade Law. The amendments should enter into force on 1 July 2021. The EU has reiterated on several occasions that these amendments are a clear systemic breach of Moldova's international commitments, and is closely following the evolution of this file in light of the domestic political situation.
- ✓ In the field of **customs and trade facilitation**, the adoption of the new provisions in the Customs Code experienced delays. There was good progress on the implementation of the Authorised Economic Operators (AEOs) programme, but there remains work on the data exchange mechanisms. Moldova needs to particularly enforce anti-fraud measures at customs.

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

The **5<sup>th</sup> TSD Sub-Committee** between the EU and Moldova was held on 19 October 2020 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. The meeting of the Sub-Committee enabled a substantial exchange on labour, forestry and energy provisions.

There were in general no significant improvements in Moldova on labour rights issues since the previous meeting of the Sub-Committee (July 2019), notably as regards labour inspection, occupational health and safety and review of the Labour Code. Progress was more evident on

environmental matters, in particular through the transmission by Moldova of the Moldova Nationally Determined Contributions (NDCs) under the UNFCCC.

### **PART III.3: EU NEIGHBOURING COUNTRIES**

## **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.

Nevertheless, **progress** can be noted in 2020 in the implementation of the SAA's trade related commitments:

- In April 2020, Kosovo **decided to lift the 100% import tariffs for goods originating in Serbia and Bosnia and Herzegovina**, which it had imposed since November 2018. The tariffs were introduced for political reasons and were against the spirit of the SAA, and indirectly affected EU businesses established in the region. Furthermore they were a violation of the Central European Free Trade Agreement (CEFTA) and thereby undermined regional cooperation. In addition to increasing political tensions, they led to a halt of imports from Serbia and Bosnia and Herzegovina. The measure was also detrimental to the investment environment. Therefore it was extremely positive that they were removed, and an important signal for cooperation in the region.
- Kosovo **annulled a decision on fiscal policies for tobacco** production and abolished the excise tax on local tobacco producers, which was in breach of Art. 39 of the SAA.
- Kosovo **cancelled the mandatory first technical inspection for new vehicles** produced for the EU market, which has simplified the procedures for homologation of new vehicles.

At the same time, a number of **implementation deficits** remained in 2020:

- 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 lacks adequate **legislation on trade in arms, military equipment and dual-use goods**, which the EU side has criticised.
- 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.

# 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.

However, the measure concerning the **management of wine quotas** proposed by Serbia causes concern :

- The new system governing **wine quotas**<sup>72</sup> adopted by Serbia in January 2021 changes the current 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. This risks harming market access by EU exporters and imposing additional costs. Serbia's claim that the current system causes disturbance on the domestic wine market appears unfounded as increase of wine imports from the EU were rather modest

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<sup>72</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.

and have not given rise to any problem, apart from the fact that the EU wine quota only represents 3% of Serbia's wine production and 10% of Serbia's wine imports.

The EU reacted swiftly and expressed concerns about the measure, which represents a step backwards in the state of alignment with the EU approach, at a time when Serbia should be adjusting to the realities of an open market as part of its accession process.

Serbia has repeatedly raised its strong concerns regarding the impact of the **EU's steel safeguard measures** at the highest political levels. The EU has organised bilateral consultations with Serbia on this issue, and has ensured that the safeguard measures are applied fairly, that traditional trade flows are maintained and the measures will not have detrimental effects on Serbia's stabilisation and economic development.

# 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 has made good progress in implementing the SAA provisions since their entry into force. 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. The Commission continues to monitor the situation.

Two measures announced/adopted in 2020 by BiH cause concern, notably in the area of public procurement and import tariffs for EU beef and pork:

Bosnia and Herzegovina (BiH) in May 2020 introduced a (temporary) 30% preferential rate<sup>73</sup> for domestic businesses in **public procurement** with effect from 1 June 2020 to

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<sup>73</sup> This means that all bids for public procurement in BiH from domestic companies will be reduced by a factor of 30%.

31 May 2021. The government has argued that this measure is necessary in order to support economic recovery following the COVID-19 pandemic, but no economic or legal assessment of the measure and its expected impact has been undertaken, as far as the EU is aware. The measure is a clear breach of article 74 of the EU-BiH Stabilisation and Association Agreement (SAA). The European Commission already raised concerns ahead of the adoption of the measure at the meeting of the SAA Trade, Industry, Customs and Taxation Subcommittee held virtually on 14 May 2020. Letters were sent to the relevant authorities by the EU Ambassador to BiH, and by the Director General of DG NEAR, stressing concerns and urging the BiH authorities to reconsider their decision. The issue was raised again during the meeting of the EU-BiH Stabilisation and Association Committee held virtually on 26 November 2020, the meeting of the EU-BiH Internal Market and Competition Subcommittee held on 28 January 2021, and again at the EU-BiH Subcommittee on Trade, Industry, Customs and Taxation on 22 April 2021. Despite indications by the BiH side that the measure will be not prolonged beyond 31 May 2021, a proposal was made to prolong the measure in May 2021 but voted down by the BiH Council of Ministers.

- BiH proposed 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 has been presented. The European Commission clearly expressed its concerns that such a measure would constitute a breach of the SAA. As in the public procurement case, the decision to proceed with the introduction of tariffs seems to be a political move in disregard of BiH's commitments under the SAA. Therefore, several letters were sent to the relevant authorities by the Director General of DG NEAR, the EU Ambassador to BiH and the European Commission officials stressing concerns and urging the BiH authorities to fully respect the provisions of the SAA and its international commitments. The European Commission also recalled BiH the need to comply with the provisions of the recently extended Autonomous Trade Measures (ATMs) for certain agricultural products for the Western Balkans for five more years, allowing BiH exporters of fruits, vegetables and wine to benefit from enhanced access to the EU market. Moreover, a dedicated technical meeting on imports of beef and pork from the EU and preferential treatment of domestic bidders (public procurement) between the European Commission and BiH authorities took place on 15 April 2021. For the time being, as in the case of public procurement, the proposal to introduce safeguard measure on imports of EU beef and pork meat was voted down by the BiH Council of Ministers. However, this subject was raised again at the EU-BiH Subcommittee on Agriculture and Fisheries on 17 June 2021. For both cases the European Commission and the Delegation of the EU in BiH continues to closely monitor the developments.

Like Serbia and North Macedonia, Bosnia and Herzegovina has raised concerns regarding the **EU's steel safeguard measures**.

# **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 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 May 2010, 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.

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.

Montenegro has made progress in adapting its legislation to the EU acquis in the field of dual use goods. A new **draft Law on Dual Use** presented in 2020 will ensure alignment with the EU acquis, and will be submitted to the European Commission for opinion before its adoption by the Montenegrin parliament. The **List of dual use goods and technologies** is regularly updated and aligned with the EU List.

