



2018

Annual Activity Report

**Directorate
for Trade**

General

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THE DG IN BRIEF

DG Trade is in charge of developing and implementing the common commercial policy of the European Union in accordance with the objectives set out in Article 207 of the Treaty on the Functioning of the EU. DG Trade supports the EU's Trade Commissioner in shaping a trade environment that benefits European citizens and for European business and helping supports sustainable development globally.

DG Trade negotiates bilateral, plurilateral and multilateral trade agreements, ensures that the rules agreed are actually applied, and works closely with the World Trade Organization (WTO) and other multilateral institutions. This can be backed up where needed with EU legislation. Trade negotiations cover a wide range of areas such as goods, services, intellectual property, investment, government procurement, access to energy and raw materials, customs and trade facilitation, competition (including subsidies and State Owned Enterprises), trade and sustainable development, investment and regulatory co-operation. DG Trade ensures that businesses can operate fairly in the EU and across the world and makes full use of its powers to tackle unfair competition, dumping and subsidisation. Success in Europe is inextricably bound up with the success of the EU's trading partners, both in the developed and developing world. For this reason, sustainable development and development policy in general are central to the overall approach.

While DG Trade does not have direct responsibility for any specific spending programme, in 2018 it managed a budget of about 22.5 million EUR (about 18 million EUR in its operational budget and about 4.5 million EUR in its administrative budget). This budget has remained stable over recent years. At the same time trade-related objectives are also embedded in the different financial programmes managed by other Commission departments, mainly under the heading of the Multiannual Financial Framework covering the EU as a global player (Heading 4).

As the EU's main negotiator and guardian of an effectively implemented EU trade policy, DG Trade's mission is largely dependent on close working relations with its partners, both inside and outside the Commission. In playing its role in trade policy, DG Trade works very closely with the European Parliament and the Council of the European Union and with other international organisations, such as the WTO and the Organisation for Economic Co-operation and Development (OECD), as well as with civil society. Its success draws strongly on its close working relationships with the European External Action Service (EEAS) and other Commission services.

In order to fulfil its mission DG Trade has two related, but distinct, operational activities: trade policy and trade defence; and is organised into eight directorates. The Director General is supported in managing operations by two Deputy Directors General, who bear overall responsibility for Directorates B, C and D; and E, F, G and H respectively. Operational activities are supported by the Policy Coordination, Information and Resources Directorate (A); reporting directly to the Director General. In addition, DG Trade has staff posted in EU Delegations and in three Commission representations, for which DG Trade is the Appointing Authority.

As demonstrated through the indicators, DG Trade is well-managed and works efficiently. It is operating today under considerable resource pressure both at Headquarters and in EU Delegations throughout the world. In this environment, it remains challenging to continue to support the current agenda, perform outreach and raise public awareness of its work and effectively carry out increased implementation work, in addition to the increasing workload brought from new initiatives launched in 2018.

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of DG Trade to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties¹.

a) Key results and progress towards the achievement of general and specific objectives of the DG (executive summary of section 1)

"European trade policy means making the most of opportunities with likeminded partners across the world. It also means working to improve and shape the global rules-based system so that it continues to deliver peace, prosperity and progress."
Jean-Claude Juncker, Keynote speech 'Transatlantic relations at a crossroads', 25 July 2018.

The EU reaffirmed its position as a significant force in global trade in 2018, continuing to be one of the world's most open economies and pursuing an ambitious trade negotiations agenda which aims to open markets and create a level playing field for EU firms around the globe. The EU has concluded bilateral and or regional trade agreements with 71 countries around the world, accounting for 40 % of the world's gross domestic product. The European economy depends on trade: every 1 billion EUR in exports supports 14 000 jobs in Europe. Openness combined with high standards remains the best way to make globalisation work for all Europeans.

With 36 million EU jobs depending on exports, 80 % of imports used as input for EU goods or services, and 90 % of global growth in the coming decades expected to come from outside the EU, open trade is more important than ever for the EU.

2018 has seen increasing tensions and a growing lack of predictability in the global trade order that together represent the most significant threat to the system of global trade rules since its founding after the Second World War. The EU remains steadfast in its commitment to the rules-based multilateral trading system as the basis for global prosperity. It is playing a leading role in efforts to tackle this crisis at the World Trade Organization and has proposed ideas for reforming it. When others break international trade rules or engage in unfair trading practices, the EU continues to defend European businesses, workers and citizens, as demonstrated most clearly by the robust yet proportionate package of measures adopted in response the US Section 232 measures on steel and aluminium.

In September 2018 the European Commission presented a concept paper on **WTO reform**, followed up by detailed negotiating proposals, on a comprehensive approach for the modernisation of the WTO. This followed the European Council of 28-29 June 2018 that gave the European Commission a mandate to pursue the reform of the WTO to adapt it to a changing world, and to strengthen its effectiveness.

DG Trade has also fully supported the launch of the WTO Joint Statement initiative on **e-commerce** and has throughout 2018 actively contributed to the exploratory talks towards WTO negotiations in this area. Following a successful conclusion of the exploratory talks in December 2018, more than 75 WTO Members - including the EU Member States - are committed to launch actual negotiations.

¹ Article 17(1) of the Treaty on European Union.

On the bilateral front, the most significant development was the signature and ratification of the Economic Partnership Agreement with **Japan**, the EU's most economically significant bilateral agreement ever. It was signed at the EU-Japan Summit in Tokyo on 17 July 2018. The European Parliament gave its consent on 12 December 2018, clearing the way for the conclusion of the trade agreement by the Council on 20 December 2018. The trade agreement entered into force on 1 February 2019. Negotiations for an investment protection agreement are ongoing.

Japan exemplified the major steps the Commission took in 2018 towards codifying the clarity provided in Opinion 2/15 of the European Court of Justice (ECJ), on the **division of competences between the EU and its Member States** in trade policy. The new architecture that follows from the ruling involves, with any given partner, a free trade agreement covering areas where the EU has exclusive competence according to the Treaty of the Functioning of the Union and an investment protection agreement that may cover areas where the EU shares competences with the EU Member States.

In addition to Japan, in April 2018, the Commission submitted to the Council proposals for decisions to sign and conclude a free trade agreement and an investment protection agreement with **Singapore**. These agreements were signed in October 2018 and the European Parliament gave its consent on 13 February 2019. The Council will now decide on the conclusion of the free trade agreement, while the investment protection agreement will first require the ratification by all Member States. In October 2018, the Commission also submitted to Council proposals for decisions to sign and conclude a free trade agreement and an investment protection agreement with **Vietnam**.

The EU and **Mexico** announced an agreement in principle for updating the trade part of the EU-Mexico Global Agreement on 21 April 2018. With this modernisation, the EU and Mexico will bring their trade and investment framework into the 21st century reaching a high level of ambition similar to that in most recently concluded agreements of the EU.

DG Trade's negotiations focused intensively on talks with **Mercosur**. Significant progress has been achieved and both sides remain committed to the conclusion of the negotiations as soon as it is possible to reach a satisfactory deal.

As for the modernisation of the EU-**Chile** Association Agreement, and following the adoption by the Council of the negotiation directives on 13 November 2017, the EU had three rounds of negotiations with Chile, two of them in 2018. The negotiations aim at modernising the existing 2003 Association Agreement between the EU and Chile.

Following the authorisation in May 2018 by the Council to open negotiations for free trade agreements between the EU and **Australia** and between the EU and **New Zealand**, respectively, negotiations were launched in June 2018 and the first negotiating rounds were held in July 2018. Subsequent rounds were held with New Zealand in October 2018 and with Australia in November 2018.

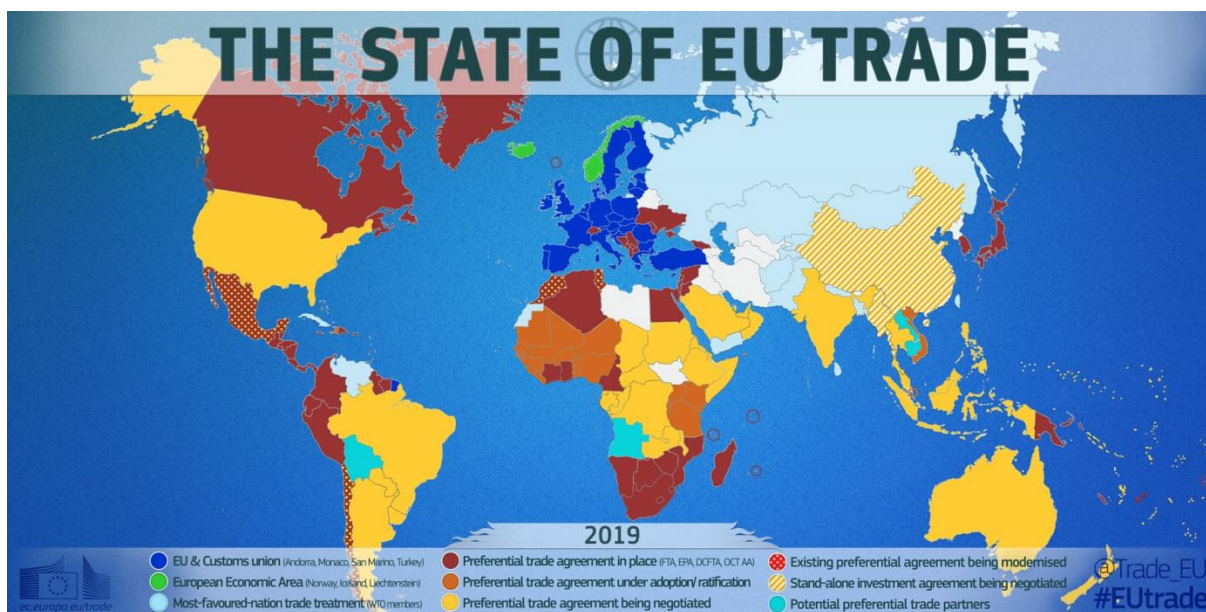
On 25 July 2018, Presidents Juncker and Trump issued a joint statement announcing their intention to work together to facilitate transatlantic trade. The statement was a critical step in de-escalating the rising tensions with the **United States** and allowed both sides to enter into a constructive bilateral dialogue under the aegis of an Executive Working Group set up by the Joint Statement. Discussions with the US on more precise objectives started in the summer of 2018 and are currently ongoing in the framework of the Executive Working Group.

