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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 the Implementation and Enforcement of EU Trade Policy

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This Staff Working Document (SWD) contains additional information (country sheets) on 39 individual EU trade agreements, complementing section II of the Report on Implementation and Enforcement of EU trade policy¹ (“the report”), called “*Making full use of the opportunities provided by EU trade agreements*”.

Its annex has a **list of new barriers recorded and barriers resolved in 2022** completing section IV of the report, called “*Addressing trade barriers and finding solutions*”.

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

- **Agendas and reports of meetings of the institutional bodies** (FTA committees and working groups, dialogues) as well as information on agenda and reports of civil society forum meetings²;

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

The Commission/DG TRADE’s Implementation & Enforcement webpage⁴ has the following information, which is made available together with the annual report and staff working document:

- **Statistics** on trade in goods and services and on foreign direct investment **between the EU and preferential trading partner countries** (These are compiled for the annual report, based on Eurostat data for the EU27 as they stand in March 2023. *NB: The latest statistics for trade in goods are for 2022, for trade in services and investment for 2021, except where indicated otherwise*);

- **Tariff Rate Quotas (TRQs)** for the EU and preferential partner countries’ fill rates in 2022;

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

¹ REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on the Implementation and Enforcement of EU Trade Policy – COM(2023) 740
<https://circabc.europa.eu/ui/group/7fc51410-46a1-4871-8979-20cce8df0896/library/aa98efa2-71ac-4e01-9175-eb5474c5c50e/details>

² https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/transparency-eu-trade-negotiations_en

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

⁴ https://policy.trade.ec.europa.eu/enforcement-and-protection/implementing-and-enforcing-eu-trade-agreements_en

EU TRADE AGREEMENTS COVERED BY THIS STAFF WORKING DOCUMENT

(Agreement/date of application)⁵

PART I: ASIA	
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
PART II: THE AMERICAS	
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.
PART III: EU NEIGHBOURING COUNTRIES	
Mediterranean and Middle East countries - Free Trade Areas	
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 ⁶	1 July 1997
EU-Israel	1 January 1996
Eastern countries – Deep and Comprehensive Free Trade Areas	
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.

⁵ 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>

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

EU TRADE AGREEMENTS COVERED BY THIS STAFF WORKING DOCUMENT

(Agreement /date of application)

Western Balkans – Stabilisation and Association Agreements	
EU-Kosovo* ⁷	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
Switzerland, Iceland, Norway, Türkiye, United Kingdom	
EU-Switzerland Free Trade Agreement	1 January 1973
EU-Iceland Free Trade Agreement	1 April 1973
EU-Norway Free Trade Agreement	1 July 1973
EU-Turkey Customs Union	Association Agreement signed in 1963; final phase of the customs union completed on 1 January 1996
EU-United Kingdom Trade and Cooperation Agreement	1 January 2021
PART IV: AFRICA, CARIBBEAN AND PACIFIC – Economic Partnership Agreements	
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.

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

PART I: ASIA

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

1. THE AGREEMENTS

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

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

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

There is an important presence of EU companies in Vietnam. In 2021, EU-Vietnam bilateral trade flows increased to €49.1 billion from 43.2 billion in 2020 to further increase in 2022 to € 64, 2 bn. The EU trade balance is negative (- 38,8 bn €). Vietnam was already in 2021 the EU's largest partner for imports of goods among ASEAN countries. Its exports to the EU rose from €34.5 billion in 2020 to € 51, 5 billion in 2022.

Vietnam is an important regional economic actor and is part of a number of bilateral and major regional trade agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). Though hit by the health pandemic, its GDP by 2.6% in 2021 and by 8% in 2022, showing a remarkable resilience.

2. MAIN IMPLEMENTATION ISSUES

2.1 Market Access: Progress and outstanding issues

Since 1 August 2020, the EU and Vietnam have held regular informal meetings and convened the specialized committees and working groups established by the EVFTA. The first ministerial

Trade Committee was held on 19 July 2021. The second Ministerial Trade Committee was held on 19 December 2022. In the course of 2022, the **EU project to improve the ability of EU Businesses (notably SMEs) to increase their trade and investment** in Vietnam by providing practical information on how to make the most of the EVFTA was continued. The online guide to EU SME on Vietnam trade and investment⁸ was launched in March 2022 and updated in December 2022.

On **specific market access issues**, progress was achieved in particular on the following market access issues:

On SPS-related issues

- Vietnam simplified and sped up clearance procedures for authorizing imports from approved EU Member States' establishments (so called "**pre-listing**"). As a result, EU market access for animal products increased for various EU member states.
- Work also continued over the reporting period to reduce the important backlog Vietnam has on Member States' general applications for exports of animal products and plant products to Viet Nam, as well as to amend the protocol on rules of origin, for which Viet Nam's internal procedures and decision making are lengthy.

In relation to **market access for EU pharmaceutical products** Viet Nam in October 2022 ended longstanding discrimination between Member States' regulatory authorities, some of who had been being classified as 'Reference Regulatory Authorities' (RRAs) and others as 'Stringent Regulatory Authorities' (SRAs). This differentiation had led to a better treatment of RRAs, including by means of shorter, simplified registration procedures and exemptions from clinical trials, as well as easier participation in government procurement tenders. It also negatively affected the competitiveness of EU exporters from EU member states whose authorities were classified as SRAs.

Furthermore, in the area of **IPR**, Viet Nam, from the entry into force of the Agreement, has implemented its commitments to **protect 169 EU GIs** and over the reporting period took further steps to codify its EVFTA commitments, by reflecting them in its domestic legislation, i.e. its Law on amendments and supplementing provisions to the Law on Intellectual Property in 2022, which enhance the IPR legal framework.

Among the **outstanding issues** to mention in particular serious concerns as to **IPR enforcement** in Viet Nam, both as regards online and physical marketplaces. This includes issues related to ineffective copyright enforcement, in particular in the online environment (e.g. site-blocking) but also difficulties for rightholders in filing civil or criminal cases as courts are overwhelmed and Viet Nam's enforcement system has remained highly complex, which makes it challenging for rightholders to take effective and efficient action against IPR infringements. Although Viet Nam has stepped up its efforts on border enforcement (e.g. through increased

⁸ <https://www.eu-vietnam-fta-sme-guide.eu/>

border actions and seizures and effective customs registration and recordal procedures), the level of customs detentions of infringing products remains relatively low.

2.2 Trade and sustainable development: Progress and outstanding issues

On **labour issues**, Viet Nam has ratified and participates in 25 **ILO Conventions** including **nine out of the ten fundamental Conventions**. The last fundamental ILO convention, i.e. *Convention Nr. 87 on the Freedom of Association and Protection of the Right to Organise*, still **awaits to be ratified in 2023**, in line with the promise by Viet Nam, and agreed by the European Parliament, in the context of the EVFTA ratification. The EU has continued to encourage Viet Nam to elaborate a plan outlining the concrete steps towards ratification of ILO Convention Nr. 87.

At the second **TSD Committee** in October 2022, committed to approve a **Decree in 2023 to allow the setting-up of independent trade unions**, i.e. not associated with the authorities. The enactment of the Decree on workers representative organisations and collective bargaining is key to enable independent workers representative organisations. Important delays are expected on the Decree's adoption due to the complexity to reach a consensus among stakeholders in Viet Nam, in particular with business representatives and Trade Unions representatives. The adoption of the above mentioned Decree will be an important and crucial step towards ratification by Viet Nam of ILO Convention Nr. C 87. Viet Nam indicated that it cannot commit anymore to a date of ratification due to the blockage in the adoption of the Decree.

On the basis of relevant reports from the ILO supervisory committees and other sources, the EU continues to closely monitor developments in Viet Nam regarding freedom of expression and assembly that are integral parts of freedom of association.

Furthermore, the Commission continues raising with Viet Nam the issue of **child labour** and Viet Nam's commitment to eliminate it by 2025 in accordance with Sustainable Development Goal 8.7. The recent National Action Programme aims at a child labour rate of still more than 4 percent by 2030 after 5.4 percent in 2018. Viet Nam's National Programme of Action is now approved at national level and work is focusing on implementation at the regional level. A recent report showed considerable progress in this area during pre-pandemic period, while there are still more than 1 million children in child labour, more than half of them in hazardous works. Due to effects of COVID-19 the occurrence of child labour might have worsened. Further decisions on tackling child labour are expected to be taken on the basis of the outcome of the 3rd survey on child labour, which is planned for 2025.

The Commission has also raised concerns vis-à-vis Viet Nam on the issue of alleged **forced labour cases** in drug detention centres (issues monitored by ILO under Convention 105 on the Abolition of forced labour). Further concerns relate to the capacity of labour inspections in Viet Nam (number and quality/training) as noted in the 2021 report of the ILO supervisory mechanism (Committee of Experts on the Application of Conventions and Recommendations) on ILO Convention 81.

During the course of 2022 Viet Nam also expressed willingness to reinforce bilateral cooperation on **climate and environmental policies** as well as at international level (CBD COP 15 and CITES). For example, Viet Nam has been engaging in the **circular economy model** as

pursued by the EU, including the policies and technologies leading to a less wasteful and more efficient economy, as demonstrated during the Green Economy Forum and Exhibition (GEFE) of November 2022 in Ho Chi Minh City. The presence of political leadership at this event clearly indicated the country's interest. These political interests can trigger systemic changes where Viet Nam would be diverting from a traditional, linear model into a more circular model of growth over time. The implementation of the TSD chapter and the EVFTA as a whole play an instrumental role in that context.

Viet Nam established a **Domestic Advisory Group** (DAG) in the autumn of 2021 and, following the second TSD committee meeting in October 2022, increased membership from three to six. One extra member joined in the course of 2022 so the DAG's members are currently seven. According to recent information, Viet Nam is currently looking at the possibility to increase the number of members from seven to 15.

The Commission continues to encourage Viet Nam to further broaden the membership of its DAG. Once the national Decree on workers representative organisations will be adopted (see also above), it can be expected that the Viet Nam DAG would include independent workers. In this process the complexity to reach a consensus among stakeholders in Viet Nam, in particular with business representatives and Trade Unions representatives, should be factored in.

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**.⁹ Negotiations began in 2009, with negotiations for the trade agreement and the investment protection agreement being completed in 2012 and 2017, respectively. The trade agreement entered into force on 21 November 2019, and the investment agreement will enter into force once ratified by the EU Member States. These are the first agreements on trade and investment the EU ever concluded with an ASEAN Member State.

Singapore is an important regional economic actor, and is part of a number of major regional trade agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the ASEAN Free Trade Area (AFTA) and the Regional Comprehensive Economic Partnership (RCEP). Singapore's membership of ASEAN also gives it notable political as well as economic influence in the South East Asia region. Singapore was the largest ASEAN destination for EU exports of goods in 2022: EU exports to Singapore increased by 15.9% (from €27.4 billion in 2021 to €31.7 billion in 2022). EU-Singapore trade in goods increased by 21.7% in 2022, on a year-on-year basis. Singapore is the EU's largest trade and investment partner in South East Asia, ranking as the EU's 5th largest trade partner for services globally (€57.6 billion) and 5th largest FDI destination (€263 billion) in 2021, according to the latest figures available.

The EU-Singapore trade and investment agreements contribute to solidifying the EU's presence in the region. The agreements offer new opportunities for EU companies to expand into other South East Asian markets, as they provide them with more opportunities and stronger protection to do business in Singapore, which is the central hub in South East Asia. At the first inaugural trade committee meeting under the EUSFTA, held in December 2021, the EU and Singapore agreed to strengthen their bilateral partnership on digital trade, in view of their joint vision to work towards a digital and green economic recovery. EU and Singapore officials were tasked to start technical discussions to identify the relevant digital trade elements. In February 2023, the EU and Singapore signed the EU-Singapore Digital Partnership and adopted its first deliverable on Digital Trade Principles.

⁹ The decision to "split" the agreement into a free trade agreement and an investment protection agreement was made following the Opinion 2/15 of the European Court of Justice on the allocation of competences between the European Union and the Member States.

2. MAIN IMPLEMENTATION ISSUES

2.1 Market Access: Progress and outstanding issues

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

- **Singapore had committed to introduce border measures against counterfeit GI and pirated design goods**, no later than three years after the entry into force of the EUSFTA. The legislative change was enacted by Singapore in November 2022.
- On 19 April 2022, the Trade Committee adopted a **third Decision on GIs** to include the registration of three GIs in Singapore. Since then, 17 additional GIs have been successfully registered in Singapore, which will be reflected in a future amendment of the relevant GI annexes of the EUSFTA.

Progress was also made in the area of **customs**, facilitating trade through a switch towards the ‘registered’ exporters, benefitting in particular also EU exporters of beer:

- The **EU-Singapore Customs Committee Meeting** at its first meeting on 22 November 2022 adopted **Decision** amending Protocol 1 of the EUSFTA concerning the definition of ‘originating products’ and methods of administrative cooperation. The Decision, which entered into force on 1 January 2023, updates Protocol 1 to the 2022 version of the Harmonized System, replaces the system of ‘approved exporters’ by ‘registered exporters’ and extends the coverage of three quotas for Singapore under the ‘Asian Food Quota’. The change to the **registered exporter system** is particularly relevant for EU exporters of beer to Singapore to facilitate benefitting from tariff preferences.
- The Parties also engaged in an exchange on recent developments in customs policy and legislation and review the state of play of the mutual recognition of the EU and Singapore Authorised Economic Operators programmes, border enforcement of intellectual property rights and mutual administrative assistance in customs matters:

2.2 Trade and sustainable development: Progress and outstanding issues

The second EUSFTA Trade and Sustainable Development Board meeting and Public Stakeholders’ Forum took place in Brussels on 22 and 23 March 2023¹⁰.

The main topics discussed included

- i) reflecting the EU TSD review outcome in the implementation of the TSD chapter with Singapore;

¹⁰ https://policy.trade.ec.europa.eu/events/second-trade-and-sustainable-development-public-stakeholders-forum-under-eu-singapore-free-trade-2023-03-23_en

- ii) ii) exchanging information on the developments regarding the EU's Carbon Border Adjustment Mechanism and Singapore's Green Economy Agreement (GEA) initiative;
- iii) iii) Progress towards ratification by Singapore of 3 outstanding fundamental ILO conventions.

Singapore **reported on steps taken to bridge the gaps between domestic labour legislation and the three ILO fundamental conventions** No. 87 (freedom of association), 111 (elimination of discrimination of work) and convention on forced labour (No. 105):

- In regard to *ILO Convention C105 on Abolishment of Forced Labour*, Singapore has amended three pieces of legislation and expressed its intention to amend the remaining domestic legislation needed to fully comply with the ILO convention requirements and progress with the ratification.
- On ILO Convention No (*C111 on Discrimination (Employment and Occupation)*) Singapore indicated that it is taking steps to enact legislation to prohibit discrimination at the workplace. However, discussions on the legislation and its implementation, especially with employers in Singapore, are still ongoing.
- On ILO Convention No (*C87 on Freedom of Association and Protection of the Right to Organize*), Singapore indicated that it complied with the relevant core ILO principle already. In this context, the EU stressed the high importance of the international labour standards and conventions and the important role of the ratification of the ILO fundamental conventions and their effective implementation. Singapore indicated that it will continue reporting on the progress made towards the ratification of the outstanding ILO fundamental conventions.

The **EU-Singapore Public Stakeholders Forum** met on 23 March 2023, discussions largely mirrored the ones at the TSD Board meeting. On 24 March, the EU and Singapore DAGs held a workshop (supported with the Commission funding) on “Digital economy and its connections to Sustainability”.

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

1. THE AGREEMENT

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

The agreement is particularly important for the EU agri-food sector, offering huge potential for increasing EU exports of a large number of products, such as wine, pork, beef, cheeses and processed agricultural products.

2. MAIN IMPLEMENTATION ISSUES

2.1 Market Access: Progress and outstanding issues

The **first four years of EPA implementation** have been overall satisfactory. Bilateral trade has quickly recovered from the Covid-19 crisis and trade flows are beginning to exceed pre-pandemic level.

Progress was made inter alia on the following issues:

- First, the Commission continued to monitor the fill rate and **management of TRQs** under the Agreement. Progress on the utilisation by the EU of TRQs granted by Japan is overall positive according to the Fiscal Year 2021 figures.
- Second, some promising results were achieved on **offshore wind power**, where Japan took certain steps to simplify the approval procedures related to technical regulations. As a result, the second round of offshore wind tenders, published on 28 December 2022, shows some improvements compared to the first round in 2021, especially as discriminatory track record requirements were removed.
- In 2022 Japan adopted a **new customs** law that is expected to curb the shipment of fake goods to Japanese consumers.

In autumn 2022, the European Commission published three studies¹¹ containing recommendations to Japan on how to simplify standardisation and certification requirements and rules related to offshore wind energy tendering, and on how to alleviate restrictions on foreign vessels' access to work on offshore wind energy projects. These studies support Japan to reach its goals to increase the proportion of renewables in its energy mix and achieve climate neutrality by 2050.

Among the **outstanding issues** are

- the area of **public procurement**, as Japan has not taken any further steps towards a single point of access ensuring the automatic and immediate publication of all tenders falling under the EU-Japan EPA or the WTO GPA – progress on government procurement thus remains limited.
- Japan's overly complicated and lengthy market access **approval procedures for certain EU agri-food products** (fresh fruits and vegetables, beef from certain Member States). In order to address this issue, Japan needs to recognise the EU as a single entity as set out in the EPA. This would allow Japan to simplify its lengthy and duplicative assessments conducted for each EU Member State individually, in spite of a common framework of SPS rules in the EU.

2.2 Trade and sustainable development: Progress and outstanding issues

Progress was made in 2022 as **Japan ratified ILO convention C105 on the Abolition of Forced Labour**, following amendments to domestic legislation. The convention entered into force for Japan in July 2023.

Also, the **Committee on Trade and Sustainable Development** of 28 February and 1 March 2023¹² formally adopted a decision on the establishment of the panel of TSD experts¹³.

¹¹ Offshore wind:

https://www.eeas.europa.eu/sites/default/files/documents/Japanese%20OWP%20Tenders_Aquilo%20Energy%20GmbH_publication102022.pdf; Maritime cabotage:

https://www.eeas.europa.eu/sites/default/files/documents/Japanese%20OWP%20Cabotage_Aquilo%20Energy%20GmbH_publication102022.pdf; Standards, technical regulation and conformity assessment in the Japanese

and European offshore wind power market:

https://www.eeas.europa.eu/sites/default/files/documents/OWP%20Study%20-%20DTU-REI_publication_EN_0.pdf

¹² Agenda of the meeting: <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/a5b439ce-67b1-4bf7-b0b4-3671dd8a325d/details>

¹³ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22023D1124>

Furthermore, the following additional issues were considered at the TSD Committee:

- **Role and function of DAGs** and implementation of sustainability provisions in trade agreements of Japan, as well as new EU initiatives in the area of Corporate Social Responsibility/Responsible Business Conduct (CSR/RBC).
- In terms of **trade and labour**, the TSD Committee exchanged views on Japan's efforts on the ratification of the ILO C111 on discrimination in employment and occupation as well as on their respective policies and approaches to the occupational safety and health.
- In regard to **environmental issues**:
 - the EU presented the initiatives adopted by the in the framework of the Circular Economy package, as well as the proposal for a Revision of the Waste Shipment Regulation. Building on the recent collaboration in the area of plastics policy, the EU proposed a technical dialogue with a focus on product requirements for circularity by design. Building on the update on the EU Forest Strategy, the EU and Japan are considering the possibility to hold a follow-up technical-level meeting on the EU proposal for a regulation to curb deforestation and forest degradation.
 - The Parties also updated each other on the respective policy developments on **climate change**, and discussed bilateral cooperation (the ***Japan-EU Green Alliance***¹⁴). In relation to cooperation in **multilateral fora**, the Parties discussed the (plurilateral) Methane and Deforestation Initiatives. They stressed the positive contribution that bilateral discussions on trade and climate can bring to the multilateral processes, as was done through the June 2021 joint event on Trade and Industry towards Climate Neutrality. Further work may involve cooperation on the development of standards and certification framework for the international trade for hydrogen.

The **Joint Dialogue with Civil Society** was held on 3 March 2023. It provided an opportunity for active and engaged discussions between civil society representatives of both sides on all issues relating to Trade and Sustainable Development.

- The topics of *responsible business conduct, due diligence and ratification of ILO conventions* were identified as the *key topics for cooperation*, creating a positive dynamics. This was achieved inter alia by engagement of the EU DAG with some of the Japanese participants to the Joint Dialogue with Civil Society. Amongst others, Japanese unions offered to cooperate on the ratification by the EU Member States occupational safety and health ILO conventions (C155 and C187), and the EU unions

¹⁴ eu-japan-green-alliance-may-2021.pdf (europa.eu)

showed interest in cooperating on the ratification by Japan of convention C111 on discrimination in employment and occupation.

- Considering the level of interest in the exchanges, the members of civil society of each side agreed to explore the possibility to hold a follow up bilateral meeting to further explore topics of interests, among these i) industry perspectives to deliver inclusive economic growth; ii) transition towards a carbon neutral economy (basically CBAM, EU taxonomy and sustainable finance) and iii) sustainable forest and land use.

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

1. THE AGREEMENT

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

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

2. MAIN IMPLEMENTATION ISSUES

2.1 Market Access: Progress and outstanding issues

The 12 years old free trade agreement between the EU and South Korea remains a solid foundation of the bilateral relationship, supporting a robust increase in bilateral trade as well as both economies’ green and digital transition. In this context, both sides continued working constructively on the implementation of the agreement and a number of FTA working groups and committees took place in the second half of 2022 and the first quarter of 2023. The 10th **EU-Korea Joint Trade Committee** met in November 2022¹⁵.

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

- ***Sanitary and phyto-sanitary measures***: As a result of intense high-level engagement between the Commission and South Korea, EU Member States can, as of 5 September 2022, export pork and poultry to South Korea more easily. The Ministry of Agriculture, Food and Rural Affairs of South Korea (MAFRA) has decided to remove a longstanding trade barrier, which affected EU exports of pork and poultry products, as South Korea now recognises the EU's stringent regionalisation measures to control outbreaks of African swine fever and the highly pathogenic avian influenza. This decision could unlock over one billion euros of trade in the next years.
- In the area of ***IPR protection***, following the completion of the necessary domestic procedures on both sides, on 30 November 2022, the EU-Korea Trade Committee adopted a decision on the amendment of the GI Annexes (Annexes 10-A and 10-B) and

¹⁵ Joint minutes of the 10th EU-Korea Trade Committee are available here: <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/48fd33f9-6949-4cf4-9b2b-2974127a7f28/details>

44 EU GIs and 41 Korean GIs were added to Annexes. The amendment entered into force on 1st January 2023.

- Negotiations with South Korea have resumed with a view to setting out the principles of the regulatory framework applicable to *postal and courier services*, as envisaged by Article 7.26 of the free trade agreement between the EU and South Korea. Significant progress is so far recorded with the Parties aiming at concluding negotiations swiftly. EU suppliers will be able to benefit from legal certainty and transparency and operate in a fair postal and courier market.
- The EU and South Korea continued technical discussions on the need to update the *FTA annexes dedicated to cars and electronics*. In addition, both sides had constructive exchanges about the need to ensure a level playing field for vehicle manufacturers, irrespective of their origin, in the run-up to the introduction of policies related to electric vehicle subsidies in South Korea.
- Last but not least, the Commission services and the South Korean authorities further continued technical cooperation on *e-certification and harmonisation of health certificates* to further facilitate trade of several processed agri-food products.

However, there are also a number of **outstanding issues** EU business is confronting in South Korea and on which the Commission has been focusing in 2022:

Sanitary and phyto-sanitary measures: Among several outstanding SPS barriers for the exports of the EU, the lack of access of EU beef to the South Korean market is the most striking concern, as the market has been closed to EU imports since the early 2000s. In 2019, South Korea approved the application of two Member States (Denmark and The Netherlands), who can export beef to Korea. However, other Member States (10 in total) are still waiting for the finalisation of their approval process.

Sector of offshore wind energy: This is a sector that has seen a surge in new market access issues for the more than 50 EU companies present in South Korea, which are involved in the offshore wind business, ranging from the largest wind power developers and manufacturers of turbines to small businesses, one-man businesses and consultancies, and certification companies.

- In December 2021, South Korea introduced Local Content Requirements (LCRs) in the form of new calculation method for energy pricing, which yielded higher prices for windfarms using at least 50% of domestic parts. The measure triggered immediately a demarche by the EU and was raised in a letter of EVP Dombrovskis to South Korea's Trade Minister and at the EU-Korea Trade Committee in November 2022. In February 2023, the Korea Energy Agency published a legislative amendment that resolved the 50% rule. However, the non-financial criteria that account for 40% in the outcome of the newly-introduced competitive bidding procedure are opaque, and therefore possibly

still include hidden LCRs. The EU will follow closely the process and outcome of the new procedure and will continue to advocate more regulatory clarity and transparency.

- Moreover, the authorisation procedure for offshore wind projects is particularly lengthy and complex. It involves a set of separate procedures that place a heavy burden on companies seeking to enter the market. A bipartisan legislative proposal recently tabled in the National Assembly aims at centralising the responsibility with federal ministries. The EU expects that it will simplify the development of projects and will closely follow its implementation, including its impact on projects that are already at an advanced stage.

2.2 Trade and sustainable development: Progress and outstanding issues

The 8th TSD Committee met on 15 and 16 September 2022¹⁶.

Over the reporting period, **progress was achieved on labour issues**, notably the implementation by South Korea of the Panel of Experts' report¹⁷ of January 2021 in the **bilateral labour** dispute launched by the EU under the TSD Chapter of the EU-South Korea FTA:

- In this context, progress was achieved in regard to **three fundamental ILO Conventions** in 2022, namely on No 87 on the Freedom of Association and Protection of the Right to Organise, No 98 on the Right to Organise and Collective Bargaining and No 29 on Forced Labour – all three of which **entered into force in South Korea**.
- The Commission continues to follow the implementation and enforcement of these conventions. Concerning **freedom of association**, the EU continued to monitor the implementation of the amendments in the Korean Trade Union Act required to conform with the Panel report. The matter was raised at the TSD Committee and at the Trade Committee. Discussions mainly revolved around the possibility for dismissed and unemployed workers to join trade unions, the eligibility of trade union officials, the access of self-employed workers to trade unions and the certification procedure for trade unions in South Korea, who considers that it has fully implemented the recommendations of the Panel Experts by revising the Trade Union and Labour Relations Adjustment Act (TULRAA), while the EU believes that practical implementation is uneven and continues to monitor progress. The Parties agreed to continue discussions at the next TSD committee, to be held in the third quarter of 2023.

Outstanding issues in the area of labour include the ratification by South Korea of the last pending fundamental **ILO Convention** by South Korea, namely No 105 on the **Abolition of Forced Labour**:

¹⁶ Joint minutes are available here: <file:///C:/Users/embergi/Downloads/8th%20Session%20-%20September%202022%20-%20Joint%20Minutes.pdf>

¹⁷ 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).

- This was discussed in detail at senior official level at the TSD Committee (September 2022). South Korea's Trade Minister subsequently confirmed at the Trade Committee (November 2022) Korea's commitment to continue its sustained efforts towards ratification.
- The EU translated South Korea's report identifying the domestic legislation that requires amendments and held a workshop in Seoul with stakeholders on the matter. The workshop identified a number of legal incompatibilities that would need to be addressed before Korea may ratify this Convention, in particular in connection with prison labour and with criminal prosecution of labour-related activities.

In regard to **environmental issues**, the EU and South Korea substantially enhanced in 2022 their exchanges on **environmental and climate matters**. At the 8th TSD committee they discussed the following items: circular economy, deforestation-free supply chains, global agreement against plastic litter, taxonomy, Convention on Biological Diversity, climate change policy developments and domestic implementation of the Paris Agreement and opportunities for enhanced cooperation on climate change. Discussions on these matters are carried forward in informal contacts during the year. Bilateral exchanges on these issues have also intensified in the framework of the discussions towards an *EU-Korea Green Partnership*¹⁸.