# **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 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. There are no significant trade barriers. The only major concern that has arisen during 2020 is 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 Durrës 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. More

generally, the exemption clause in the Albania-UAE economic cooperation agreement needs to be assessed as regards to its compatibility with the SAA.

# **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, although the actual negotiations have not yet begun.

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, including in adapting its legislation to the EU acquis in the field of dual use goods. The **Law on dual use goods** is expected to be adopted by the parliament by the end of the second quarter of 2021. The List of dual use goods and technologies is regularly updated and aligned with the EU List.

Like Serbia and Bosnia and Herzegovina, North Macedonia has raised concerns regarding the EU's steel safeguard measures.

## **PART III.4: EU NEIGHBOURING COUNTRIES**

### **Switzerland, Norway, Turkey**

## 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>74</sup> (hereinafter, the “FTA”), one of the oldest agreements signed by the EU. It concerns goods only. It does not contain 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>75</sup> allows for the provision of services, limited in time.
- The Mutual Recognition Agreement in relation to **conformity assessment**<sup>76</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>77</sup>, that builds on the WTO Government Procurement Agreement.
- The Agreement on trade in **agricultural products**<sup>78</sup>, which 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

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<sup>74</sup> <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=OJ:L:1972:300:TOC>

<sup>75</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A22002A0430%2801%29>

<sup>76</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>77</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>78</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)

and Switzerland and the standards of 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.

Between 2014 and 2018, both parties negotiated an **Institutional Framework Agreement** 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 Institutional Framework Agreement aims at structuring EU-Swiss relations, notably by providing crucial rules and procedures for dynamic take-over and homogenous application of internal market law, for enforcement of state aid rules and for dispute settlement. A Joint declaration is annexed to the agreement, where both parties commit to modernise the trade-related agreements.

The negotiations were concluded in November 2018. However, after consultations with its stakeholders between January and April 2019, the Swiss Federal Council came to the conclusion, on 7 June 2019, that it could not agree on the text, as it felt that further clarifications were needed on three parts of the agreement. While the EU has consistently stated its readiness to look at the requests for clarifications, it has also been urging for quick progress rebuffing at the same time any opening of the Institutional Framework Agreement for further negotiations.

On 27 September 2020, a popular vote took place in Switzerland on the SVP/UDC initiative “For a moderate immigration”. The initiative was rejected by almost 62% of voters, thereby confirming the importance that Swiss people attach to the close relationship between the EU and Switzerland.

On 28 September 2020, in her phone call to Swiss President Simonetta Sommaruga right after the above-mentioned vote, Ms von der Leyen reiterated the well-known position of the EU and asked the Federal Council to act swiftly on the Institutional Framework Agreement. On 14 October 2020, Switzerland proceeded to the nomination of a new Chief negotiator and the Federal Council agreed upon a final position as regards the clarifications to be requested. Discussions resumed in January 2021 with a view to identifying solutions to the three contentious points. Notwithstanding the efforts by the EU side to bridge the differences, on 26 May 2021, the Federal Council took the decision to **unilaterally terminate the negotiations on the EU-Swiss Institutional Framework Agreement**. Without this agreement, which the EU viewed as essential for the conclusion of possible future agreements regarding further Swiss participation to the Single Market, there is no longer a clear path for the modernisation of the existing bilateral trade agreements.

## **2. MAIN IMPLEMENTATION ISSUES**

After a long delay, the 2019 process of 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) was agreed on 16 January 2020.

The EU and Switzerland in 2020 started **an in-depth exchange on FTA preference utilisation**, following the publication in August 2020 by the Swiss State Secretariat for Economic Affairs (SECO) of a study on the benefits of their free trade agreements. Switzerland and the EU initiated a joint reflection on possible areas of cooperation on preference use, including on the methodology and analysis of data and the reasons for foregone savings.

Some of the **main outstanding implementation issues** pertain to market access in the **services** sector and **state aid**:

- 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>79</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.
- The **lack of a level playing field as regards state aid** also remains an issue, as existing agreements between the EU and Switzerland do not include effective state aid rules. Solutions were found in the context of the EU-Swiss Institutional Framework Agreement, which includes State aid rules for existing and future market access agreements between the EU and Switzerland and a compromise solution to deal with Switzerland’s so-called “flanking measures” relating to the posting of workers. However, as explained above, this Institutional Framework Agreement remains to be signed.

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<sup>79</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A22002A0430%2801%29>

# 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 concerns 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.

## 2. MAIN IMPLEMENTATION ISSUES

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

- **EU exports of processed agricultural products<sup>80</sup> remain below their potential due to high customs tariffs** and this has been a long-standing trade barrier. Following the last Joint Working Group on processed agricultural products, which took place on 14 November 2019, there has been no progress on the Commission request for a review of the trade regime for processed agricultural products in order to further promote trade in this area. 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.
- The GIs negotiations launched in 2013 remain suspended since April 2016. The Council of the European Union in its Conclusions of December 2018 called on Norway to

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<sup>80</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.

“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 2020.

## 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>81</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 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 **European**

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<sup>81</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)

**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>82</sup> The statement of the members of the European Council of 25 March 2021<sup>83</sup> 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 invite 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.

## 2. MAIN IMPLEMENTATION ISSUES

As regards the implementation of the existing bilateral preferential trade framework, very limited progress was achieved in 2020 on certain issues.

Instead, Turkey created further market access barriers in breach of the Customs Union rules, and aggravated existing ones, affecting European companies. The European Commission has consistently raised concerns regarding these barriers in various fora, as well as in written exchanges:

- Turkey in 2020 upheld trade barriers in breach of the Customs Union agreement, notably in massively broadening its deviation from the Common Customs Tariff through the imposition of **additional duties** on products originating outside the EU or Turkey’s FTA partners. On the basis of these duties, Turkey requires a **proof of origin** for affected product categories, contrary to Customs Union rules. Customs implementation rules introduced in May 2019 that lead to a sharp increase in certificates of origin demanded and increased uncertainty on the part of EU exporters were raised throughout 2020 by the Commission, and led to a further change to implementation rules, in force since 1 January 2021. This change was intended to clarify that shipments from the EU with A.TR. certificates were in principle exempt from origin checks. However, the evidence after this change came into force points to a mixed take-up by customs intermediaries.
- 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>84</sup>

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<sup>82</sup> [https://ec.europa.eu/neighbourhood-enlargement/sites/default/files/state\\_of\\_play\\_of\\_eu\\_turkey\\_relations\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/default/files/state_of_play_of_eu_turkey_relations_en.pdf)