DG Trade has continued the focus on maximising the benefits of our trade instruments through proper **implementation and enforcement** of our trade and investment rights and building on the findings of the evaluation of FTAs already in place.

In 2018, the EU defended its interests in the face of protectionist tendencies and growing barriers to trade. Stronger and more effective **trade defence rules** came into force on 8

June 2018. Among other things, the amendments make it possible to impose provisional anti-dumping measures more quickly.

In order to make sure that the EU remains one of the world's most open investment environments, and thereby a source of growth and jobs while protecting its essential interests, the Commission proposed a new framework for **screening of foreign direct investment** into the EU. Political agreement between the co-legislators on the new Regulation was reached on 21 November 2018.



b) Key Performance Indicators (KPIs)

In this section, the three most relevant KPIs as identified in the DG Trade 2016-2020 Strategic Plan and the KPI related to the time-to-pay are presented.

KPI 1: Preference utilisation rates of EU preferential trade arrangements ² for the EU and partners' side									
This indicator shows the extent to which operators are making use of the EU preferential arrangements. It gives an indication how well these agreements are formulated and how the uptake is handled in the EU Member States and the partner countries.									
Source of data: Eurostat and national customs registrations									
Baseline				Interim Milestone 2018	Target 2020	Latest known results			
Preference utilisation EU importers									
FTA	2012	2013	2014	Increase of rates	The target is to increase the percentage according to recent trend. It is difficult to predict an exact percentage at a specific moment in time. Ultimately, the desire is of course to have full coverage over time as this will have the greatest impact on the economy	2015	2016	2017	
Chile	93%	93%	94%			95%	95%	95%	
Mexico	68%	67%	61%			52%	58%	70%	
Colombia		85%	96%			97%	97%	96%	
Peru		95%	97%			98%	97%	96%	
South Africa	90%	91%	91%			85%	78%	80%	
South Korea	78%	82%	84%			85%	87%	88%	
Turkey	92%	92%	93%			93%	93%	92%	
Ukraine						-	89%	87%	
Preference utilisation EU exporters									
FTA	2012	2013	2014	Increase of rates	The target is to increase the percentage according to recent trend	2015	2016	2017	
Chile	79%	78%	78%			76%	74%	76%	
Colombia			56%			63%	71%	68%	
Costa Rica			18%				38%		
Egypt		55%	57%			41%	59%	44%	
Montenegro	76%	86%	86%			85%	85%	86%	
South Korea			65%			68%	71%	74%	

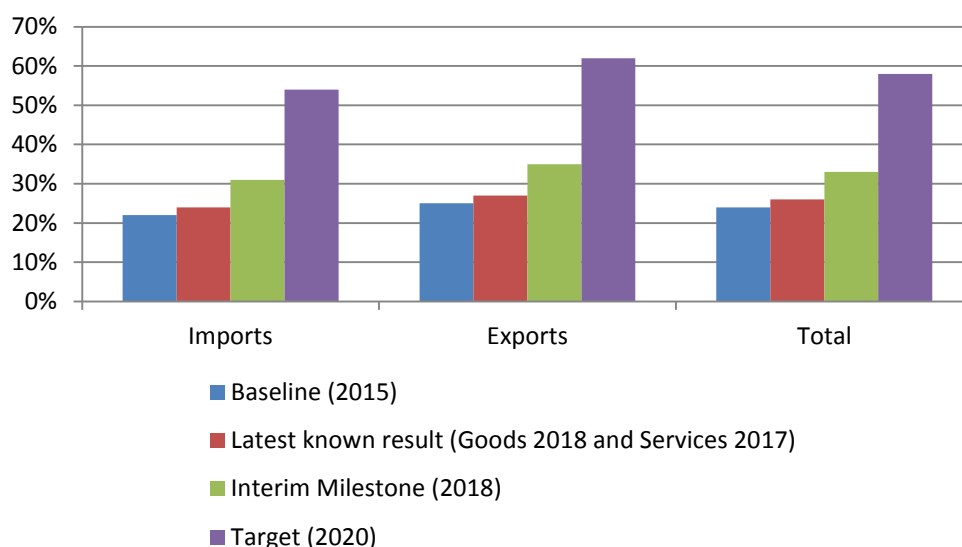
Looking at the latest known results from 2017, it is noticeable that most results are rather stable showing good use of the agreements.

² A selection of countries is shown, where agreements have been in place for a certain time.

KPI 2: Percentage of EU trade covered by applied bi-lateral and regional agreements³

This indicator shows the extent of the EU trade covered by EU's applied preferential trade and investment agreements and the evolution of this coverage. The figures are based on trade in goods and services.

Source of data: DG Trade / Eurostat

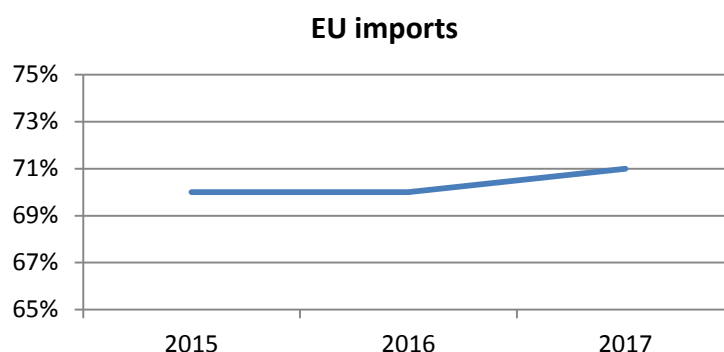


The difference between the milestone (2018) and the results on trade in goods 2018, which is 4 percentage points, is mainly due to three FTAs that were expected to be in place in 2018 but were delayed: Singapore (1.5%); Vietnam (1.3%); and Nigeria (0.7%).

KPI 3: Percentage of fully liberalised imports from the world⁴ (i.e. at zero duty⁵)

This indicator shows the extent of the EU's applied preferential treatment for merchandise imports (EU imports extra EU) and its evolution. The bigger the share, the better economic conditions and opportunities for EU consumers, and EU operators using imports as inputs in their businesses.

Source of data: Eurostat



There was an increase on the percentage of the duty free imports in 2017.

³ This indicator does not cover multilateral WTO nor the plurilateral sectoral negotiations and agreements

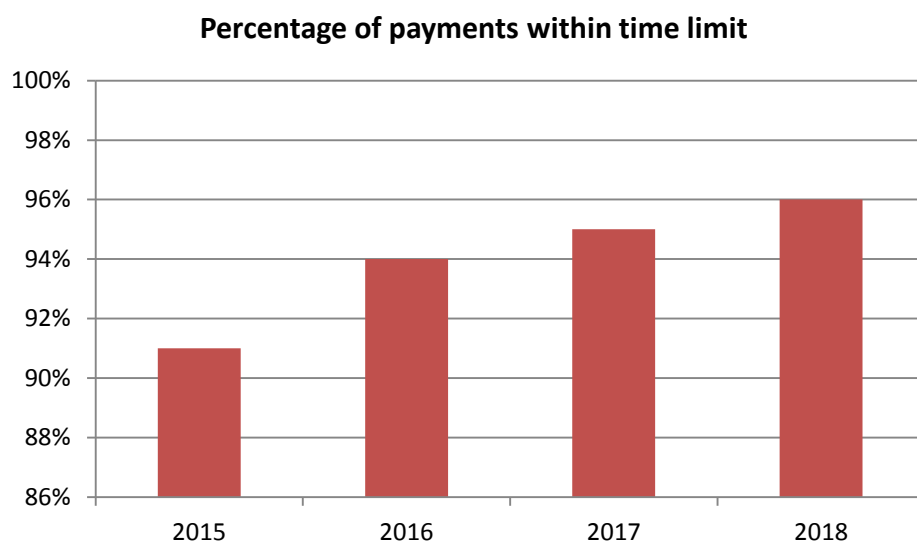
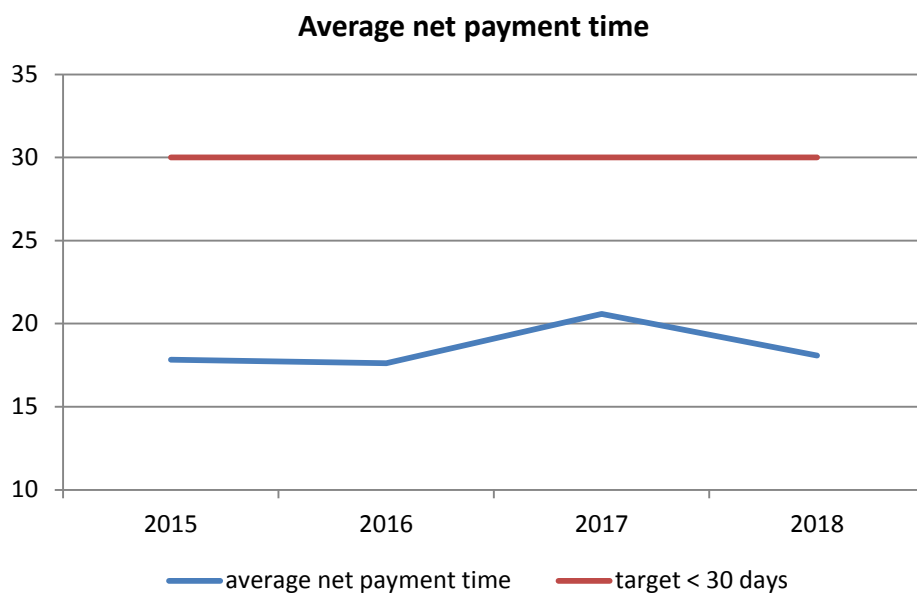
⁴ The interim milestone (2018) and target (2020) are to increase the percentage of fully liberalised imports