¹⁸ See: <https://ec.europa.eu/commission/presscorner/api/files/attachment/875269/EU-Korea%20Green%20Partnership%20-%20text.pdf>

3. ACTIVITIES SUBJECT TO SPECIFIC MONITORING

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

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

		2021 total import (1,000 \$)	2022 total import (1,000 \$)	2022 main import sourcing (outside the EU) and evolution of imports (1,000 \$)					
				1st	2021	2022	2nd	2021	2022
Electronic sector									
HS 8522	Parts and accessories for pictures and sound reproducing and recording apparatus	31.588	24.564	China	26.227	19.329	Japan	1.269	1.772
HS 8527	Reception apparatus	81.382	108.104	China	49.529	53.513	Malaysia	3.749	6.761
HS 8529	Parts for reception apparatus	3.684.079	1.963.286	China	2.101.714	840.559	Vietnam	890.934	638.220
Core car parts									
HS 8407	Spark-ignition reciprocating or rotary internal combustion piston	213.831	274.297	Mexico	54.300	104.558	Japan	69.332	68.455
HS 8408	Diesel or semi-diesel engines	728.326	784.870	Japan	138.636	116.975	China	78.665	84.905
HS 8409	Parts for engines of 8407 or 8408	1.236.069	1.340.854	China	293.740	344.706	Japan	170.859	176.287
HS 8708	Parts and accessories for motor vehicles of headings 8701 to 8705	4.491.110	4.973.906	China	1.700.748	1.946.602	Mexico	383.501	451.302
HS 850760	Lithium-ion accumulators	3.357.026	5.694.928	China	3.099.823	5.385.671	USA	39.189	122.896
Source : Kita.org									

The import pattern has not fundamentally changed since the EU-South Korea FTA has been signed and there has been no significant increase in imports of car components and key electronics from the largest suppliers into South Korea in 2022 compared to 2021. Korea's imports of combustion (gasoline and diesel) engines and parts for engines (HS 8407, 8408 and 8409) slightly increased in 2022 compared to 2021 (+8%), as well as the imports of core car parts (HS 8708) (+10.8%). The EU remains the largest supplier of diesel engines (HS 8408) and an important supplier of parts and accessories of the motor vehicles (HS 8708).

In 2022, Korea's imports of lithium-ion batteries (HS 870560) – mainly from China – has significantly increased to \$3.3 billion (+79%) but those imports remain below Korea's exports of lithium-ion batteries (\$7.3 billion).

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

PART II: THE AMERICAS

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

1. THE AGREEMENT

The **EU-Canada Comprehensive Economic and Trade Agreement** (“CETA”; hereinafter ‘the Agreement’) has been provisionally applied since 21 September 2017 awaiting ratification by all Member States to enter into force.

CETA has been implemented in all of those areas that are provisionally applied; the agreement has an extensive governance/management structure with 19 dedicated committees and dialogues/fora reporting directly to the Joint Committee, which meets at ministerial level.

CETA serves as a **platform for EU-Canada cooperation** on the environment or raw materials. 2022 and early 2023 saw the continuation of a series of joint events launched at the 2021 EU-Canada summit¹⁹, notably four workshops to promote sustainability, environmental stewardship and climate action in agriculture. Another summit outcome, the *EU-Canada Strategic Partnership on Raw Materials*, complementing the annual bilateral dialogue on raw materials, aims at diversifying sources of important green and digital economy inputs away from less like-minded producers to foster competitive EU-Canada supply chains.

On 21 September 2022, to mark **CETA’s fifth anniversary**, DG TRADE and the EUCCAN (the European Union Chamber of Commerce in Canada) co-hosted an event dedicated to small and medium sized enterprises (SMEs) with 90 participants attended, including European SMEs, stakeholders and national authorities. A training on the platform Access2Markets²⁰ and its tools was carried out by the Commission/DG TRADE for stakeholders in Canada on 2 March 2023 in cooperation with the EUCCAN.

To promote the benefits of CETA, an EU **FPI project** is supporting the implementation of the agreement, including by organising webinars for European companies covering several aspects such as procurement and investment opportunities and conformity assessment procedures.

²⁰ <https://trade.ec.europa.eu/access-to-markets/en/home>

²⁰ <https://trade.ec.europa.eu/access-to-markets/en/home>

2. MAIN IMPLEMENTATION ISSUES

2.1 Market Access: Progress and outstanding issues

At the third meeting of the CETA Joint Committee on 2 December 2022 the Parties reviewed the implementation of the Agreement in various areas, took note of the positive evolution of EU-Canada trade flows, which have increased by more than 30% since CETA's entry into force and had an exchange of views on a number of issues related to joint work between the EU and Canada under CETA (see also further below).

Progress was achieved on market access issues in 2022 in a variety of areas.

On **wines and spirits**, progress was made in removing certain discriminatory measures maintained at federal and provincial level:

- On 30 June 2022, Canada eliminated the federal excise duty exemption for local wines.
- There is also an announced path towards compliance by provinces (Ontario, Quebec and Nova Scotia) to remove certain discriminatory measures on wines (by mid-2023, end 2023 and mid-2024 respectively), which the Commission continues to monitor closely²¹.
- The EU and Canada also consider amending the annexes of the 2003 Agreement between the European Community and Canada on trade in Wines and Spirits Drinks, incorporated into CETA, notably by adding more EU geographical indications (GIs) and oenological practices to those annexes.

On the **CETA tariff-rate quota (TRQ) for cheese** of all types granted by Canada to the EU, a 96% fill rate was achieved. Nevertheless, the EU continued to raise its concerns with the administration of this CETA TRQ and called upon Canada to introduce improvements in the context of its comprehensive TRQ review.

In the area of **sanitary and phytosanitary measure (SPS)** Canada finally authorised the import of blueberries from Spain within the framework of an import testing period, after an application procedure lasting 2 years.

At the same time, **several market access issues are still outstanding** and continue to be discussed with Canada, notably in the area of **SPS**:

- Canada still does not recognise as pest free areas six EU Member States affected with Asian and Citrus longhorned beetles, and has been requesting more information. 21 EU Member States are already recognised by Canada as pest free.
- The EU side continued efforts to obtain approval of exports of meat/poultry from EU Member States that are not yet recognised by Canada for these products.

²¹ Ontario harmonised the tax rates applicable to Ontario and non-Ontario wines sold in off-site winery retail stores on 1 July 2023.

- The EU continues to discuss also the possibility to export to Canada fresh tomato with vines, stems, and calyces as well as cherries from Spain.
- Overall, the work on the harmonisation of EU export certificates continued, with priorities put forward by both sides.

In addition, there are still **various concerns in the area of IPR**. Of particular concern is on geographical indications the lack of administrative procedure for rightholders to enforce their rights, which means that litigation is the only effective route at rightholders' disposal, with all the costs that this entails. Other problem relates to the absence of a list of grandfathered prior users of certain names protected under CETA. The lack of direct remedies for damage to the reputation/image of a GI makes it difficult for GI rightholders to enforce their rights. There are also concerns in the area of copyright, in particular on the scope of exceptions for teaching purposes; concerning trademarks, where the Canadian Intellectual Property Office can take more than 3 years to process a trademark and on border enforcement, where there is a significant decrease in seizures and detentions are costly and burdensome.

In 2022, the EU and Canada concluded negotiations of a **Mutual Recognition Agreement (MRA)** concerning the **professional qualifications of architects**²², which, once formally adopted²³, is expected to further boost trade in services.

In addition, the CETA Joint Customs Cooperation Committee²⁴ at its meeting on 28 October 2022 adopted Decision No 1/2022 of the European Union – Canada Joint Customs Cooperation Committee concerning the **Mutual Recognition of the Authorised Economic Operator Programme** of the European Union and the **Partners in Protection Programme** of Canada. The decision marks an important milestone in the implementation of the Agreement between the EU and Canada on customs cooperation with respect to matters related to supply-chain security (SCSA). When implemented, it will improve supply chain security and further facilitate bilateral trade between Canada and the EU.

2.2 Trade and sustainable development: Progress and outstanding issues

In June 2021 at the EU-Canada Summit, EU and Canada leaders launched a series of joint events to promote sustainability, environmental stewardship and climate action in agriculture, within the framework of the Agriculture Dialogue under CETA, notably a workshop on the reduction of greenhouse gas (GHG) emissions in the livestock sector (March 2022) and on organic production (June 2022). On 25 January 2023, a workshop on sustainable use of fertilisers took place.

²² eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52022PC0343

²³ The MRA has been adopted by Council in October 2023 but it will only come into effect in 2024, once the Canadian internal procedure will have been completed.

²⁴ Report of the 5th JCCC meeting : <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/bf9cdc18-145e-48ee-a110-9a4921d1018e/details>

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

- In the area of **trade and labour**, parties discussed **future cooperation** on a number of policy areas, including combatting forced and *child labour in global supply chains*. Both sides highlighted their support to the International Labour Organization (ILO), their close collaboration in the ILO work and support to ILO's technical assistance projects, including in promoting global ratification of the ILO conventions, notably Convention 190 on Violence and Harassment. They also reaffirmed their commitment to further coordinate efforts to address forced labour in multilateral fora, in particular at the OECD and the G7.
- In the area of the **environment**, the EU and Canada exchanged views on topics such as energy transition, climate adaptation and greening of supply chains. They also exchanged on recent developments *on climate change and environment policy*, agreeing to explore future cooperation in these areas. Discussions also covered a number of ongoing cooperation initiatives including on carbon pricing and border carbon adjustments, plastic pollution and circular economy, and chemicals management, and biodiversity. This included an expert exchange on the impacts of trade on biodiversity held in January 2022.
- Furthermore, on the implementation of the **CETA Trade and Gender Recommendation**, parties noted good progress, in line with the Trade and Gender work plan, on exchanges and events aimed at sharing information on policies, laws and best practices on a range of issues, notably on the development of gender-relevant standards.
- On **corporate social responsibility (CSR)** and responsible business conduct (RBC), both Parties recognized that the relevant experts were in touch and are planning to share best practices, once the EU's new RBC strategy is launched;
- Finally, the EU and Canada took note of the ongoing work on the **EU TSD review Communication**. Canada re-iterated their objective to pursue the effective enforceability of provisions in the TSD chapters on environment and labour and its commitment to continue to work with the EU on this.

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 chapter, including a request to have more informal interim discussions with the TSD co-chairs on related updates. The EU and Canadian DAGs had their fourth joint meeting a few days before the meeting of the CETA Trade and Sustainable Development Committee:

- At the meeting, the Canadian DAGs provided updates on the implementation of the Canada-United States-Mexico Agreement (CUSMA) and first cases;

- EU DAGs updated on the consultation process in the EU on the review of the TSD chapters of CETA;
- The DAGs also held a debate on the impact of the COVID19 pandemic on supply chains from the perspectives of forced labour/sustainable development/labour rights/environment.

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

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

1. THE AGREEMENT

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

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

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

The 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.

2. MAIN IMPLEMENTATION ISSUES

In 2022, the EU and the Andean partner countries continued their work to improve the implementation of the Agreement, including through **cooperation** supported by EU projects and seminars. Examples include the **IP Key Latin America**²⁵ project in the area of **intellectual property**, the **LCBA** project²⁶, the **RBCLAC project**²⁷ implemented in partnership between the OECD, ILO and UN OHCHR, a number of seminars targeting specific concerns in the area of **SPS** and **Trade and Sustainable Development (TSD)**, and the EU Seminars for the commemoration of the Fifth Year of the Implementation of the EU-Andean Trade Agreement in Ecuador.

The 9th **Trade Committee** met in Quito, Ecuador, on November 16th 2022. The meetings of the eight specialised Sub-committees took place in hybrid format during the month of October 2022. The next (10th) Trade Committee will be chaired by Colombia.

2.1 Market Access: Progress and outstanding issues

Colombia

In 2022, progress was made in particular in the area of **beverages and food**:

- The EU successfully challenged Colombia's antidumping measures against EU exports of **frozen fries** at the WTO. The final and binding award of the Appeal Arbitrators was issued to the parties on 13 December 2022 and represented both a broad victory for the EU and a confirmation that through the MPIA, appeal proceedings at the WTO can be managed in a focused and efficient way while fully respecting parties' rights (see in more detail below, point 3.2).
- The EU side worked hand in hand with Colombian authorities to **avoid a new barrier for alcoholic beverages**, that would have required exporters to provide additional Good Manufacturing Practices certificates. Colombia agreed to modify its legislation in order to remove this requirement. EU Delegation Bogota is closely following the amendments being prepared by the competent authorities.
- Similarly, the EU Delegation -in close coordination with Eurochambers- succeeded in **preventing a barrier** regarding requirements on the use of **fortified flour**, including for products with low flour content, which would otherwise hamper EU exports.

Progress was also registered in the area of **public procurement**, where the EU and Colombia continued discussions regarding the difficulties faced by EU companies with tenders at sub-

²⁵ <https://ipkey.eu/en/latin-america>

²⁶ Low Carbon Business Action: <https://latam.lowcarbonbusinessaction.com/>

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

central level. Colombia produced an indicative list of sub-central level authorities covered by the Agreement, which EU companies can consult when facing difficulties with these authorities.

A number of other **outstanding market access issues** persist, including the following:

- EU exports of **biological controllers** are affected by Colombia's norms and procedures, which do not appear fit to govern this type of products. This is especially the case for maximum residue limits (MRL) for pesticides, as biological controllers could replace chemical pesticides. The EU will continue to monitor Colombia's work to improve regulations and reduce red tape in this sector.
- Colombia also needs to conclude its investigation on the usurpation of Geographical **Indications (GIs) of EU's cheeses**.

Peru

- **Progress** was made in the area of **Technical Barriers to Trade**, where Peru in July 2023, following consultations under the EU-Andean trade agreement and at the WTO, informed the EU and other WTO members that it has adapted its legislation to allow the use of adhesive labeling on food products *indefinitely*. This permanent solution brings relief for companies. Earlier temporary permissions were not sufficient as Peruvian markets would stop buying products with stickers several months before each deadline, causing significant losses for importers and producers, as well as disrupting trade flows and leading to shortages of the affected products.
- **Limited progress** was made in the area of **public procurement**, where the Peruvian government provided training to entities carrying out public procurements, although additional efforts are necessary to fully address existing 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 very strong concern. Since early 2020 Peru has in place a ban of all exports of live pigs and pig meat from 12 Member States due to ASF (African Swine Fever). In early 2022, the whole territory of Italy was added to this ban and the existing certificates are no longer recognised by the Peruvian sanitary authority as a response to a limited, and subsequently controlled, outbreak of ASF found in wild boar in two regions in the north of the Italian territory.

- In the field of *public procurement* there are also concerns regarding technical specifications in public tenders.
- In the area of **IPR**, there is the issue of an alleged infringement of the EU GI “Bourgogne” due to the registration of trade marks (wine labels) bearing the name “Borgoña”. The EU side granted protection to **six new Peruvian Geographical Indications** under the Agreement ²⁸, which should further contribute develop Peru’s value-added agricultural exports.

For Peru, the Agreement continues to promote **diversification of Peruvian exports** to the EU, i.e. promoting a gradual shift away from reliance on mineral products towards a range of higher value agricultural products. In terms of agricultural goods exported to the EU, certain product categories such as fruit, fresh or dried, excl. citrus & tropical fruit (16,8%), vegetables, fresh, chilled and dried (17,6%) and citrus fruit (39%) saw an important growth compared to the previous year²⁹. Between 2012 and 2022, Peruvian agri-exports to the EU grew in value by 143%. In 2012, agri-exports represented 23% of total Peruvian exports to the EU; in 2022, they represented 47%.

Ecuador

In 2022, **a number of market access barriers were successfully addressed** in meetings of the institutional bodies and via EU demarches carried out by the **EU Delegation** in Ecuador, with substantial progress on agriculture implementation issues.

- The 10-year **ban on imports of powder milk**³⁰, in place since 17 August 2022, was **lifted** (for the EU) following cooperation between the EU Delegation and Member States. This was crucial to remove a barrier that would have otherwise harmed EU exports and Peruvian domestic milk production, alike.
- The long-standing barrier regarding the disruptive and intransparent **management of TRQs** granted by Ecuador to the EU and of products under non-automatic licenses was finally **solved** in November 2022. As a result of this system, trade in agricultural products suffered from great uncertainty and EU exporters were not able to exhaust the TRQs, particularly in dairy and pork. A creative solution was found by accommodating both parties’ concerns: for the EU, to have a predictable and market-oriented system and for Ecuador to avoid monopolisation of the use of the quota by single operators.

²⁸ ACEITUNA DE TACNA, CACAO AMAZONAS PERÚ, CAFÉ MACHU PICCHU – HUADQUIÑA, CAFÉ VILLA RICA, LOCHE DE LAMBAYEQUE, MACA JUNÍN-PASCO.

²⁹ https://agriculture.ec.europa.eu/system/files/2022-05/agrifood-peru_en_0.pdf

³⁰ Powder milk in Ecuador is protected by a TRQ (Art.23 Annex IV Section D. Schedule of the elimination of TRQs).

- In relation to **EU Geographical Indications (GIs)**, the re-submission to protect the EU GI for a Czech beer (“ČESKOBUDEJOVICKÉ PIVO”) was finalized and the GI successfully registered as a protected GI in Ecuador. The EU effectively protected three Ecuadorian IGs: *Café de Galápagos*, *Maní de Transkutukú* and *Pitahaya Amazonica de Palora* in 2022. There are two ongoing applications from Ecuador, *Lojano café de Origen* (coffee) and *Miske* (an agave distillate).

A number of **challenges persist**:

- Regarding the **protection of plant varieties**, the Ecuadorian IP Code contains a number of provisions that raise concerns of legal certainty in its implementation. Moreover, EU stakeholders continue reporting serious problems with effective enforcement of plant variety rights as the competent authorities do not impose or effectively collect financial penalties from farmers which are cultivating, selling and exporting protected plant varieties without paying due royalties to the rightholders.
- The **usurpation of the EU GI “Feta”** case by Ecuador still continues and needs to be terminated.

For Ecuador, the Agreement has been a turning point since it was the beginning of a more open trade policy towards the world and greatly contributed to improving Ecuador’s legal framework, the business environment, and generated increased opportunities for market diversification. Ecuador commemorated the Fifth Year of the Implementation of the Agreement, marking a peak in the EU-Ecuador bilateral relationship: In 2022, bilateral trade exchange between the EU and Ecuador increased by 22% to EUR 6,728 mn compared to the previous year.

2.2 Trade and sustainable development: Progress and outstanding issues

The implementation of the TSD Chapter was reviewed at the meeting of the **TSD Subcommittee** held in October 2022 where the Parties discussed recent policy developments related to labour and environment, TSD-related cooperation activities and relevant priorities.

As regards TSD issues, the EU side remains focused on **labour related issues** (inspections, freedom of association and collective bargaining, child labour, social dialogue, labour informality). Concerning environmental policies, priorities have expanded to include legislative developments in areas related to circular economy, biodiversity, deforestation, and initiatives to address global environmental challenges.

- Vis-à-vis **Ecuador**, the EU side reiterated the importance of an effective follow up to the ILO recommendations concerning the implementation of the ILO Convention C 87 on freedom of association, in particular now that the matter has been seized by the judiciary at various levels. Legislation needs to be amended to reduce the minimum number of members (30) required to establish workers' associations and enterprise

committees and reduce minimum requirement (50%) to negotiate collective agreements. In addition, there are obstacles to the recognition of trade unions per branch or activity. In February 2023, Ecuador officially requested to become part of the Global Alliance on Circular Economy and Resource Efficiency, GACERE.

- Vis-à-vis **Colombia**, the EU side has again expressed its concerns about the attacks on trade unions and social leaders, while it acknowledged the recent efforts made by the government to persecute those responsible for violent crimes. The EU also recalled the importance of social dialogue as a pre-condition to address the root causes of violence. **In 2022**, through its **cooperation projects**, the EU continued to support Colombia's move towards a more **sustainable and environmentally friendly economy**, including a pilot project on sustainable mining in the poverty-ridden pacific region of Colombia. Furthermore, Colombia took part in the EU's regional programmes on the fight against Antimicrobial Resistance, the promotion of Responsible Business Conduct and the adoption of Low Carbon and Circular Economy business actions.
- Vis-à-vis **Peru**, exchanges touched upon various topics of concern in the area of labour, in particular the persistent challenges to the freedom of association and of anti-union violence, and the need to continue with domestic reforms to implement core ILO recommendations. Among the environmental topics, the EU stressed the need to continue building the capacity and strengthen the systems for environmental quality control.

The European Commission is also dealing with a **complaint** under the **Single Entry Point** by a Dutch NGO against Peru and Colombia, which concerns **labour rights in the mining sector in Peru and Colombia**. The Commission informed the complainant, the Dutch NGO CNV International on 13 January 2023 of the results of its preliminary assessment. The Commission also informed Peru and Colombia and published information about this alleged situation on its website³¹. The preliminary assessment identified potential shortcomings in the enforcement of labour laws in both countries. The European Commission is currently working on its assessment of this complaint and will make available information of its conclusions as soon as its work is finalised.

At the meeting of the **TSD Sub-Committee**, the EU side presented and engaged on a number of EU policies dedicated to sustainability issues, providing information on the various initiatives undertaken under the Green Deal – from CBAM to horizontal due diligence and related sectoral legislation (Sustainable Product Initiative, deforestation), as well as forced labour, and to address the consultations with civil society.

- Regarding the *European Green Deal and other EU climate policies*, there is shared interest by all parties on issues like circular economy, deforestation and biodiversity.

³¹ <https://circabc.europa.eu/rest/download/c872c7cb-a0da-46dc-8b03-8144bf2f0436>

Efforts 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 side provided information on the *Carbon Border Adjustment Mechanism* (CBAM), designed to ensure the EU can meet its climate targets for 2030 and 2050 in a way that is not undermined by the risk of carbon leakage, while giving incentives to our partners around the world to move in the same direction. The EU side underlined how the CBAM does not preclude progress in terms of international coordination for the adoption of effective measures such as carbon pricing, and stressed that the main principles of the CBAM underline its compatibility with WTO rules.

Regarding the above mentioned issues, the parties identified a number of **areas for follow-up**, and agreed to engage on a continuous basis via intersessional technical meetings.

The functioning of the **Domestic Advisory Groups** (DAGs) also gave rise to intense exchanges, which confirmed the recognition that the role of civil society is a prominent one in the implementation of the TSD provisions of the agreement. In that context, the EU underscored the various actions highlighted in the **EU TSD review Communication** related to DAGs, to enhance engagement with civil society. The Parties agreed to cooperate more closely exchanging on the framework for civil society dialogue in their respective jurisdictions. In contrast to previous years, no joint declaration was released by the DAGs in 2022. At the same time, individual but *mutually supported declarations by EU DAG, the Colombian DAG, the Ecuadorian DAG and the Peruvian shadow DAG* at the Civil Society Forum can be seen as a step in the right direction.

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

3.1 Banana imports from Colombia, Ecuador and Peru

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

Article 15 of Regulation (EU) No 19/2013³² provided for the banana stabilisation mechanism (BSM). When the annual trigger volume of imports per country as set in the Agreement was met, the Commission examined the impact of these imports on the situation of the Union market

³² 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.

for bananas to take a decision to either temporarily suspend the preferential customs duty or determine that such suspension was not appropriate. The stabilisation mechanism ended on 31 December 2019. In this context, and in accordance with Articles 3 and 13 of Regulation 19/2013, the Commission has monitored the evolution of imports of fresh bananas from Colombia, Ecuador and Peru. A comprehensive report on the functioning of the EU banana market after the expiry of the BSM was presented by the Commission on 29 August 2022. This report confirms that EU trade policy struck the right balance between different objectives by respecting the EU's international obligations, maintaining a stable relationship with all EU trading partners and meeting the steadily increasing levels of EU consumption.

2021/2022 imports of fresh bananas into the EU			
Country	2021 Total imports (1.000 tonnes)	2022 Total imports (1.000 tonnes)	Variation 2021/2022
Colombia	1.162	1.180	1.6%
Ecuador	1.601	1.420	-11.3%
Peru	98	78	-19.9%
Total	2.860	2.678	-6.36%

As the above table shows, in 2022 EU imports of fresh bananas from Colombia amounted to 1.180 thousand tonnes, 1.6 % more than in previous year. Ecuador exported 1.4200 thousand tonnes of fresh bananas to the EU a roughly 11.3 % lower than previous year. Peru exported 78 thousand tonnes of fresh bananas to the EU a roughly 20% below to previous year.

3.2 Colombian anti-dumping duties on frozen fries

This dispute concerns definitive anti-dumping measures imposed by Colombia in November 2018 on imports of frozen fries from Belgium, Germany and the Netherlands. On 15 November 2019, the EU requested consultations with Colombia at the WTO. Given that all efforts to settle the dispute during consultations have failed, on 29 June 2020, the EU requested the establishment of a WTO Panel, which ruled in the EU's favor. Colombia appealed the WTO Panel's report, which was the first appeal conducted under the Multi-Party Interim Appeal Arbitration Arrangement (MPIA). On 14 March 2023, the parties agreed on a reasonable period of time for Colombia to implement the recommendations of the Award of the Arbitrators in this dispute, which expired on 5 November 2023.

3.3 Ex post evaluation of the implementation of the Trade Agreement

An ex-post evaluation, which was carried out between April 2020 and July 2021 and covered the period from the start of the provisional application of the Agreement (2013 for the EU, Colombia and Peru, 2017 for Ecuador) to May 2020, was concluded in April 2022. Its final report³³ analysed the economic, social and environmental, and human rights (including labour rights) effects, which the Agreement has had since its application in the various Parties.

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

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

³³ <https://ec.europa.eu/trade/policy/policy-making/analysis/policy-evaluation/ex-post-evaluations/>

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

1. THE AGREEMENT

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

The Trade Agreement is in a process of amendment through the signature of a **Protocol of Croatia's Accession to the Association Agreement**. The Protocol was signed on 26 November, 2020 opening the way for a process of ratification by the parties. The EU ratified the Protocol in July 2021, and Central American countries are also advancing well in this process (El Salvador, Guatemala and Nicaragua ratified the protocol in 2022).

The Association Agreement with Central America is a **regional agreement**, characterised by its comprehensive nature and a high level of ambition. During the ten years of its application, the Trade Agreement has worked well, it has contributed towards the stability and predictability of the trade and investment environment, thus promoting the expansion of export-oriented trade, both in terms of operators and in terms of the number of products. Ten years after its implementation, the Agreement still offers useful tools for trade and so is relevant in responding to the current needs and issues of both Parties. The Agreement has reached a certain level of maturity, the process of liberalisation has now largely been achieved, and dialogue is regular and active, rendering the Agreement fully relevant.

In 2022, the EU was the second export destination for Central America (16%) after the US (32%) and the third supplier (8%) after the US (32%) and China (14%)³⁴. Total exports of merchandise from the EU to the Central American countries rose from €6 billion in 2021 to roughly €8.4 billion in 2022 – an increase of 41% – more than surpassing the pre-pandemic level of €6.2 billion in 2019. Meanwhile, imports from Central America, which had shown more resilience during the crisis, further increased from € 7 billion in 2021 to almost 9.4 billion in 2022, a robust growth of 35% with respect to 2021.³⁵

³⁴ According to data from SIECA's Central American Trade Statistics System.

³⁵ Based on data from EUROSTAT.

The **Association Committee** and its six **specialised Sub-committees** oversee the implementation of the Agreement³⁶.

2. MAIN IMPLEMENTATION ISSUES

2.1.1 Market Access: Progress and outstanding issues

The **Association Committee** met on 23 June 2022 at senior official level in Brussels.

In 2022, **progress** was registered on a number of issues:

- The **10% tax discrimination** applied by Costa Rica **on EU imported beers** was terminated with the adoption by the parliament of a law on 15 December 2022, thus putting an end to this longstanding barrier (which had existed prior to the entry into force of the EU-CentAm Association Agreement and was raised to be addressed in a joint Declaration annexed to this Agreement). The law entered into force following the signature by the President on 15 February 2023.
- On **Sanitary and Phytosanitary Measures**, Costa Rica, Nicaragua and El Salvador now recognise the regionalisation principle. Discussion on the “born and raised” clauses requested by Central American countries in export certificates could not be concluded.
- On **Intellectual Property Rights**, the parties signed a decision to grant protection under the agreement to eleven new GIs from Costa Rica and El Salvador. The Commission continues to engage with Central American authorities to enhance enforcement of all 116 EU GIs protected and to achieve effective protection of the term “Parmigiano Reggiano” in Guatemala.
- On **Public Procurement**, the secretariat for economic integration in Central America (SIECA) presented the progress made on the establishment of a single point of access for procurement notices in the CA region. While not transactional, the portal will provide value information on public tenders in the six CA countries. The portal was launched in September 2022.
- On **Customs, Trade Facilitation and Rules of Origin**, the parties agreed on the update of HS 2022 of the product specific rules of origin in the protocol of rules of origin. The EU and Central America also agreed about exploring alternative ideas on how to improve the rules on direct transport.