<sup>83</sup> <https://www.consilium.europa.eu/media/48976/250321-utc-euco-statement-en.pdf>

<sup>84</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-utc-euco-statement-en.pdf>

- The Commission in 2020 advanced its **dispute settlement case** brought by the EU in 2019 against Turkey regarding **localisation requirements** imposed by Turkey in the pharmaceutical sector advanced in 2020, with the panel composed in March and first written submissions in the course of the year.<sup>85</sup> The localisation requirements are measures requiring foreign producers to commit to localise in Turkey their production of certain pharmaceutical products. These measures are in clear breach not only of bilateral agreements but also WTO rules.
- Regarding the state of play on the issue of **cosmetics**, the Turkish legislation is not yet aligned with the *acquis*. In the past years, Turkey had required EU companies to upload the full cosmetic product safety assessment report in Turkey's electronic notification portal, which raised confidentiality concerns. However, as of January 2021, Turkey has discontinued this requirement. Furthermore, Turkey no longer obliges producers to upload the entire artwork of the product to the Agency website. Now only packaging visuals are required. Notwithstanding, among the remaining irritants in the second Quarter of 2021 for cosmetics is Turkey's requirement that companies create new barcodes and new packaging specifically for the Turkish market.

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<sup>85</sup> Information regarding the dispute settlement case can be found here : [https://trade.ec.europa.eu/wtodispute/show.cfm?id=689&code=1#\\_eu-submissions](https://trade.ec.europa.eu/wtodispute/show.cfm?id=689&code=1#_eu-submissions)

## **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>86</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>87</sup> By the end of 2020, 15 out of 16 members of the Economic Community of Western African States (ECOWAS), and Mauritania, have signed the regional EPA; Nigeria's signature is still outstanding.

Ghana's revised market access offer foresees that 78% of tariff lines will be progressively liberalised over the period 2020-2029. Ghana's revised market access offer and full liberalisation schedule is available on the website of the Directorate-General for Trade.<sup>88</sup>

The EPA foresees **joint monitoring** of EPA implementation by the parties. The EU has made a first proposal to Ghana for possible indicators and a process to annually monitor the EPA. This was presented to the Ghanaian side in February 2020. The Parties are to agree on the indicators and the process at the next Trade Committee in 2021.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market access: Progress and outstanding issues

In 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. Only products where tariffs were already at 0% were included in this first round. The "Actual" liberalisation was planned to start in January 2021 when 1056 lines should have been liberalised by Ghana, but was delayed to July 2021. This first round of "actual" liberalisation will concern only few products with significant EU exports (i.e. 8 tariff lines with exports above €1,000,000, mainly machinery and chemicals) whereas most agricultural goods, including fruits and vegetables, are altogether excluded from liberalisation by Ghana, as are inputs in specific value chains such as poultry, sugar, edible offal, and food preparations.

In February and November 2020, the Parties also held two virtual technical meetings, where they undertook to adopt the **amendment of the Protocol on Rules of Origin** and the text of the **Rules of procedures of the Dispute settlement** chapter at the next EPA Committee in 2021.

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<sup>86</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>87</sup> The regional Economic Partnership Agreement was signed in December 2014 by the European Union and 13 West African Countries. The Agreement will enter into provisional application when the 16 West African Countries sign it and 2/3 of these countries ratify it. In 2018, Gambia and Mauritania signed the agreement, which means that only Nigeria's signature is still missing.

<sup>88</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 **EU Delegation** to Ghana has systematically worked in close coordination with the EU Member States and the local authorities to **address trade barriers**. 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 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.

The EU Delegation also seeks to **involve the local private sector to participate in the process of addressing trade barriers** and implementing the EPA. For example, 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. Furthermore, through the Investment Promotion component (€2.8 million, 2018-2021) of the EU-funded Ghana Employment and Social Protection Programme, the EU campaigned 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, close cooperation is taking place, e.g. under the framework of the Cotonou Agreement.

In 2020, the parties continued a **dialogue on sustainability of the cocoa value chain**.

In September 2020, the European Commission launched a **Sustainable Cocoa Initiative** aimed to address cocoa production in Côte d’Ivoire and Ghana. The objective of the multi-stakeholder dialogue is to foster progress in the elimination of child labour and child trafficking in cocoa supply chains, enhancing the protection and restorations of forests in cocoa-producing regions, and ensuring a living income for cocoa farmers. In 2020, the governments of Ghana and Côte d’Ivoire imposed a living income differential for the price of cocoa, which guarantees a minimum price of cocoa for farmers with the aim of ensuring a **living income for local farmers**.<sup>89</sup>

The EU imports 65% of Ghana’s and Côte d’Ivoire’s cocoa exports, making it the first importer worldwide. While cocoa beans are duty-free on a MFN basis, exports of processed cocoa (butter, paste and powder) benefit from EPA preferences.

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<sup>89</sup> Ghana and Côte d’Ivoire jointly announced in June 2019 the suspension of their cocoa futures sales for the cocoa production of the 2020-2021 season (which will begin in October 2020) below a certain price (USD 2600/tonne). This was accompanied by a joint public intervention, which led to an agreement with industry to offer a USD 400/tonne premium above the price of the world market.

# 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 European Partnership Agreement (EPA) is an agreement between the EU and six countries from the Southern African Development Community (SADC): Eswatini, Botswana, Lesotho, Mozambique, Namibia and South Africa. It was signed on 10 June 2016 and 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 was the fourth year in which all SADC EPA states fully implement the EU-SADC EPA ("the Agreement").

**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 benefits from reduced tariffs or from preferential tariff rate quotas. The Southern African Customs Union (SACU), comprising Eswatini, Botswana, 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 benefits from partial liberalisation (reduced tariffs or tariff rate quotas). As a least developed country, Mozambique liberalises a smaller percentage of exports from the EU. The last wave of liberalisation will take place in 2025.

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. The Agreement replaces all the trade provisions of the former bilateral Trade and Development Cooperation Agreement (TDCA) between the EU and South Africa.

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 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.

In February 2020, the Parties agreed that by October 2021 they would **launch a process for reviewing the Agreement**. The Parties also agreed on a list of monitoring indicators and on the principles of the monitoring and evaluation process

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market access: Progress and outstanding issues

SADC EPA started to be implemented in October 2016 by Botswana, Eswatini, Lesotho, Namibia and South Africa. Tariff cuts have started since then. Mozambique signed the EPA in 2018. In 2020, progress was made in terms of **tariff reduction**. As from 1<sup>st</sup> January 2024 all SADC EPA States apply the reduction in EPA customs duties for goods coming from the EU: Mozambique was the last EPA partner country to do so. Mozambique has also updated its tariff book (pauta aduaneira) to the Harmonized System nomenclature of 2017. Several EU Member

States and EU companies confirmed that it is working in practice and that they are benefiting from preferential (reduced) EPA tariff for imports from the EU to Mozambique.