⁵ Most Favoured Nation (MFN) duty free, Generalised Scheme of Preferences (GSP) duty free and other duty free

KPI 4: Time to pay

This indicator shows the efficiency of DG Trade's internal control processes managing the payments (time-to-pay).

Source of data: DG Trade



During 2018, DG Trade increased the payments made within the time limit and reduced the average time-to-pay.

c) Key conclusions on Financial management and Internal control (executive summary of section 2.1)

In accordance with the governance arrangements of the European Commission, the staff of DG Trade conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

The Commission has adopted a set of internal control principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these principles. DG Trade has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended. Please refer to AAR section 2.1.3 for further details.

In addition, DG Trade has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please refer to Section 2.1 for further details.

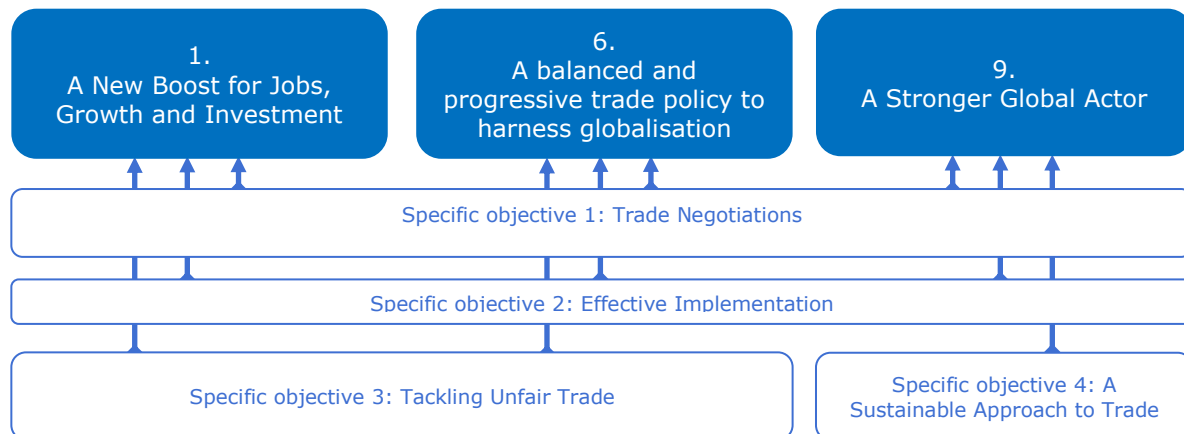
In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

d) Provision of information to Commissioner Malmström

In the context of the regular meetings during the year between the DG and the Commissioner on management matters, also the main elements of this report and assurance declaration have been brought to the attention of Commissioner Malmström, responsible for Trade.

1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG

As set out in its Strategic Plan 2016-2020, DG Trade pursues its DG specific objectives in context of three of the Commission's general objectives. These specific objectives, together with their link to the general objectives are set out in the figure below. DG Trade's policy actions are also aimed at achieving the objectives set out in the trade and investment policy strategy Communication "Trade for All", adopted by the College of Commissioners on 14 October 2015⁶.



Specific objective 1: Trade Negotiations

A wide coverage of the world's trade through regional, multi-, pluri- and bilateral agreements concluded by the EU ensuring the best economic conditions and opportunities for consumers, workers, citizens and enterprises, including SMEs, in the EU and non-EU countries, particularly in Developing Countries

Activities and outputs under this specific objective contribute to various extents to the Commission's General objectives 1, 6 and 9. DG Trade has been strongly pursuing its comprehensive negotiation agenda aiming to increase the number of trading partners with whom the EU applies preferential tariffs and simplified regulatory procedures to the benefit of EU citizens. KPI 2 (see point 'b' of the Executive Summary) shows the performance of DG Trade in achieving the objectives established in its Strategic Plan. These results are increased opportunities for exports and imports, boosting the economy and creating jobs, growth and investment in the EU. Trade agreements are also an important element for the EU as a global actor in stabilising relations with partner countries. In this context, trade negotiations are a core element in pursuing a balanced and progressive trade policy to harness globalisation.

The multilateral and plurilateral agenda

2018 has seen increasing tensions and a growing lack of predictability in the global trade order. The EU reasserted its commitment to preserving and strengthening the rules-

⁶ [COM\(2015\)497](#) of 14 October 2015. The Trade for All Strategy was complemented by a new package Communication (COM(2017) 492) in the context of President Juncker's 2017 State of the Union speech entitled "A balanced and Progressive Trade Policy to Harness Globalisation". This package adds to and completes the existing very intensive trade agenda of the Union in order to respond to the current opportunities and challenges Europe faces, while furthering Europe's essential interests.

based multilateral trading system and the World Trade Organisation (WTO).

The focus in 2018 was on the reform of the three functions of the WTO: (1) rulemaking; (2) dispute settlement – focusing on finding a solution to the current crisis around the blockage in the appointment of new members of the WTO's Appellate Body, which hears appeals in trade disputes taken before the WTO; (3) regular WTO work, notably changes to strengthen transparency and to improve WTO committee procedures to make them more effective.

Ministers and Heads of Delegation representing a group of like-minded WTO members⁷ stated in the Joint Communiqué of the Ottawa Ministerial on WTO Reform in October 2018: *"The current situation at the WTO is no longer sustainable. Our resolve for change must be matched with action: we will continue to fight protectionism; and we are committed politically to moving forward urgently on transparency, dispute settlement and developing 21st century trade rules at the WTO"*.

In September 2018 the European Commission presented a concept paper on WTO reform, setting out a comprehensive approach for the modernisation of the WTO. This followed the European Council of 28-29 June 2018 that gave the European Commission a mandate to pursue the reform of the WTO to adapt it to a changing world, and to strengthen its effectiveness.

Presenting the Commission's concept paper, Commissioner for Trade Cecilia Malmström said: *"The multilateral trading system has for the past decades provided a stable, predictable and effective framework for companies across the world, helping many economies to grow rapidly. Also today, the WTO is indispensable in ensuring open, fair and rules-based trade. But despite its success, the World Trade Organisation has not been able to adapt sufficiently to the rapidly changing global economy. The world has changed, the WTO has not. It's high time to act to make the system able to address challenges of the today's global economy and work for everyone again. And the EU must take a lead role in that."*

In the final months of 2018, DG Trade engaged in this reform initiative through the preparation of several submissions to the WTO including on the Appellate Body and on transparency and notifications. Detailed discussions on various elements of the reform of the WTO took place with key WTO partners, including in the framework of the trilateral mechanism (EU, Japan and US) and of the EU-China Working Group. In parallel, DG Trade continued to represent the EU in the WTO negotiations on fisheries subsidies, with the aim of reaching an ambitious agreement in line with target 14.6 of the UN's Sustainable Development Goals.

Following up on the Joint Statements that were adopted at the 11th WTO Ministerial Conference of December 2017 in the area of services and digital trade, notably on domestic regulation and e-commerce, several rounds of negotiations were held on **domestic regulation** in 2018 in an open-ended format. Significant progress was made during these rounds on the text of the actual future disciplines. DG Trade will continue to steer this process towards a satisfactory outcome, if possible by the next WTO Ministerial Conference in summer 2020.

E-commerce being an important and long-standing EU priority for WTO work, DG Trade has fully supported the launch of the Joint Statement initiative on e-commerce and has throughout 2018 actively contributed to the exploratory talks towards WTO negotiations in this area. Following a successful conclusion of the exploratory talks in December 2018, more than 75 WTO Members - including the EU Member States – committed, in January 2019, to launch actual negotiations that are likely to start in the second quarter of 2019. These have the potential to be comprehensive and to cover all "trade-related aspects" of

⁷ Australia, Brazil, Canada, Chile, European Union, Japan, Kenya, Korea, Mexico, New Zealand, Norway, Singapore and Switzerland

electronic commerce.