³⁶ The Agreement establishes six specialized Sub-committees: Market Access; Agriculture; Customs, Trade Facilitation and Rules of Origin; Technical Obstacles to Trade; Sanitary and Phytosanitary Measures; Government Procurement; Intellectual Property; and Trade and Sustainable Development.

The EU side continued to raise a number of **outstanding issues** with Central American partners:

- Discussions with **Guatemala and El Salvador** continued at the Association Committee **to see how to replace the 15% tuna tolerance rule**, which appeared to be inapplicable by a possible increase of non- originated tuna quota. Technical meetings continued in September and November 2022 in view of finding a possible solution during the next trade association committee.
- In **Panama**, several Member States' **export applications for meat products are pending** since 2016. **Delays** are also reported in export applications of several Member States and in the publication of **prelisting of EU establishments** habilitated to export animal products notably in Panama. The setting up of a new Food Safety Agency in Panama in October 2021 has increased the uncertainty on the administrative process to register or update pre-approval of EU establishment. Panama agreed to hold a bilateral meeting which took place on 5 December 2022. This meeting clarified the principles on which prelisting functions and the audit process implemented by Panama.

The following **other aspects** were discussed by the parties over the reporting period:

- On **Market Access for Goods**, Central American partners raised the management of **Tariff Rate Quotas** that the EU is applying to Central American exports of sugar and rum.
- On **Technical Barriers to Trade**, in respect of Annex XX of the Agreement (requiring the adoptions of harmonised regional technical standards by Central America), those relating to pesticides are still outstanding due to lack of consensus at policy level. CA agreed to provide details in writing on the state of play.

2.2 Trade and sustainable development: Progress and outstanding issues

The implementation of the **Trade and Sustainable Development (TSD)** Title of the Association Agreement continued in 2022 in line with the priority issues established for each partner country.

The discussion at the **TSD Board meeting**- which took place on 31 May, 1 June and 2 June 2022 – was informed by the preliminary TSD-related results of the **ex-post evaluation of the EU-CA trade agreement** by an external contractor that was ongoing at the time of the meeting. The Parties concluded that some of the matters raised in the evaluation might be worth further discussions in the TSD Board (e.g., certification, access to market for small-scale farmers and SMEs, use of the water, organic products), and the EU invited the Central American partners to submit comments on the draft evaluation report.

The broader discussion at the TSD Board meeting continued to focus on the **labour dimension of the TSD Title**, 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 also reiterated its concerns, notably regarding violence against trade unionists in Guatemala, suggesting further bilateral exchanges on key labour issues.

2022, more generally, saw **more open and solution-oriented discussions** with Central American partners regarding concrete implementation gaps, challenges, and opportunities, in specific countries/regions/sectors. In particular the **ex-post evaluation** (final report published in September 2022) helped spark constructive exchanges.

Progress was made in 2022 in the implementation of the TSD chapter, inter alia by **Panama** who ratified two ILO conventions on labour inspections and maternity, as well as the 2014 protocol to the Forced Labour Convention.

On the **environment**, the EU and Central America presented their recent actions and achievements, notably regarding progress made in the implementation of Multilateral Environmental Agreements and in the ecological transition through circular economy approaches. The EU stressed that the Mesoamerican forests play a vital role in the preservation of land, expressing concerns regarding signs of deforestation. At the request of Central America, the EU presented the Commission's proposals for a regulation on deforestation-free products, and for a Carbon Border Adjustment Mechanism.

As regards **cooperation and technical assistance**, the Secretariat for Central American Economic Integration (SIECA) provided an overview of the **INTEC project**, which contributes to Trade and Sustainable Development by promoting fair and ethical trade schemes and best practices on corporate social responsibility. The project addresses notably the modernisation and convergence of the regional regulatory framework and an active leveraging of the Association Agreement for the productive sectors in Central America, including through a strengthening of export capacities.

In November 2022, the Commission hosted in Guatemala an **EU-Central America tripartite conference on informality, freedom of association and fight against child labour**, which brought together around sixty representatives from national authorities, employers and trade unions from the six Central American countries as well as key stakeholders and EU representatives. The aim of the event was to contribute to strengthening labour rights compliance and promoting decent working conditions in Central American. It provided an opportunity to exchange best practices on labour issues, share ideas and inspire future action.

The Commission continued frequent interactions with the **EU Domestic Advisory Group (DAG)**, encouraging DAG members to provide timely and substantiated input on labour or environmental challenges or implementation gaps in Central America. 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.

In an effort to further deepen cooperation, the Commission invited the members of the EU DAG to a debrief meeting immediately after the end of the TSD Board meeting, before the Civil Society Dialogue Forum that took place on the following day.

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

3.1 Banana imports from Central America

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

Article 15 of Regulation (EU) No 20/2013³⁷ (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. In this context, and in accordance with Articles 3 and 13 of Regulation 19/2013, the Commission continues to monitor with particular attention the evolution of imports of fresh bananas from Central America. A comprehensive report on the functioning of the EU banana market after the expiry of the BSM was presented by the European Commission on 29 August 2022. This report confirms that EU trade policy struck the right balance between different objectives by respecting the EU’s international obligations, maintaining a stable relationship with all EU trading partners and meeting the steadily increasing levels of EU consumption.

Customs Tariffs have stabilised to 75 euros/ton since 1 January 2020. In 2022, EU imports of fresh bananas from Central America -by volume- amounted to 1,395 million tons, a small increase of only 3% when compared to export volumes in 2021 (1,356 million). No issues on price fluctuations were reported in the EU market.

³⁷ Regulation (EU) No 20/2013 of the European Parliament and of the Council of 15 January 2013 implementing the bilateral safeguard clause and the stabilisation mechanism for bananas of the Agreement establishing an Association between the European Union and its Member States, on the one hand, and Central America on the other, of the other part as amended by Regulation (EU) 2017/540 of the European Parliament and of the Council of 15 March 2017.

2020/2021 imports of fresh bananas ³⁸			
Country	2021 Total imports (tons)	2022 Total imports (tons)	Variation 2022/2021
Costa Rica	1.021.000	1.045.000	2.4%
Panama	216.000	179.000	-16.8%
Guatemala	119.000	171.000	44.1%
Total	1.356.000	1.395.000	2.9%

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

An ex post evaluation of the implementation of the Trade Agreement between the EU and Central America has been being carried out from December 2020 until September 2022. The project was analysing the impact of the implementation of the Agreement on sustainable development in its economic, social and environmental dimensions, as well as on human rights, including labour rights. During the period under review, the consultant provided the final report of the ex-post evaluation which was published in DG TRADE website in September 2022.³⁹

The **final conclusions** are as follows:

- **Regarding the economic analysis**, the model suggest that there has been a significant increase in both EU imports and exports. The increase in EU imports amounts to 30% whereas EU exports have increased by 40% since 2010. The difference in the relative increase is likely to be attributable to the fact that CA countries enjoyed zero tariffs on an overwhelming majority of on their exports to the EU, under the GSP+ arrangement. Important developments have also been present in the evolution of trade in services and foreign direct investment.
- **In terms of social analysis**, the available evidence suggests that exports to the EU are likely to have contributed to creation or maintaining of formal jobs mainly in rural areas in sectors, such as banana, pineapple, coffee and medical equipment in Costa Rica, tuna and (at least partly) sugar in El Salvador, coffee and (at least partly) sugar, palm oil and banana in Guatemala, and coffee and (at least partly) sugar in Honduras and Nicaragua. In such cases, exports to the EU may have contributed to maintaining or creating both, formal and informal jobs, which has a direct impact on the welfare of workers and their households. Moreover, evidence suggests that lower levels of informal employment are in provinces exposed to international trade and export activity.

³⁸ Statistics refer to the EU27

³⁹ See DG TRADE website, ex-post evaluation page link: https://policy.trade.ec.europa.eu/analysis-and-assessment/ex-post-evaluations_en

- **In terms of environment impact,** it is estimated that Green House Gas emissions would have been slightly higher in the absence of the Agreement. The Agreement had an overall marginal negative impact on biodiversity and ecosystems: it is likely to have caused land-use change because of cropland expansion through the Agreement's impact on the production of agricultural and horticulture products in Central America. The impact on permanent deforestation has been marginal. The Agreement intensified the pre-existing environmental pressures associated with the production of agro export commodities (mainly linked to crops' reliance on high agrochemical use, and the related impacts that these agrochemicals have on water and soil quality in natural ecosystems).
- **In terms of human rights impact,** In aspects such as freedom of association, collective bargaining, or child labour measures taken and progress achieved by CA countries in most cases predate the EU-CA FTA's entry into force or have been triggered by other factors, which means that they cannot be attributed to the Agreement. However, the available evidence also suggests that the EU-CA FTA has encouraged an uptake of certification schemes (including those requiring compliance with the International Labour Organisation's (ILO) core labour standards), created a positive momentum for workers' rights and working conditions (e.g., in El Salvador), and provided a platform for policy dialogue (under the Trade and Sustainable Development, TSD Title) that keeps compliance with the ILO fundamental conventions in focus.

The Commission/DG TRADE's assessment will be included in a **Staff working document**⁴⁰, which was published on 20 June 2023.

⁴⁰ See DG TRADE website, ex-post evaluation page link: https://policy.trade.ec.europa.eu/analysis-and-assessment/ex-post-evaluations_en

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

1. THE AGREEMENT

Trade between the EU and Chile currently operates under the framework of the **EU-Chile Association Agreement** (hereinafter ‘the Agreement’), which includes a comprehensive Free Trade Agreement along with a political and a cooperation pillar. The Agreement entered into force in 2003 and it was the first EU bilateral agreement subject to an ex-post evaluation, conducted in 2016.⁴¹ Although the Agreement has worked well overall, as illustrated by the doubling of bilateral trade since its entry into force, a European Commission impact assessment carried out in 2017 pointed at the need to modernise it, so as to adapt it to the new realities of global trade and investment, lifting it to the level of the more modern agreements that both the EU and Chile had concluded in the Americas and beyond, notably by complementing it with standard provisions enshrined in the latest version of deep and comprehensive trade agreements.

On 9 December 2022 the EU and Chile reached the **political conclusion** of the modernisation of the existing EU-Chile Association Agreement. The modernisation of the existing EU-Chile Association Agreement foresees two parallel legal instruments: The Advanced Framework Agreement, that will include a) the Political and Cooperation pillar and b) the Trade and Investment pillar (inclusive of investment protection provisions); and the b) **Interim Trade Agreement (iTA)** covering trade and investment liberalisation. The iTA will expire when the Advanced Framework Agreement enters into force.

It is a very modern and progressive deal for trade and investment and respective economic resilience and signals the Parties’ shared commitment to values, sustainability and their joint resolve to speed up the green and digital transitions.

In addition to further liberalisation of trade in agriculture under reorganised conditions, public procurement, services and investment, the modernised Agreement includes modernised rules of origin and customs and trade facilitation provisions, ambitious commitments on IPR (including the protection of EU Geographical Indications for foodstuff) and non-tariff barriers, state-of-the-art investment protection provisions (including an Investment Court System), and a chapter on Trade and Sustainable Development.

It also contains strong provisions on sustainability and energy & raw materials, which will help contribute to the green transition, as well as an ambitious chapter on SMEs and, for the first time in a bilateral EU agreement, separate chapters on trade and gender and on sustainable food systems.

⁴¹ https://trade.ec.europa.eu/doclib/docs/2012/august/tradoc_149881.pdf

2. MAIN IMPLEMENTATION ISSUES

In 2022, outstanding market access barriers were addressed via EU demarches carried out by the EU Delegation in Chile, with some progress reported on SPS issues.

The **Committee on SPS measures** met in July and agreed on an **Action Plan with trade facilitation measures**.

Furthermore, in September 2022, the EU Delegation met the regulatory department of the Foreign Relations Ministry to **review all registered trade barriers**, which helped to improve mutual understanding on recent developments and the way forward. Throughout the year, the EU Delegation had contact with several sectorial Ministries on some of the outstanding barriers (e.g. Ministry of Public Works on public procurement; Ministry of Health on potato starch prohibition/food additives), as well as the above-mentioned regulatory department of the Foreign Ministry on specific issues.

Once the **Interim Free Trade Agreement** will enter into force, the trade and investment liberalisation provisions of the **EU-Chile Advanced Framework Agreement**, concluded on 9 December 2022, are expected to contribute to solving some of the existing barriers, including in the following areas:

IPR

The new Agreement will lay down rules on the protection of **regulatory data related to pharmaceutical and agro-chemical products**. These rules feature a higher level of protection than that of Article 39.3 of the TRIPS Agreement and approximate Chilean law to the EU standards. Consequently, the new Agreement aims to improve the level and term of protection of regulatory data and remove existing legal uncertainty about the scope and conditions for that protection. Moreover, the provisions on cooperation in the Agreement will give the EU another forum to discuss the identified issues bilaterally with Chile.

Another barrier in the IPR field that will be partially solved or at least alleviated concerns **enforcement of copyright and related rights in the internet** to tackle online piracy. The new Agreement aims to increase the standards of the enforcement measures available for right holders in Chile, approximating them to those available in the EU. These standards include the rules on the legal protection of technological measures and of rights management information. They also include effective, proportionate and dissuasive enforcement remedies, including on the possibility of issue injunctions against third parties (intermediaries) whose services are used to infringe an intellectual property right, aimed at prohibiting the continuation of the infringement.

Wine and spirits agreement (annex IV and V of the existing EU-Chile Agreement)

On 9 March 2023, the modified agreement on the protection of terms for wines and spirits (annex IV and V of the current Agreement) came into effect. These updated agreements aim to enhance bilateral trade in these products and play a significant role in agricultural trade for both the European Union (EU) and Chile, which are both major global wine exporters. By modernising the agreements, the list of protected terms has been up-dated and it becomes easier to revise them in the future to ensure they align with any changes in the protected conditions of wines, aromatised wines, and spirits in both Chile and the EU, including respective oenological practises.

Public procurement

In the area of **public procurement**, the Interim Free Trade Agreement and the EU-Chile Advanced Framework Agreement, will establish rules aimed at more transparency, non-discrimination and fairness in public procurement procedures, and an increased use of electronic procurement. This will help to address requirements currently imposed by Chile, mostly for tenders run by the Ministry of Public Works, on local presence and local experience. In addition, Chile imposes designs and technical specifications that are an obstacle for EU companies, especially for newcomers, and applies excessively short deadlines for the submission of offers. The new Agreement will 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).

TBT

The provisions of **TBT chapter** of the Interim Trade Agreement and the EU-Chile Advanced Framework Agreement are also likely to mitigate several trade barriers that EU business continues to face in Chile:

- For example, imports of **hygiene products and cosmetics from the EU** presently suffer from **burdensome administrative procedures**, such as the cost and delay experienced by EU industry for the registration of products and the short duration of the registration. The TBT Chapter of the modernised Agreement *inter alia* provides for the selection of conformity assessment procedures proportionate to the risk of the products, disciplines on fees and cooperation on facilitation of acceptance of conformity assessment results.
- Furthermore, imports of **EU electronic and fuel burning products are subject to a burdensome two-step certification procedure**. Certificates or tests carried out in the origin country, although valid in Chile, must be completed with tests in Chile which increase the cost for importing goods. This requirement also applies for products certified in their country of origin by internationally recognised laboratories and which are based on international standards, except if a bilateral agreement with a Chilean

laboratory exists. The provisions on recognition of EU certificates in the TBT Chapter of the new Agreement will help to partially solve this issue.

- Another example where the TBT chapter of the new Agreement will help to solve the barrier can be found in the area of **food safety**, where Chile prohibits the use of potato starch in processed meat products. This practice does not appear to be in line with the CODEX Alimentarius, which allows for the utilisation of a certain percentage of potato starch in processed meat products. The barrier affects cold cut products such as mortadella and it is considered both by the EU and Chile as a technical regulation and not as a sanitary issue. The provision of the TBT Chapter of the new Agreement includes the CODEX Alimentarius Commission into the list of organisations that develop relevant international standards.

3. ACTIVITIES OF SPECIFIC MONITORING AND RELEVANCE IN 2022

In 2022, monitoring activities continued to follow closely the procedure concerning requests for registration of several **trademarks** that, if registered, would be in conflict with Geographical Indications of EU cheeses and a meat product that Chile has agreed to protect under the Advanced Framework Agreement.

In 2022, through its regional cooperation programmes, the EU supported Chile's move towards a more **sustainable and environmentally friendly economy**, including the Mineral Development Platform on sustainable mining; the fight against Antimicrobial Resistance, the promotion of Responsible Business Conduct and the adoption of Low Carbon and Circular Economy business actions, all regional actions.

A new **Chile-only project** was launched by the Commission in 2022⁴², aimed at supporting fair and sustainable trade between the EU and Chile, which helps to highlight the role of trade to support environmental and social goals.

⁴² <https://eurochile.cl/es/documents/proyecto-comercio-justo-y-sostenible-entre-la-union-europea-y-chile/>

ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE TRADE PILLAR OF THE EU-MEXICO GLOBAL 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')⁴³.

In order to adapt the Global Agreement to the new realities of global trade and investment, negotiations on a **modernisation of the FTA** 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 FTA.

The modernised FTA will significantly increase market access by EU competitors. 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 FTA 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 modernised FTA.

2. MAIN IMPLEMENTATION ISSUES

In 2022, the parties continued to **engage** in discussions in the respective institutional bodies of the FTA **to address outstanding issues**, such as in the area of SPS, TBT, IPR and government procurement. Many of these issues are expected to be addressed by the modernised FTA.

⁴³ The trade pillar was expanded by two decisions of the Joint Council: Decision No 2/2000 of the EC-Mexico Joint Council of 23 March 2000 related to trade in goods and Decision No 2/2001 of the EU-Mexico Joint Council of 27 February 2001 on trade in services.

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

- *Non application of “pre-listing”⁴⁴ for EU export of products of animal origin.* The EU applies the prelisting principle to Mexico, however Mexico does not reciprocate and continues to inspect every meat establishment before granting any export approval.
- *Non- recognition of the EU regionalization measures for African Swine Fever (ASF) in Poland, Italy and Germany and Highly Pathogenic Avian Influenza (HPAI) in Poland and France.*
- *Delaying market access applications for fruits and vegetables, and failure to process the pending applications from EU Member States to export pig meat and poultry meat.*

In addition, two new concerns were raised by the EU:

- the requirement of *post-mortem veterinary inspection* on the basis of the Mexican norm from 1994. The EU indicated that the requirement does not appear to be in line with the FTA nor the harmonised certificate from 2016. Mexico informed of the intention to revise its 1994 legislation in order to bring it up to date, but that pending the legislative revision the 1994 legislation would apply.
- the problems encountered by operators due to the Mexican *lack of acceptance of harmonised certificates using TRACES NT* following the migration to the new system.

Regarding **technical barriers to trade**, in the Special Committee on Standards and Technical Regulations, the EU underlined its concerns about cumbersome compliance with certification requirements for EU parts and components causing delays in EU imports into Mexico. The EU also requested an update on (i) draft Conformity Assessment Procedure of NOM-223, related to specifications and test methods for cheeses; (ii) labelling requirements for textiles and ceramics and (iii) draft Mexican Official Standard PROY-NOM-241-SSA1-2018, related to Good manufacturing practices for medical devices.

Regarding **government procurement**, during the Special Committee on Government Procurement, Mexico informed that as of 2023 it will end the agreement with UNOPS (United Nations Office for Project Services), in relation to medicines’ acquisition for the public health sector. In the light of previously voiced concerns on the transparency requirements of those processes, the EU side will be following this development closely to see whether it will lead to more transparency in the Mexican pharmaceutical procurement market.

⁴⁴ To be authorised to export a certain commodity to the European Union, an exporting country should demonstrate that its controls meet the EU requirements. If the exporting country's competent authority sees that an establishment meets the relevant EU import conditions, it can place the establishment on a list (often termed a "pre-list") of exporting establishments that meet relevant EU conditions.

The EU and Mexico continued their cooperation on **intellectual property**, in particular through the Special Committee on Intellectual Property Matters, which met in October 2022. The meeting included a discussion on the state of play of intellectual property rights protection in Mexico, highlighting the reforms to the Copyright Law, the Civil Code and the new Federal Law for the Protection of Industrial Property (LFPPI), which fully implement the commitments made by Mexico in its recent trade agreements. The EU referred to the persistent concerns expressed by EU companies operating in Mexico about the ineffective enforcement of intellectual property rights in the country, including at the border and both online and in physical marketplaces. These concerns, summarised in the 2023 Report on the protection and enforcement of intellectual property rights in third countries,⁴⁵ have led EU stakeholders to call for a national anti-piracy plan to address the main challenges posed by counterfeiting and piracy and to coordinate law enforcement actions at federal, state and local level.

The EU and Mexico committed to using technical cooperation as a tool to ensure effective protection of intellectual property rights in accordance with the highest international standards, including effective means to enforce such rights. **IP Key Latin America**⁴⁶ remained in 2022 the main technical cooperation programme on intellectual property between the EU and Mexico, featuring a number of activities aimed at addressing some of the identified challenges in the area of intellectual property (e.g. symposium for judges, seminar on border enforcement, conference on geographical indications, etc.).

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, EU expressed concerns regarding the increase in clearance times in a number of ports further to the setup of the new National Customs Agency.

In the framework of the EU **project on responsible business conduct**⁴⁷, in 2022 Mexican authorities, private business and stakeholders continued cooperation activities aimed at supporting responsible business conduct practices in line with the UN, ILO and OECD instruments. The 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.

⁴⁵ <https://circabc.europa.eu/rest/download/7099aee0-c68f-42c5-ae30-5350a879a30e>

⁴⁶ [Latin America | IPKEY](#)

⁴⁷ 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: EU NEIGHBOURING COUNTRIES

Mediterranean and Middle East countries – Free Trade Areas

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

1. THE AGREEMENT

The EU and Algeria established a Free Trade Area (FTA) under the **EU-Algeria Association Agreement**, signed in 2002, which entered into force on 1 September 2005 (hereinafter called ‘the Agreement’). The Agreement provides for a reciprocal liberalisation of trade in goods, with elements of asymmetry in favour of Algeria, such as a 12 years transitional period for dismantling tariffs for industrial goods and a selective liberalisation on agriculture. In 2012, the EU and Algeria agreed to review the timetable for tariff dismantling set forth in the Agreement for certain products (steel, textile, electronics, and automobiles), extending the transitional period from 12 to 15 years.

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

Algeria is a member of the **Regional Convention on pan-Euro-Mediterranean preferential rules of origin**, which it signed in 2012 and notified the EU of ratification on 27 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

Dispute Settlement Procedure against Algeria: Several trade restrictive measures

On 24 June 2020, the EU initiated a dispute settlement case against Algeria under the EU-Algeria Association Agreement challenging five measures (illegal safeguard duties, import ban on cars, import licensing scheme, custom duties on 129 products and payment restrictions in the maritime transport sector). As a result of the EU’s efforts to find a negotiated solution during consultations, three of the five measures challenged have been removed (customs duties, illegal safeguard duties, and payment restrictions). Nevertheless, outstanding restrictions on the importation of cars remain and the Commission is closely monitoring the situation.

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

- A customs duty hike imposed in 2017 on a group of 129 products was abolished by the 2022 budget law;
- Measures affecting the conditions of **maritime transport**, such as the obligatory use of FOB incoterms and utilization of the national carrier have been withdrawn;
- Additional safeguard duties imposed from 2018 were abolished by the 2023 budget law.
- In November 2022 the government published 2 new decrees providing for local car manufacturing and allowing again car imports under conditions that discriminate pre-established car dealers. Beginning of 2023 slow progress on car imports was observed but other imports, such as car parts, remain problematic.

By contrast, in 2022, a **significant number of other market access issues** imposed since 2015 **remained in place** in Algeria:

- Algeria in January 2021 re-established the **49/51 cap for foreign investments** for import, retail and distribution activities for consumer and intermediary goods (in the meantime Algeria had abolished the horizontal 49/51 cap, limiting its application to strategic sectors, such as oil, gas and transport). Algeria bans the import of **medicines** for which there exists a locally-produced equivalent;
- Algeria applies obligatory inspections as well as restrictions on **frozen meat imports**.

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

- Measures **delaying the payments for imported goods**, or the withdrawal of licenses from EU companies operating dry docks in the country;
- **Import restrictions for canned meat and fish** (adopted in September 2021), which result in delaying the issuance of the necessary veterinary authorisations;
- A new nomenclature for import activities and measures (decree No. 21-94 of March 2021) imposing **burdensome and repetitive registration requirements**. It obliges companies importing and selling consumer and other goods to re-register in the company's registry for a single category of imported goods, thus limiting the scope to trade in different categories of imported goods under one single registration. Furthermore, the creation of such new legal entities would need to follow the rules of the 2021 Budget Law mentioned above i.e. foreign investors should find Algerian partners as the Law foresees a 49% cap on foreign ownership. As a result of these new measures, those EU companies which did not succeed to find a negotiated solution with the Trade Ministry were obliged to either split, limit or close down their activities in Algeria.
- A **new import authorisation regime**, ALGEX, was adopted in April 2022. This can be considered in practice a replacing/ related measure to the import licensing system. The

measure has heavily disrupted the activity of EU businesses across sectors (i.e. heavy industry, industrial goods, car parts, agrifood, etc.). Many EU companies reported that their shipments are blocked since the beginning of summer 2022 because of this measure.

- EU companies experience non- **acceptance of preferential origin statement** in Algeria (EUR1 certificate).
- In June 2022, Algeria **blocked all trade with Spain**, including imports of Spanish agricultural products.
- New halal measures entered into force June 2023 without prior notice. The **new halal certification regime** is restrictive and requires a certificate for each consignment subject to an additional fee.

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 (AA)**, signed in 2001 (hereinafter referred to as ‘the Agreement’). The AA was signed on 25 June 2001 and entered into force on 1 July 2004. It provides for the reciprocal liberalisation of trade in goods, with elements of asymmetry in favour of Egypt. In particular, Egypt was able to export tariff-free to the EU all industrial products covered by the Agreement since its entry into force, 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**, which entered into force on 1 June 2010 and extended the list of agricultural products covered by the original Agreement.

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

Egypt also signed the **Regional Convention on pan-Euro-Mediterranean preferential rules of origin** on 9 October 2013 and notified it on 23 April 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. While interested in enhancing bilateral cooperation on trade and investment, Egypt has shown limited interest in a full-fledged DCFTA so far.

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

2. MAIN IMPLEMENTATION ISSUES

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

In 2022, the EU and Egypt intensified their **trade dialogue** through regular technical consultations to further remove barriers to trade affecting businesses and investors, thus building on progress achieved in 2021. On 18 October 2022, the **EU-Egypt Sub-Committee on Industry, Trade Services and Investment** took place in Cairo. The meeting focused on discussing developments in the EU and Egypt’s trade and investment related policies, but also any trade barriers currently affecting bilateral trade flows. Egypt confirmed its engagement to

actively continue the - more technical - trade dialogue in parallel to the Sub-Committee with the objective of advancing the removal of outstanding trade irritants.

2022 proved to be a very challenging year for Egypt's economy. This was to a large extent due to the macroeconomic situation in Egypt which has been heavily affected by Russia's war of aggression against Ukraine. In particular, Egypt experienced huge capital flights after the breakout of the war, which led to the Egyptian Central Bank (ECB) taking exceptional measures to preserve foreign exchange reserves. The Egyptian ECB introduced the mandatory use of a Letter of Credit (L/C) as payment condition for almost *all* imports into the country with few exceptions (notably food and pharmaceuticals). This had a restrictive effect on imports and led to shortages and inflation of prices in the domestic market. Following an agreement with the IMF and the liberalisation of the exchange rate, the mandatory L/C requirement was finally lifted on 31 December 2022. Nevertheless, due to the continuing shortages of foreign currency, import difficulties continued into 2023 and this will only change once the macroeconomic situation stabilises.

Some **progress** was achieved on **market access** issues in 2022, notably on import registration requirements:

WTO dispute against Egypt: DS609 – Import Registration Requirements

-On 26 January 2022, the EU requested consultations with Egypt concerning the registration requirements imposed by Egypt affecting the importation from the EU into Egypt of 29 categories of goods including agricultural and food products, cosmetics, toys, textiles, garments, household appliances, furniture and ceramic tiles.

-The EU and Egypt held consultations in a virtual format on 23 February 2022.

-In June 2022 Egypt amended their registration system to allow for more predictable and swifter registrations. The EU is currently closely monitoring the functioning of that system.