Further progress is still to be made in the area of **rules of origin and in regard to the lifting of SPS bans** imposed by South Africa in 2016 following the Avian Influenza (HPAI) outbreak:

- The SADC EPA provision that foresees the application of **diagonal cumulation** between the SADC EPA States could be key for integration within the SADC region but has not entered into force yet, in the absence of a confirmation by the SADC EPA States of their intention to start applying it. It has nevertheless been discussed by the EU and the SADC EPA States at several occasions.
- EU Member States are still **banned from exporting poultry** meat to South Africa. Since South Africa does not recognise EU regionalisation decisions, the issue is now about re-opening the market access after the Member States have been declared avian influenza-free in accordance with the international standards of the World Organization for Animal Health.

The EU in 2020 further **advanced its legal dispute** against SACU on **frozen poultry**:

- On 21 April 2020, the EU sent SACU a request to **establish an arbitration panel regarding safeguard measures against imports of frozen poultry** from the EU. The panel selection process, which was temporarily suspended due to the Covid-19 crisis, was restarted on 22 November 2020 and is ongoing.
- By way of 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 will expire on 11 March 2022. However, it could possibly be extended for a further 4 years thereafter.

## **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 a debate on trade and climate change during the Trade and Development (TSD) Committee meeting in February 2020:

- The Committee took note of a presentation by the EU on the European Green Deal and of the EU's intention to engage at bilateral level with third countries on areas of common interest to move forward on the implementation of the Paris Agreement.
- The Committee agreed that discussions in the context of the EPA's Trade and Sustainable Development Chapter would take place on a regular basis.

# 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>90</sup> The interim EPA was signed on 26 November 2008 and entered into provisional application on 3 September 2016. The interim EPA will be substituted by the regional EU-West Africa EPA once the latter enters into force.<sup>91</sup> By the end of 2020, 15 out of 16 members of the Economic Community of Western African States (ECOWAS), and Mauritania, have 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. Most agricultural products, including fruit and vegetables, are excluded from liberalisation. The revised market access offer and schedule have been published.<sup>92</sup>

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market access: Progress and outstanding issues

Further progress was made in 2020 on **tariff liberalisation** as Côte d'Ivoire **continued to implement its market access offer**. On 9 December 2020 the Ivorian government adopted a decision setting out the rules and principles for the second phase of tariff dismantlement, which entered into force on 1 January 2021. The liberalisation had become fully effective on 6 December 2019 with the publication of the Customs notices. **EU companies in 2020 continued to gain from the first round of tariff liberalisation** (2019) of a few products with significant EU exports (9 tariff lines with exports above €1,000,000), e.g. vaccines (human and veterinary medicine), printed books, laboratory reagents, some chemicals (diammonium phosphate, contraceptive preparations), newspaper, electrical equipment (e.g. motors). Agricultural goods, including fruits and vegetables, are all together mostly excluded from liberalisation, as well as inputs in specific value chains such as cotton, cement, cosmetic goods, plastics and cardboards. The liberalisation process will be completed by 1 January 2029.

In 2020, the Parties also **carried out procedural steps for the adoption of EPA Committee decisions** agreed in 2019, namely the decisions on the **rules of procedures on dispute settlement**, the **code of conduct and the list of arbitrators**, as well as a Joint Declaration on

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<sup>90</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>91</sup> The Economic Partnership Agreement was signed in December 2014 by the European Union and 13 West African Countries. In 2018, the Gambia and Mauritania 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 of these countries ratify it.

<sup>92</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 rules procedures on **mediation**. The decisions are to be signed at the EPA Committee of 2021 or adopted via written procedure/exchange of letters.

EU projects managed by EU Delegation in Côte d'Ivoire in 2020 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 were rolled out in 2020 include the following:

- Within the framework of a contract called “**S’investir ensemble**” set in 2019, the EU Delegation continued to work together with the European private sector (Eurocham<sup>93</sup>), as well as with 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. Given the COVID-19 context, some of these meetings were either replaced by webinars or postponed.

## 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. Furthermore, the parties have continued to work together to address sustainability matters under the EPA, e.g. on a monitoring mechanism and an EPA civil society platform.

Further progress in 2020 on TSD objectives was made in particular on the sustainable cocoa initiative<sup>94</sup>:

- In September 2020, the European Commission launched a **Sustainable Cocoa Initiative aimed to address cocoa production in Côte d'Ivoire and Ghana**. The objective of the multi-stakeholder dialogue is to foster progress in the elimination of child labour and child trafficking in cocoa supply chains, enhancing the protection and restoration of forests in cocoa-producing regions, and ensuring a living income for cocoa farmers.

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<sup>93</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 (EBOWNN) in 2017. In addition, national chambers of commerce from France, Belgium, UK and more recently Germany are present in Côte d'Ivoire.

<sup>94</sup> The EU is the first importer of cocoa of Côte d'Ivoire and Ghana, amounting to 65% of their exports. While cocoa beans are duty-free on a MFN basis, exports of processed cocoa (butter, paste and powder) benefit from EPA preferences.

- In 2020, the government of Côte d'Ivoire (as done by Ghana) imposed a living income differential for the price of cocoa, which guarantees a minimum price of cocoa for farmers with the aim of ensuring a **living income for local farmers**.<sup>95</sup>

The EU and Côte d'Ivoire continued to work on setting up of a **monitoring mechanism** for the Agreement. Following the publication of the **first joint monitoring report 2019** (covering the year 2018),<sup>96</sup> the parties are discussing the second report 2020 (covering the year 2019) including the possibility to include indicators on trade aspects of sustainable development.

A number of outstanding issues remained in 2020. In particular, Côte d'Ivoire and the EU are to take concrete steps to establish an EPA **civil society platform** with the support of the European and Ivorian Economic and Social Committees to address all trade and sustainable development issues from a civil society perspective. It will bring together representatives from the EU and Côte d'Ivoire civil society and become a key instrument with which civil society can be involved in the implementation of the agreement.

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<sup>95</sup> Ghana and Côte d'Ivoire jointly announced in June 2019 the suspension of their cocoa futures sales for the cocoa production of the 2020-2021 season (which will begin in October 2020) below a certain price (USD 2600/tonne). This was accompanied by a joint public intervention, which led to an agreement with industry to offer a USD 400/tonne premium above the price of the world market.

<sup>96</sup> Available here: <https://trade.ec.europa.eu/doclib/html/158529.htm>

# **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 a 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. This EPA is a regional agreement and is open therefore to the accession of other Central African countries. In 2019, during the 4<sup>th</sup> EPA Committee meeting, the Parties signed the Decision concerning the accession of Croatia and concluded negotiations on dispute settlement procedures. Negotiations on a joint protocol on rules of origin are still ongoing and are expected to be concluded in 2021.