DG Trade continued engaging in the exploratory discussions on a **multilateral Investment Facilitation Framework** in 2018 with a view to clarifying whether negotiations on such an agreement would gather sufficient support by WTO-members to be launched in 2020.

In relation to the **Information Technology Agreement (ITA)** on tariffs which was expanded in 2017, the focus should be on encouraging other WTO members to join the ITA-2, ensuring the effective implementation of the agreement by other parties and the negotiation of disciplines on non-tariff barriers (NTBs). There were two Committees on the expansion of Trade in Information Technology Products in 2018. DG Trade continued working with a small group of like-minded ITA Members to obtain the necessary support to make a proposal on NTB disciplines, notably on conformity assessment procedures, to the WTO ITA Committee.

DG Trade continued working towards gathering enough support among current parties and potential new participants for the launching of the **5th review of the Pharma arrangement** so as to incorporate new active ingredients in an arrangement which provides for their duty-free treatment.

The Commission adopted on 13 September 2017 the recommendation to open negotiations to set up a **multilateral investment court**. This court would replace the Investment Court System (ICS) currently foreseen in the EU's bilateral agreements and the Investor-State Dispute Settlement arrangements that exist in more than 3000 current bilateral investment treaties, to which our Member States are party. Constructive exploratory discussions with third countries, particularly in UNCITRAL, took place during 2018, creating a solid basis for further discussion in UNCITRAL in 2019. On 20 March 2018, the Council adopted and published the negotiating directives for a multilateral investment court.

In relation to the **Energy Charter Treaty**, DG Trade engaged in 2018 into exploratory discussions on the modernisation of the investment protection standards and rules to bring them in line with the EU's reformed approach on investment protection.

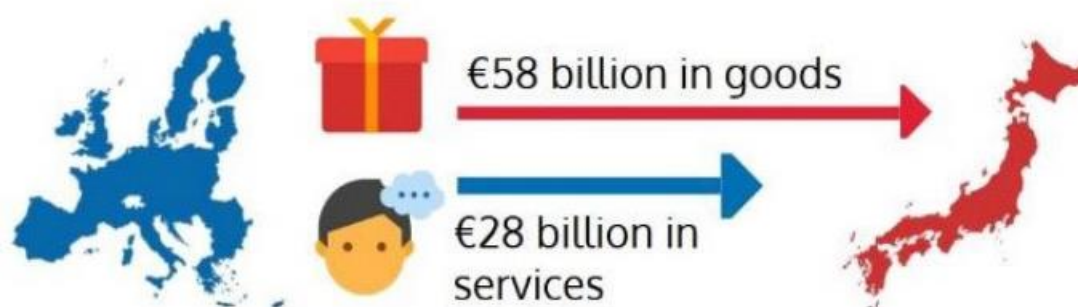
DG Trade also contributed to another work strand in the context of the World Trade Organization. Due to the United Kingdom's withdrawal the current EU WTO tariff rate quotas included in the goods schedule of the Union (setting the level of goods that can be imported at lower tariffs) need to be apportioned between the EU27 and the United Kingdom (UK). The Council adopted the negotiating directives for the Commission to negotiate with the relevant WTO members the adjustment of these tariff rate quotas. DG TRADE also contributed to work leading to the UK's accession to Government Procurement Agreement in its own right for the time after the UK's withdrawal from the Union.

Finalising concluded bilateral and regional negotiations

On the bilateral and regional front, the Economic Partnership Agreement with **Japan**⁸, was signed at the EU-Japan Summit in Tokyo on 17 July 2018. The European Parliament gave its consent on 12 December 2018, clearing the way for the conclusion of the trade agreement by the Council on 20 December 2018. The trade agreement entered into force on 1 February 2019. Negotiations on the remaining issues on the investment protection agreement continued in 2018.

⁸ <http://ec.europa.eu/trade/policy/in-focus/eu-japan-economic-partnership-agreement/> /

EU exports to Japan



In 2015 the EU and **Vietnam** reached a political conclusion to the negotiations for a comprehensive trade and investment agreement. A political conclusion was also reached for an agreement with **Singapore**⁹ at the end of 2014. Following Opinion 2/15 of the European Court of Justice (ECJ) on the division of competences between the EU and its Member States in the Singapore agreement, the Commission engaged in a reflection process with other EU institutions on the future architecture of trade and investment agreements with third countries. This included the need to negotiate and propose for signature and conclusion two separate agreements, i.e. a free trade agreement covering areas where the EU has exclusive competence according to the Treaty of the Functioning of the Union and an investment protection agreement that may cover areas where the EU shares competences with the EU Member States.

Taking account of this process, in April 2018, the Commission submitted to the Council proposals for decisions to sign and conclude a free trade agreement and an investment protection agreement with Singapore. These agreements were signed in October 2018 and the European Parliament gave its consent on 13 February 2019. The Council will now decide on the conclusion of the free trade agreement, while the investment protection agreement will first require the ratification by all Member States. In October 2018, the Commission also submitted to Council proposals for decisions to sign and conclude a free trade agreement and an investment protection agreement with Vietnam. Discussions in Council and in the European Parliament on these proposals will continue in 2019.

Commissioner for Trade Cecilia Malmström stated on 18 April 2018 in Strasbourg: "*With Japan and Singapore we are making a strong statement in defence of open and fair trade based on rules. These win-win agreements will also create major opportunities for European businesses and citizens. The economic partnership with Japan will cover an area with 600 million consumers and a third of global GDP. Its economic potential is clearly unprecedented. Singapore is already a gateway for Europe into South East Asia, and with our new agreements we aim for a strong boost to our trade with the region. Both Japan and Singapore are important partners for us in defending multilateralism and ensuring strong international organisations.*"

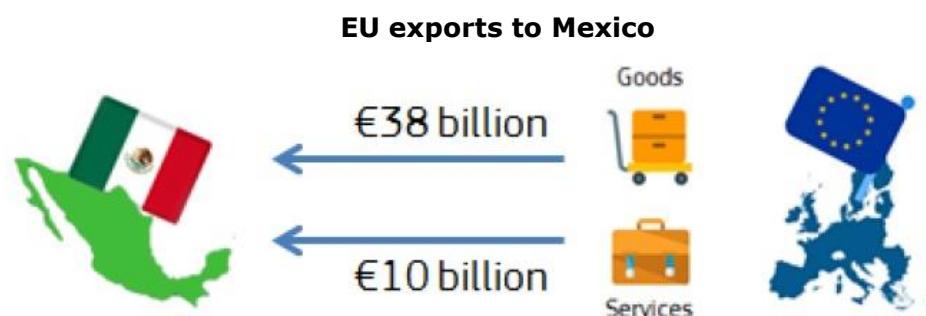
The EU and Mexico announced an agreement in principle to update the trade part of the EU-Mexico Global Agreement on 21 April 2018. With this modernisation, the EU and **Mexico**¹⁰ will bring their trade and investment framework into the 21st century, reaching a level of ambition as high as that reached in the most recently concluded agreements of the EU. In order to assess the agreement's potential impact, DG Trade has used an independent contractor to carry out a Sustainability Impact Assessment (SIA), which will be finalised during 2019. The agreement is currently being legally reviewed by the parties and Mexico's schedule for access to the sub-federal procurement market is in the

⁹ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/singapore/>

¹⁰ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/mexico/>

process of being completed.

On 21 April 2018, during the announcement of the agreement, Commissioner for Trade Cecilia **Malmström** stated: *"In less than two years the EU and Mexico have delivered a deal fit for the economic and political challenges of the 21st century. We now open a new chapter in our long and fruitful relationship, boosting trade and creating jobs."*



As for the **Economic Partnership Agreement** (EPA) with 16 countries of the **West Africa** region, 13 countries signed the agreement in December 2014. Gambia signed on 9 August 2018 and Mauritania on 21 September 2018. Nigeria remains the only country of West Africa which has not yet signed the EPA. DG Trade expects that Nigeria will be able to do so in the near future. Provisional application of the regional EPA in 16 countries of the West Africa region can start once the last remaining country, Nigeria, has signed the agreement and two thirds of the West African countries have ratified it. In the meantime, Ivory Coast and Ghana have signed and ratified their interim EPAs. Ivory Coast began applying this stepping stone EPA in September 2016 and Ghana in December 2016.

A Commission proposal for signature, provisional application, and conclusion of the full EPA with five countries of the **East African Community** (EAC) was adopted by the Council in June 2016. All EU Member States, and Kenya and Rwanda signed the Agreement, and Kenya has ratified it. Signatures of the other three African countries are needed before provisional application can start. The EAC Summit on 23 February 2018 mandated Uganda's President Museveni, the Chairperson of EAC Heads of States' Summits, to follow up on the way forward for the EPA.

Discussion is ongoing on expanding the scope of the EPA between the EU and the **Eastern and Southern Africa** (ESA) sub-region. Key issues on which negotiations may be undertaken under the agreement's rendez-vous clauses include SPS, TBT, customs and trade facilitation as well as trade and sustainable development, services, public procurement and upgrading of the dispute settlement mechanism and institutional bodies and monitoring provisions. The agreement is currently applied by Madagascar, Mauritius, Seychelles and Zimbabwe. Comoros signed the agreement in 2017 and has started implementing it from the beginning of 2019. An evaluation of the current EPA with ESA will be performed, that will be used as a basis for the SIA in this case.