Progress was also made on a number of other market access issues:

- **Covid import tests** for live animals and meat **have been lifted** with the exception of pets.
- Partial progress was achieved in 2022 on Egypt's new halal certification requirements applying since October 2021. **Egypt has notified the new Halal standards to the WTO.** Moreover, the suspension of the application of the standard to dairy products was extended several times and most recently again until 1st December 2023. Efforts continue to address remaining problems related to the new certification rules and the appointment by the government of a single certifier globally (IS EG Halal).
- In regard to the **taxation of cosmetics' imports**, Egypt acknowledged that taxing only imports would be discriminatory and in violation of the EU-Egypt Association Agreement. Egypt is now considering to take remedial measure to rectify this, e.g. extending the tax to also include domestic cosmetics or eliminating the tax all together.

At the same time, a number of **market access barriers continue to exist** in Egypt and were subject to discussions in the relevant committees under the EU-Egypt Association Agreement:

- Blockages of EU shipments of certain goods (especially timber wood) due to their allegedly **excessive radioactivity levels** – even though these levels are well within the standard of the International Atomic Energy Agency (IAEA). Technical discussions are to be scheduled in 2023 to clarify the situation.
- Egypt's new measures (including field visits) for the import of **seed potatoes** notified to the WTO; the new mechanism might have an effect comparable to a quantitative restriction. Technical discussions will continue in 2023 to clarify the rules; in the meantime, Egypt has suspended the requirement for field visits in the EU exporting countries.

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

1. THE AGREEMENT

The EU and Lebanon on 17 June 2002 signed an **Association Agreement**⁴⁸ creating a Free Trade Area (FTA). Its economic and trade provisions were provisionally applied as from 2003, based on an Interim Agreement, which entered into force on 1 March 2003. The Association Agreement (hereinafter referred to as ‘the Agreement’) entered into force on 1 April 2006. The Agreement **liberalised two-way trade in industrial goods** with an asymmetrical transition period of 12 years in favour of Lebanon. The phased-in liberalisation of industrial products by Lebanon started in 2008 and was completed in 2015.

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

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

In 2014, Lebanon signed the **Regional Convention on Pan-Euro-Mediterranean preferential rules of origin** (PEM Convention). The country notified its ratification in October 2017 and formally joined on 1 December 2017⁴⁹.

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

2. MAIN IMPLEMENTATION ISSUES

Additional custom duties raised in 2019 (and updated in October 2020) continued to be in place throughout 2022. They include a temporary additional duty of 3% on most imports and additional duties on imports of about 18 groups of products. Eight of them affect imports from the EU, with duties ranging from 7% to 20%. These trade barriers have been raised several times at the highest level vis-à-vis the Lebanese authorities, as they do not appear to be in line with the Agreement, since they affect selected goods and differentiate between trading partners.

The national budget for 2022 included the extension of the additional 3% custom duty introduced in 2019 for another 10 years, plus a new 10% import duty on products having a locally produced substitute. The government is currently compiling a list of products to which this additional 10% import duty would be applied. The government has been alerted of the possible infringement of the Association Agreement.

⁴⁸ <https://ec.europa.eu/world/agreements/downloadFile.do?fullText=yes&treatyTransId=3121>

⁴⁹ For more information see https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/rules-origin/general-aspects-preferential-origin/arrangements-list/paneuromediterranean-cumulation-pem-convention_en

However, since November 2022, without agreement on a new president, Lebanon has continued to function with a caretaker government. Mostly for this reason, and despite a continuous deterioration of the economic situation in Lebanon, there have been no significant decisions concerning trade, and little dialogue with the EU on trade matters. Neither the **Sub-Committee on “Industry, Trade and Services, Customs”** nor the EU-Lebanon **Joint Working Group on Trade and Investment** met since December 2019.

Discussions continued during 2022 about the **possible adoption by Lebanon of the PEM transitional Rules of Origin** (the revised rules of the PEM Convention, applicable on a bilateral basis pending the adoption of the revised PEM Convention by all contracting parties). Lebanon finally referred the issue to its Ministry of Justice, who ruled that a specific law would need to be adopted by Parliament before Lebanon can sign these rules, which is likely to provoke a considerable delay.

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

2. MAIN IMPLEMENTATION ISSUES

The **Subcommittee on trade, industry and services** last met on 6 June 2023, after two years of break..

Despite the break, the EU side continued to raise **outstanding issues** in official meetings under the Agreement, including in written correspondence and technical meetings.

In its exchanges with Jordan, the EU has been underlining the need for predictability and information-sharing regarding the legislative and administrative measures, which may have an impact on trade. Transparency of import requirements and of enforcement measures is essential for EU exporters as well as granting sufficient time for producers, certifiers and the administration itself to adapt.

3. ACTIVITIES OF SPECIFIC INTEREST

Under the **simplified Rules of Origin initiative**, adopted in 2016 and amended in 2018, Jordanian exporters of 52 product groups can benefit from the same rules of origin as those applied by the EU on the Least Developed Countries, provided that certain conditions are met as regards to employment of Syrian refugees. According to the latest information, 17 companies have registered to the scheme and 12 of them exported their products to the EU for a total value of about €164.52 million in 2021, specially to France, Spain, Cyprus, France, Belgium, Hungary, and the Netherlands. Textile and garments are the main exports to the EU under the scheme, because garment manufacturers are generally large producers, and such trade incentives have a large impact on their bottom-line profitability. Since the date of entry into force of the RoO scheme, 254.658 work permits have been issued to Syrian workers in different economic activities. The simplified Rules of Origin scheme has not yet translated into further investments in the sectors benefiting from the new scheme except for the textile and garment industry that benefits from an established infrastructure and networks under the US-Jordan FTA. Despite the fact that most Jordanian exporters meet the conditions for preferential access, there appears to be challenges on the supply side, for Jordanian companies to respond to the market access opportunities. This include difficulties in collecting the necessary market intelligence of the European export market and value chain, the lack of the required EU quality certifications, the limited matchmaking opportunities with European buyers, the high cost of internal and external transport, and the difficulty of finding qualified Syrian workers in order to meet the employment requirements.

It remains a challenge to advocate for employers to hire more Syrian workers on their production lines, or make necessary investments, when the benefits of the ROO are not fully realized nor perceived.

Raising awareness about the scheme remains complicated, and increased coordination is still needed to make sure that relevant reforms are in place to implement the decent work agenda in Jordan.

The EU continues to support Jordan in its efforts to improve its export performances by boosting its general export capacity and competitiveness and achieving a closer integration into global value chains and to take fuller advantage of the preferential access to the EU market. Trade-for-Development is a key element of the Partnership Priorities (2021-2027)⁵⁰. Through

⁵⁰ <https://data.consilium.europa.eu/doc/document/ST-3304-2022-ADD-1/en/pdf>

its bilateral programming, the EU also supports private sector development, job creation and the business legislative framework and reforms.

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

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

1. THE AGREEMENT

The EU and Morocco established a **Free Trade Area (FTA)** as part of the **EU-Morocco Association Agreement** (the “Agreement”), signed in 1996, which entered into force on 1 March 2000. Trade for industrial products is now entirely liberalised, while market opening for agricultural products is also substantial. The Agreement provides for a reciprocal liberalisation of trade in goods, with elements of asymmetry in favour of Morocco: since the day of entry into force of the Agreement, all industrial products covered are 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 1st October 2020. Only a few Moroccan products are still subject to tariff rate quotas when imported into the EU.

An amendment was introduced to Protocols 1 and 4 of the Association Agreement by exchange of letters between the EU and Morocco on 25 October 2018 to cover Western Sahara.⁵¹

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 by Morocco is still pending.

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

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

⁵¹ [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22019A0206\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:22019A0206(01))

2. MAIN IMPLEMENTATION ISSUES

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

There were no meetings of the **Subcommittee on trade, industry and services** since July 2020, but in 2022 the Commission and the EU Delegation continued to raise a number of market access issues vis-à-vis Morocco about the **significant increase in Morocco's non-tariff barriers**, both during technical discussions and in written correspondence between senior officials.

Modest progress was made in 2022 on a **safeguard investigation** launched in 2021 targeting imports of **lighting columns**. The conditions for imposing safeguard measures were not fulfilled – hence a potential application raised significant concern to the EU and Member States concerned. Following written observations, and intensive outreach by the EU Delegation and (several) Member States to local authorities the investigation was closed in March 2022 without the application of a safeguard measure.

By contrast, Morocco in 2022 continued to apply **safeguard measures on imports of steel products**, notably welded steel pipes, hot rolled steel plates, wire rods and reinforcing bars, cold-rolled steel sheets and plated or coated sheets, as well as coated wood boards. It also continued to apply anti-dumping duties on PVC, including from some EU companies.

Among the remaining **outstanding market access** the EU raised again vis-à-vis Morocco in 2022 was Morocco's system of **conformity assessment** for imported products. Morocco since 2020 applies compulsory third party certification for compliance with Moroccan standards to a wide range of industrial products, with adverse effects for EU exports. Only five private international companies are designated to carry out the checks on imported products subject to technical regulations. Conformity assessments need to be undertaken mostly in the country of origin of the goods, and for a more limited range of products upon their entry into Morocco. Domestic products are subject to a much lighter regime of conformity checks. European operators have reported difficulties with the new system mainly related to additional costs and delays and different interpretations of the applicable requirements by the conformity assessment companies.

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

European General Court ruling on Western Sahara & Sustainable Fisheries Agreement⁵² - state of play

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

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

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

On 13 January 2023 the European Commission issued its third staff working document on the impact and benefits for the people of Western Sahara⁵³ of extending tariff preferences provided under the EU-Morocco Association Agreement to products from Western Sahara (covering 2022). The report finds that exports to the EU continue to show a trend of moderate increase, as do levels of local employment. This is due to the favourable economic conditions of Western Sahara and in particular to the granting of tariff preferences under the Agreement, following the amendment of Protocols 1 and 4 of the EU-Morocco Association Agreement, which entered into force on 19 July 2019. The Agreement is thus resulting in benefits for Western Sahara and its population in terms of exports, economic activity and employment.

⁵² <https://curia.europa.eu/jcms/upload/docs/application/pdf/2021-09/cp210166en.pdf>

⁵³ <https://taxation-customs.ec.europa.eu/system/files/2023-03/TAXUD-2023-00033-00-00-EN-TRA-00.DOCX.pdf>

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

1. THE AGREEMENT

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

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

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

Tunisia also signed the **Regional Convention on pan-Euro-Mediterranean preferential rules of origin** on 16 January 2013. Tunisia is considering joining the revised rules of the Pan-Euro- Med Convention on rules of origin, based on the exchanges with the EU notably with respect to bilateral derogations, mainly on textile.

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

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

2. MAIN IMPLEMENTATION ISSUES

Partial progress was made in 2022 by averting on increased MFN customs duties that would have affected a number of industrial products from the EU: The Finance law 2022 (adopted on 28 December 2021) provided for an ***erga omnes* increase of MFN customs duties for a series of products**. Such increase built on a similar tariff increase decided in the budget law for 2018, still in force. The EU alerted Tunisian authorities ahead of the adoption of the measure of its

negative impact on European exporters. While the overall measure went ahead, considered necessary by the Tunisian authorities to address the country's current severe trade and economic situation, some products of strong export interest for the EU were removed from the list. However, the increase in *erga omnes* MFN customs duties notably affects some EU exports of some agricultural products, which, contrary to industrial products, are not liberalised under the Free Trade Area established as part of the EU-Tunisia Association Agreement.

In 2022, several **long-standing market access issues remained** unresolved. They mainly concern the following type of restrictions: i) systematic **technical controls on imports** without risk analysis and technical specifications that can impose restrictive conditions on the product and/or the importer; ii) burdensome customs measures (such as the request for an export declaration or a free sale certificate by EU operators); iii) sectorial market access limitations on pharmaceuticals, cosmetics, cars, tyres, ceramic tiles; and iv) de facto non-automatic licences on cheese, chocolate and chocolate products.

In addition, on 17 October 2022, new restrictions in the form of **additional ex ante controls** were introduced *erga omnes* on 130 product categories including textile, cosmetics, home appliance, cables and some agricultural products. The new measure requires *prior import authorisation* by the relevant Ministry, based on a series of 8 documents to be submitted by the importer. DG Trade sent a letter to the Trade Minister on the day following the entry into force of the measure.

A deficit can also be noted on Tunisia's implementation of the **state aid/subsidy control rules** as foreseen by Article 36 of the Association Agreement, which are needed to secure a level playing field.

Finally, the objective of liberalisation of **public procurement** set in Article 41 of the Association Agreement has not been taken forward yet. By contrast, the decree-law 2022-68 of November 2022 increased the thresholds for local content requirement and national preference in public procurement.

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 Palestine⁵⁴ (hereinafter called ‘the Interim Association Agreement’) was signed in 1997 and entered into force on 1 July 1997. The Interim Agreement **liberalised two-way trade in industrial goods** by providing duty-free and quota-free access for industrial goods traded in both directions, with some **limited liberalisation of agricultural products** by both parties. The latter was an asymmetrical liberalisation to the extent that the EU dismantled its tariffs on the first day of the agreement while Palestine had a phased reduction of tariffs.

The Association 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 Interim Association Agreement or the EU-Israel Association Agreement.

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. The EU and Palestine are applying the Transitional rules of origin in parallel with the PEM Convention since 1 September 2021. In 2021, an amendment of Protocol 3 of the Interim Association Agreement was adopted concerning the definition of the concept of “originating products” and methods of administrative cooperation, in order to introduce the modernised rules of the PEM Convention.

2. MAIN IMPLEMENTATION ISSUES

The **Joint Economy Committee** in charge of the 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 a positive response from the Israeli side.

The last meeting of the **EU-Palestinian Subcommittee on Trade** was held on 16 November 2022 where trade relations were discussed both in bilateral and regional context, notably

⁵⁴ 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.

focussing on how the EU could facilitate trade talks between Israel and the Palestinian Authority, either in bilateral or trilateral format.

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

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

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

1. THE AGREEMENT

EU-Israel relations are governed by an **Association Agreement** (hereafter named “Agreement” or “AA”) that has been provisionally applied since 1996 and fully entered into force in 2000. The terms of the Agreement provided for full elimination of customs duties applicable to industrial products and partial liberalisation for agricultural products creating a **Free Trade Area (FTA)**. The EU and Israel had already had an FTA from 1975, eliminating duties on industrial products and over 80% of agricultural tariff lines. The AA improved the provisions on rules of origin and included a series of further reciprocal agricultural concessions. However, the FTA does not include commitments on services and investments, regulatory convergence or modern trade rules. Products produced in the Israeli settlements located within the territories brought under Israeli administration since June 1967 are not entitled to benefit from preferential tariff treatment under the EU-Israel Association Agreement.

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

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

Israel is a member of the **Regional Convention on Pan-Euro-Mediterranean preferential rules of origin** (PEM Convention), which it signed in 2013 and notified the EU its ratification and entry into force in 2014. Israel has expressed its interest in applying the Transitional rules of origin as well as its support on the revision of the PEM Convention.

The EU and Israel signed in 1999 a **"Good Laboratory Practice" (GLP) agreement**, ensuring the high quality, validity and reliability of health and environmental data generated during the testing of cosmetics, industrial chemicals, pharmaceuticals, food additives, animal feed additives, pesticides by means of mutual recognition of OECD principles of good laboratory practice (GLP) and compliance monitoring programmes. The EU and Israel also have an **Agreement on Conformity Assessment and Acceptance of industrial products (ACAA) on pharmaceuticals**, in force since January 2013, which facilitates trade on both sides, as it

recognises each partner's certification of conformity of pharmaceutical products without the need for re-testing at import.

In June 2013, the EU and Israel signed an **EU-Israeli Aviation Agreement** ("Open Skies Agreement"), which fully entered into force in August 2020.⁵⁵ It gradually allowed over a five-year period all EU airlines to operate direct flights to Israel from anywhere in the EU and Israeli carriers to operate flights to all airports throughout the EU. The Agreement has also prompted the Israeli Ministry of Tourism to adopt an incentive scheme for airlines bringing visitors to Eilat. On 31 December 2020, Israel and the U.K. signed a bilateral agreement mirroring provisions of the EU-Israel Open Skies agreement, it entered into force on 1 January 2021.

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

2. MAIN IMPLEMENTATION ISSUES

In 2022, **substantial progress** has been achieved in the area of **medical devices**: Member States (those that acceded in and post 2004 and Luxembourg) had been facing trade irritants when exporting **medical devices** to Israel. These countries are now "recognised" by Israel to qualify for fast-track authorisation procedure in Israel, instead of the standard track. A legislative amendment to solve the issue is currently discussed in the Knesset. In the meantime, the Israeli government has set up a pilot project of originally six months (originally applied from 1 January – 30 June 2022) under which certifications by Notified Bodies from all Member States are already and de facto accepted for the fast-track procedure. Since the adoption of the legislative amendment by the Knesset has been delayed due to new elections, the government has already extended the pilot project and will continue to do so until the new legislation is in place.

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

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

The last meeting of the **EU-Israel sub-committee on industry, trade and services** was held on 15 February 2023 where trade relations were discussed in both bilateral and regional context. EU and Israel also exchanged views on existing trade irritants, as well as on some cross cutting issues, e.g. reduction of carbon emissions, and IPR.

⁵⁵ As of spring 2018, the EU-Israeli air transport market is fully open with no restrictions on the number of flights.

Eastern countries – Deep and Comprehensive Free Trade Areas

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

1. THE AGREEMENT

The **Deep and Comprehensive Free Trade Area (DCFTA)** between the EU and Ukraine, the trade part of the Association Agreement⁵⁶, provisionally entered into force on 1 January 2016 while the full Association Agreement formally entered into force on 1 September 2017.

Following Russia's unprovoked and unjustified war of aggression against Ukraine, the **EU granted Ukraine EU candidate status, in June 2022**. Furthermore, the EU adopted **new autonomous trade measures (ATMs) on 30 May 2022**⁵⁷ to temporarily suspend all duties on imports from Ukraine. The ATMs were extended in June 2023 for another year.⁵⁸ At the same time, the EU is phasing out by 15 September 2023 the exceptional and temporary preventive measures adopted on 2 May 2023 on imports of wheat, maize, rapeseed and sunflower seed from Ukraine under the exceptional safeguard of the Autonomous Trade Measures Regulation. The scope of these measures is further reduced from 17 to six tariff lines for the four products covered. These temporary and targeted measures were adopted due to logistical bottlenecks concerning these products in Bulgaria, Hungary, Poland, Romania and Slovakia, and on the condition that member states do not maintain any restrictive measures. The phase out will allow for significant improvements to be made to the Solidarity Lanes and to address challenges to get Ukrainian grain out of the country for this harvest.

The following also constitutes the assessment of the trade-liberalisation measures under article 6 of Regulation (EU) 2022/870.

In the first ten months of 2022 the total trade volume between the EU and Ukraine remained remarkably stable despite a sharp decrease of trade at the beginning of the war with an overall minor decrease of approximately 5% as compared to 2021. Since trade with some of Ukraine's other trading partners decreased considerably (notably China) or came to a standstill (notably Russia and Belarus), the EU's share in Ukrainian trade increased from approximately 40% to 53% for imports and from 40% to 73% for exports since the beginning of the war (comparing March to October 2021 with the same period in 2022). This development of EU-Ukraine trade against the general trend is to a large extent attributable to the unavailability of sea transport (with the exception of the UN promoted Black Sea initiative for grains until 17 July 2023, date of Russia's unilateral withdrawal of the initiative) and to EU initiatives such as the ATMs and

⁵⁶ 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>

⁵⁷ Regulation (EU) 2022/870 of the European Parliament and of the Council of 30 May 2022 (OJ L 152 of 3.6.22, p. 103)

⁵⁸ Regulation (EU) 2023/1077 of the European Parliament and of the Council of 31 May 2023 on temporary trade-liberalisation measures supplementing trade concessions applicable to Ukrainian products under the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Ukraine, of the other part

the Solidarity Lanes. A regular monitoring table on imports from Ukraine, and in particular under TRQs otherwise applicable under the DCFTA is available on DG TRADE's website⁵⁹. The monitoring shows considerable increases of imports for some products such as poultry, eggs, dairy, sugar, wheat, barley and apple juice. The impact of these imports on the Union market is being monitored closely. The socio-economic impact of these trade-liberalisation measures on the EU cannot reasonably be assessed at this stage.

2. MAIN IMPLEMENTATION ISSUES

2.1 Market access: Progress and outstanding issues

Ukraine's **regulatory approximation** to the EU acquis continued to progress well despite the difficult situation caused by Russia's war of aggression against Ukraine. In some areas, effective enforcement by independent and transparent institutions is challenging.

Overall implementation of the DCFTA was discussed during the **7th EU-Ukraine Association Committee** in Trade Configuration (ACTC), held on 25-15 October 2022 in hybrid form (in Brussels and online). During this meeting, the Committee adopted the update of the Annex XV of the Association Agreement, notably a list of EU acquis in the area of customs to which Ukraine has committed to approximate⁶⁰).

At the end of 2022 both sides further agreed to revise and extend the "**Priority Action Plan for enhanced implementation of the EU-Ukraine DCFTA in 2023-2024**" as a roadmap to accelerate and monitor the full implementation of the DCFTA, and with a view to facilitating Ukraine's access to the EU internal market. Discussions on the **review of the scope of liberalisation of customs duties** on imports under Article 29 of the Agreement that was activated in 2021 were paused in view of the new situation created by the one-year full liberalisation of all imports from Ukraine into the EU. Ukraine presented the steps undertaken in the process towards an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA). These include detailed plans for legislation to be adopted in the coming years, the abrogation of conflicting standards and the implementation of the recommendations of the EU experts. Ukraine stressed the importance of completing the pre-assessment missions as soon as possible. In November 2022, the Ukrainian scientific-research and training center for issues of standardization, certification and quality was granted "affiliate status" at CEN/CENELEC.

Progress was also made on a number of **customs related**⁶¹ issues, notably Ukraine's accession to the Common Transit Convention and the Convention on the Simplification of Formalities in Trade in Goods on 1 October 2022. Work also progressed on Authorised Economic Operators (AEOs), with all relevant legislation and IT systems in place.

⁵⁹ [EU trade relations with Ukraine \(europa.eu\)](https://europa.eu/eu-external-relations/en/eu-trade-relations-with-ukraine)

⁶⁰ [OJ L 301, 22.11.2022, p. 214–216](#)

⁶¹ The 6th Customs Sub-committee took place on 30 November 2022.

In regard to **public procurement**, the EU and Ukraine agreed to start the process of recognition of Phases 1 and 2 of the public procurement roadmap in Annex XXI-A with a view to an adoption in 2023.

In the area of **SPS**⁶², Ukraine continued to implement the SPS strategy, particularly as regards animal welfare, which is of particular interest for stakeholders. Work is ongoing on 80 implementing acts, and transitional periods are foreseen until 2026 for some categories of animals. The EU **welcomed the six month extension of the export certificates on mechanically separated poultry meat (MSM)**, but has requested a unified export certificate for all EU Member States.

As regards the **wood export ban**, a long-standing trade irritant on which the EU had initiated bilateral **dispute settlement** in 2019, a panel published its final ruling in December 2020 and found Ukraine's 2015 temporary export ban incompatible with Article 35 of the Association Agreement. In this context Ukraine informed that an important policy reform is being considered regarding the management of forests, including the creation of a national agency. This would also allow addressing the findings of the above-mentioned panel.⁶³

In the **IPR area, systemic problems remained with the enforcement of IPR**. The issues were raised at the 19th IPR Dialogue, which took place on 27 January 2022. The main legislative text of the copyright law has been adopted in December 2022. As regards **Geographical Indications (GIs)**⁶⁴, cooperation continued in order to ensure alignment of Ukraine's GI system with EU norms and standards, and the potential introduction of new EU and Ukrainian GIs by means of update of Annex XXI to the Association Agreement. In the **field of competition** including State aid, significant progress has been made during the last years to improve the Ukrainian legislation and enhance the powers and independence of Ukraine's Antimonopoly Committee. However, the Law on State aid remains suspended during the martial law. The EU noted two important draft laws currently under discussion in the Ukrainian parliament, notably on the reform of State aid and on economic competition, which would, if adopted, greatly contribute to Ukraine's alignment with the EU acquis.

⁶² The 6th SPS Sub-committee took place on 15 and 22 November 2021.

⁶³ More Detailed information and regular updates can be found on DG TRADE's website: https://policy.trade.ec.europa.eu/enforcement-and-protection/dispute-settlement_en

⁶⁴ The 6th GI Sub-committee took place on 21 October 2022.

2.2 Trade and sustainable development: Progress and outstanding issues

The 6th **Ukraine – EU Trade and Sustainable Development Sub-Committee** was held on 9 March 2023 via videoconference Brussels-Kyiv.

The meeting was held in implementation of the above mentioned Priority Action Plan. Ukraine noted that the impact of Russia's war of aggression against it has made Trade and Sustainable Development areas even more pressing, for example as regards energy efficiency and forestry.

The EU provided an update on trade and sustainable development policy, following its June 2022 Communication on trade and sustainable development entitled "The power of trade partnerships: together for green and just economic growth". The sub-committee noted the importance of civil society participation and the contribution of the EU and Ukrainian Domestic Advisory Groups.

Regarding the selection of candidates for the **Group of Experts**, the procedure to select candidates is ongoing and will be completed by the end of 2023.

Regarding **labour matters** the EU highlighted the importance of upholding labour rights as much as possible, even in times of war. Regarding the modernisation of labour relations, the Parties agreed on the importance of ensuring alignment with the applicable EU acquis and international labour standards, including in the draft laws on labour and on occupational health and safety. The need to ensure full compliance with ILO Conventions on labour inspections was also discussed. Moreover, the Parties agreed on the need to improve social dialogue and on the importance of ensuring compliance with international labour standards on freedom of association and collective bargaining.

The EU reaffirmed its support to Ukraine in facing the substantial **environmental and climate impact** of Russia's war of aggression against Ukraine. The Parties discussed how the environment is a major victim of the aggression and that mapping environmental damage will be necessary for the reconstruction. The Parties updated each other on European Green Deal initiatives and on Ukraine's efforts to reduce emissions and its work on framework legislation for environmental protection.

On 14 March 2023, the parties debriefed the **Civil Society Forum** on the issues discussed during the last meeting of the TSD Sub-Committee.

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**⁶⁵ (AA) entered into force on 1 July 2016, after having been applied on a provisional basis since 1 September 2014.⁶⁶ 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.⁶⁷

The Government of Georgia adopted in December 2020 its **third Action Plan for the implementation of the DCFTA 2021-2023**⁶⁸. This report outlines the priorities of the Association Agenda in different sectors (including for example Technical Barriers to Trade, SPS measures, customs or IPR) and the planned activities related to each priority with indicators, responsible implementing institutions and timeframe for implementation.

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

Background: On 1 July 2017 Georgia joined the **Convention on pan-Euro-Mediterranean preferential rules of origin** (“PEM Convention”)⁶⁹. The joint Decision of the Customs sub-committee on the linkage of the rules of origin in bilateral trade to the Protocol of PEM Convention⁷⁰ entered into force on 1 June 2018. This allows Georgia to benefit from diagonal cumulation of origin with the EU and Türkiye as of 29 April 2021, and to be better integrated in regional trade flows. The rules of origin providing for diagonal cumulation became applicable between Georgia and the EU in 2018. In 2017 and 2018, they also became applicable

⁶⁵ 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>

⁶⁶ 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.

⁶⁷ 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.

⁶⁸ [DCFTA AP 2021-2023 ENG.pdf](#)

⁶⁹ 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>

⁷⁰ 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.

between Georgia and the following partners: Switzerland and Lichtenstein, Iceland and Norway, in 2020 with Ukraine and in 2021 with Türkiye.

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

2. MAIN IMPLEMENTATION ISSUES

2.1 Market Access: Progress and outstanding issues

The 9th **Association Committee in Trade Configuration** was held in Brussels on 13-14 December 2022.

There is good progress on the approximation commitments for 2015-2022 but with some delays. This concerns in particular the final adoption of draft laws approximating to EU telecommunication and postal directives. The timeline for approximation of Georgian legislation was back-loaded in the negotiation process until, e.g. 2022 in the TBT area or even 2027 with regard to certain veterinary measures, plant protection and food safety.