In August 2016, Cameroon started reciprocating its preferential access to the EU. After 4 years, the liberalisation process has now reached cruising speed.

- ✓ Cameroon will liberalise 80% of imports from the EU over 15 years. Products under liberalisation are mainly industrial machines (e.g. pumps, generators, turbines), electrical equipment (e.g. transformers, capacitors, resistors) and certain chemicals. These are mostly inputs used by Cameroon's industries that are not produced locally. Eliminating import duties will reduce the costs of inputs for local businesses and benefit consumers.
- ✓ Cameroon has excluded a number of agricultural and non-agricultural processed goods from liberalisation of EU imports, mainly to ensure the protection of certain sensitive agricultural markets and industries but also to maintain fiscal revenues. The excluded products include most types of meat, wines and spirits, malt, milk products, flour, certain 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**

Progress could be made in 2020 on the implementation of the **tariff liberalisation** commitments by Cameroon:

- Following the special EPA Committee meeting on 28 October Cameroon decided to repeal its decision of suspending the agreed tariff dismantling schedule and to renew with the liberalisation foreseen in the EPA, as from 1.1.2021;

- In October 2020, the parties held a virtual meeting to discuss the liberalisation of sensitive products of categories 2 and 3 of the Agreement.

*For background:* The EPA foresees that Cameroon successively liberalises 80% of imports from the EU. Effective liberalisation started for the first category of products (1727 tariff lines) on 4 August 2016, for the second category of products (985 tariff lines) on 4 August 2017 and for the third category (1418 tariff lines) on 4 August 2018. The two first categories consist mainly of necessities, industrial and agricultural inputs, machines, chemicals, vehicles and spare parts, computers, papers, and consumer products for households. The liberalisation schedule is foreseen to come to an end in 2029 when all products of the three categories will be fully liberalised.

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

The EPA with Central Africa / Cameroon does not include a dedicated chapter on trade and sustainable development. However, under the framework of the **Cotonou Agreement**, and funded by the European Development Fund (EDF), the Parties are cooperating actively on matters related to the environmental sustainability of trade.

# 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 ESA-EU interim EPA has been provisionally applied since 14 May 2012 for the four countries. Comoros signed the EPA in 2017, ratified the EPA in December 2018 and implements the EPA since 7 February 2019. Zambia took part in the negotiations of the interim EPA and may decide to sign the agreement in the near future.

Negotiations continued in 2020 to deepen the ESA EPA: **Three rounds of negotiation meetings took place** in October 2019, in January and in November (the last one by video conference). The discussions concerned customs and trade facilitation, technical barriers to trade, sanitary and phytosanitary issues, rules of origin, and agriculture, trade and sustainable development and trade in services, investment liberalisation and digital trade. A **sustainability impact assessment** is being conducted in parallel to the negotiations and stakeholders from the public and private sector have been consulted. *NB: In 2017, the then-four ESA partners requested to deepen this Agreement beyond trade in goods. In May 2019, the Parties agreed on a joint scoping paper at technical level that paved the way for the official launch of the negotiations in October 2019.*

In 2020, progress was also made in regard to the evaluation of the present interim EPA: 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 the progress and to identify remaining challenges in order to be able to address these latter ones adequately.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market access: Progress and outstanding issues

ESA EPA States are in the process of liberalising their market to EU imports in line with the individual schedules of each ESA EPA State, annexed to the interim EPA.<sup>97</sup> The implementation of the tariff schedule by the four EPA partners, i.e. Madagascar, Mauritius, Seychelles and Zimbabwe, to liberalise goods trade with the EU continued to progress according to plan in 2020. For Comoros that joined the EPA in 2019, there is need to agree on a catch-up scenario currently under discussion.

- ✓ Mauritius and Seychelles are implementing the EPA according to their respective schedule. Zimbabwe has now fully met its tariff liberalisation commitments following the gazette of the EU EPA market access offer covering the period 2017-2022 through the Statutory Instrument (S.I. 2017 of 2019) in October 2019. Madagascar needs to complete, as agreed among the Parties, the transposition of the tariff lines into the 2017

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<sup>97</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.

Harmonised System nomenclature to ensure a smooth implementation of the tariff reduction phases.

- ✓ *By way of background:* The interim EPA offers duty-free quota-free access to the EU for all imports from ESA EPA States as of 1 January 2008. By 2022, Madagascar and Zimbabwe will liberalise around 80% of their trade, while Mauritius and Seychelles will liberalise 96% and 98%, respectively. As for Comoros, discussions are currently being undertaken for a catch-up scenario given its late accession to the Agreement. Goods excluded from liberalisation vary according to the individual market access offer but include predominantly agricultural products and some industrial goods such as plastics, paper, or textiles.<sup>98</sup>

In January 2020, the **EPA Committee, Customs Cooperation Committee and Joint Development Committee** – a sub-Committee of the EPA Committee - took a number of decisions advancing the implementation of the Agreement, including the following:

- 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>99</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.
- 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 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, in Madagascar, the EU participates in the Economic Round Tables (organised annually for last 5 years), which the government uses to consult and obtain recommendations on how to improve the business climate and increase EU investments; EPA matters are also discussed.
- In Mauritius, the Delegation met with the EU private sector to discuss the business environment in Mauritius and opportunity to formalize EU companies into an Eurochamber. E-licencing and regulatory assessment projects also led to private sector consultations.
- In Seychelles, project launches and political dialogues are being used as an opportunity to consult and engage with the private sector.

## 2.2 Trade and sustainable development goals

The interim EU-ESA EPA does not include a dedicated chapter on trade and sustainable development. The Parties are committed to negotiate such a chapter in the course of the ongoing negotiations to deepen the Agreement. Under the umbrella of the Cotonou Agreement, and in the framework of development cooperation, the EU and the five ESA EPA States cooperate closely on achieving the sustainable development goals, including ensuring the contribution of trade policy towards that objective.