As outlined in the new Africa-Europe Alliance for Sustainable Investment and Jobs, launched by President Juncker in his State of the Union address in September 2018, the long-term perspective is to create a comprehensive continent-to-continent free trade agreement between the EU and Africa. Economic Partnership Agreements and other trade regimes with the EU should be used to the greatest extent as building blocks to the benefit of such an African Continental Free Trade Area (AfCFTA).

On-going negotiations

Following the resumption in 2016 of negotiations of an Association Agreement with the

South American sub-regional trading bloc **Mercosur**¹¹, negotiations have continued on the trade part of the Agreement. Significant progress has been achieved and both sides remain committed to the conclusion of the negotiations as soon as it is possible to reach a satisfactory deal. An independent SIA is being carried out.

The EU and Mercosur are already very important trading partners. EU firms exported 45 billion EUR in goods in 2017 and 23 billion EUR in services to Mercosur in 2017. EU companies are major investors in Mercosur with a total stock of 381 billion EUR in 2017. Mercosur companies are also increasingly investing in the EU and have reached a stock of 53 billion EUR in 2017.

Following the adoption by the Council of the negotiation directives on 13 November 2017, the EU had three rounds of negotiations with **Chile**¹², two of them in 2018. The negotiations aim at modernising the existing 2003 Association Agreement between the EU and Chile. The aim is to finalise the accompanying SIA during 2019.

Following the authorisation in May 2018 by the Council to open negotiations for free trade agreements between the EU and **Australia** and between the EU and **New Zealand**, respectively, negotiations were launched in June 2018 and the first negotiating rounds were held in July 2018. Subsequent rounds were held with New Zealand in October 2018 and with Australia in November 2018. The procedure for the accompanying SIA was launched in summer 2018 and the contract was signed in December 2018.

The EU is Australia's second-biggest trade partner. Bilateral trade in goods between the two partners has risen steadily in recent years, reaching almost 48 billion EUR in 2017. Bilateral trade in services added an additional 27 billion EUR. According to an impact assessment, trade in goods and services between the two partners could increase by around a third.

The Commission had also launched negotiations for free trade agreements with **Indonesia**¹³, **Malaysia**, the **Philippines**¹⁴ and **Thailand**. With Indonesia, three rounds of negotiations took place in 2018. A SIA for the negotiations with Indonesia, Malaysia and the Philippines is being undertaken and the three respective final reports are due in early 2019.

In the EU's immediate neighbourhood, a **Union for Mediterranean** Trade Ministerial meeting was successfully held in March 2018 after a previous political blockage for eight years. Ministers agreed to advance the regional trade agenda, finalise the negotiation for modernised rules of origins, continue efforts to facilitate trade of Palestinian products and adopted Action Plans on Intellectual Property Rights and sectoral cooperation. On the bilateral front, negotiations with **Tunisia**¹⁵ for a Deep and Comprehensive Free Trade Agreement (DCFTA) continued, after a pause, in 2018 with a second round in May and a third round in December. However, DCFTA negotiations with **Morocco** remained on hold during 2018 at Morocco's request, as they carried out additional internal studies and consulted civil society and other domestic stakeholders. DG Trade has continued to work in 2018 with other partners in the Southern Mediterranean region to build on the existing network of Free Trade Agreements (FTAs).

DG Trade has further collaborated with the European External Action Service (EEAS) on working towards finalising new comprehensive agreements with **Azerbaijan**¹⁶ and

¹¹ <http://ec.europa.eu/trade/policy/countries-and-regions/regions/mercosur/>

¹² <http://ec.europa.eu/trade/policy/countries-and-regions/countries/chile/>

¹³ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/indonesia/>

¹⁴ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/philippines/>

¹⁵ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/tunisia/>

¹⁶ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/azerbaijan/>

Kyrgyzstan¹⁷, enhancing our bilateral relations, including trade. With Azerbaijan, the negotiations resumed with a new round in December 2018, which saw good progress across the board. Negotiations on the trade part of the agreement with Kyrgyzstan advanced very well with four rounds held in 2018 since the launch of negotiations at the end of February 2018. Furthermore, the Council issued its negotiating directives in July 2018 to launch trade negotiations with **Uzbekistan**¹⁸ in the context of the broader negotiations towards a new Comprehensive Agreement.

In addition, seven rounds of negotiations took place in 2018 towards finalising a new framework agreement with Andorra, San Marino and Monaco, ensuring their integration in the single market and their alignment with the EU's trade policy.

A number of key outstanding issues remain in relation to the EU's trade and investment negotiations with **India**¹⁹. These include improved market access for certain goods and services, government procurement, geographical indications, sound investment protection rules, and sustainable development. Under the guidance of the chief negotiators, experts from both sides engaged in a detailed stocktaking exercise to review each side's positions, and on that basis assess the possibility to resume the trade negotiations. Moreover, several technical discussions dedicated to investment issues took place in 2018. For the moment the conditions to resume are not yet in place but the EU remains committed to working constructively with India towards an improved business environment, enhanced and fair market access, and investment protection.

Talks on the stand-alone bilateral investment agreement with **China**²⁰ intensified throughout 2018. The first exchange of market access offers took place in the margins of the EU-China Summit in July 2018. However, regarding the investment agreement with **Myanmar**²¹, after the good progress made in 2017, the negotiations were put on hold throughout 2018 because of the human rights situation in that country.

DG Trade contributed to the Commission's work regarding the withdrawal of the UK from the Union. DG Trade provided analytical input and assistance throughout the negotiations on the Withdrawal Agreement and other aspects including interactions with the EU's trade partners.

The proposal of new bilateral negotiations

On 21 December 2016 the Commission recommended to the Council to start negotiations with **Turkey**²² to extend the EU-Turkey preferential trade relationship and to modernise the Customs Union. This recommendation is still pending for decision by the Council. Given current political conditions in Turkey, the General Affairs Council, in its conclusions adopted in June 2018 stated that no further work towards the modernisation of the EU-Turkey Customs Union is foreseen.

The Commission has continued its exploratory work in advance of a scoping exercise in view of possible investment negotiations with **Hong Kong**, as well as with the separate **Customs Territory of Taiwan, Penghu, Kinmen and Matsu**. A meeting of the EU-Taiwan Investment Working Group took place in May 2018 to share information on the most recent developments regarding the respective investment policies.

On 25 July 2018, Presidents Juncker and Trump issued a joint statement announcing

¹⁷ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/kyrgyzstan/>

¹⁸ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/uzbekistan/>

¹⁹ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/india/>

²⁰ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/china/>

²¹ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/myanmar/>

²² <http://ec.europa.eu/trade/policy/countries-and-regions/countries/turkey/>

their intention to work together to **facilitate transatlantic trade**. The statement was a critical step in de-escalating the rising tensions with the United States and allowed both sides to enter into a constructive bilateral dialogue under the aegis of an Executive Working Group set up by the Joint Statement. Discussions with the US on more precise objectives started in the summer of 2018 and are currently ongoing in the framework of the Executive Working Group. In January 2019 the Commission proposed negotiating directives with a view to two new negotiations; one on tariffs and the other on mutual recognition of conformity assessment.

Transparency in EU Trade Negotiations

Transparency Policy in DG TRADE



Listening and Engaging

DG Trade has paid special attention to ensuring that trade negotiations are transparent throughout the entire process. Transparency is fundamental to better regulation; and essential to ensure the legitimacy of EU trade policy and public trust. Before a negotiation is launched, the Commission now publishes all its recommendations for negotiating directives for trade agreements (such as those for Australia, New Zealand, Ukraine (Amendment to the trade related part of the Association Agreement) and the Multilateral Investment Court). DG Trade also encourages the Council to publish the final version of FTA negotiating directives after their adoption and the Council has done so on a case by case basis for Australia, New Zealand, Chile, Ukraine, the Multilateral Investment Court, Canada, Japan, the US and the Trade in Services Agreement.

During negotiations of FTAs and trade parts of wider agreements such as Association Agreements, e.g. those with Mexico, or Chile, DG Trade publishes systematically the EU's initial proposals for legal texts as well as a report after each negotiating round. It was also agreed in 2018 that, as of 2019, the same will also apply to the trade parts of negotiations for modernized Partnership and Cooperation Agreements, such as those with Azerbaijan or Kyrgyzstan. Shortly after a negotiation is finalised, the Commission publishes the final consolidated negotiated text of the agreement supported by information material explaining the results of the negotiations.

The Commission's commitment to transparency also continues during the implementation of trade agreements. For example, starting with CETA, the agendas and reports of committee meetings for all new FTAs are being published, such as those of the Joint Committee or of the specialised committees and dialogues. To the extent possible, this approach is also being applied to the other EU trade agreements that are already in force.

2018 also saw the launch of a Commission expert group on trade agreements that supports DG Trade's work, with technical expertise and practical experience. The group, responding to an agenda set by the Commission, covers both negotiations and the implementation of trade agreements. The group is composed of stakeholders ranging from trade unions, employers organisations, consumer groups and other non-governmental organisations. This expert group met six times in the course of 2018. DG Trade also has other expert groups, made up of Member State participants, for issues such as 'Trade and sustainable development' and the 'Responsible sourcing of tin, tantalum, tungsten and gold'. Agendas and reports of the meetings of such groups are generally publicly available.

In 2018, DG Trade has continued to engage with stakeholders and civil society, at all stages: before, during and after an FTA negotiation, both in Europe and in the partner country, through Civil Society Dialogues, workshops, interviews and public consultations that are fundamental components of every impact assessment, sustainability impact assessment and ex post evaluation.