Progress was made by Georgia in 2022 in several areas of **legal approximation**:

- In the area of **SPS** the necessary steps to add Georgia to the EU list of countries from where **import of snails is permitted has been finalised**. Georgia is also advancing the process of allowing for exports of queen bees and aquaculture to the EU.
- In the area of **technical barriers to trade**, the new Market Surveillance Agency (MSA), established in 2020, continues **institutional development and has started implementation of market surveillance activities** regarding the technical regulations adopted in line with DCFTA approximation process. Georgia has highlighted progress on the increased number of recognised services and introduction of new demanded service in the field of calibration of density meters. For supporting the legal approximation process of Georgia, the National Agency of Standards and Metrology of Georgia (GEOSTM) strives to ensure the adoption of EU harmonised standards according to the DFCTA. This work has contributed to GEOSTM becoming an affiliate member to CEN (Commission for European Normalisation) / CENELEC (European Committee for Electrotechnical Standardisation) on 24 November 2022.
- On **Public Procurement**, Georgia has presented to Parliament the **final draft for the On Public Procurement**, Georgia has adopted in February 2023 a **new Public Procurement Law**, which, according to Georgia, further approximates its legislation to the EU public procurement *acquis*.
- In the area of **IPR**, the Georgian Government continued its efforts to **reform the intellectual property protection and enforcement system**, as supported by EU-

Georgia Intellectual Property Project (EUGIPP)⁷¹. The Intellectual Property Centre of Georgia – Sakpatenti- continued advocacy and awareness raising and training activities for judges, SMEs, students, teachers and provided technical assistance (including the exchange of best practices etc.).

- In the area of **energy policy**, Georgia, since joining the Energy Community in 2017, is approximating its energy acquis according to the Energy Community work programme. Georgia continues to develop the related framework, methodologies and regulations relating to the implementation of the Energy Efficiency Law, Law on Energy Performance of Buildings and Law on Energy Labelling.
- In the area of **customs and trade facilitation**, there is good cooperation with well-advanced implementation of the customs code and electronic systems. On the New Computerised Transit System (NCTS) deployment phase 5, Georgia is making good and rapid progress, deployment of the software was started in January 2021. The network equipment has been physically delivered to Tbilisi end of November 2022. The system is one of the main conditions for the accession of the country to the Common Transit Convention with a target date 2024. Georgia is working on the development for the national programme and had their first Authorised Economic Operators (AEO) join the programme in 2022. Georgia was one of the first countries where the modernised transitional Pan-Euro-Med Rules of Origin were applicable from 1 September 2021. Georgia and EU signed the Agreement on the accession to the EU customs and Fiscalis programmes in 2022.
- In the area of **services**, the approximation in the context of the DCFTA experienced some delays. On postal services, Georgia has been notified of new EU acts adopted since 2013. Georgia has provided its position on the substance of updated Annex XV-B and XV-C. A draft postal law is ready for adoption, but Georgia preferred to introduce commitments of the 2018 EU Regulations on cross-border parcel delivery services and submit one draft law to Parliament with an extended deadline. With regard to telecommunication commitments, the draft amendment of the Law of Georgia on Electronic Communication has been prepared, for the purpose of approximating with the Directive on privacy and electronic communications⁷², Authorisation Directive⁷³, Access Directive⁷⁴ and Framework Directive⁷⁵. The procedure for adoption started in 2022. Georgia's new commitments of the European Electronic Communications Code might be included into the pending draft and the deadline set out in Annex XV-B might be postponed. The EU noted the importance of strong digital flexibility and

⁷¹ <https://internationalipcooperation.eu/en/eugipp>

⁷² Council Directive 2002/58/EC of 12 July 2002: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32002L0058>

⁷³ Council Directive 2002/20/EC of 7 March 2002: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32002L0020>

⁷⁴ Council Directive 2002/19/EC of 7 March 2002: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32002L0019>

⁷⁵ Council Directive 2009/140/EC of 25 November 2009: <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32009L0140>

transformation needed, e.g. on eHealth and Digital Trust, Cyber Security and regional agreements (EaP roaming). Georgia also showed a robust interest in extending the EU's roam like at home area to Georgia.

There remained a number of **outstanding issues** in 2022:

- In the area of **Energy Policy**, the pace of reforms implemented by the Georgian government is commendable, but developing relevant legislation on renewables and energy efficiency remains a priority.
- In the area of **IPR**, inquiries were made about the IPR protection in Georgia relating to the implementation, enforcement and capacity of the relevant law-enforcement bodies.
- In the area of **services**, there are delays with regard to the approximation processes concerning postal and telecommunications services.

2.2 Trade and sustainable development: Progress and outstanding issues

The 7th **TSD Sub-Committee** under the DCFTA was held in December 2022 by video conference. It was followed by dynamic discussions with the **Civil Society Forum**.

Progress was made in 2022 by Georgia in implementing the TSD chapter commitments. In that respect, the EU-Georgia TSD implementation priorities are summarised in the **action plan for the period 2021-2023**⁷⁶: This Action Plan will be revised in 2023.

In regard to **environment protection related commitments**, Georgia adopted the **National Climate Change Strategy 2030** and its Action Plan 2021-2023, that identifies measures and actions that support the development of the Georgian economy and infrastructure in a way which sets Georgia on a pathway to meet its international obligations and national ambitions for climate change mitigation. Georgia is still in the process of adopting the **Law on Biodiversity**, and several decrees regarding forest management, record keeping and monitoring. Georgia is preparing to send its 5th National Communication to the UNFCCC in 2023. Also, Georgia submitted an updated 'National Determined Contribution', with more ambitious targets. The EU noted that this would still result in an increase in emissions. However, with the support of EU4Climate, Georgia is working on the preparation of a Long-Term Low Emission Development Strategy, and has submitted the act to ratify the Kigali amendment to parliament in 2022.

With regard to labour issues, Georgia continued developing the labour inspections system, with progress on hiring qualified labour inspectors and expanding coverage at regional level, as well as towards ratification of ILO Convention 81. The Parties also continued discussing measures to ensure health and safety at work, to combat child labour and to achieve effective social dialogue and the promotion of collective bargaining. Additionally, Georgia has been

⁷⁶ https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/e0de67a3-2fd4-44ad-972b-daf8b0901035?p=1&n=10&sort=modified_DESC

encouraged to pursue efforts on ensuring non-discrimination and equal pay between men and women and complete alignment of the legal framework to ILO fundamental Conventions 100 (Equal Remuneration) and 111 (Non-discrimination).

3. MONITORING IN SPECIFIC AREAS

An **anti-circumvention mechanism** applies to several agricultural goods i.e. beef, pork, sheep and poultry meat, dairy products, eggs and albumins, mushrooms, cereals, malt, starches and sugars as well as to processed agricultural products such as sweetcorn, processed sugars and cereals and cigarettes. For none of the products under the anti-circumvention mechanism the respective trigger levels were exceeded in 2022, due to the low trade levels for those products in the analysed period.

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

1. THE AGREEMENT

The **Deep and Comprehensive Free Trade Area** (DCFTA) between the EU and Moldova is the main economic pillar of the **Association Agreement** (AA) and has been provisionally applied since 1 September 2014 (it fully entered into force on 1 July 2016). The DCFTA comprises two main components: trade liberalisation (in the form of a Free Trade Agreement) and regulatory approximation to the EU acquis. This information sheet constitutes the report on the implementation of the EU-Moldova DCFTA, in line with the reporting requirements of the Regulation implementing the anti-circumvention mechanism provided for in the EU-Moldova Association Agreement.⁷⁷ It also constitutes the assessment of the implementation of the trade-liberalisation measures as per article 6 of Regulation (EU) 2022/1279⁷⁸.

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 monitors 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.

Following Russia's unprovoked and unjustified war of aggression against Ukraine, the **EU granted Moldova EU candidate status, in June 2022**. Furthermore, the EU adopted **new autonomous trade measures (ATMs)** on 18 July 2022 to temporarily increase the size of the tariff-rate quotas (TRQs) for seven agricultural products for a period of one year. All other Moldovan exports to the EU are already tariff and quota free.

By the end of 2022, some TRQs available for Moldovan exports under the DCFTA remained unused (tomatoes, garlic), or barely used (apples, grape juice, cherries) while the TRQs for grapes and plums were fully utilised. The additional TRQs granted under the ATMs, were used for plums (35%) and table grapes (26%). Given the limited use of TRQs under the ATMs, there has been no sizable social impact of the trade-liberalisation measures in the EU or in Moldova.

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

⁷⁸ Regulation (EU) 2022/1279 of the European Parliament and of the Council of 18 July 2022 on temporary trade liberalisation measures supplementing trade concessions applicable to products from the Republic of Moldova under the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Ukraine, of the other part (OJ L 195, 22.7.2022, p. 6)

2. MAIN IMPLEMENTATION ISSUES

2.1. Market Access: Progress and outstanding issues

In 2022, Moldova made some progress in the regulatory approximation process in different fields of the EU acquis, especially on **customs, TBT and SPS**. Such approximation needs to be accompanied by effective enforcement by independent and transparent institutions, which is challenging in some areas, as well as by the necessary secondary legislation.

A positive development was Moldova's **amendment of its Domestic Trade Law in July 2022**. The Law had favoured domestic products and therefore contravened national treatment obligations under the DCFTA (and WTO). The amendment removed these provisions.

Overall implementation of the DCFTA was discussed during the **9th EU-Moldova Association Committee in Trade Configuration (ACTC)**, which was held in Brussels on 29 November 2022.

In 2022, Moldova took **further steps to approximate its legislation** to the EU acquis and comply with the commitments under the DCFTA:

- ✓ As regards **technical barriers to trade (TBT)**, Moldova is advancing in the implementation of EU technical standards and the withdrawal of conflicting standards. Moldova has selected low voltage equipment and electro-magnetic compatibility (EMC) as its priority sectors to negotiate an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA). The new EU acquis in the area of TBT, including the new EU Regulation on market surveillance will be reflected in the updated Annex XVI of the Association Agreement. In November 2022, Moldova's Institute for Standardisation was granted "affiliate status" at CEN/CENELEC.
- ✓ In the area of **sanitary and phytosanitary measures (SPS)**, Moldova continued its approximation to the EU acquis. Audits on poultry and eggs took place in 2022, and following a successful outcome, the export of eggs and processed poultry meat from Moldova to the EU has been authorised. Authorisation of the export of fresh poultry is dependent on the Moldovan authorities putting in place controls to counter an outbreak of avian influenza.
- ✓ In regard to **public procurement**, Moldova is moving forward with its implementation of the DCFTA chapter on public procurement, with a focus on concessions and public-private-partnerships (PPPs). The draft post-2020 Public Procurement Development programme will include information about both the planned amendments of the concessions/PPPs legislation and a concrete timeline for the adoption of the government decree on the certification of public procurement officials. It was expected that the new (or updated) draft law on concessions/PPPs would be prepared in 2023. The Moldovan government is now reflecting on possible options for an e-procurement system.

- ✓ In the area of **Customs**, although Moldova adopted a new Customs Code based on the Union Customs Code, in 2022, there have been delays in its entry into force. It will be important to address some remaining gaps to ensure it is fully harmonised with the Union Customs Code, including on Free Economic Zones. A **bilateral mutual recognition agreement on authorised economic operators**, entered into force on 1 November 2022, making Moldova a front-runner among the DCFTA countries. Moldova is continuing work towards the deployment of the New Computerised Transit System phase 5 in order to be able to join the Common Transit Convention in 2024. Moldova acceded to the Customs Fiscalis programmes for 2023-2027 in 2023.
- ✓ On **IPR**, Moldova adopted a new Law on Copyright and Related Rights and continued its cooperation with the EU Intellectual Property Office, in particular on trademarks and designs.
- ✓ On **Services**, the following progress has been made:
 - **Telecommunications services:** There is ongoing cooperation between the EU and Moldova on mutual recognition of electronic identities and electronic signatures. Moldova will follow developments on the amendment of the eIDAS (Electronic IDentification, Authentication and Trust Services) Regulation in order to keep its national legislation aligned. Moldova is also planning to send to the EU a formal request for the recognition of Moldovan electronic signatures as Advanced Electronic Signatures. Moldova has confirmed its interest in a bilateral roaming agreement and technical exchanges have taken place on the reciprocal application of single maximum Union-wide voice termination rates in view of progressing towards a long-term solution on roaming. Work has begun on an update to Annex XXVIII-B of the EU-Moldova DCFTA to include current EU legislation as appropriate, notably the European Electronic Communications Code.
 - **Postal services:** Moldova has made good progress to align with the EU postal acquis. Transposition of Regulation (EU) 2018/644 is ongoing and work will begin to update Annex XXVIII-C of the EU-Moldova DCFTA.
- ✓ Concerning the **Application of the DCFTA to Transnistria**, the Trade Facilitation Agreement remains very important for businesses on the left bank of the Dniester River in their exports to the EU. Continuous engagement of the two sides is necessary to ensure the application of the DCFTA to the entire territory of Moldova, in particular in the fields of TBT, customs and IPR.

2.2 Trade and Sustainable Development: Progress and outstanding issues

As it embarks on the **accession process**, Moldova will use the DCFTA implementation to build administrative capacity and reform its legal framework on sustainability.

In the meeting of the **TSD Subcommittee** on 16 March 2023 **three environment-related topics** were discussed: deforestation, management of waste and decarbonization. In addition, the subcommittee also considered the essential role of labour inspections for the effective implementation of labour rights and decent working conditions, tackling undeclared work, and ensuring a competitive business environment.

As regards labour matters, the EU welcomed progress on the **labour inspections** system since the previous TSD Subcommittee, and stressed the importance of continuing to strengthen it in line with the requirements of applicable ILO Conventions. The parties also agreed on the importance of duly involving and consulting social partners in the development of labour legislation and of strengthening occupational health and safety. Moreover, the discussion underlined the need to pursue efforts to combat child labour as well as informal and undeclared work.

Engagement with civil society took place before and after the TSD committee. The **joint statement by the DAGs** inter alia acknowledged the removal of EU quotas from a number of important agrifood exports from Moldova as a measure to support the economy amid the consequences of the war in Ukraine and called on both EU and Moldovan Government counterparts to make progress on measures to grant exports of animal origin access to the EU market and to initiate negotiations for Moldova to gain better access to the EU single market

3. MONITORING IN SPECIFIC AREAS

An **anti-circumvention mechanism** applies to several agricultural goods (including pig and poultry meat, dairy products, eggs, sugar and some cereals such as wheat, barley and maize) as well as to processed agricultural products such as sweet corn, processed sugars, dairy and cereals and cigarettes. In 2022, Moldova exceeded the thresholds for wheat (127%), maize (215%), processed cereals (540%) and sweet corn (450%) but provided satisfactory explanations for the respective levels.

Western Balkans – Stabilisation and Association Agreements

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

1. THE AGREEMENT

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

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

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

Kosovo benefits from Autonomous Trade Measures (ATMs) introduced under Regulation 2020/2172⁷⁹, which provide additional market access for certain fruits, vegetables and wines, thereby allowing nearly all Kosovan exports to enter the EU without customs duties or limits on quantities. All the Western Balkans have benefitted from these ATMs since 2000. The current ATM Regulation is due to expire at the end of December 2025.

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

The EU and Kosovo are applying the rules of origin of the PEM Convention since 1 April 2016. As of 15 October 2022 the EU and Kosovo are applying on bilateral basis the Transitional rules of origin in parallel with those of the PEM Convention.

⁷⁹ Regulation (EU) 2020/2172 of the European Parliament and of the Council of 16 December 2020 amending Council Regulation (EC) No 1215/2009 introducing exceptional trade measures for countries and territories participating in or linked to the European Union's Stabilisation and Association process

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 long-standing need to enhance the capacity of the Trade Department to undertake trade defence related investigations in line with EU procedures and to determine protective measures for imports, if necessary. There is also a weak level of cooperation and coordination among institutions involved in trade development.

In addition, Kosovo needs to put in place a more transparent trade policy, in line with WTO and EU practices, and avoid protectionism. Although a law on foreign trade was adopted in 2022, a related draft law on Internal Trade – important for the business climate – has made no progress. A new trade policy document is also under development, although few details have emerged and there are concerns that the government may be given too much control over trade. Indeed, a so-called Law on Interim Measures was prepared in 2022, which would have given Ministers wide-ranging powers to introduce temporary protectionist “safeguard measures” without following the provisions of the SAA or WTO rules. However, after considerable criticism from the EU, a number of amendments were introduced, softening the law, and ultimately referred to the the Constitutional Court where a decision on its implementation is pending.

Some **progress** was made in 2022 in the implementation of the SAA’s trade related commitments in the car sector, where **Kosovo took an important step forward by amending the Law on Vehicles**. The amendment removed the Law’s provisions on additional homologation requirements for imported used vehicles, thus resulting in the recognition by Kosovo of all vehicles made in the EU. Pending is the revision of bylaws to remove the provisions that have led to the creation of a monopoly with regard to the licensed economic operators in this sector.

Outstanding issues include the following:

- Although Kosovo has adopted a law on trade in petroleum products and renewable fuels, it 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 deducted by Kosovo authorities and thus not taken into account when they calculate customs duties and taxes.
- Kosovo still lacks adequate **legislation on trade in arms, military equipment and dual-use goods**, which the EU side has criticised.
- Kosovo is only partially aligned with EU Regulations on dumping and countervailing duties.

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

1. THE AGREEMENT

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

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

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

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

Serbia benefits from Autonomous Trade Measures (ATMs) introduced under Regulation 2020/2172⁸⁰, which provide additional market access for certain fruits, vegetables and wines, thereby allowing nearly all Serbian exports to enter the EU without customs duties or limits on quantities. All the Western Balkans have benefitted from these ATMs since 2000. The current ATM Regulation is due to expire at the end of December 2025.

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.

The EU and Serbia are applying the PEM Convention since 01.02.2015 and the Transitional rules as of 06.12.2021.

⁸⁰ Regulation (EU) 2020/2172 of the European Parliament and of the Council of 16 December 2020 amending Council Regulation (EC) No 1215/2009 introducing exceptional trade measures for countries and territories participating in or linked to the European Union's Stabilisation and Association process

2. MAIN IMPLEMENTATION ISSUES

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

However, in 2022 **Serbia unilaterally introduced a series of trade restricting measures** in the form of export bans or TRQs:

- The measures were amended, withdrawn, re-introduced, reduced and extended frequently during the year, but at one time or another covered certain grains and flours, sunflower oil and seeds, **raw wood and wood products**, milk and butter, eurodiesel and natural gas.
- Despite holding three technical meetings, the Serbian authorities were not able to justify the measures (for example under the shortage clause of the SAA) and did not follow the correct procedures to notify the European Commission in advance of introducing trade restricting measures. The measures therefore are considered breaches of the SAA, and seem to have been put in place for protectionist reasons. The Commission has called for them all to be removed unless genuine justifications can be provided. The measures were revoked at the beginning of 2023.

In 2022, Serbia continued to apply a new system to manage **wine quotas**⁸¹ adopted in January 2021. The new system changed the previous allocation principle (i.e. first come/first served system) that has worked well in the past and is provided for in the SAA, 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. The EU expressed concerns that this new system would risk harming market access by EU exporters and imposing additional costs, and **continues to monitor the situation**, as the measure represents a step backwards in the state of alignment with the EU approach. In practice EU exporters or domestic businesses have not been facing major problems.

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

⁸¹ Under the SAA, the EU grants Serbia access to the EU market for a quota of 67,300hl of wine and Serbia has granted a quota of 25,000hl for EU wines.

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

1. THE AGREEMENT

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

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

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

Bosnia and Herzegovina benefits from Autonomous Trade Measures (ATMs) introduced under Regulation 2020/2172⁸², which provide additional market access for certain fruits, vegetables and wines, thereby allowing nearly all Bosnian and Herzegovinan exports to enter the EU without customs duties or limits on quantities. All the Western Balkans have benefitted from these ATMs since 2000. The current ATM Regulation is due to expire at the end of December 2025.

On 15 December 2022, BiH was given EU candidate country status.

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.

The EU and Bosnia and Herzegovina are applying the PEM Convention since 09.12.2016 and the Transitional rules are in the final stage of adoption.

⁸² Regulation (EU) 2020/2172 of the European Parliament and of the Council of 16 December 2020 amending Council Regulation (EC) No 1215/2009 introducing exceptional trade measures for countries and territories participating in or linked to the European Union's Stabilisation and Association process

2. MAIN IMPLEMENTATION ISSUES

Bosnia and Herzegovina (BiH) has made reasonable progress in implementing the SAA provisions since their entry into force. However, no progress has been made on BiH's WTO accession.

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

In 2022, **BiH unilaterally introduced trade restricting measures** in the form of **export bans and TRQs on wood and wood products**. The measures were amended several times during the year and were based on similar measures introduced by Serbia:

- Despite holding two technical meetings, the BiH authorities were not able to justify the measures (for example under the shortage clause of the SAA) and did not follow the correct procedures to notify the European Commission in advance of introducing trade restricting measures.
- The measures therefore were considered breaches of the SAA, and seem to have been put in place for protectionist reasons. The Commission called for them to be removed unless genuine justifications could be provided. The measures lapsed on 31 January 2023, but were reintroduced on 23 June 2023, with an expiration date of 31 July 2023..

A **further trade irritant** in 2022 was the removal of various medicines produced by EU companies from the lists of medicines, which can be prescribed and dispensed by health insurance funds in certain cantons. This is a discrimination against EU medicines which is in breach of the SAA and is openly presented in BiH as support for local producers. The European Commission has written to the BiH authorities asking for the measure to be removed.

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).

Montenegro benefits from Autonomous Trade Measures (ATMs) introduced under Regulation 2020/2172⁸³, which provide additional market access for certain fruits, vegetables and wines, thereby allowing nearly all Montenegrin exports to enter the EU without customs duties or limits on quantities. All the Western Balkans have benefitted from these ATMs since 2000. The current ATM Regulation is due to expire at the end of December 2025.

Montenegro began EU accession negotiations in June 2012.

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

The EU and Montenegro are applying the PEM Convention since 01.02.2015 and the Transitional rules as of 09.02.2022.

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 substantial progress in adapting its legislation to the EU acquis in the field of dual use goods.

Among others, Montenegro adopted a new Law on export control of dual-use goods in December 2021, which applies since January 2022. It contains most of the provisions of the latest EU Regulation from May 2021, leaving out certain parts that could be applied only once

⁸³ Regulation (EU) 2020/2172 of the European Parliament and of the Council of 16 December 2020 amending Council Regulation (EC) No 1215/2009 introducing exceptional trade measures for countries and territories participating in or linked to the European Union's Stabilisation and Association process

Montenegro joins the EU. This was complemented by the adoption of the national control list of dual-use goods in March 2022, aligned with the latest EU list.

Certain parts of the EU Regulation can only be integrated once Montenegro becomes an EU member state. The **List of dual use goods and technologies** is regularly updated and aligned with the EU List.

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 constitutes the framework of relations between the European Union and the Western Balkan countries for the implementation of the Stabilisation and Association Process. This process is the European Union's policy towards the Western Balkans, established with the aim of eventual EU membership.

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). In this regard, Albania expressed during the last Subcommittee meetings on Agriculture and Fisheries their wish to improve their existing market access under the SAA for certain fish and fishery products tariff rate quotas (TRQs). On the other hand, EU agricultural exports to Albania remain subject to tariffs and tariff rate quotas (TRQs). On the other hand, EU agricultural exports to Albania remain subject to tariffs and 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 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.

The SAA and its Interim Agreement, applied since 2006, have allowed progressive trade liberalisation and mutual duty-free access for most goods. Since 2000 Albania has also been benefiting from the 'Autonomous Trade Measures' introduced under Regulation 2020/2172⁸⁴, which provide additional market access for certain fruits, vegetables and wines, thereby allowing nearly all Albanian exports to enter the EU without customs duties or limits on quantities. The current ATM Regulation is due to expire at the end of December 2025.

⁸⁴ Regulation (EU) 2020/2172 of the European Parliament and of the Council of 16 December 2020 amending Council Regulation (EC) No 1215/2009 introducing exceptional trade measures for countries and territories participating in or linked to the European Union's Stabilisation and Association process

On 19 July 2022, EU accession negotiations officially began with Albania.

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

The EU and Albania are applying the PEM Convention since 01.05.2015 and the Transitional rules as of 01.09.2021.

2. MAIN IMPLEMENTATION ISSUES

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

Albania has made some progress as it continued alignment of legislation in the field of dual use goods and to implement CEFTA additional protocols. In this context, Albania is drafting an update to its framework Law on Export Control of Dual-Use Goods, to bring it in line with most provisions of the latest EU Regulation (821) from May 2021, and is making efforts to enhance capacity for the application of dual use export controls. Albania's national List of dual use goods and technologies is regularly updated and aligned with the EU List.

There are **no significant trade barriers**. However, more information is needed regarding an economic cooperation agreement concluded between *Albania and the United Arab Emirates*, which seems to exempt certain strategic projects from all public procurement and competition rules, including a project to develop the **Durres port**. This would need to be clarified in case future investments would require EU funding under the Western Balkans Investment Platform (WBIF) of the EU's Economic and Investment Plan for the Western Balkan countries. Albania has given the Commission assurances that the projects and procedures included in the Agreement with the United Arab Emirates will be in line with the obligations of the SAA. However, Albania has failed to explain how Article 6 of the Agreement will be applied in practice, and how compatibility with Article 74 of the SAA will be ensured.

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

1. THE AGREEMENT

The EU and North Macedonia signed a Stabilisation and Association Agreement (SAA) on 9 April 2001. The SAA constitutes the framework of relations between the European Union and the Western Balkan countries for the implementation of the Stabilisation and Association Process. This process is the European Union's policy towards the Western Balkans, established with the aim of eventual EU membership

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 liberalised (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.

North Macedonia benefits from Autonomous Trade Measures (ATMs) introduced under Regulation 2020/2172⁸⁵, which provide additional market access for certain fruits, vegetables and wines, thereby allowing nearly all exports from North Macedonia to enter the EU without customs duties or limits on quantities. All the Western Balkans have benefitted from these ATMs since 2000. The current ATM Regulation is due to expire at the end of December 2025.

In July 2022 the EU accession negotiations' process started with North Macedonia. The Commission launched immediately the analytical examination of the EU *acquis* ('screening process').

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

The EU and North Macedonia are applying the PEM Convention since 01.05.2015 and the Transitional rules as of 09.09.2021.

⁸⁵ Regulation (EU) 2020/2172 of the European Parliament and of the Council of 16 December 2020 amending Council Regulation (EC) No 1215/2009 introducing exceptional trade measures for countries and territories participating in or linked to the European Union's Stabilisation and Association process

2. MAIN IMPLEMENTATION ISSUES

North Macedonia has made good progress in implementing the SAA since its entry into force.

However, in 2022, **North Macedonia unilaterally introduced trade restricting measures** in the form of **export bans** and TRQs on grains, flours and sunflower oil and later **on wood and wood products**. The measures were amended several times during the year :

- The authorities of North Macedonia referred to the shortage clause of Article 38 paragraphs 4 and 5 of the Stabilisation and Association Agreement (SAA) between the European Union and North Macedonia, which stipulates that appropriate measures may be taken in the case of a critical shortage, or threat thereof, of foodstuffs or other products essential to the exporting party;
- The authorities of North Macedonia did not provide valid justifications (for example under the shortage clause of the SAA) and did not notify the European Commission in advance of introducing trade restricting measures.
- The Commission called on the authorities to remove these export restrictions to avoid disruption to trade flows in these particularly troubling times. By December 2022, all the measures were either removed or expired by the end of 2022.

North Macedonia has adapted its legislation to the EU acquis in the field of **dual use goods**. Following the adoption by the EU of a revised Regulation (821) on dual use goods export controls⁸⁶, North Macedonia put on pause its own draft Law on dual use goods, and is reviewing any changes that will need to be made to bring it in line with the respective EU legislation. North Macedonia's national List of dual use goods and technologies is regularly updated and aligned with the EU List.

North Macedonia is preparing legislation **on export credits** to align with EU Regulation 1233/2011.

⁸⁶ Reference: <http://data.europa.eu/eli/reg/2021/821/oj>

United Kingdom, Switzerland, Norway, Türkiye

ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE EU-UNITED KINGDOM TRADE AND COOPERATION AGREEMENT

1. THE AGREEMENT

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

The Trade and Cooperation Agreement was signed on 30 December 2020, was applied provisionally as of 1 January 2021 and entered into force on 1 May 2021. The Commission presented a second annual report on the implementation and application of the EU-United Kingdom Trade and Cooperation Agreement on 15 March 2023.⁸⁷ The parties met in the joint bodies established by the TCA to supervise and facilitate its implementation. The Commission published the agendas and the minutes of the Trade Specialised Committee meetings and the Trade Partnership Committee⁸⁸.