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<sup>98</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)

<sup>99</sup> OJ L93, Decision No 1/2020 of the EPA Committee of 14.1.2020, p.1

# 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 2020, this Agreement was provisionally applied by the EU and its Member States and by 14 Caribbean States.<sup>100</sup> Haiti still needs to ratify the Agreement in parliament before applying it, due to domestic legal requirements. By the end of 2020, 25 EU Member States and 10 Caribbean States had ratified the EPA.<sup>101</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, trade-related issues and an important development component with the EU commitment towards fostering long-term sustainable economic growth in the Caribbean.<sup>102</sup>

At the end of 2020, the European Commission published the **10-year Evaluation Study**<sup>103</sup> of the EU-CARIFORUM EPA looking into the implementation, economic and sustainability impact of the Agreement for the 14 CARIFORUM partner countries and the EU, as well as at cooperation commitments and relevant cooperation assistance. The conclusions of the study will also provide input to the Joint Review process taking place every 5 years. The study has noted several challenges and shortcomings in the implementation of the commitments, particularly on the side of CARIFORUM partner States, mostly related to capacity constraints, so EPA-tailored cooperation remains crucial to overcome these implementation challenges.<sup>104</sup>

In 2020, the EU and CARIFORUM partner States launched a **periodic joint EU-CARIFORUM EPA review** that is conducted every 5 years. The conclusions of the review will inform the next meeting of the EU-CARIFORUM Joint Council, which was initially planned for 2020, but was postponed to 2021 due to the Covid-19 crisis.

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<sup>100</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>101</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>102</sup> A factsheet on the EU-CARIFORUM EPA can be found :

[http://trade.ec.europa.eu/doclib/docs/2012/april/tradoc\\_149286.pdf](http://trade.ec.europa.eu/doclib/docs/2012/april/tradoc_149286.pdf)

<sup>103</sup> <https://ec.europa.eu/trade/policy/policy-making/analysis/policy-evaluation/ex-post-evaluations/>

<sup>104</sup> [https://trade.ec.europa.eu/doclib/docs/2021/january/tradoc\\_159351.pdf](https://trade.ec.europa.eu/doclib/docs/2021/january/tradoc_159351.pdf);  
[https://trade.ec.europa.eu/doclib/docs/2021/january/tradoc\\_159353.pdf](https://trade.ec.europa.eu/doclib/docs/2021/january/tradoc_159353.pdf).

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Market access: Progress and outstanding issues

In 2020 the CARIFORUM partners progressed with the **implementation of the goods market access schedules**, which is well advanced in most Caribbean States, however some are in delay with the applicable schedules.

*Background:* Caribbean states 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>105</sup> The exclusion list includes fresh fruits and vegetables, most alcoholic beverages, some garments, a number of processed agricultural products, fish, meat, chemicals and furniture. In general, 25% of CARIFORUM's agricultural and fisheries products have been covered by liberalisation under the EPA. The EU is becoming increasingly an important exporter of processed agricultural goods to CARIFORUM, a market that has traditionally been dominated by US imports. However, China is gaining importance and influence in the region.

Progress was also made in 2020 on **services** and rules (**IPR**):

- On **services**, the Parties made progress towards the adoption of a decision establishing the **Special Committee on Services** to be formally constituted at the next joint meeting with CARIFORUM and fully operational by 2021.
- On **geographical indications**, progress was made at the technical level with a view of establishing a list of potential geographical indications to be protected under the EPA. Although progress was delayed due to Covid-19, negotiations are expected to be concluded in the near future.
- To advance the correct transposition of tariff commitments of market access offers from the 2002 **Harmonised System nomenclature** to the 2017 one the EU in 2020 continued bilateral technical assistance offered to CARIFORUM countries/customs authorities, with a view of enhancing the transparent application of the EPA rates throughout the region. In 2020, the process was successfully finalised for Dominican Republic. This process should significantly improve the transparency of applicable EPA rates and possibly improve EPA utilization rates, as also supported by tailored FPI project in 2021.
- On the **Joint Monitoring Mechanism** to be set up under the EPA, in the framework of the meetings of the Task Force on Monitoring, the Parties agreed on a final **set of compliance and impact indicators** aimed at yearly EPA monitoring. Parties also agreed to start the pilot project for the first EPA monitoring report in 2021, with a possible technical support of Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH ('GIZ').

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<sup>105</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.

In January 2021 the Commission published its second **evaluation of the implementation of the EU-CARIFORUM EPA**<sup>106</sup>. The study points to the main outstanding issues and where the focus in implementation should be placed, also identifying problems more typically encountered with the region:

- Among the challenges identified in the final report concluding the evaluation are a lack of absorption capacity of the authorities/agencies in the CARIFORUM countries, a lack of awareness of the agreements and deficits in observing transparency obligations needed by business.
- The evaluation also identified areas where the EU needs to do more, in particular greater Member States' engagement, improved communication and support for business-to-business links and platforms, if the EU is to counter traditional US dominance in the region and the growing influence of China.

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

- ✓ At the beginning of 2020, the EU Delegation in Barbados together with Caribbean Export and other business organizations prepared a sub-regional EPA awareness seminar and regional workshop on the impact and applicability of the EU General Data Protection Regulation. Delegation also contributed to a series of EPA awareness/business-to-business matchmaking and investment promotion virtual events that included the virtual edition of the Trade and Investment Convention (Trinidad and Tobago), the virtual follow-up to the IV CARIFORUM EU Business Forum (Barbados), the presentation of the EPA ex-works evaluation (Barbados) and an investment promotion webinar (Guyana).
- ✓ The EU Delegation to the Dominican Republic organised the third edition of the EPA awards to successful importers and exporters using EPA preferences, as well as a series of seminars on EU policies, including the EPA, in the framework of the Diploma in EU-Dominican Republic relations.

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

Chapter IV (Environment) and V (Social aspects) of the EU-CARIFORUM EPA foresee cooperation provisions in the areas of environment and social aspects. Certain provisions in the Agreement (for example on tourism) aim to ensure that trade activities do not entail environmental degradation. More generally, the Agreement also reaffirms the Parties' commitment to conserve, protect and improve their natural environment and to prioritise sustainable development.

Both chapters are being implemented at the regional level by the joint EPA institutions (i.e. EPA Committee and Council) and at national level by the respective authorities of the CARIFORUM countries, supported through national development cooperation programmes, in particular the current EDF Programme.

An example of one of the actions directly relevant to achieve the objectives of the EPA's trade and sustainable development chapter is a project focusing on **cocoa production and fair trade**

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<sup>106</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)

and implemented by the NGO “Save the Children”. This project aims at improving the respect, protection and enforcement of the human rights of vulnerable groups, with an emphasis on children, adolescents and women, in the cocoa value chain in the Dominican Republic by promoting and monitoring the incorporation and implementation of the United Nations Business and Human Rights Guiding Principles, as well as the Children Rights Business Principles (CRBP). Furthermore, it contributes to disseminate information and awareness on the need to comply with the relevant standards of fair trade with regard to children labour, discrimination and forced labour.