Specific objective 2: Effective implementation

Effective implementation of the EU's trade and investment policies secured, amongst other, through proper monitoring, enforcement and support

DG Trade has continued the focus on maximising the benefits of our trade instruments through proper implementation and enforcement of our trade and investment rights and building on the findings of the evaluation of FTAs already in place.

As far as FTAs are concerned, the Commission has enhanced its partnership with Member States, the European Parliament and stakeholders for implementing the EU's trade agreements.

The percentage of EU trade covered by applied bi-lateral and regional agreements has increased over the last years (Key Performance Indicator 2). This increase goes also with an increase of the number of EU's exporting and importing SMEs (Result indicator 1.6).

In 2018 DG Trade worked on outreach to these actors and focused, among other things, on awareness-raising, regular structured exchanges on FTA related activities, on market access and on the sustainable development side, and SME internationalisation. As regards sustainable development, the Commission stepped up actions for effective implementation and enforcement of the trade and sustainable development chapters in EU FTAs, as mentioned under the Specific objective 4. With regard to trade promotion activities, DG Trade encouraged Member States to strengthen their actions, share best practices and prioritise countries where we have recently concluded agreements or anticipate doing so in the next 12 to 18 months.

In order to make sure that the EU remains one of the world's most open investment environments, and thereby a source of growth and jobs while protecting its essential interests, the Commission proposed on 13 September 2017 a new framework for screening of Foreign Direct Investment into the EU. It consisted of a dedicated Communication outlining the strategic need for such a framework entitled "Welcoming Foreign Direct Investment while Protecting Essential Interests"²³ as well as a Proposal for a Regulation of the European Parliament and the Council establishing a framework for **screening of foreign direct investments** into the European Union²⁴. In addition, a Staff Working Document was published providing information on FDI inflows, their implications and the potential risks they may pose for security and public order in the EU²⁵.

Political agreement between the co-legislators on the new Regulation was reached on 21 November 2018. The Council and the EP have subsequently endorsed the political agreement on 5 December and 10 December 2018, respectively. The EP agreed on plenary session on the 14 February 2019 and Council endorsed the agreement on 5 March. It would be applied in full as from the end of the transitional period in October 2020. In view of the ambitious nature of the mechanism, work to prepare its implementation will start in 2019.

"Europe that protects has become a reality. This mechanism is a concrete step against threats to our industries, technologies and strategic interests. We have succeeded in setting up this mechanism quickly, despite the sensitivity of the subject, some reticence and unprecedented pressure. Europe is taking control of its destiny, while staying open for foreign investment", said Franck Proust, the MEP steering the measure through

²³ Welcoming Foreign Direct Investment while Protecting Essential Interests, COM(2017) 494 final

²⁴ Proposal for a Regulation establishing a framework for screening of foreign direct investments into the European Union, COM(2017) 487 final

²⁵ [SWD\(2017\)297](#)

The expert coordination group dedicated to inward foreign direct investment (FDI), including all issues within the scope of the proposed Regulation, which is chaired by the Commission and composed of representatives of Member States, met twice in 2018. Once the Regulation is in place, the expert group will also discuss systemic issues regarding its implementation.

In this context, in 2018, DG Trade engaged in a trilateral cooperation with the relevant US and Japanese authorities to cooperate on FDI screening by exchanging best practices and sharing experiences. DG Trade will also represent the EU in the working group on investment screening set up by the G7 in 2018.

Lastly, in the State of the Union (SOTEU) 2017, it was announced that the Commission will carry out a further in-depth analysis of foreign direct investment flows into the EU, especially in strategic sectors (e.g. energy, space, transport) or assets (technologies and inputs linked to strategic sectors, critical infrastructures across sectors, sensitive data) that may raise concerns in the areas of security, public order and/or control of critical assets, in particular when the investor is owned or controlled by a third country, or benefits from significant state subsidies. The Commission staff working document presenting the findings of the study was published on 13 March 2019.

DG Trade has continued to oversee internally the implementation of the EU's trade agreements and to ensure a more effective and coherent approach to implementation with the work of the FTA coordination and coherence group and of the Coherence Officer for Implementation.

Implementation of EU Trade Agreements

In relation to individual bilateral agreements, DG Trade monitors the implementation of agreements that have entered into force or are provisionally applied. Some examples of more recent trade agreements are described below.

The EU-**Canada** Comprehensive Economic and Trade Agreement (CETA) entered into provisional application on 21 September 2017. In the first year of provisional application both sides have put in place the Agreement's institutional structure, to allow the establishment and functioning of the various CETA committees and dialogues that will among other things follow up on the Agreement's implementation.

In terms of concrete deliverables, the CETA Joint Committee adopted in 2018 three recommendations which set the stage for further work, to encourage small and medium-sized enterprises (SMEs) to use opportunities offered by CETA, work jointly on climate action measures and the implementation of the Paris Agreement within the CETA context, and to work jointly to better understand how trade agreements can contribute to gender equality.

The Trade and Sustainable Development Committee also started reviewing the agreement's provisions on sustainable development with a view to improving their effectiveness in line with the Commission's overall Trade and Sustainable Development review.

In addition to removing virtually all customs duties, CETA has given a boost to the business climate between the EU and Canada, offering valuable legal certainty for EU companies looking to export. Although it is too early to draw any firm conclusions, the initial trade results are pointing in the right direction. The statistics available show that EU exports to Canada went up by over 9.7% in 2018.

Commissioner for Trade Cecilia Malmström said in September 2018: *"The EU-Canada trade agreement has now been in action for a year and I'm pleased with the progress*

made so far. The preliminary data shows there is plenty to celebrate, even at this stage. Exports are up overall and many sectors have seen impressive increases. This is great news for European businesses, big and small. As ever with these agreements, there are certain areas where we have to make sure that we thoroughly implement what has been agreed, making sure that citizens and companies can fully benefit from the new opportunities."

DG Trade has maintained focus on the **South Korea** FTA²⁶ through the management of six specialised committees, seven working groups and the annual FTA Trade Committee. With regard to the ex-post evaluation of the implementation of the EU-Korea FTA, the Staff Working Document was published on 7 March 2019²⁷.

Within Latin America, DG Trade continued pursuing the effective implementation of the **Mexico, Chile, Colombia/Ecuador/Peru**²⁸ and **Central America** Agreements²⁹ through the management of the specialised committees and the annual Trade Committee/Association Council. Substantive work was carried out throughout 2018 in EU Delegations in the countries concerned and in DG Trade to monitor the implementation of specific issues, to disseminate information about the agreements in the EU and in the partner countries and to support implementation of the agreements.

DG Trade also monitored the implementation of the Deep and Comprehensive Free Trade Areas (DCFTAs) of the Association Agreements (AAs) with **Ukraine, Georgia and Moldova**. Each DCFTA provides for a dedicated Association Committee in Trade Configuration (ACTC) and four specialised trade-related Sub-Committees (on SPS, Geographical Indications, Trade and Sustainable Development and Customs). The state of play of the DCFTAs implementation with Georgia Moldova and Ukraine has been reflected in the Commission's Staff Working Document: *Looking for Eastern Partners' Potential to Enhance Trade and Economic Integration with the EU and within the Eastern Partnership Region. Factual Analysis*, published in January 2018³⁰, as well as in the second edition of the Annual Implementation report approved by the Commission in autumn 2018 (see below).

Apart from the institutional setting under the Association Agreements/DCFTAs, DG Trade established in 2017 the *Eastern Partnership Expert Panel on Trade and Trade Related Regulatory Cooperation*. The panel met for the second time in June 2018. It gathered representatives from six Eastern Partnership countries, EU Member States, civil society and international organisations and it is a unique platform for monitoring but also exchanging experience on the implementation of Georgia's, Moldova's and Ukraine's ambitious commitments in the DCFTAs to approximate their domestic regulatory framework to the EU acquis in trade-related areas. As a follow up to the Eastern partnership Summit of November 2017³¹, a first EU-DCFTA Informal Ministerial Meeting on Trade took place in Brussels on 20 September 2018 and delivered an additional impetus to timely and proper implementation of the DCFTAs by Georgia, Moldova and Ukraine.

In the margins of the fifth Eastern Partnership summit in Brussels on 24 November 2017,

²⁶ The EU-Korea FTA has been provisionally applied since July 2011, and was amended in 2014 to include Croatia as a party to the FTA with effect from 1 July 2013.

²⁷ SWD(2019)102

²⁸ The EU-Colombia/Peru FTA has been provisionally applied since 2013. Ecuador acceded to the Colombia/Peru agreement on 1 January 2017. <http://ec.europa.eu/trade/policy/countries-and-regions/regions/andean-community/>

²⁹ The EU-Central America Association Agreement has been provisionally applied since 2013. <http://ec.europa.eu/trade/policy/countries-and-regions/regions/central-america/>

³⁰ Looking for Eastern Partners' Potential to Enhance Trade and Economic Integration with the EU and within the Eastern Partnership Region. Factual Analysis, SWD(2018) 35 final, Brussels, 15.1.2018.