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

Goods:

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

Services

⁸⁷ See second implementation report on the EU- United Kingdom-TCA; published on 15.3.2023 COM(2023) 118 final; <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52023DC0118&from=EN>

⁸⁸ https://ec.europa.eu/info/strategy/relations-non-eu-countries/relations-united-kingdom/eu-uk-trade-and-cooperation-agreement/meetings-eu-uk-partnership-council-and-specialised-committees-under-trade-and-cooperation-agreement_en

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

- Comprehensive coverage: all modes of services supply and investment, in almost all economic sectors;
- Market access on services and investment beyond the level achieved in other trade agreements;
- Common regulatory provisions for a number of services sectors, such as for example delivery services, telecommunications services, international maritime transport services, and for the first time, a regulatory chapter on legal services resulting in a clearer presentation of our existing commitments;
- Best practice rules on licensing and qualifications;
- A mechanism to agree on arrangements for the mutual recognition of professional qualifications;
- Rules on temporary stay of persons for business purposes, in line with the highest standards of EU services agreements.

Intellectual property

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

Public procurement

The TCA incorporates the GPA rules and includes additional market access, beyond the GPA commitments, including privately-owned procuring entities with monopoly rights in all utility sectors, procuring entities operating gas and heat networks, as well as some additional services. EU-owned companies established in the United Kingdom cannot be discriminated, even for small procurement (national treatment below the GPA threshold). The agreement also incorporates additional public procurement standards (e.g. enhanced use of electronic means, acceptance of self-declarations, sustainable procurement and single portal for all tenders).

Level playing field and sustainable development:

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

More specifically, these provisions mean that:

- The high levels of protection applicable at the end of the transitional period in the areas of labour and social standards, environment, and climate cannot be lowered in a manner affecting trade or investment.
- Commitments to address anti-competitive practices or discriminatory and abusive behaviour by state-owned enterprises .

- Robust and comprehensive rules prevent distortions created by subsidies.
- Specific standards and rules and the joint political declaration in the area of taxation counter tax avoidance and harmful tax regimes and practices.
- A wide-ranging set of commitments building on the EU's most ambitious precedents ensure that trade supports sustainable development.

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

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

2. MAIN IMPLEMENTATION ISSUES

2.1 Market access: Progress and outstanding issues

The consequences of the United Kingdom's decision to leave the EU Customs Union and Single Market **inevitably created barriers** to trade that did not exist before.

In 2022, the **Commission continued to monitor the implementation of the United Kingdom's commitments** across the entire agreement, with a particular focus on matters related to level playing field and sustainable development, notably as regards United Kingdom's new subsidy control framework, developments related to the environment, including the chemical sector, labour enforcement in the United Kingdom, the United Kingdom's Emission Trade Scheme, as well as freeports.

Among others, the Commission also continued to monitor the implementation by the United Kingdom of the agreement reached in July 2022 in the area of **subsidies supporting renewable energy** (in particular, offshore wind energy) under the United Kingdom's 'Contracts for Difference' scheme.⁸⁹

<p>WTO case against the United Kingdom: Renewable energy (DS 612)</p>

⁸⁹ <https://www.gov.uk/government/publications/contracts-for-difference/contract-for-difference>

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

Step 2: Given that the United Kingdom maintained the local content criterion, which the EU considered it to be in breach of WTO non-discrimination (National Treatment principle) rules, the EU decided to bring the matter to the WTO and on 28 March 2022 requested the consultations with the United Kingdom.

As a result of the WTO consultations, the United Kingdom clarified that, both for the current and future allocation rounds, United Kingdom's content does not play any role whatsoever in the allocation of subsidies and that Contracts for Difference beneficiaries do not need to achieve any particular level of United Kingdom's content to receive payments. Any request for information on United Kingdom's content remains for information purposes only.

This agreement was reached with the United Kingdom on 1 July 2022 and was reflected in an exchange of letters at ministerial level between Executive Vice President Valdis Dombrovskis and the United Kingdom's Secretary of State for International Trade Anne-Marie Trevelyan. The United Kingdom also published additional guidance to ensure that this is fully understood by the industry.⁹⁰

In the area of **services, investment and digital trade** DG TRADE raised at the Trade specialised committee of 22 October 2023⁹¹ the question of the United Kingdom's sponsorship scheme, which the EU considers problematic for mode 4 placement. In concrete terms, the EU expressed its concern that the United Kingdom's sponsorship system is a strong disincentive for UK companies when considering the hiring of EU services suppliers to provide contracted services in the United Kingdom. The United Kingdom explained that in their view the sponsorship system was not covered by the TCA's services' commitments in Mode 4 due to the carve out determined by Article 123 (4). The EU argued that, while the parties may take measures to regulate the entry of natural persons into, or their temporary stay in its territory, including measures to protect the integrity of its borders and to ensure the orderly movement of natural persons across them, this should be done in a way that does not nullify or impair the benefits that accrue to EU services providers in a manner that is not consistent with the non-discrimination obligations in the Agreement. Therefore, the EU considers the United Kingdom's sponsorship scheme as being subject to the disciplines of the TCA.

⁹⁰ https://policy.trade.ec.europa.eu/news/eu-and-uk-agree-way-forward-wto-dispute-concerning-uks-green-energy-subsidy-scheme-2022-07-01_en

⁹¹ https://commission.europa.eu/publications/second-meeting-trade-specialised-committee-services-investment-and-digital-trade-1_en

Both the United Kingdom and the EU fulfilled their commitment established in Annex 21 of the TCA to remove any charge, fee or tax, imposed on intra-corporate transferees (the so-called 'Skills Charge'). The United Kingdom amended its Immigration Skills Charge Regulations, which took effect on 1 January 2023 and ensures that the skills charge does no longer apply to intra-corporate transferees from the EU. Intra-corporate transferees from non-EU countries must thus still pay the skills charge.⁹²

In the area of trade in **goods**, to date, there are only a few areas where implementation issues have been reported by stakeholders.

One area of relevance and potential concern in this regard concerns **customs procedures and checks of agri-food products (SPS measures)**:

- When it comes to EU exports to the United Kingdom, the latter has on several occasions delayed the implementation of certain import procedures and checks, in particular concerning products subject to SPS controls.⁹³ Given these numerous postponements, it still remains to be seen when the new Target Operating Mode (TOM) will actually come into force (*NB: the United Kingdom has announced a phased-in approach of the new model, starting end of January 2024 in their final version of the Border target operating model published on 30 August 2023⁹⁴*). This new model is meant to set out the United Kingdom regime of post-Brexit border controls for imports from the EU, now targeting the end of January 2024 as the revised introduction date for the United Kingdom's new controls regime.
- Considering that the introduction of any further controls and checks at the border may require the adaptation of traders' practices, it is important for traders and Member States' authorities to be informed well in advance of any new regimes before they will be applied, so that they might anticipate any changes to be factored into their internal processes.

Another area where stakeholders have expressed concerns is the **United Kingdom conformity assessment regime**, in particular conformity assessment certificates and labelling requirements in the United Kingdom. These import requirements will affect a wide range of products being produced in the EU and exported to the United Kingdom. A third extension of the deadline for its introduction was announced in November 2022.⁹⁵ This means that the United Kingdom will continue to accept products meeting EU requirements until 31 December 2024, with respective EU certificates and CE marking remaining valid until the end of 2027, including currently applicable labelling provisions, importer information and responsible persons' information.

⁹² On the EU's side, France introduced amendments to their legislation to ensure that the EU as a whole would comply with the commitment. The French amendments to their skills charge apply both to intra-corporate transferees from the United Kingdom and from other non-EU countries.

⁹³ <https://www.gov.uk/government/news/new-approach-to-import-controls-to-help-ease-cost-of-living>

⁹⁴ <https://www.gov.uk/government/publications/the-border-target-operating-model-august-2023>

⁹⁵ <https://questions-statements.parliament.uk/written-statements/detail/2022-11-14/hcws366>

Separate announcements concerning medical devices, aircrafts, rail products and maritime equipment are expected.

The **EU DAG for the EU-United Kingdom TCA** is providing advice on the whole of the agreement. The DAG is also being consulted on inputs for the Trade Specialised committees Agenda. It met five times in 2022 and twice in the first half of 2023 (March and June) where they discussed, *inter alia*, issues relating to the implementation of the level playing field chapter of the EU-United Kingdom TCA.

2.2 Level playing field and Trade and Sustainable Development: Progress and outstanding issues

The second meeting of the **Trade Specialised Committee on Level Playing Field for Open and Fair Competition and Sustainable Development** took place on 12 October 2022, discussing *inter alia* issues related to labour and social standards, environment and climate and other instruments for trade and sustainable development. This meeting was preceded by the *first civil society forum* on 4 October 2022.

The **EU DAG for the EU-United Kingdom TCA** has an “issues tracker” where they formulate questions and recommendations to the Commission on issues allegedly relating to the implementation of the TCA. In this context, the EU DAG drew the attention of the Commission to a non-transgression compliance issue, which the Commission raised in discussions with the United Kingdom in the relevant institutional bodies, notably a reduction in the **labour inspections** in the United Kingdom related to the commitment by the latter to maintain an effective system of domestic enforcement. This point was raised in the Trade Specialised Committee on Level Playing Field for Open and Fair Competition and Sustainable Development based on the EU DAG’s concerns.

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 that entered into force on 1 January 1973**⁹⁶ (hereinafter, the “FTA”), the oldest trade agreements signed by the EU.

Given that the **Principality of Liechtenstein**⁹⁷ and Switzerland constitute a Customs Union and the fact that the Principality of Liechtenstein expressed the desire for all the provisions of the EU-Swiss Free Trade Agreement to apply to it, an additional agreement⁹⁸ was adopted to extend the full validity of the EU-Swiss FTA to the Principality of Liechtenstein.

The FTA concerns goods but lacks provisions on services, investment, intellectual property rights (IPR), government procurement or social and environmental values. No dispute settlement mechanism is foreseen beyond the regular annual dialogue in Joint Committee meetings. Since 1999, the EU and Switzerland concluded a number of additional agreements which are relevant from a trade perspective:

- The **Free Movement of Persons Agreement**⁹⁹ allows for the provision of services, limited in time.
- The Mutual Recognition Agreement in relation to **conformity assessment**¹⁰⁰ 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**¹⁰¹ builds on the WTO Government Procurement Agreement.
- The Agreement on trade in **agricultural products**¹⁰² 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

⁹⁶ <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=OJ:L:1972:300:TOC>

⁹⁷ Liechtenstein's trade relationship with the EU is further enhanced through its EEA membership and access to the EU single market.

⁹⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A21972A0722%2804%29>

⁹⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A22002A0430%2801%29>

¹⁰⁰ http://trade.ec.europa.eu/doclib/docs/2013/december/tradoc_152006.pdf

¹⁰¹ [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))

¹⁰² https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2002.114.01.0132.01.ENG

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.

– The Agreement on Customs facilitation and security (as modified in 2021)¹⁰³

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

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

However, on 26 May 2021, the Federal Council took the decision to **unilaterally terminate the negotiations**.

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

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

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

The EU side reiterated that without a deal, there would be no status quo. This means that there cannot be any new agreements providing for Swiss access to the EU Single market, and that any update of the existing agreements will be decided on a case-by-case basis, which will inevitably lead to an erosion of Swiss market access over time. For example, the EU has always been clear that an update of the Mutual Recognition Agreement, or its annexes, can only be

¹⁰³ [EUR-Lex - 02009A0731\(01\)-20210315 - EN - EUR-Lex \(europa.eu\)](#)

considered if the EU and Switzerland agree on solutions to the structural issues that currently hamper the relationship.¹⁰⁴

The EU and Switzerland are applying the PEM Convention since 01.02.2016 and the Transitional rules as of 01.09.2021.

The **EU-Switzerland Customs Security Agreement** of 2009 was amended on 12 March 2021. The agreement was updated to maintain a high level of security and safety at the external borders and to keep the equivalence of the customs security measures in trade with third countries. The amended agreement reflect key developments of the EU legislation relevant to the risk management and security, mainly as regards the deployment of the Import Control System 2 (ICS2) of the EU. ICS2 is an essential EU instrument for managing entry security and safety border controls in the customs field, supporting the EU's customs pre-arrival security and safety programme. It enables Member States' Customs to better assess risks on the basis of common information and thus better protect the EU and its citizens against hazardous or dangerous imports and from illegal trade.

2. MAIN IMPLEMENTATION ISSUES

The 69th **EU-Switzerland Joint Committee** under the FTA took place in Zurich on 4 November 2022. Both sides discussed issues related to *inter alia* market access, processed agricultural products, exchange of views on relations with main partners, as well as continued cooperation in the fields of trade statistics, preference utilisation rates of trade agreements and customs. Against the background of the FTA's 50th birthday in 2022 the EU reiterated its call on Switzerland to start the exercise of identification of possible areas for modernisation.

In 2022, some **progress** was made on implementation, notably on adapting the **reference prices of basic agricultural products** needed in the context of the price compensation mechanism for processed agricultural products (protocol 2 to the FTA):

- The last adaptation of Protocol 2 entered into force on 1 October 2022. Both parties also welcomed the solution found for defining the reference prices for potatoes in the EU and Switzerland.
- They also confirmed to proceed with the exchange of prices for the reference period covering September 2021 to August 2022, and to discuss the next adaption of Protocol 2 based on updated prices. Both parties welcomed the progress in technical discussions on the methodology related to Protocol 2 to make its implementation more efficient.

¹⁰⁴ https://ec.europa.eu/health/latest-updates/notice-stakeholders-status-eu-switzerland-mutual-recognition-agreement-mra-medical-devices-2021-05-26_en

In 2022, the EU and Switzerland continued their exchange at expert level **on FTA preference utilisation, notably on rules of origin**, following the conclusion of a study¹⁰⁵ by the Swiss State Secretariat for Economic Affairs (SECO), which aims to estimate the economic potential from the creation of a cumulation zone between common free trade partners.

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

- In the area of **public procurement**:
 - EU Member States complained about de facto discrimination against European bidders vis-à-vis domestic companies since the revision in June 2019 of the Federal Law on Public Procurement (LMP) and the corresponding ordinances, which introduces the obligation for the contracting authority to examine tenders on the basis of economic, ecological and socially sustainable award criteria and give priority to the "most advantageous" tender instead of the "most economically advantageous", contrary to what was the case before. EU business representatives acknowledge the importance of ecological and socially sustainable award criteria noting that these should not be used as a pretext to unjustifiably discriminate against European market players.
 - The revised Federal Act for Public Procurement also introduced a **price level clause** ("Preisniveauf Klausel") to take into account the different price levels in the countries in which the service is provided. A price level calculator was set up to support the new criteria. Five cantons have included such provision into cantonal law. Even though this clause has so far not been used, the EU raised the issue during the annual joint committee meeting under the Public Procurement Agreement on 5 July 2022 and on 29 June 2023. The Swiss delegation stated that the application of the criterion will be in compliance with the international commitments of Switzerland and that it is expected that this criterion will not be used for procurement covered under the GPA and the Public Procurement Agreement. The issues need to be followed-up at federal and cantonal level.
- In the **area of agriculture**:
 - One of the market access barriers in agriculture for EU companies is the **certification of organic food** in Switzerland. There exists only one certification body for organic food in Switzerland, which is currently the private organization Biosuisse, whose label (the "Biosuisse Bud") is highly recognized by consumers.

¹⁰⁵ The study and the Report on the results of the company survey on the use of free trade agreements by Swiss exporters can be found at:
https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Freihandelsabkommen/nutzung_freihandelsabkommen.html

However, the awarding of the Biosuisse label lacks transparency in many respects, so that, even when equivalent, few EU products meet the required conditions to acquire the label. In addition, the strict content requirements of the Biosuisse label for food products mean that suppliers of organic raw materials from the EU are indirectly disadvantaged compared to Swiss suppliers.

- The EU addressed these issues at the last Joint Committee meeting under the Agreement on Trade in Agricultural Products on 17 November 2022, however Switzerland stated that it has no intention to amend its legislation concerning the certification of organic food.
- Market access in the **services sector** also 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 Agreement¹⁰⁶ are a long-standing trade issue, as the EU considers them burdensome and disproportionate. For example, Switzerland imposes obligations on EU natural persons, who want to supply a service in Switzerland, including an 8-days pre-announcement obligation, a deposit requirement and an obligation to contribute to control costs.
 - Protocol 1 to the draft IFA had included a number of specific solutions to some of the issues raised by the EU in relation to “flanking measures”. However, with the unilateral termination of the negotiations of the IFA by the Swiss government, the solutions enshrined in Protocol 1 have become obsolete. Solutions are being discussed in the exploratory talks.
- **The lack of a level playing field as regards state aid** persists:
 - The FTA does contain state aid rules but these are not respected by Switzerland. The other existing agreements between the EU and Switzerland (with the exception of the Air Transport Agreement) do not include effective state aid rules.
 - Possible solutions identified in the context of the EU-Swiss IFA negotiations included State aid rules for the future market access agreements between the EU and Switzerland and the establishment of a dispute settlement mechanism. Following the termination of the IFA negotiations by the Swiss side, solutions are being discussed in the context of the above-mentioned exploratory talks between the EU and Switzerland.

¹⁰⁶ <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 applies to goods only and is one of the oldest trade agreements signed by the EU.

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

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

The EEA Agreement encloses the rules of the **PEM Convention** since 19.5.2016. The EEA Agreement was updated with the application of the Transitional rules as of 01.09.2021

The **EU-Norway Customs Security Agreement of 2009** ensure that Norway applies the same security and safety measures that are in force in the EU. Hence, trade between these countries and the EU are exempt from the requirement to lodge entry and exit summary declarations. Norway also applies equivalent standards for the Authorised Economic Operators, including security and safety standards and facilitation measures in respect of security-related customs controls. **On 15 March 2021, the agreement was amended** to maintain a high level of security and safety at the external borders and to keep the equivalence of the customs security measures in trade with third countries. The amended agreement reflects key developments of the EU legislation relevant to the risk management and security, mainly as regards the deployment of the Import Control System 2 (ICS2) of the EU, and thus better protects the EU and its citizens against hazardous or dangerous imports and from illegal trade.

2. MAIN IMPLEMENTATION ISSUES

The **main** implementation issues continue to be processed agricultural products (PAPs) and **geographical indications (GIs): EU exports of processed agricultural products¹⁰⁷ remain below their potential due to high customs tariffs** and this has been a long-standing trade barrier.

2022 has not seen any progress on liberalisation of trade in processed agricultural products within the framework of Article 2 (2) and Article 6 of Protocol 3 to the EEA Agreement, and therefore high customs tariffs on those products remain the main long standing trade barrier. Despite Norway's commitment in the 2019 Joint working Group on processed agricultural products to consult with relevant authorities on the possibility to resume these negotiations, there has been no positive development 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.

Negotiations on Geographical Indications (GIs) launched in 2013 between the EU and Norway still **remain suspended** (since April 2016). The Council of the European Union in its Conclusions of December 2018 called on Norway to “resume the negotiations on the protection of geographical indications, which is an important element of international trade in agricultural products and foodstuffs”.

¹⁰⁷ 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.

ANNUAL INFORMATION SHEET ON THE IMPLEMENTATION OF THE EU-ICELAND TRADE AGREEMENT

1. THE AGREEMENT

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

Although still in force, it has been superseded in many respects by the **Agreement on the European Economic Area (EEA)**, which entered into force on 1 January 1994 and brings together the EU Member States and the three EEA EFTA States — Iceland, Liechtenstein and Norway — in the internal market. The EEA agreement ensures the free movement of goods, services, capital and persons between Iceland and the EU and is the backbone of EU-Iceland 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 Iceland. Preferential trade in agricultural products between the EU and Iceland is ruled by bilateral agreements taken within the framework of Article 19 of the EEA Agreement. Processed agricultural products are covered by protocol 3 to the EEA agreement but are also not in free circulation. Negotiations on a limited number of tariff-rate quotas for exports of fisheries products from Iceland to the EU have started in summer 2022 in conjunction with negotiations on Iceland's financial contribution to economic and social cohesion in the EEA ("financial mechanism"). This reflects the practice of past cycles of the financial mechanism.

The EU and Iceland are applying the PEM Convention since 01.05.2015 and the Transitional rules as of 01.09.2021.

2. MAIN IMPLEMENTATION ISSUES

The **main** implementation issue is processed agricultural products (PAPs) and **high customs tariffs**.

2022 has not seen any progress on liberalisation of trade in processed agricultural products within the framework of Article 2 (2) and Article 6 of Protocol 3 to the EEA Agreement, and therefore high customs tariffs on those products remain the main long standing trade barrier.

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 Türkiye date back to 1963 when the European Economic Community (i.e. the EU's predecessor) and Türkiye 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-Türkiye Association Council Decision No 1/95, which is currently in force.¹⁰⁸

The Customs Union ensures the free movement of all industrial goods and certain processed agricultural products between the EU and Türkiye. It also requires Türkiye 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 Türkiye 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 Türkiye concluded two **further bilateral preferential trade agreements**: The Agreement between the European Coal and Steel Community (ECSC) and Türkiye 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 Türkiye on an **Agreement on the extension of the scope of the bilateral preferential trade relationship** and on the modernisation of the Customs Union. Discussions were held in the Council in 2017.

The **European Council** on 25 June 2021¹⁰⁹ took *note of the start of work at technical level towards a mandate for the modernisation of the EU-Türkiye Customs Union and recalls the need to address current difficulties in the implementation of the Customs Union, ensuring its effective application to all Member States. Such a mandate may be adopted by the Council subject to additional guidance by the European Council.*

¹⁰⁸ [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)

¹⁰⁹ <https://www.consilium.europa.eu/media/50763/2425-06-21-euco-conclusions-en.pdf>

The EU and Türkiye agreed at the technical level to update the agreements on coal and steel and on agricultural products by introducing the Transitional rules as applicable in parallel with the rules of the **PEM Convention**.

Türkiye will support the revised Convention, by voting in favour during the PEM Joint Committee meeting in November 2023.

The adoption of the revised PEM Convention will have repercussions on the EU – Türkiye Customs Union, which will require a technical update to reflect the changes introduced by the revised PEM Convention.

2. MAIN IMPLEMENTATION ISSUES

As regards the implementation of the existing bilateral preferential trade framework, some **limited progress** was achieved in 2022 on outstanding issues:

- In 2011, Türkiye started to introduce tariff increases or so-called ‘**additional duties**’ for certain products of third country origin. Since then, Türkiye has expanded the scope of these additional duties to an increasing number of products, despite Türkiye’s obligation under the EU-Turkey CU to follow EU import tariffs vis-à-vis third countries. In February 2022, Türkiye took a positive step and removed around 500 tariff lines out of more than 4000 tariff lines to which it applies additional duties.
- A concurrent problem was **the requirement for a proof of origin** even when exporting goods in free circulation to Türkiye with an A.TR movement certificate. In May 2019, Türkiye introduced a general requirement for a certificate of origin for goods subject to additional duties in its customs implementing regulation. After many EU interventions, Türkiye removed these requirements and in May 2022, it sent a letter to the Commission that only 37 certificates of origin documents were requested by Turkish customs out of almost 4 million units of goods coming from the EU in 2021. The Commission shared this letter with the industry associations concerned.

A number of **important market access barriers** are being raised with Türkiye regularly in bilateral high level meetings with Türkiye and in different fora, most recently at the **Customs Union Joint Committee** in October 2022 and in the context of the bilateral **EU-Türkiye Trade Barriers Group** in March and April 2022. These barriers hamper the proper implementation of the Customs Union, among them first and foremost restrictions Turkish authorities have imposed on imported **pharmaceutical products**, through de facto mandatory localisation requirements combined with import bans for equivalents to localised products.

WTO case against Türkiye on pharmaceutical products (DS583)

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

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

Step 3: Türkiye appealed the panel's ruling on 25 April 2022. The appeal arbitration proceedings pursuant to Article 25 of the DSU were based on an ad hoc appeal arbitration agreement between the EU and Türkiye.

Step 4: In July 2022, the Award of Arbitrators was made public and marked a clear win for the EU. The appeal arbitrators confirmed the Panel's ruling and that Türkiye must remove its discriminatory practices (localisation and prioritisation measures) in the pharmaceutical sector.

Step 5: In August 2022, Türkiye stated its intention to implement the recommendations of the Award of the Arbitrators and requested a reasonable period of time to do so. In January 2023, the EU and Türkiye agreed that the reasonable period of time for Türkiye to implement the recommendations of the Award of the Arbitrators expired on 25 April 2023. The EU is monitoring steps taken by Türkiye to ensure compliance.

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

A number of trade barriers remain that affect EU trade with Türkiye, in particular restrictions on exports and burdensome requirements on imports.

Export restrictions continue to hamper EU-Türkiye trade and some have been extended in scope recently:

- Turkish authorities continue to impose **export taxes on hides, skins and wet-blue leathers** and they apply an **export registration scheme on copper scrap**.
- Additional export restrictions were put in place, in particular on: 1) timber (already in 2018), 2) cotton and its scraps (added in 2021), 3) oriented strand board and certain wood panels (added in 2021), 4) fertilizers (added in 2021), 5) ammonium and sulfuric acid (added in 2021), 6) plywood (added in 2022), 7) kaolin, other clays and feldspar (added in 2022) and 8) tomato paste (added in 2022).

Restrictions of imports imposed by Türkiye include the following:

- **Surveillance measures on imports** of a large number of products if their unit value is below a certain threshold. The surveillance requires submission of a surveillance document which, in practice, is not possible to obtain and importers are de facto forced to declare artificial customs value, resulting in a higher level of irrecoverable indirect tax amount paid. Scope of the measure has been constantly extended to cover additional products.
- In the sector of **textile and textile materials**, burdensome registration obligations for imports continue to negatively affect European suppliers, as they are required to submit excessive documentation including confidential business information.
- More recently, EU exporters in this sector are facing additional administrative and financial burdens related to the export to Türkiye of certain **textile products** that are subject to anti-dumping (AD) measures implemented by Türkiye as well as to additional requirements related to the ongoing anti-circumventions investigations of these AD measures. These include the submission of certificates of origin, the systematic request for post-verification of these certificates and/or of the A.TR movement certificates accompanying the goods and the provision of a financial guarantee pending the result of the post-verification, in contradiction with the spirit and the provisions of the Customs Union.

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

The **non-discriminatory implementation** of the **Additional Protocol to the Association Agreement** towards all Member States including the Republic of Cyprus also remains a critical demand.¹¹⁰

¹¹⁰ See statement of the members of the European Council of 25 March, stressing the need to implement the current Customs Union to all Member States: <https://www.consilium.europa.eu/media/48976/250321-vtc-euco-statement-en.pdf>

PART IV: AFRICAN, CARIBBEAN AND PACIFIC COUNTRIES

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

1. THE AGREEMENT

Pending an Economic Partnership Agreement (EPA) with the West African region, Ghana concluded a **stepping stone EPA** or interim EPA (iEPA) **with the EU in December 2007**.¹¹¹ 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.¹¹² By the end of 2020, all EU Member States and 15 out of 16 West African countries have signed the regional EPA; Nigeria's signature is still outstanding.

Ghana's HS2017 updated market access offer foresees that 78% of tariff lines will be progressively liberalised over the period 2020-2029.

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

2. MAIN IMPLEMENTATION ISSUES

2.1 Market access: Progress and outstanding issues

The **fourth EU-Ghana EPA Committee**, held on 30 November and 1 December 2022 in Accra, was the first physical meeting since COVID19. Three **separate events** were organised on the margins of the EPA Committee, namely:

- (1) An awareness-raising workshop on EPA opportunities for business;
- (2) A one-day training on rules of origin carried out by the Commission/DG TAXUD; and
- (3) The **Second Special Committee for customs and trade facilitation** that confirmed that government certificates EUR.1 issued by Ghana will not be valid to claim preferential tariff treatment as of 20 August 2023.

¹¹¹ 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".

¹¹² The regional Economic Partnership Agreement was signed in December 2014 by the European Union and 13 West African Countries. In 2018, Gambia and Mauretania signed the Agreement, which means that only Nigeria's signature is still missing. The Agreement will enter into provisional application when the 16 West African Countries sign it and 2/3 (11 out of 16) of these countries ratify it.

During EPA Committee meeting **progress** was made on the following issues:

- Ghana reaffirmed its commitment to **implement its EPA tariff liberalisation schedule** in 2023 and 2024. Ghana and the EU agreed to inform businesses in time about the next tariff cuts, so that they may benefit from related opportunities. In the course of 2022, the **EU Delegation** to Ghana continued, in close coordination with the EU Member States and the local private sector, the work to **address trade barriers and to implement the interim EPA (iEPA)**;
- A second decision (No.2/2022) on the Rules of Procedure for **dispute settlement** was adopted and the mechanism for **monitoring and evaluation** of the iEPA implementation was discussed;
- Ghana showed openness to **explore the possibility to deepen the bilateral relations** with the EU in new trade areas, beyond goods in particular a better understanding of the EU's approach on TSD, services, investment and digital trade.