# 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**" **Economic Partnership Agreement** (EPA) with Papua New Guinea since December 2009, with Fiji since July 2014, with Samoa since December 2018 and with the Solomon Islands since May 2020. This interim EPA covers only trade in goods. Papua New Guinea and Fiji account for the majority of trade between the 15 ACP Pacific States and the EU<sup>107</sup>. While the original plan was to replace the interim EPA by a regional one with all Pacific States, the negotiations were put on hold in 2016 due to lack of progress and the withdrawal of Papua New Guinea from the negotiations.

The interim EPA is **gradually becoming a regional agreement**, with the possibility of extending it to other countries and areas beyond trade in goods. In 2020, preliminary accession talks with potential future members continued, including with Tonga. In October 2020, Timor-Leste notified the EU of its intention to join the interim EPA. The Parties are open to consider the requests for accession of Vanuatu, which graduated from Least Developed Countries (LDC) status on 4 December 2020, and Kiribati and Tuvalu whose date of graduation will be decided in 2021. Upon graduation from LDC status, these countries will lose the EU's Everything-But-Arms (EBA) preferences three years thereafter. They will fall under the standard General Scheme of Preferences (GSP), unless they decide to accede to the EPA.

The Parties are to agree on the **joint monitoring mechanism** at the next Trade Committee in 2021. During the last Trade Committee meeting in October 2019, the EU presented a detailed concept note, which aims to involve the civil society in monitoring and evaluation of the implementation of the interim EPA, including the achievement of trade and sustainable development (TSD) objectives.

## 2. MAIN IMPLEMENTATION ISSUES

### 2.1 Main steps in implementation

In 2020 further progress was made in **implementing tariff liberalisation** under the EPA:

- ✓ The EU and Fiji held five bilateral technical meetings (9 September, 24 September, 1 October, 15 October and 22 October 2020), which resulted in the transposition of the Fijian market access offer from the 2007 Harmonised System nomenclature to the 2017 one. On 30 March 2021, the EU and Fiji held a senior officials meeting, during which they agreed on a roadmap for Fiji's effective implementation and ratification of the interim EPA.
- ✓ 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. *NB: 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%*

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<sup>107</sup> The 15 ACP Pacific States are Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu and Timor-Leste.

*over 15 years, Samoa will liberalise 80% over 20 years and Solomon Islands will liberalise 83.5% over 18 years.*

Furthermore, in the context of the EPA Trade Committee, the EU and the Pacific States made progress on the preparation of decisions on (1) the rules of procedure of the Trade Committee, (2) the amendments to the Agreement on rules of origin, (3) the amendment of the Agreement in order to take account of the recent accessions of Samoa and Solomon Islands and of future ones. The EU and Pacific States also progressed in the preparation of the texts of (4) the Joint Declaration on Trade and Sustainable Development and (5) the concept Note on Monitoring and Evaluation of the EPA implementation. The EU and the Pacific States carried out their respective internal procedures to pave the way for the adoption of the above five measures at the next Trade Committee meeting in mid-2021.

Owing to the success of the tuna canning industry in Papua New Guinea, which has attracted important investments and generated jobs, the Parties' common ambition is to replicate this experience in other sectors/products and other countries in the region. To this end, Solomon Islands started using **global sourcing** in September 2020. *For background:* The EPA provides for improved rules of origin for processed fisheries products (mainly tuna) – the so-called "global sourcing" provision which is intended to boost development in the region. 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 and rare concession by the EU, which is not provided for in any other EPA, has boosted investments in the tuna cooking and canning, creating tens of thousands of new jobs in PNG.

To support Pacific States in the preparation of national plans of actions for EPA implementation **EU development cooperation** remains essential. Examples of support provided via EU Delegation to partner countries in 2020 include the following, amongst others:

- The EU Delegation for the Pacific stepped up efforts to support Pacific Islands' countries to implement and seize the opportunities provided by the EPA. This includes trade-related programmes such as the Pacific-European Union Marine Partnership (PEUMP), including a component with the Pacific Islands Tuna Industry Association, and the Pacific Regional Integration Support Programme (PRISE), including components on strengthening Pacific intra-regional and international trade and safe agriculture trade facilitation projects.
- The EU Delegation in Papua New Guinea continued to support the development of value chains and in collaboration with the Government of Papua New Guinea (Trade Department and the Investment Promotion Authority) and the Papua New Guinea-EU Business Council made progress on the organization of the second EU-Papua New Guinea Business, Trade and Investment conference, which was foreseen for 2020 but had to be postponed to 2021 due to Covid-19 crisis.

## **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 on a number of related matters under the framework of the **Cotonou Agreement** and are also stepping up their cooperation on trade and sustainable development matters under the EPA.

The EU and the Pacific States met in September 2020 in the context of the EPA Trade Committee and exchanged views *inter alia* on a draft Joint Declaration on trade and sustainable development. They undertook to endorse the Joint Declaration at the next Trade Committee meeting in mid-2021.

## EU TRADE AGREEMENTS COVERED BY SECTION IV OF THE REPORT

### *LIST OF BARRIERS COVERED*

(1 January 2020 – 31 December 2020)

#### 1. NEW TRADE AND INVESTMENT BARRIERS REPORTED IN 2020

	COUNTRY	BARRIER	SECTOR	A2M <sup>108</sup>
1.	Argentina	Import ban of pork meat and products on African swine fever grounds	Agriculture and Fisheries	16184
2.	Australia	International Freight Assistance Mechanism (IFAM)	Agriculture and Fisheries	15863
3.	Australia	Investment Screening mechanism (Foreign Investment Reform Act 2020)	Horizontal	15862
4.	Bangladesh	Cargo and berthing preferences for Bangladeshi flag vessels	Services - Transport	16202
5.	Belarus	Mandatory payments when submitting electronic declarations to the Belarusian customs authorities	Horizontal	16062
6.	Bosnia Herzegovina	Bosnia Herzegovina -- Procurement (30 % price advantage for local products)	Horizontal	16665
7.	Brazil	Import ban of pork meat and products on African swine fever grounds	Agriculture and Fisheries	16186
8.	China	Import restrictions related to Covid-19	Agriculture and Fisheries	16602
9.	China	Registration and listing of establishments exporting food and drink products to China	Agriculture and Fisheries	15522
10.	Egypt	Temporary ban on imports of white sugar and import restriction of raw sugar	Agriculture and Fisheries	16185
11.	Egypt	Mandatory Pesticide residue testing requirement	Agriculture and Fisheries	15982