³¹ <https://www.consilium.europa.eu/media/31758/final-statement-st14821en17.pdf>

Armenia and the EU signed a new Comprehensive and Enhanced Partnership Agreement. This non-preferential agreement provisionally entered into force on 1 June 2018. It includes a series of ambitious trade related provisions and work has already commenced in implementing them, with a specific project launched with regard to the implementation of the commitments by Armenia to respect the EU's Geographical Indications, notably Cognac. The first meeting of the EU-Armenia Partnership Committee in Trade Configuration took place in Yerevan on 25 September 2018. Its main objective was to take stock of the state of play of implementation of the Agreement.

Efforts were made with the **Southern Mediterranean countries** to improve the efficiency of Sub-Committees under the Association Agreements and to ensure that annual Trade Sub-Committee meetings effectively tackle all trade-related issues. DG Trade pressed these partners to remove trade-related barriers, while also assisting them to take better advantage of the existing preferential market access, in particular through trade-related assistance and capacity building. To be noted that in the case of Algeria and lately of Tunisia new import restrictive measures taken recently on a wide range of products have severely affected EU interests in these countries. These matters have been discussed extensively with the partners including at high-level with the aim of solving these matters in the shortest possible time and in the most effective way for its economic operators.

A tender procedure for the evaluation of the trade pillar of six EU Association Agreements with Southern Mediterranean countries (Tunisia, Morocco, Egypt, Jordan, Algeria and Lebanon) was finalised in December 2018 and the project started work in January 2019 to be finalised in early 2020. This exercise will help us to better understand the strengths and weaknesses of these first generation agreements and provide useful guidance on improving the effectiveness of their implementation as well as feed into the on-going work on future DCFTAs with partner countries in the region.

Implementation work on **Economic Partnership Agreements (EPAs)** with **African, Caribbean and Pacific (ACP) countries** has intensified in 2018. Five countries of the South African Development Community (SADC) started provisional application of the EPA with the EU in 2016 and Mozambique in February 2018. The implementation of the interim EPAs with Ivory Coast and Ghana in West Africa also moved forward. Monitoring activities apply to all relevant aspects, including compliance with EPA commitments and the impact of trade on sustainable development. Annual meetings of the joint bodies for the EPAs with the Caribbean, Eastern and Southern Africa EPA-group, SADC EPA and Pacific countries, as well as Ivory Coast and Ghana took place in 2018. Samoa's accession into the EU-Pacific EPA was finalised in 2018 with provisional implementation starting on 31st December 2018, whereas Solomon Islands submitted a formal accession request and Tonga notified its intention to join this Agreement. An *ex-post* evaluation to review the impact and implementation of the EPA with the Caribbean region was launched in 2018 and will be finalised by the end of 2019.

DG Trade continued to implement the EU strategy on **China** adopted in June 2016³². There was a particular focus on bilateral strategic discussions on trade and investment issues covering China's agenda for economic reforms; overcapacity concerns (particularly on steel, export controls); level-playing field issues, such as subsidies; Chinese investments in the EU, and the investment negotiations; market access; and intellectual property rights. The implementation of the EU Connectivity Strategy (unveiled in October 2018) will also entail forging synergies between China's Belt and Road Initiative and the EU's initiatives related to connectivity, with a view to improving Europe-Asia connectivity.

The implementation of the strategy also led to plurilateral and multilateral discussions during 2018 in the framework of G7, G20, the Organisation for Economic Co-operation and Development, and the WTO including on overcapacity and level playing field issues,

³²http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council_-_elements_for_a_new_eu_strategy_on_china.pdf

as well as the International Working Group on export credits.

DG Trade continued to remove trade barriers through our **Market Access Partnership** with Member States and industry, which creates additional export opportunities of at least 6.1 billion EUR in 2018 – equivalent to the benefits of many of our free trade agreements – for EU companies. During the course of 2018, a total of 35 existing obstacles – including several long-standing ones – were resolved in 25 different countries around the world in several sectors. DG Trade is committed to reinforce the Partnership, with enhanced prioritisation of actions to remove barriers, strengthened coordination with stakeholders, and wider communication and outreach.

DG Trade's activities in this area also include its work with the **Sanitary and Phytosanitary** (SPS) Market Access Working Group on identifying and agreeing on a mid- to long-term strategy to tackle SPS measures and the continued financial support to international standard setting organisations. In this respect, success stories in opening third country markets for certain Member States exports of agri-food products are noticeable in 2018 – more than 30 barriers have been lifted (e.g. Chinese market was opened for beef from France and Ireland, Japan market was reopened for poultry from 27 Member States, Vietnamese market was opened for Belgium and the Netherlands for beef).

DG Trade also continued to enforce the EU's multilateral and bilateral rights and obligations through the **WTO's dispute settlement and through bilateral dispute settlement mechanisms** throughout the year 2018. DG Trade also managed cases brought in investor-state dispute settlement mechanisms, i.e. the Energy Charter Treaty and under the Grandfathering Regulation³³. DG Trade monitored how WTO members comply with their membership commitments, including those stemming from plurilateral agreements (notably ITA). By way of example, in 2018, the EU has launched a WTO dispute against the US' steel and aluminium measures (DS548), and a WTO dispute against China on its measures related to technology transfer (DS549). The EU also initiated compliance proceedings in DS 475, with respect to Russia's measures relating to the importation of pork. The EU has also ensured the correct implementation of WTO rulings by third countries: for example by Russia in the disputes relating to tariffs (DS485) and to anti-dumping measures on Light Commercial Vehicles (DS479), and by China in the third dispute on raw materials ("Raw materials III", DS 509).

As part of its **implementation and enforcement** efforts, the Commission reported on trade barriers and protectionist trends. The second report on the implementation of Free Trade Agreements was published in October 2018, covering the period 1 January-31 December 2017³⁴. The report analyses the evolution and effects of trade agreements. It looks at the development of trade in goods and services, the elimination of non-tariff barriers and the implementation of the rules' framework of the agreements (e.g. IPR, public procurement, competition) and of the provisions on trade and sustainable development. The report also provides information on ongoing work to improve information, communication and transparency to better inform stakeholders of trade opportunities, in particular small and medium-sized enterprises. The 2018 report also provided a focus on trade in agri-food products as the EU has become the biggest agri-food exporter and the second biggest agri-food importer in the world.

Specific objective 3: Tackling unfair trade

Maintain and improve a transparent, efficient and effective system to combat distortions and unfair trade practices in international trade

³³ Regulation (EU) No 1219/2012 of the European Parliament and of the Council of 12 December 2012 establishing transitional arrangements for bilateral investment agreements between Member States and third countries

³⁴ http://trade.ec.europa.eu/doclib/docs/2018/october/tradoc_157468.pdf

The EU uses trade defence instruments to re-establish a competitive environment for EU industry when it is harmed by unfair imports.

The 2013 Commission proposal on modernisation of the EU's Trade Defence Instruments³⁵ entered into force on 8 June 2018. Among other things, the amendments make it possible to impose provisional anti-dumping measures more quickly. Moreover, the rules on the application of the lesser duty rule have been brought in line with current economic realities; for instance by making sure that the calculation of the EU industry's target price covers all relevant costs including those resulting from Research and Development (R&D) as well as those that result from compliance with multilateral environmental agreements and International Labour Organisation (ILO) conventions. The latter aspect is not only important in economic terms but also because it reflects the need to respect social and environmental values in international trade. The law now mandates the Commission to take into account certain export restrictions imposed by exporting countries on relevant raw materials in the context of the lesser duty rule.

The modernisation package completes the reform of the Union trade defence legislation, which started with the introduction on 20 December 2017 of a new method for calculating dumping on imports from countries where there are significant market distortions, in particular where the state has a pervasive influence on the economy.

DG Trade maintained and improved a transparent, efficient and effective system to combat distortions and unfair trade practices. DG Trade completed investigations, which are subject to the scrutiny of the European Court of Justice and the WTO's Dispute Settlement Body, within the mandatory deadlines. DG Trade made investigations more transparent and efficient by using a new web platform (TRON) for consulting files and communications with parties participating in the investigations. The Commission also improved efficiency because the overall time for investigations and for adoption of provisional measures was shortened, but without compromising the quality of the investigations.

The efficiency and effectiveness of the EU's TDI system is reflected in the development of a number of key indicators concerning its economic importance. 320.000 jobs benefit from these measures and would otherwise have been exposed to injurious dumping and/or subsidisation, ultimately threatening the continued existence of these industries, as the steel crisis brought into sharp relief.

DG Trade also actively monitored trade defence investigations by non-EU countries against EU Member States and registered as an interested party with the aim of minimising the cost for EU exporters.

The Commission published in July 2018 its annual report on trade defence activities. As part of Commission's commitment to "Europe that protects", the report details how the EU used its anti-dumping and anti-subsidy measures in 2017 to ensure a level-playing field for European companies, in line with the requirements of the WTO.

In the current situation of overcapacity in the steel sector, a Ministerial meeting of the Global Forum on Steel Excess Capacity in Paris, agreed to implement the commitment undertaken by the G20 Leaders at the Hangzhou and Hamburg summits in September 2016 and July 2017. In line with the G20 mandate, the September 2018 Paris Ministerial agreed on important steps to enhance transparency, monitor and further reduce capacity wherever necessary; avoid that overcapacity is exacerbated in the future; and address its root causes.

DG Trade also worked through multilateral, plurilateral and bilateral channels to prevent the emergence of overcapacity in other sectors, notably in the aluminium and high-tech sectors.