The Commission provided updates on the ongoing **development programmes** aimed at strengthening Ghana's competitiveness and EPA implementation and developing an online Agribusiness Platform:

- The programme '**Compete Ghana**'¹¹³ to support the EPA implementation between the EU and Ghana (€4,1 million, 2020-2024) is aimed at improving economic governance and business environment and to maximise the benefits of the EPA for Ghana. Through a close cooperation with Ghana's Ministry of Trade and Industry and Ministry of Finance (NAO), 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 engages with both the European and Ghanaian private sectors. Among the most relevant outcomes occurred in 2022 are the completion of communication material (iEPA handbook, a two-page leaflet in the iEPA for public and private sector awareness), trainings of the EPA Secretariat Staff, several EPA training seminars for private and public sectors, reports on the needed reforms (on identification and documentation of all iEPA commitments on fiscal matters and in the field of trade facilitation and customs), and a report on trade reforms derived from the iEPA.

¹¹³ The project does not target any particular sector but rather focuses on building up Ghana's capacity to implement the EPA and to engage on EPA-related matters, on improving competitiveness at firm level and on mainstream regional policies in favor of industrial competitiveness.

- The EU-funded **West Africa Competitiveness Program WACOMP** (€6.35 million, 2019-2024) continued to support small and medium entrepreneurs - through cluster approach in the value chains of tropical fruits, cosmetics and personal care products - to become more present in e-commerce and exports and to better make their voice heard with regard to value chains in the agriculture sector.
- The Investment Promotion component (€2.8 million, 2018-2022) of the **EU-funded Ghana Employment and Social Protection Programme** was used by the EU to campaign for more Ghanaian small and medium enterprises (SMEs) to be linked with larger companies in the ECOWAS region and the EU market for improved export promotion and value-chain development in agriculture.
- Development of the **IT Ghana-EU Agribusiness Platform**. In 2021-2022 the EU Delegation in Ghana worked on both the feasibility study and development of this Platform, which has been developed and handed over to EuroCham Ghana for management.

2.2 Trade and sustainable development goals

The iEPA with Ghana does not include a trade and sustainable development chapter. Nevertheless, the parties cooperate closely under the framework of the **Cotonou Agreement**. Sustainability was also part of the 2022 EPA Committee meeting with a dedicated session on sustainable cocoa.

Sustainable Cocoa Initiative

In 2022 the parties continued a **dialogue on sustainability of the cocoa value chain** that culminated in the establishment of an **Alliance on sustainable cocoa** and the endorsement by all stakeholders of a **Roadmap of Action** points to deliver against the objectives of sustainable cocoa and trade.¹¹⁴

In 2022 the joint priority of the parties was to kick-start support activities by the four implementing partners of the **Sustainable Cocoa Programme** (i.e. GIZ, FAO, European Forest Institute and JRC), managed by Brussels. The Ghana Cocoa Board (COCOBOD) support requests are well targeted and focus on traceability, which the sector will need in light of EU legislation on sustainability (i.e. the Deforestation-free products Regulation¹¹⁵ which entered in force on 23 June 2023 and the incoming EU Corporate Sustainable Due Diligence Directive¹¹⁶), in particular their respective due-diligence requirements. Among others activities, the EU agreed to assist the COCOBOD with the piloting and roll-out of some elements of its Cocoa

¹¹⁴ [EU, Côte d'Ivoire, Ghana and the cocoa sector endorse an Alliance on Sustainable Cocoa \(europa.eu\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R1115)

¹¹⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R1115>

¹¹⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022PC0071>

Management System. Preparatory work started in late 2022. In the pipeline there is also the development of a deforestation risk monitoring system and land-use mapping needs in collaboration with the Ghana Forest Commission.

The Sustainable Cocoa Initiative - Background

Ghana, Côte d'Ivoire and Cameroon together account for 62% of extra-EU imports of cocoa and cocoa preparations in 2022, for a value of 7.4 billion euros in 2022. The cocoa trade represents 12% of EU27 total imports from Cameroon, 44% of EU27 total imports from Ghana and 65% of EU27 total imports from Côte d'Ivoire. While cocoa beans are duty-free on a MFN basis, exports of processed cocoa (butter, paste and powder) benefit from EPA preferences. All three countries take advantage of the quota free-duty free regime of the interim EPA for cocoa and its transformed products since 48% for Ghana, 33% for Côte d'Ivoire and 35% for Cameroon of the exported cocoa to EU consists of processed products.

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

In 2021, a series of eight thematic roundtables - “Cocoa Talks” - took place, which looked into various aspects of sustainability in the cocoa value chain, including living income, standards, transparency and traceability related to child labour and deforestation, due diligence, agroforestry, etc. The “Cocoa Talks” have allowed for meaningful exchanges on sustainable cocoa production and trade, between stakeholders – the EU, Côte d'Ivoire, Ghana, the chocolate industry, cocoa traders, farmers organizations, and civil society.

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

1. THE AGREEMENT

The EU-SADC Economic Partnership Agreement (EPA), between the EU and six countries from the Southern African Development Community (SADC): Botswana, Eswatini, Lesotho, Mozambique, Namibia and South Africa, was signed on 10 June 2016. It entered into provisional application on 10 October 2016 for all Parties to the Agreement except for Mozambique, for which it entered into provisional application on 4 February 2018. Hence, 2022 marked **the sixth year of provisional application** of the Agreement for all its Parties except Mozambique.

All SADC EPA States -except South Africa- receive duty free and quota free treatment for all their goods (except arms and ammunition) imported into the EU. South Africa receives such treatment for 94.4% of tariff lines for its exports to the EU and an additional 3.2% of tariff lines benefit from reduced tariffs or from preferential tariff rate quotas. The Southern African Customs Union (SACU), comprising Botswana, Eswatini, Lesotho, Namibia and South Africa, grants duty free and quota free treatment to 84.9% of tariff lines for products exported by the EU to the region. An additional 12.9% of EU exports benefit from partial liberalisation (reduced tariffs or tariff rate quotas). Mozambique (a Least Developed Country and not a member of SACU) liberalises a smaller percentage of exports from the EU. The final wave of liberalisation will take place in 2025 (for Mozambique in 2028).

The **EU-SADC EPA is the first and only regional EPA in Africa to be fully operational** (all partners are implementing the tariff cuts foreseen by the EPA). Since the 2019 meeting of the EU-SADC EPA Joint Council, the institutional framework of the EPA is fully in place and operational. The Special Committee on Customs and Trade Facilitation under the EPA had its fourth meeting in January 2022 and adopted its Rules of Procedure in July 2022.

On 26 July 2022, the **EU-SADC EPA Joint Council** adopted Decision No 2/2022 approving the launching of accession negotiations with Angola. Formal negotiations for Angola's accession are expected to be launched soon.

The Parties continue work on their **first EPA joint monitoring report**¹¹⁷, which was delayed due to data collection challenges on the SADC EPA side. Meanwhile, the monitoring coordinators on the EU side and the SADC Secretariat EPA Unit have compiled a draft report, based on EU and international data, which was shared with SADC EPA States for their comments in early 2023. The latter accepted the draft without further comments, and the report is expected to be published second half of 2023, after its formal endorsement by the EU – SADC Trade and Development Committee.

In addition, the Commission launched an independent **EPA ex-post evaluation study** by an external contractor in the beginning of 2023. Its outcomes (interim report expected by October 2023 and final report by April 2024) will feed into the **joint review process**.¹¹⁸ TSD will be an important focus of the evaluation.

Most recently and outside the scope of the EU-SADC EPA, the **EU and Namibia** signed on 8 November 2022 a **Memorandum of Understanding (MoU) establishing a strategic partnership on sustainable raw materials value chains and renewable hydrogen**. The aim is to ensure the development of a secure and sustainable supply of raw materials, refined materials and renewable hydrogen to support the green and digital transformation of both economies. The EU and Namibia are developing a Roadmap for 2023-24, with concrete joint actions to operationalize the MoU.

2. MAIN IMPLEMENTATION ISSUES

2.1 Market access: Progress and outstanding issues

As from 1st January 2019, all SADC EPA States apply the reduction in EPA customs duties for goods coming from the EU. The final wave of liberalisation will take place in 2025 (2028 for Mozambique). In 2022, Mozambique advanced with its EPA-related tariff liberalisation commitments, reaching zero tariff for Category B1, B21 and B22 as of January 2022; and 15% for Category C1 and 5% for Category C21 as of January 2023. *NB: The other SADC EPA States already migrated to the Harmonized System nomenclature in 2021.*

On 3 August 2022 an important step forward was made when the **arbitration panel** on SACU's (South African Customs' Union) measures against EU **imports of frozen poultry** ruled in **favour of the EU**.

¹¹⁷ The monitoring report is based on statistics mostly and responds to a set of indicators to measure EPA performance

¹¹⁸ The joint review is based on a discussion among the parties on the functioning and impact of the EPA across different areas.

Dispute against SACU over frozen poultry under the EU-SADC EPA dispute settlement mechanism

The arbitration panel in its final report of 3 August 2022 ruled in favour of the EU. The panel found that the safeguard measure was not proportionate and went beyond what was needed to remedy or prevent any serious injury or disturbances. Moreover, the delay between the investigation and the adoption of the safeguard measure was excessive and not in line with the EU-SADC EPA.

The ruling prevented SACU from prolonging the safeguard and **sets a strong precedent for any future bilateral safeguards** under the EU-SADC agreement. While safeguard measures can legally be adopted in exceptional circumstances to temporarily counter surging imports that threaten domestic industry, these must at all times comply with the legal requirements set out in the Agreement.

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 took the form of increased tariff duties, subject to progressive reduction over a period of four years. The safeguard was set at 35.3% for the first six months, which were reduced to 30% in March 2019, 25% in March 2020 and in March 2021 to 15%. The safeguard expired on 11 March 2022.

- On 14 June 2019, the EU requested formal consultations with SACU over safeguard measures affecting imports of frozen chicken cuts from the EU. In April 2020, the EU requested the establishment of an arbitration panel. The panel was appointed in December 2021. The oral hearing took place in March 2022. The arbitration panel, in its final report of 4 August 2022, ruled in favour of the EU and found that the safeguard measure was not proportionate and went beyond what was needed to remedy or prevent any serious injury or disturbances. Moreover, the delay between the investigation and the adoption of the safeguard measure was excessive and not in line with the EU-SADC EPA. Although the safeguard measure expired in March 2022, the panel report sets a precedent to be followed by SACU and prevented the latter from extending the duration of the safeguard at stake.

At the same time, **trade defense remains an area of concern:** In 2022, South Africa on behalf of SACU took anti-dumping duties on frozen chicken from Denmark, Ireland, Poland and Spain imposed on 1 August 2022 (though temporarily suspended) and provisional measures on frozen potato chips from Belgium, Germany and the Netherlands imposed on 15 July 2022.

Another area with **important trade barriers continues to be SPS**, where South Africa's **SPS measures taken in 2022 on non-heat treated poultry and pork meat** brought EU's exports to South Africa to a complete standstill. So far, South Africa maintains the SPS bans imposed on poultry following several Avian Influenza outbreaks throughout the EU and does not recognise the EU system of regionalisation or delays recognition of the disease-free status according to the World Organisation for Animal Health (OIE) standards. But even requests for authorization of imports of other meat exports from the EU (not subject to avian influenza or FMD) are suffering from lengthy delays, as well as requests on genetic material and some fruits.

South Africa in 2022 also continued to apply **extensive local content requirements in public tenders**. Moreover, in Botswana, for example, local content requirements have been identified as a potential hindrance e.g. for EIB funding.

A number of **new market access restrictions** were introduced by South Africa in 2022, such as:

- Further restrictions on **exports for scrap metal**, including a temporary export ban and more controls on the imports of equipment to produce scraps;
- Amendments to the Regulations on the **composition, production and labelling of wine and spirits**; published on 15 of July 2022 and already in force with a transitional period until the end of 2025. (NB: These amendments would create a new category of alcohol with a minimum and maximum Alcohol By Volume (ABV) content between 24% and 30% that would prevent the sale of many reputed EU 'premium' spirits – including drinks like Campari, Pastis or flavoured vodkas - that currently have an ABV between 30% and 43%);
- A requested **increase of applied duty rates for articulated dumpers**. The matter is now pending a final decision of the South African Minister of Trade, with the uncertainty if such increases would apply to the EU.

The EU (including through the EU Delegation to South Africa) **continues to engage with SADC EPA States offering technical assistance** to help improve the implementation of the SADC EPA. This support is oriented towards the resolution of issues in the interest of the EU side and the better implementation of the EPA in favour of SADC EPA States:

- To help speed up the implementation of the EPA **rules of origin**, notably in regard to the implementation of diagonal cumulation between the SADC EPA States, meant to support integration within the SADC region, the Commission/DG TAXUD carried out a capacity building training on diagonal cumulation in Johannesburg in June 2022. SACU States have fulfilled the requirements to apply diagonal cumulation, and since 1st June 2023 may apply diagonal cumulation with all SADC EPA States and with certain ACP countries signatories of the ACP Joint Undertaking for the purpose of implementing provisions of cumulation in the EPAs.

- In 2022 the EU continued technical and advocacy activities to unlock the untapped opportunities of the EPA, with the help of the **EU-SA Partners for Growth programme** which is aimed at maximising bilateral trade under the EPA, by removing technical barriers to trade and fostering global value chains. A good example for 2022 was the collaboration with the South Africa association of cotton, wool and mohair bringing together growers, buyers, equipment suppliers and commodity associations throughout the sustainable textile value chain to explore possibilities for knowledge sharing, technical exchanges and trade.
- The **EPA support Programme**, a 10 million euros programme, is being deployed to unlock challenges related to quality infrastructure and technical capacity in agricultural value chains and to increase response to opportunities under the EPA by emerging exporters of agricultural products and those with recognised geographical indications (GIs).

2.2 Trade and sustainable development goals

The EU-SADC EPA includes a **chapter on cooperation on Trade and Sustainable Development** where the Parties have been discussing trade and environment and climate change related issues in the meetings of the **Trade and Development Committee (TDC)** of February 2020, November 2021 and November 2022.

At the 8th **Trade and Development Committee** in November 2021 the Parties agreed to **launch the joint EPA review process**, as foreseen in the Agreement itself, and two technical meetings took place – one in November 2021 and the second one in November 2022.

Discussions at TDC meetings revealed that SADC EPA States have concerns about the **impact** that **EU's Green Deal** related initiatives could have on their exports to the EU. South Africa's steel industry is expected to be impacted by the EU's Carbon Border Adjustment Mechanism (CBAM), while Mozambique is expected to be impacted via its aluminium sector, which is its main export sector to the EU. Botswana, as a beef exporter to the EU, has expressed concerns about the effects that EU's Deforestation Regulation and the Farm to Fork Strategy could have on the demand of Botswana's beef in the EU. The Parties have agreed on the need to **deepen the dialogue** on these issues and in particular to substantiate their impact on trade.

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 (iEPA)** with the EU in November 2008.¹¹⁹ The interim EPA was signed on 26 November 2008 and entered into provisional application on 3 September 2016. The EU - Côte d'Ivoire interim EPA will be replaced by the regional EU-West Africa EPA once the latter enters into force.¹²⁰ By the end of 2022, 15 out of 16 West African countries had signed the regional EPA, with only Nigeria's signature still outstanding.

Côte d'Ivoire is the **first country in West Africa that started liberalising its market for trade with the EU** and applying reciprocity to the market access enjoyed in the EU. The liberalisation of the first 1115 products was applied from 1 January 2019. The second round of tariff liberalisation took effect on 1 January 2021, and covered another 1190 products. The liberalisation process will be completed by 1 January 2029. Côte d'Ivoire's HS2017 updated market access offer and schedule is published on Directorate-General for Trade website.¹²¹

2. MAIN IMPLEMENTATION ISSUES

2.1 Market access: Progress and outstanding issues

In 2022, due to the government reorganisation in mid-2022, there was no meeting of the EPA Committee.¹²² Nevertheless, important progress was made towards the end of 2022 when Côte d'Ivoire adopted the EU developed **Registered Exporter system ('REX system')**, and carried out an awareness campaign targeting exporters' organisations. The exporters registered in the REX system can make out origin declarations for the purpose of claiming preferential tariff treatment for their imports into the EU. The REX system is now used for both EU exports to and EU imports from Côte d'Ivoire. Works also started up to **update Côte d'Ivoire's market offer** on HS2022.

¹¹⁹ 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".

¹²⁰ The Economic Partnership Agreement was signed in December 2014 by the European Union and 13 West African Countries. In 2018, the Gambia and Mauretania signed the Agreement, to date only Nigeria is yet to sign the EPA. The Agreement will enter into provisional application when all the 16 West African Countries sign it and 2/3 (11 out of 16) of these countries ratify it.

¹²¹ <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/d0c1c2fc-efe7-4dfb-8101-70af86417152/details>

¹²² The 5th EU-Cote d'Ivoire EPA Committee was held on 18 to 22 October 2021 in Brussels.

In 2022, EU companies were also able to benefit from the **first and second rounds of tariff liberalisation of products** with significant EU exports, such as medicines (mixed or unmixed products for therapeutic or prophylactic purposes), light oils and preparations of petroleum or bituminous minerals with specific characteristics, category of aeroplanes and other powered aircraft, vaccines (human and veterinary medicine), road tractors for semi-trailers, printed books, laboratory reagents.

A number of **outstanding trade barriers** continue to exist, such as in **particular tax discrimination on imported spirits** and on imported meat. For example, for several years Côte d'Ivoire has maintained discriminatory taxation on imported spirits and wines, which are subject to an excise tax 25% higher than that applied to locally manufactured beverages. The EU considers this regime discriminatory and has raised the topic twice within the WTO's Agriculture committee (in November 2020 and in March 2022), asking for justifications, which Côte d'Ivoire has yet to provide.

EU projects managed by the EU Delegation in Côte d'Ivoire, in close liaison with business stakeholders, continue to make an important contribution towards **improving business climate** and addressing key impediments in important sectors of the economy.

Examples of **initiatives** that took place in 2022 include the following:

- Within the framework of the contract “S’investir ensemble” signed in 2019, the EU Delegation continued to work together with the European private sector (Eurocham)¹²³, 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** in Côte d'Ivoire.
- 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 helping companies to better understand the evolution and identifying the challenges and problems concerning a specific sector to be able to issue recommendations.

2.2 Trade and sustainable development goals

The interim EPA with Côte d'Ivoire does not include a dedicated chapter on trade and sustainable development (TSD). Nevertheless, the parties cooperate closely under the

¹²³ 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 in 2009, 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, United Kingdom and more recently Germany are present in Côte d'Ivoire.

framework of the **Cotonou Agreement** to ensure the contribution of trade to the achievement of the sustainable development goals.

Sustainable Cocoa Initiative

Following the start of the (virtual) “Cocoa Talks” in September 2020 in Brussels, the EU Delegation in Côte d’Ivoire in early 2021 launched the “**EU-Côte d’Ivoire Political Dialogue on Sustainable Cocoa**”. By bringing together all relevant stakeholders in Brussels as well as in the main cocoa-producing countries to discuss those key topics, the EU is seeking to build consensus on a common pathway towards a sustainable cocoa sector.

In 2022, visits to Côte d’Ivoire by **Commissioiner Jutta Urpilainen** (March) and INTPA Director General Koen Doens (October)’ provided opportunities for a high-level dialogue on sustainable cocoa, in particular in view of the EU Deforestation Regulation and upcoming Due Diligence Directive, and EU compliance support. The partnership dialogue in November 2022 saw a continuation of exchanges on the matter, marked by intense discussions between producing countries and industry regarding the payment of the LID (Living Income Differential) and the country premium, which would lead to a higher price for cocoa products.¹²⁴

The sustainable cocoa initiative is supported by a 40 million euros worth **Team Europe initiative**, joining efforts from the EU, Belgium, France, Germany, the Netherlands and Switzerland. Projects implemented between 2021 and 2026 are aimed to support institutional capacity, improved traceability systems, sustainable agricultural practices, reasearch and development and the fight against child labour.

For more background information on the Sustainable Cocoa Initiative please see the dedicated box under the EU-Ghana EPA section.

¹²⁴ <https://www.cighci.org/>

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) or interim EPA (iEPA)**. The European Parliament approved this agreement on 13 June 2013 and the Parliament of Cameroon proceeded to its ratification on 22 July 2014. On 4 August 2014, the agreement entered into provisional application. Being a regional agreement, the EPA is open to the accession of other Central African countries.

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

For its part, **Cameroon progressively reduces its tariffs on 80% of its imports from the EU to reach 0% by 2029**. This targeted elimination of import tariffs will help Cameroon's local producers to develop their production and become more competitive, and indirectly, it will benefit local consumers.

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

2. MAIN IMPLEMENTATION ISSUES

2.1 Market access: Progress and outstanding issues

Further progress was made in 2022, on Cameroon's **tariff dismantling** under the EPA, which continues to be on track.¹²⁵ It started in August 2016 for products listed in group 1 (1727 tariff lines), in 2017 for group 2 (985 tariff lines), and in 2021 for group 3. The two first groups mainly consist of essential items that are often used as inputs for industrial processes in Cameroon or consumer products that are not found on the local market, such as medicines and medical equipment, industrial and agricultural inputs, machines, chemicals, spare parts for vehicles, computers, and paper. The third group includes a number of products, such as cars, on which Cameroon and the Central African region have traditionally charged the highest duties.

¹²⁵ Following a temporary unilateral suspension of EPA dismantlement by Cameroon in the wake of COVID-19 outbreak in 2020, the process returned to its initial schedule with a tariff cut in January 2021 and August 2021.

Import duties for all products of group 1 are now fully removed. As of August 2022, all **tariffs on products of group 2 are reduced by 90%** and those of **group 3 by 30%**. The Market Access Offer has been updated to reflect the latest international customs nomenclature HS2022 and is available on DG TRADE website.¹²⁶ Cameroon and the EU are actively monitoring the effects of the agreement.

The first **joint monitoring report**, covering years 2014-2019, was adopted in 2021 and is publicly available.¹²⁷ The second report is set to become available in 2023.

The **6th EPA Committee** was held in June 2022 in Brussels.¹²⁸

- One important topic discussed was rules of origin, the most important **outstanding issue** related to the implementation of the EPA. So far, the Agreement does not include a joint set of rules. A draft text of the protocol on rules of origin – negotiated since 2016 – was eventually agreed at technical level at the 6th meeting of the EPA Committee on 9th June 2022. Both sides formally validated the outcome of this negotiation in May 2023 and will now proceed with their respective adoption procedures.
- The Committee also exchanged views on a **possible deepening** of the EPA to cover subjects going beyond trade in goods (e.g. trade in services and sustainable development), inform partners about the upcoming EU requirements on company due diligence and deforestation prevention, and took the decision to **operationalise the EPA sub-committee on agriculture and rural development** to step-up the dialogue related to trade in agri-food products.

Apart from rules of origin, an increasing number of **Cameroonian fiscal measures** (in contradiction to EPA commitments) affect trade, such as the so called “**excise duties**” on imports” introduced in 2020 and imposed every year on an increasing number of products, as well as a range of new **export taxes**. The EU side raised the issue at Head of Delegation level vis-à-vis Cameroon.

As regards the **use of the EPA preferences**, preference utilization by Cameroonian exports to the EU tends to be high (e.g. 99% in 2021) , however, due to a lack of diversification, utilization is limited to a number of sectors, such as bananas, processed cocoa products, wood products and aluminum. For EU exports to Cameroon there is a rather poor use of preferences thus limiting the expected positive outcomes of EPA for Cameroonian companies and consumers and is due, among others, to an insufficient EPA awareness among the Cameroonian private sector (importers). Therefore, to increase awareness of EPA opportunities among the

¹²⁶ <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/31a1603d-10ee-4c44-85e8-50c6d166e848/details> <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/31a1603d-10ee-4c44-85e8-50c6d166e848/details>

¹²⁷ <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/f27fa117-7fdd-46ad-bb54-79b621d899c6/details> <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/f27fa117-7fdd-46ad-bb54-79b621d899c6/details>

¹²⁸ <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/05a0a72b-d0ca-471e-95fe-f97604413e11/details>

Cameroonian private sector, the EU has been intensifying **its communication and outreach efforts** in 2022. Among others, the EU Delegation in Cameroun:

- published a **practical EPA guide for Cameroonian companies**;¹²⁹
- prepared audiovisual contents explaining the EPA to social media users¹³⁰ and
- Held several EPA information sessions, including a **workshop** in the framework of the Salon PROMOTE 2022, a major trade fair held in Yaoundé in February 2022 and a workshop for local operators and local media in Douala in September 2022.

Furthermore, improvement of the **business environment**, including conditions for foreign direct investment, is key for the EPA to deliver its full benefits. For that reason, the EU and its Member States have also been supporting the creation of a **European Business Organization (EBO)**. The organisation received an authorization of the government of Cameroon to operate according to the Cameroonian law in February 2023. Once fully operational, EBO Cameroon is expected to contribute to attract foreign investment and to foster a private-public dialogue in Cameroon to the benefit of all market operators.

Last but not least, the EPA also comes with a **package of accompanying measures** that help Cameroon and its companies to make better use of the Agreement. Among those are the following:

- EU technical assistance to evaluate the fiscal impact of the Agreement for Cameroon and to reform the Cameroonian fiscal system in a way to compensate for the loss of custom revenues;
- EU-funded EPA accompanying measures to support the local private sector, for instance as regards the adaptation of their capacity to develop solid business plans and increase their competitiveness (e.g. through the €10 Million EU programme *Dispositif d'Appui à la Compétitivité du Cameroun*);
- Activities by the European Investment Bank (EIB) increasing the capacity of local commercial banks to provide access to finance for local business;
- EU programmes supporting adaptation of local producers to the EU sanitary and phytosanitary standards (e.g. the EU-financed COLEAD Fit-4-Market+ programme and an FAO-implemented Fish4ACP programme);
- EU and Member States' programmes supporting the development of sustainable production capacities of Cameroon's agri-food and timber sectors (including through programmes, implemented by GIZ, such as ABC PADER, Green Innovation Centers Pro-CISA, Forest and Environment Project- ProFE).

¹²⁹ https://www.eecas.europa.eu/sites/default/files/epa_brochure.pdf

¹³⁰ TV Documentary: <https://www.youtube.com/watch?v=sZxn8ppJfHQ>; animated video: <https://www.youtube.com/watch?v=e471jxC-45I>; APE: *instrument de developpement et competitivite*: https://www.youtube.com/watch?v=L3Z_uiq_XPw

The EU is also active in the area of trade infrastructures. Along with constructions of bridges on Cross River and Lagone, the inauguration of a fruit terminal at the port of Douala has been one of the most tangible improvements for Cameroon exporters in 2022.

Finally, in 2022, the EU has launched a programme to support regional integration and investment in Central Africa (fr. *PAIRIAC*) that includes EPA-dedicated funds.

2.2 Trade and sustainable development goals

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

The Parties continue to cooperate on matters related to trade and sustainable development through different channels. For instance, **Cameroon is party to a Voluntary Partnership Agreement**, which is a key component of the EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan¹³¹.

Sustainable Cocoa Initiative

The EU and Cameroon are also engaged in a dialogue on sustainable cocoa.

With 6% of the global cocoa market, Cameroon is currently the 4th most important cocoa producer in the world and cocoa represents 12% to the country's overall exports.

Cameroon joined the **Sustainable Cocoa Initiative** in 2021 as an observer, before expressing a wish to create a similar forum at national level. Since November 2021, the **dialogue at national level** allowed to discuss a number of topics that are key to making the Cameroonian cocoa production more sustainable. Those included sustainable prices, traceability, forest management, child labour and standards. The last out of six technical meetings within the formal dialogue took place in March 2023. Further work is ongoing to ensure Cameroon's preparedness in the wake of the new EU anti-deforestation requirements.

The dialogue is complemented by a technical assistance program of 5 million euros implemented by GIZ, FAO, the European Forest Institute (EFI) and the European Commission's Joint Research Center (JRC).

For more background information on the Sustainable Cocoa Initiative please see the dedicated box under the EU-Ghana EPA section.

¹³¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52003DC0251>

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 (iEPA)** was signed in 2009 by four ESA countries (Madagascar, Mauritius, Seychelles and Zimbabwe). This iEPA is provisionally applied since 14 May 2012 by the EU and 4 EPA partners, while Comoros signed in 2017, ratified it in December 2018 and implements it since February 2019. These five countries are referred to as “ESA5”. Comoros, Zimbabwe and Seychelles have also ratified the EPA, while Mauritius and Madagascar provisionally apply it. Zambia had also initialled the iEPA and may decide to sign it in the near future. The agreement remains also open to other ESA countries.