<sup>108</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>

12.	Egypt	Import permits for chilled, frozen and processed meat	Agriculture and Fisheries	15842
13.	Egypt	Several measures on imports related to Covid-19	Multisector	15796
14.	Egypt	Postponement of a downward revision of safeguard duties on steel products	Iron, Steel & non-ferrous materials	15804
15.	Egypt	Refusal of imports of timber wood due to their level of radioactivity	Wood, paper and pulp	16562
16.	India	Request for GM-free certificate for certain agricultural crops imports	Agriculture and Fisheries	16462
17.	India	Quality Control orders on wheel rims, safety glass, two-wheeler helmets and Brake linings	Automotive	16144
18.	India	Licencing scheme for importing tyres	Automotive	16143
19.	India	Ban on the sale of imported alcoholic beverages products in Canteen Department Stores	Wines & Spirits	15922
20.	Indonesia	Restriction/prohibition on import of finished textile products	Textile & Leather	15662
21.	Indonesia	Additional certification/ testing requirements for imports of import of live animals	Agriculture and Fisheries	16324
22.	Japan	Japanese regulations related to off-shore wind power market	Services - Energy	16382
23.	Kenya	Cessation of warehousing goods in customs bonded warehouses	Horizontal	16102
24.	Kuwait	Ban on imports of poultry and its products from Czech Republic due to avian influenza	Agriculture and Fisheries	15582
25.	Mauritius	Import ban imposed during COVID-19	Agriculture and Fisheries	15722
26.	Mexico	Trade restrictive measure to the export of Tequila destined for use of flavoured beer	Wines & Spirits	16162

27.	Moldova	Amendments to the Domestic Trade Law introducing provisions against national treatment of imported goods	Horizontal	16662
28.	Nepal	Import bans ranging automotive, Wines & Spirits, Agriculture and Fisheries	Horizontal	16262
29.	Peru	Regionalization (lack of), country-wide bans imposed by Peru	Agriculture and Fisheries	16242
30.	Qatar	Additional certification requirements for imports of food due to COVID-19	Agriculture and Fisheries	15622
31.	Russian Federation	Winegrowing and Winemaking Law (labelling / GIs)	Wines & Spirits	15702
32.	South Africa	Import ban pig meat (African swine fever)	Agriculture and Fisheries	16183
33.	South Africa	Restrictions on domestic sales of Alcoholic Beverages	Wines & Spirits	15776
34.	South Korea	Homologation procedure of vehicles bound to preferential origin	Automotive	15682
35.	South Korea	Non recognition of regionalisation due to outbreaks of avian influenza (Hungary)	Agriculture and Fisheries	16422
36.	Sri Lanka	Sri Lanka import ban on several products during COVID-19	Multisector	15813
37.	Tunisia	Non-automatic import licences on chocolate, chocolate products and cheese	Agriculture and Fisheries	15769
38.	UAE United Arab Emirates	country wide band on Poland due to avian influenza outbreak (Poland)	Agriculture and Fisheries	15389
39.	Ukraine	Restrictive patentability criteria of medical products	Pharmaceuticals	16664
40.	Ukraine	Amendments to the Public Procurement Law introducing LCR	Horizontal	16663
41.	USA	Defense Production Act (DPA)	Horizontal	15818

## 2. TRADE AND INVESTMENT BARRIERS RESOLVED IN 2020<sup>109</sup>

	COUNTRY	BARRIER	SECTOR	A2M <sup>110</sup>
1.	Bangladesh	Cargo and berthing preferences for Bangladeshi flag vessels	Services - Transport	16202
2.	Brazil	Labelling for wines and spirits	Wines & Spirits	13342
3.	Egypt	Postponement of a downward revision of safeguard duties on steel products	Iron, Steel & non-ferrous materials	15804
4.	Egypt	Restrictions on import of Feta cheese	Agriculture and Fisheries	14682
5.	Egypt	Lack of some MS on the Egyptian "List of Reference countries"	Agriculture and Fisheries	13962
6.	Egypt	Requirement for bill statement "Origin Declaration" EUR 1 (administrative and customs procedure)	Horizontal	13062
7.	India	Quality Control orders on wheel rims, safety glass, two-wheeler helmets and Brake linings	Automotive	16144
8.	India	Request for GM-free certificate for certain agricultural crops imports	Agriculture and Fisheries	16462
9.	Indonesia	Additional certification/ testing requirements for imports of import of live animals	Agriculture and Fisheries	16324
10.	Indonesia	Import restrictions on dairy products, spirits and alcoholic beverages	Multisector	15082
11.	Iran	Double certification for beef and sheep meat	Agriculture and Fisheries	13127
12.	Iran	Minimum age requirements for meat	Agriculture and Fisheries	13125
13.	Japan	Ban on imports of beef due to Bovine Spongiforme Encephalopathy (BSE)	Agriculture and Fisheries	16303

<sup>109</sup> Fully resolved or partially resolved barriers

<sup>110</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>

14.	Kenya	Cessation of warehousing goods in customs bonded warehouses	Horizontal	16102
15.	Kuwait	Ban on imports of poultry and its products from Czech Republic due to avian influenza	Agriculture and Fisheries	15582
16.	Kuwait	Country-wide ban on ruminants (and their products) due to outbreak of anthrax	Agriculture and Fisheries	15562
17.	Lebanon	Mandatory requirement of registration of factories for certain products	Multisector	14882
18.	Mauritius	Import ban imposed during COVID-19	Agriculture and Fisheries	15722
19.	Mexico	Long approval procedures – Italian kiwi (solved in 2019, first export season in 2020)	Agriculture and Fisheries	15406
20.	Panama	Government procurement restrictions	Horizontal	14722
21.	Philippines	VAT on imported medicines	Pharmaceuticals	15284
22.	Qatar	Additional certification requirements for imports of food due to COVID-19	Agriculture and Fisheries	15622
23.	Russian Federation	Specific bans: chilled meat from Germany and finished meat and milk products from 3 Lander	Agriculture and Fisheries	16323
24.	Russian Federation	Transit ban	Multisector	12141
25.	Saudi Arabia	Introduction of (oxo-biodegradable) certification for plastic products	Multisector	14529
26.	Saudi Arabia	Country-wide ban on livestock from Spain due to notification of atypical BSE case	Agriculture and Fisheries	15563
27.	South Africa	Health warning regulation for alcohols	Wine & Spirits	13743
28.	South Korea	Non recognition of regionalisation due to outbreaks of avian influenza (Hungary)	Agriculture and Fisheries	16422

29.	Thailand	Cumbersome and undue delays of import application procedures	Agriculture and Fisheries	16802
30.	UAE United Arab Emirates	restrictions on food additive requirements (in dairy products)	Agriculture and Fisheries	15542
31.	UAE United Arab Emirates	country wide band on Poland due to avian influenza outbreak (Poland)	Agriculture and Fisheries	15389
32.	UAE United Arab Emirates	New standards dairy and fruit juices (ECAS certification) including food safety requirements	Agriculture and Fisheries	14442
33.	Ukraine	lack of VAT refund on exports of soybeans and rapeseed	Agriculture and Fisheries	14528