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

Negotiations for the deepening of the Agreement continued in 2022. Since the beginning of this process, **ten rounds of negotiation meetings took place**, eight of them by video conference due to the Covid-19 pandemic. In 2022, four negotiating rounds took place. The **modernised Economic Partnership Agreement** will include: modernised rules of origin; provisions on customs and trade facilitation; sanitary and phytosanitary measures; technical barriers to trade; trade in services, investment liberalisation and digital trade; public procurement; intellectual property rights; trade and competition; trade and sustainable development; agriculture; fisheries; dispute avoidance and settlement; institutional structure; and economic development cooperation. A **sustainability impact assessment**¹³² looking into the impact of the new agreement has been conducted in parallel to the negotiations, with public consultations.

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

¹³² https://policy.trade.ec.europa.eu/analysis-and-assessment/sustainability-impact-assessments_en

2. MAIN IMPLEMENTATION ISSUES

2.1 Market access: Progress and outstanding issues

The interim EPA offers duty-free, quota-free access for all imports from the ESA EPA States to the EU since 1 January 2008. The five ESA EPA States are in the process of opening their markets to EU imports in line with the individual tariff schedules of each ESA EPA State annexed to the interim EPA.¹³³

The **implementation of tariff dismantling schedules**, initially foreseen to start in 2012 (for ESA4), was **completed by Seychelles, Mauritius and Zimbabwe** on 1st January 2022, when the percentage of tariff lines fully liberalised for products originating in the EU reached 97.5% in Seychelles, 96.2% in Mauritius and around 80% in Zimbabwe. Tariff commitments implementation encountered some difficulties in **Madagascar and Comoros**. A **catch-up scenario** was however agreed for each of these two countries:

- By 1 January 2023, Madagascar effectively liberalized the remaining 109 tariff lines still subject to liberalization in 2022.¹³⁴
- Comoros will complete its market access liberalisation schedule by 2024. Comoros will need two additional years (2024 instead of 2022) as it joined this agreement much later (in 2019) than the other four ESA partners.¹³⁵ By 2024, Comoros will have liberalised around 80% of their trade.

The last **EPA Committee** was held in October 2022 took further steps towards a monitoring and evaluation framework for the EPA and discussed issues relating to both the current and the future deepened EPA and other issues of particular interest for ESA5 partners, such as the available EU's tools for supporting the EPA implementation as well as EU initiatives related to Food Security and the Green Deal, including the EU Regulation on deforestation that may affect the trade relations between the Parties. The next EU-ESA EPA Joint Committee is scheduled to take place by the end of 2023.

In 2022, the **EU Delegations** in the region maintained a **close dialogue with government and private sector** on economic matters, including on trade policy:

- For example, at ESA5 level, the regional trade section based at the EU Delegation in Mauritius carried out two Market Access Team meetings in 2022, comprising EU Member States representatives covering trade topics and EU Business associations, to **exchange information on trade policy and enquire on trade barriers**. In addition, the missions of the regional trade section to each ESA5 country allowed **deepening the**

¹³³ 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.

¹³⁴ www.douanes.gov.mg/oopsovez/2023/02/Tarif-2023-23-02-2023.pdf

¹³⁵ More details can be found here: http://trade.ec.europa.eu/doclib/docs/2012/march/tradoc_149213.pdf

dialogue with authorities and private sector while also liaising with EU Member States on the ground. The trade section also **presented and discussed the iEPA** on the occasion of the Indian Ocean Business Forum.

- In Comoros, the EU Delegation continued the dialogue with the Ministry for Economy, especially on the **tariff dismantling schedule** and the relevant transposition of the tariff codes. The EU Delegation is heading the **Trade and Private Sector Group** and met regularly with the private sector, national and European, on trade opportunities and business environment and on supporting the public private dialogue. The EU organized seminars on AfCFTA for the public and private sector and supported **Comoros' WTO accession** process.
- In Madagascar, the EU Delegation continued its close dialogue with the private sector, in the framework of **Economic Round Tables**, with a focus on optimising the public-private dialogue and the role of digitalisation in the strengthening of the business environment. Since 1st January 2023, Madagascar has ceased issuing movement certificates EUR.1 and implements the EU's REX system.
- In Mauritius, the EU Delegation met with representatives of government and the private sector to discuss the **EU Deforestation-free products Regulation**. Support was provided to individual companies to facilitate export to the EU.
- In Seychelles, the EU Delegation organized presentations on the **new Taxation Management System**, and the **ASYCUDA** and **REX systems** for the private sector and representatives from government agencies. In addition, the Blue Invest Conference in Seychelles offered the opportunity to consult with the government and private sector on **blue economy** and on trade of fisheries products.
- In Zimbabwe, a presentation on iEPA opportunities was delivered by the EU Delegation on the occasion of **Zimbabwe International Trade Fair**. Successful bilateral virtual meetings were held between the National Plant Protection Organisation of Zimbabwe and DG SANTE to facilitate the resumption of **citrus exports** which had been suspended due to false codling moth. The EU Delegation also participated to field visits and dialogues of National Horticultural Development Council to understand further the constraints of the sector.

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

- The **Fit For Market+** (FFM+), which provides support to the horticultural sector in ACP countries, including ESA5, aims to maintain and improve access to domestic,

regional and international markets and enhances support capacities of competent authorities;

- The **11th European Development Fund** (2014-2020), which earmarked 10 million euros for each of the four initial signatory countries and 6 million euros for Comoros to help them **implement the iEPA**.
 - Comoros is implementing the APILE project (Support to Industrialisation and Free Trade) aiming at improving private sector competitiveness, strengthening the business environment and structuring the public-private dialogue. The PAGF (Support Programme for Finances Management) project aims at enlarging the fiscal basis in order to compensate for customs revenues loss due to Comoros Tariff liberalisation in the context of the iEPA.
 - Mauritius has set up an online single-entry point for businesses to obtain licences and permits, enhancing transparency, accountability and ease of doing business.
 - Madagascar has begun with the implementation of the PADEIR programme (Support Programme for Development of Exports and Regional Integration), with focus on facilitating exports and strengthening the competitiveness of the information, communications and technology (ICT); tourism; agribusiness and textile sectors.
 - Seychelles is working on diversifying its economy and ways to add value in the manufacturing, agriculture and fisheries sectors.
 - Zimbabwe is working on trade facilitation projects, with the focus on providing ICT and infrastructure equipment to border posts.

2.2 Trade and sustainable development goals

The EU and the ESA5 EPA States under the umbrella of the **Cotonou Agreement** and in the framework of development cooperation work together closely on achieving the sustainable development goals, including ensuring the contribution of trade policy towards that objective.

The iEPA does not include a dedicated chapter on trade and sustainable development. However, in the course of the ongoing negotiations to deepen the Agreement, the Parties are committed to negotiate an ambitious **Trade and Sustainable Development chapter**, in line with EU trade policy.

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

1. THE AGREEMENT

The **Economic Partnership Agreement (EPA)** between the EU and CARIFORUM (“the Agreement”) is a regional trade and development Agreement between the EU and its Member States and 15 Caribbean countries. It was signed in October 2008 and entered into provisional application on 29 December 2008. In 2021, the Agreement was provisionally applied by the EU and its Member States and by 14 Caribbean States.¹³⁶ Haiti still needs to ratify the Agreement in parliament before applying it, due to domestic legal requirements. By the end of 2021, 26 EU Member States and 10 Caribbean States had ratified the EPA.¹³⁷

The Agreement is asymmetric in terms of commitments, but ‘comprehensive’ both in the geographic and thematic sense. It covers the whole region and includes not only provisions on trade in goods, but also trade in services, competition, innovation and intellectual property rights, government procurement and an important development component with the EU commitment towards fostering long-term sustainable economic growth in the Caribbean.¹³⁸

The Commission is currently engaged in the **five years’ Joint Review process of the EU-CARIFORUM EPA** under the established Joint Review Task Force that continued its work in 2022. The final report of the Review process will identify key implementation challenges and provide joint conclusions and recommendations on the impact and functioning of the EPA. It is planned to finalize the Joint Review Report with CARIFORUM by mid-2023 to be approved by the next Trade and Development Committee and presented to be presented to the EU-CARIFORUM Joint Council in 2023, tentatively scheduled for mid- 2023. The Review Report will be partially based on the **10-year Evaluation Study of the EU-CARIFORUM EPA** published in 2021¹³⁹ and looking into the implementation of the Agreement as well as its economic and sustainability impacts for the 14 CARIFORUM partner countries and for the EU, as well as at cooperation commitments and relevant cooperation assistance.

The EU-CARIFORUM EPA is an ambitious agreement with a rich institutional structure meeting on regular basis. In 2022, the 7th Meeting of the Special Committee on Customs Cooperation and Trade facilitation took place in Guyana in April and the 6th Meeting of the Consultative Committee took place in Barbados in May¹⁴⁰. The meetings of Trade and Development Committee and the EU-CARIFORUM Joint Council are planned for mid-2023.

¹³⁶ 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.

¹³⁷ On the Cariforum side, the agreement has not been yet ratified by the Bahamas, Jamaica, Suriname and Trinidad and Tobago; on the EU side, the agreement has not been ratified only by Hungary.

¹³⁸ Further info on: [Access2Markets The EU-CARIFORUM Economic Partnership Agreement \(europa.eu\)](https://ec.europa.eu/trade/policy/policy-making/analysis/policy-evaluation/ex-post-evaluations/)

¹³⁹ <https://ec.europa.eu/trade/policy/policy-making/analysis/policy-evaluation/ex-post-evaluations/>

¹⁴⁰ [Cariforum-EU Consultative Committee - 6th meeting | European Economic and Social Committee \(europa.eu\)](https://ec.europa.eu/trade/policy/policy-making/analysis/policy-evaluation/ex-post-evaluations/)

2. MAIN IMPLEMENTATION ISSUES

2.1 Market access: Progress and outstanding issues

The region has high food imports dependency and the **EU is increasingly becoming an important exporter of processed agricultural goods** to CARIFORUM, a market that has traditionally been dominated by US imports. However, China is also gaining importance and influence in the region mainly through loans, investments and infrastructures. The EU trade in goods imports from CARIFORUM grew by 175% in 2022 while EU export by 25%, but the EU exports of agrifood products only grew by 41,6% in 2022.

In 2022, CARIFORUM partners progressed with the **implementation of their market access schedules for goods**, which is well advanced in most Caribbean States. While some countries are delayed with the applicable schedules, five CARIFORUM States¹⁴¹ have reported the implementation of the full schedule of tariff liberalisation.

In general, CARIFORUM partners have up to 25 years (until 2033) to complete import tariff cuts. They have excluded from these cuts around 17% of goods and services, which they consider sensitive:¹⁴² The list includes fresh fruits and vegetables, most alcoholic beverages, some garments, a number of processed agricultural products, fish, meat, chemicals and furniture. Overall, only 25% of CARIFORUM's agricultural and fisheries products have been covered by liberalisation under the EPA.

The **Dominican Republic (DR)** is not only the most important partner, accounting for 37% of EU trade with CARIFORUM, but also the **most advanced in terms of EPA implementation** and the most dynamic partner in the CARIFORUM region. Its exports to the EU have increased by more than 193% since the start of implementation in 2008 and bilateral trade has augmented 231% as a whole based on Eurostat data. A new record high in bilateral trade was reached in 2022 with 4,137 billion euros.

The Dominican Republic and the EU are holding **regular informal bilateral discussions** (“mesa del comercio” or “trade table”) to **solve a number of market access barriers** namely, a discriminatory application of the VAT tax (ITBIS) on some imported food products (notably cheese, ham and canned vegetables), concerns over implementation of the fiscal control and traceability system for alcoholic beverages and tobacco (TRAFICO) and application of a law requiring a local representation of foreign brands¹⁴³. With regard to TRAFICO, joint efforts with EU MS along with importers allowed *inter alia* to communicate timely concerns of the

¹⁴¹ The Bahamas, the Dominican Republic, Guyana, Jamaica and Saint Lucia,

¹⁴² 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.

¹⁴³ [Access2Markets Barrier: Dealer Protection Law - discrimination \(europa.eu\)](https://ec.europa.eu/europeaid/en/press_corner/news/2022/20220622/2022062201).

EU industry and it led to 6-month extension of the implementation deadline (until June 2023) and a potentially delayed enforcement for imported beers.

In 2022, the Commission raised both TRAFICO and ITBIS problems encountered by EU business in the Dominican Republic in the relevant **WTO Committees**, such as the Licensing Committee and the Market Access Committee. These issues were also raised under the WTO Trade Policy Review of the Dominican Republic, triggering useful clarifications.

The currently ongoing implementation initiatives with the CARIFORUM Region under the EPA include:

- creation of **the Special Committee on Services**.
- on-going negotiations of **geographical indications (GIs)**;
- EU efforts to increase transparency of applicable EPA rates and finalization of the Harmonised System (HS) **transposition** (from 2002 to the 2017/2022 HS nomenclature) of the market access offers by CARIFORUM, based on technical assistance offered by the EU. HS transposition was successfully finalised only by Dominican Republic.
- ongoing efforts to create the annual **Joint Monitoring Mechanism as mandated by EPA** – with the agreed final set of compliance and impact indicators ready for a first pilot report in 2023;

EU support in the area of **Intellectual Property Rights (IPR)** under the CARIFI project implemented together with EUIPO, aimed at increasing implementation capacity of the CARIFORUM States on IPR commitments. Events, regional seminars and workshops were held in the course of 2022 to support the implementation of this dimension under EPA.

The key implementation challenges and cooperation needs for the region, as identified as well by the **10-year Evaluation Study of the EU-CARIFORUM EPA**¹⁴⁴ are: (1) implementation delays of EPA due to capacity constraints and absorption capacity of local authorities/agencies; (2) difficulties in transparency of applicable EPA rates and rules; (3) lack of business awareness of the EPA and limited transparency; (4) need for a greater EU Member States' engagement to support business to business relations; (5) need to increase communication around EPA potential and support business-to-business links and platforms.

In line with these identified challenges, the **Commission engaged in activities** to raise awareness, to provide business oriented information about the EPA, as well as to support to business-to-business links, in particular under the two **tailored Policy Support Facility projects designed by DG TRADE** together with the EU Delegations in the region such as:

¹⁴⁴ Final report: https://trade.ec.europa.eu/doclib/docs/2021/january/tradoc_159352.pdf

- DG Trade together with the EU Delegation in Barbados since 2022 is implementing a regional FPI project aimed to raise EU business awareness around EPA opportunities with 9 tailored sectoral reports and 9 business events and a final business climate study foreseen until the end of 2023.
- In the **Dominican Republic** the EU Delegation is implementing a bilateral project to improve preference utilisation rates by **EU exporters** through increasing transparency of applied EPA rates and the promotion and use of the EPA signed between CARIFORUM and the EU; the Delegation organises since 2017 an EPA promotion event with **EPA awards** given each year to several SMEs in different categories of goods and services for the best trade performance under EPA. Its **5th edition took place in December 8, 2022** and included some new EPA prize categories such as innovation, sustainability and circular economy¹⁴⁵; the same Delegation also produced in 2021 a tutorial¹⁴⁶ on the tool Access2Markets in Spanish and organised a series of seminars on EU policies - including the EPA, the efficient use of its preferences, Access2Markets tool and EU legislation on organics in the framework of **the Diploma in EU-Dominican Republic**.
- The EU Delegation in **Barbados**, together with the Caribbean Export Development Agency¹⁴⁷, continued to provide support to **CARIFORUM exporters** and business operators (especially MSMEs) by raising awareness about EU rules on imports and EPA provisions in two workshops in 2022 – in Saint Lucia and Suriname.

2.2 Trade and sustainable: Progress and outstanding issues

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

¹⁴⁵ Video summary of the EPA awards event: <https://www.youtube.com/watch?v=sjeK6d0-9fs>
<https://www.youtube.com/watch?v=sjeK6d0-9fs> <https://www.youtube.com/watch?v=sjeK6d0-9fs>
<https://www.youtube.com/watch?v=sjeK6d0-9fs>

¹⁴⁶ Acces2Markets video tutorial: <https://www.youtube.com/watch?v=z1zRPtOfT5o>
<https://www.youtube.com/watch?v=z1zRPtOfT5o> <https://www.youtube.com/watch?v=z1zRPtOfT5o>
<https://www.youtube.com/watch?v=z1zRPtOfT5o>

¹⁴⁷ [Home | Caribbean Export \(carib-export.com\)](https://carib-export.com)

Implementation of trade and sustainable development provisions is covered by both the Review discussions and the monitoring mechanism planning;

In addition, in 2022 EU cooperation funds continued to support CARIFORUM states in implementing programmes related to sustainability, e.g. to **improve energy efficiency**, by developing the CARIFORUM's renewable energy potential (e.g. in Barbados, Dominica, Grenada, St. Vincent and the Grenadines), increasing grid penetration for energy from renewable sources, as well as by supporting the circular economy, notably with a focus on plastics and waste management.

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**”¹⁴⁸ **Economic Partnership Agreement (EPA or iEPA)** with Papua New Guinea since December 2009 and with Fiji since July 2014 (i.e. the original signatories), and with Samoa and Solomon Islands since December 2018 and May 2020, respectively, following their accessions to the Agreement. After the **preliminary accession talks** held in 2021 with potential future members (Tonga and Timor-Leste), Tuvalu sent an official expression of interest to join the EPA on 9 June 2022. NB: Originally the EPA was supposed to be replaced by a comprehensive regional EPA with all Pacific States¹⁴⁹, however the negotiations were put on hold in 2016 mainly due to lack of progress and the withdrawal of Papua New Guinea from the negotiations. Currently, the preferred way forward is the geographical widening of the iEPA and later, deepening of its content and/or increasing its scope, based on rendezvous clause.

The iEPA only covers trade in goods; it provides for **rules of origin for processed fisheries products** (mainly tuna), which are not provided for in any other EPA – the so-called “global sourcing” provision, which is intended to boost development in the region. This allows- upon notification- that fish brought on-shore by foreign vessels and further processed in a Pacific EPA country can be exported to the EU duty-free and quota-free, regardless of where the fish was caught. This significant concession by the EU has boosted investments in the tuna cooking and canning industry, creating tens of thousands of new jobs in Papua New Guinea (since 2009) and Solomon Islands (since 2020).

In the context of the **8th EPA Trade Committee meeting** (virtual), held between 4 and 8 October 2021, the Parties agreed to hold the next Trade Committee in Apia, Samoa in 2022. However, the Trade Committee has been postponed to the fourth quarter of 2023/first quarter 2024.

¹⁴⁸ The title “interim” has lost much of its meaning, as this EPA is being transformed into a definitive one, with more and more countries in the region choosing to **accede** to it rather than seeking to continue the regional negotiations as a block for a “full” EPA with all the 14 countries in the region.

¹⁴⁹ Regional negotiations involved 14 Island States: Fiji, PNG, Samoa, Solomon Islands, Tonga, Vanuatu (all 6 currently WTO members), Cooks Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau and Tuvalu (all 8 are neither WTO members nor observers). To note: **Timor-Leste** is part of the Small Pacific Islands group of ACP States, signatory to the Cotonou Agreement, but was not part of the regional EPA negotiations as it is not a member of the Pacific Islands Forum with which negotiations were carried out.

2. MAIN IMPLEMENTATION ISSUES

2.1 Main steps in implementation

In 2022, 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.

On the implementation of the **tariff liberalisation** under the interim EPA, taking full account of differences in development levels and sensitive sectors, Papua New Guinea has liberalised 88% of imports from the EU since 2008, Fiji undertook to liberalise 87% over 15 years, Samoa will liberalise 80% over 20 years and Solomon Islands will liberalise 83.5% over 18 years.

Development cooperation is crucial in order to assist the Pacific States to meet some specific **EPA implementation** needs and to improve their capacity to export.

The EU continued to play an active role to support trade relations with the Pacific, particularly through **four combined trade-related assistance actions** funded under the Pacific Regional Integration Support **Programme** (PRISE). and the Pacific-EU Marine Partnership Programme (PEUMP). Through these actions (SPIRIT: Strengthening Pacific Intra-Regional and International Trade; SAFE: Safe Agriculture Trade Facilitation in the Pacific; IMPACT: Improving Pacific Islands Customs and Trade; PEUMP SFM: Sustainable Fisheries Management) implemented by international (UNCTAD) and regional organisations (Pacific Islands Forum Secretariat, Secretariat of the Pacific Community, Forum Fisheries Agency) to ensure a strong ownership, Pacific States benefited from complementary activities supporting the implementation of the EPA and new accessions to it and improved awareness of EU preferential trade schemes and market access requirements. Interventions, which may be extended until 2026, included assisting Pacific countries to:

- Formulate and implement **national EPA implementation plans** (Fiji, Papua New Guinea, Samoa, Solomon Islands) and accession proposals (Timor-Leste, Tonga and Tuvalu);
- address **sanitary and phyto-sanitary requirements** (e.g. coconut, coffee, kava and turmeric value chains);
- harmonise **customs operations** at regional and national levels (ASYCUDA and single windows), and identify non-tariff measures (TRAINS portal);
- implement the EPA and **WTO trade facilitation** commitments.

Example: Implementation of the Pacific EPA by Papua New Guinea

- In 2022, **Papua New Guinea** continued the implementation of its Plan of Actions in order to enhance the implementation of the EPA. The EU Delegation in Papua New Guinea organised the third ***EU- Papua New Guinea Business, Trade and Investment Conference***, with the view to raise awareness of EPA benefits, increase business opportunities and contacts, and foster new partnerships between the EU and Papua New Guinea, Fiji, Samoa, Solomon Islands, Tonga and Timor-Leste.
- In 2022, the **EU Delegation** in Papua New Guinea continued to implement one of its flagship projects in the economic sector, namely the ***Support to Rural Entrepreneurship, Investment and Trade in Papua New Guinea*** (EU-STREIT Papua New Guinea), the EU largest grant-funded programme in the country and in the Pacific sub-region, which is intended to contribute to sustainable and inclusive economic development of rural areas. Apart from improving the livelihood of smallholder farmers, it also has the potential to increase exports to the EU.

2.2 Trade and sustainable development goals

The Pacific EPA does not include a chapter on trade and sustainable development. Nevertheless, the EU and the Pacific States are cooperating in the framework of the **Cotonou Agreement**, to step up efforts on trade and sustainable development matters under the EPA.

In 2021, the Parties increased efforts to promote the principles of trade and sustainable development (TSD) through a non-binding instrument – **Joint Declaration on trade and sustainable development** that seeks political endorsement. The aim is to build the foundation for potential commitments on TSD between the EU and the Pacific States. Although the Joint Declaration entails no new legal commitments, it constitutes an important political commitment and a milestone for the Pacific partners to place sustainable development solidly at the heart of the EU-Pacific trade relations under the interim EPA. The Parties agree on the principles and some concrete actions (information and experience sharing) in order to develop and implement cooperation and capacity-building activities in priority areas. The joint declaration places the EU-Pacific States' joint objectives firmly on the map of efforts towards meeting the UN 2030 goals.

SECTION IV OF THE REPORT: ADRESSING BARRIERS AND FINDING SOLUTIONS

LIST OF BARRIERS RECORDED AND RESOLVED in 2022

(1 January 2022 – 31 December 2022)

1. NEW TRADE AND INVESTMENT BARRIERS RECORDED IN 2022

	A2M¹⁵⁰	BARRIER	COUNTRY	SECTOR
1	17082	Market Access barrier on spirits banderols in Türkiye	Türkiye	Wines & Spirits
2	17202	Lack of progress on export applications of fresh animal products and on the registration of list of pre-approved establishments (Pre-listing)	Costa Rica	Agriculture and Fisheries
3	17222	Externalised conformity assessments and compulsory standards	Morocco	Horizontal
4	17262	Mandatory use of the letter of credit as prior condition for imports	Egypt	Horizontal
5	17282	New importing authorisation requirements	Algeria	Horizontal
6	17302	Intellectual Property Protection (plant varieties)	Ecuador	Agriculture and Fisheries
7	17322	Health certificates to accompany the import into India of food consignments (dairy, pork, fish and their products)	India	Agriculture and Fisheries
8	17362	Import duties on plastic spectacle frames	Australia	Other industries
9	17323	Registration of foreign food manufacturing facilities	India	Agriculture and Fisheries
10	17142	US training process for cold treatment on exports of fruit to the US	United States of America	Agriculture and Fisheries

¹⁵⁰ More details about the barriers can be found at this reference number under the Barriers section of “Access2Markets” portal <https://trade.ec.europa.eu/access-to-markets/en/barriers>

2. TRADE AND INVESTMENT BARRIERS RESOLVED IN 2022

	A2M¹⁵¹	BARRIER	COUNTRY	SECTOR	PROGRESS
1	14662	Additional Duty on certain products (DAPS)	Algeria	Horizontal	Resolved
2	14104	Increase in custom duties on certain products	Algeria	Automotive, Electronics, Machinery, Telecommunications Equipment, Agriculture and Fisheries, Wines & Spirits	Resolved
3	11366	Restrictions in the Telecommunication sector	Brazil	Services - Communication, incl. postal services	Partial resolution
4	11320	Discriminatory practices faced by wines and spirits sector	Canada	Wines & Spirits	Partial resolution
5	17342	Slow import procedure for plants and plant products	Canada	Agriculture and Fisheries	Resolved
6	17382	Backlog of applications of plant products	Ecuador	Agriculture and Fisheries	Partial resolution
7	15982	Mandatory pesticide residue testing requirement	Egypt	Agriculture and Fisheries	Resolved
8	14549	Restrictions in Public Light Buses	Hong Kong	Automotive	Resolved
9	16144	Quality Control orders in the automotive sector	India	Automotive	Partial resolution
10	14343	Import Tariffs India - Diamonds	India	Other Industries	Partial resolution
11	11262	Export duties on raw and semi-finished leather	India	Textiles and Leather	Partial resolution

¹⁵¹ 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	12320	DS304 India's 27 antidumping measures on a variety of EU exports	India	Chemicals, Pharmaceuticals, Iron, Steel and Non-Ferrous Metals, Wood, Paper and Pulp, Textiles and Leather	Partial resolution
13	13043	Refusal to allow imports of medical devices certified by competent authorities in a number of Member States	Israel	Other Industries	Partial resolution
14	15324	Member States applications on beef and ban due to Bovine Spongiform Encephalopathy (BSE)	Japan	Agriculture and Fisheries	Partial resolution
15	10684	Fresh fruit and vegetables import restrictions.	Mexico	Agriculture and Fisheries	Partial resolution
16	12561	Overt price discrimination between imported and domestic goods - additional taxes and charges	Mozambique	Wines & Spirits	Resolved
17	15482	Lack of progress on export applications of fresh animal products and on the registration of list of pre-approved establishments	Panama	Agriculture and Fisheries	Partial resolution
18	11142	Restrictions on retail services	Philippines	Services - Distribution	Resolved
19	12740	Non- recognition of EU 's regionalisation measures implemented due to African Swine Fever and Avian Influenza	South Korea	Agriculture and Fisheries	Partial resolution
20	11600	Cumbersome and undue delays of import application procedures	Thailand	Agriculture and Fisheries	Partial resolution

21	14003	Trade restrictions due to non-recognition of EUs regionalisation measures for avian influenza outbreaks	United Arab Emirates	Agriculture and Fisheries	Partial resolution
22	11189	Services: 100 % collateral requirement on reinsurance business and discriminatory tax treatment	United States of America	Services - Financial	Resolved
23	13623	Sheep and goat meat market access to the USA	United States of America	Agriculture and Fisheries	Partial resolution
24	10782	Sanitary measures applied by the USA for imports of live bivalve molluscs.	United States of America	Agriculture and Fisheries	Partial resolution
25	17142	US training process for cold treatment on exports of fruit to the US	United States of America	Agriculture and Fisheries	Resolved
26	12340	Non-Production or Insufficiency of National Production Certificates (CNP)	Venezuela	Horizontal	Resolved
27	12341	Price control - Organic Law of Fair Prices	Venezuela	Horizontal	Partial resolution
28	11414	Foreign exchange control	Venezuela	Horizontal	Partial resolution
29	16982	Market access procedures for animal products and for food additives	Viet Nam	Agriculture and Fisheries	Partial resolution
30	13922	Pharmaceuticals - registration of drugs and procurement rules	Viet Nam	Pharmaceuticals	Partial resolution
31	10440	Ban on imports of several products on BSE grounds.	Ecuador	Agriculture and Fisheries	Resolved