³⁵ COM(2013)192: http://trade.ec.europa.eu/doclib/docs/2016/november/tradoc_155079.pdf

DG Trade intensified its efforts to deal with level-playing field issues such as subsidies and the role of State Owned Enterprises across all sectors, by working closely with other trading partners, as well as in the WTO, the OECD and the G7/G20.

The use of the trade defence safeguard instrument played an important role in the package of measures the EU adopted in response to the unlawful imposition by the US of tariffs on the imports of steel and aluminium products. The Commission initiated in March 2018 a large-scale and sensitive safeguard investigation with a view to deter trade diversion produced by the US measures. The investigation, after an in-depth study of the situation and following consultations with preferential trade partners under the relevant FTAs and WTO members, led to the adoption in early 2019 of multilateral tariff rate quotas on the imports of 26 product categories of steel until that will be liberalised progressively until June 2021. The tariff rate quotas have been designed in such a way that trade disruption is minimised and traditional trade flows are preserved. For the aluminium sector, the Commission decided to introduce prior surveillance of imports to monitor trade developments.

Specific objective 4: A sustainable approach to trade

Improved sustainable economic, social and environmental conditions for consumers, workers, citizens and businesses in the EU and in non-EU countries and a special focus on human rights, responsible management of supply chains and good governance

In 2018, EU trade policy continued to contribute to the Treaty objective of **sustainable development in its economic, social and environmental dimensions** both in Europe and in our partner countries, and to boost inclusive and sustainable growth and reducing poverty in developing countries.

As foreseen in the 'Trade for All' Communication³⁶, DG Trade reinforced its agenda to promote sustainable development, human rights and good governance, in the spirit of the UN's 2030 Agenda for Sustainable Development, including by ensuring that FTA provisions related to these and the Generalised Scheme of Preferences³⁷ are implemented effectively.

The Commission continued to negotiate ambitious Trade and Sustainable Development Chapters in EU FTAs to promote respect of labour rights and the protection of environment, including with a view to complying with international commitments. The Commission also continued to work effectively with FTA partners to implement those chapters. The Commission paid particular attention to trade and climate by, inter alia continuing to engage in the debate at international level and developing implementation actions in EU FTAs, where pertinent.

The debate launched by the Commission on **improving the implementation and enforcement of Trade and Sustainable Development (TSD) Chapters**³⁸ was concluded in February 2018, resulting in a revamped approach to TSD. This is contained in a *15-Point TSD Action Plan*, with concrete actions across four headings: (1) Working Together; (2) Enabling Civil Society; (3) Delivering; and (4) Communicating and Transparency. Its implementation is ensured through enhanced partnership with Member

³⁶ http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153846.pdf

³⁷ The EU's Generalised Scheme of Preferences (GSP) aims to help developing countries to integrate in the international trade system by facilitating exports of their products to the EU. To this end the tariffs are reduced or eliminated for their goods imported into the EU market. Through the additional export revenue, which is generated, GSP fosters economic growth and jobs and supports their development.

³⁸ On 11 July 2017, the Commission launched a debate on the enforcement and implementation of EU FTA's Trade and Sustainable Development (TSD) Chapters. The basis for this debate was a non-paper prepared by the Commission and transmitted to the Member States and the European Parliament and made public (available on DG Trade website http://trade.ec.europa.eu/doclib/docs/2017/july/tradoc_155686.pdf)

States, the European Parliament, international organisations and civil society.

As part of the implementation of the *TSD Action Plan*, a 3 million EUR project was launched in November 2018 to support civil society involvement in the implementation and monitoring of EU trade agreements. The project will have a duration of three years and is funded through the Partnership Instrument.

As set out in the *TSD Action Plan*, in 2018 specific attention was paid to ensure implementation of commitments in TSD Chapters by EU partners. For the first time, the Commission activated the TSD-related dispute settlement process and requested formal consultations with South Korea. The Commission also stepped up engagement with Peru and Guatemala. Work also progressed in terms of preparation of the implementation of TSD Chapters of upcoming and new FTAs such as those with Japan, Vietnam and Singapore. The annual *FTA Implementation Report* provided more detailed information on overall progress on TSD implementation.

The Commission also pursued a better link between trade policy instruments (e.g. Generalised Scheme of Preferences, Sustainable Development Chapters in FTAs) and cooperation with the aim of promoting labour rights and environmental protection, including actions on climate. The **Trade for Decent Work** project was signed in December 2018 with the International Labour Organization (ILO) with the aim of building capacity on labour rights in a number of trading partners as well as the promotion of Corporate Social Responsibility (CSR). The project has been conceived as an overarching framework for enhanced cooperation on trade and decent work issues. It will provide each year *ad hoc* support on labour rights that might arise in relevant EU partners or in the context of global initiatives, as well as on capacity building to a number of trading partners. The project will start in 2019 with supporting activities in Bangladesh, Myanmar and Vietnam.

The EU has been actively promoting **due-diligence practices for responsible global value chains through several internal and external policies**. For example, in 2014, the EU adopted the Non-Financial Disclosure Directive (2014/95/EU) which requires companies with more than 500 employees to disclose information on policies, results and risks concerning environmental aspects, social and employee-related matters, respect for human rights, anti-corruption and bribery issues. Related *guidelines*³⁹ on its implementation were adopted in June 2017. Large undertakings and groups started reporting in 2018 about the 2017 financial year.

When it comes to trade policy, the EU has negotiated and reinforced dedicated Corporate Social Responsibility (CSR)/Responsible Business Conduct (RBC) provisions in trade and investment agreements and has worked very closely with the OECD in developing sectoral and general due diligence guidelines.

Work on the implementation of these provisions has also advanced. For example, in the context of the EU-Central America trade agreement, the EU organised a conference and workshop on responsible business practices in 2018 in Guatemala. The event brought together policymakers, business, trade unions and civil society. It involved close partnerships with international organisations such as the ILO and the OECD to create awareness and promote international guidelines as well as share best practices on CSR/RBC.

The Commission has developed capacity building and outreach programmes to help developing countries address responsible business practices, notably with on-going projects under the Partnership Instrument on responsible supply chains in Asia and Latin America.

³⁹ Communication from the Commission Guidelines on non-financial reporting (methodology for reporting non-financial information), 2017/C 215/01, OJ C 215, 5.7.2017.

In 2018, the Commission proposed for adoption a Commission Implementing Regulation suspending the tariff preferences for certain GSP beneficiary countries in respect of certain GSP sections in accordance with Regulation (EU) No 978/2012 applying a scheme of generalised tariff preferences for the period of 2020–2022 as foreseen in the **GSP Regulation**.

In January 2018, the Commission published the second *Report on the Generalised Scheme of Preferences covering the period 2016-2017* to the European Parliament and The Council. The *Report* shows that EU trade preferences under GSP continue to support developing countries through increased trade with the EU. Especially, EU imports from least developed countries, benefiting from zero tariff duties on all exports except arms and ammunition, increased considerably between 2014 and 2016 – by around 38% to 23.5 billion EUR.

In October 2018, the Commission reported – as part of the mid-term evaluation to the European Parliament and the Council - on the application of GSP Regulation.⁴⁰ The results indicated that the 2012 reform of the GSP Regulation is well on track to reach its objectives.

The Commission has intensified the dialogue with some Everything But Arms countries to press for concrete actions to address serious shortcomings in respecting fundamental human and labour rights. In particular, in view of the deteriorating human and labour rights situation in Bangladesh, Myanmar and Cambodia, the Commission and EEAS have engaged more assertively with these countries and started a process of enhanced monitoring. With Cambodia, the Commission has launched the procedure for a temporary withdrawal of tariff preferences.

As foreseen in the *Trade for All* Communication, DG Trade reinforced its focus on the **gender** angle of trade inclusiveness. It has actively participated in the actions foreseen in the *Joint Declaration on Trade and Women's Economic Empowerment*⁴¹ adopted during the 11th WTO Ministerial Conference in Buenos Aires in December 2017. DG Trade has also developed and proposed gender specific provisions on trade and gender equality for the modernisation of the trade part of the EU-Chile Association Agreement. In addition, DG Trade developed with Canada a recommendation on trade and gender under CETA, which seeks to increase women's access to and benefits from the opportunities created by CETA. DG Trade has launched the study on *Women in Trade: Collecting data on women entrepreneurship and female employment in exporting and importing firms in selected EU Member States* (August 2018 – October 2019) which aims at improving knowledge about the impact of trade instruments on gender equality. DG Trade regularly raises awareness on the importance of gender equality for economic growth and on the opportunities that trade can provide, for example, through a dedicated debate on trade and women's economic empowerment at European Development Days in June 2018.

The EU's foreign policy remains the primary instrument for the EU to promote **human rights** in third countries, through a broad range of tools, from bilateral Human Rights Dialogues to the adoption of sanctions. In 2018, DG Trade advanced work on the outstanding trade-related actions under the *EU Human Rights Action Plan 2015-2019*. This included intensified dialogue on human rights with specific GSP beneficiaries, ensuring that relevant trade policy tools are appropriately used to contribute to address human rights issues, in particular in relation to child and forced labour as well as reinforced analysis and assessments of the impact of trade initiatives on human rights.

In the same spirit of promoting good governance, in cooperation with EU Member States and the European Parliament, the Commission negotiated provisions to fight and prevent corruption in the modernised agreement with Mexico. Similar provisions have been

⁴⁰ Report from the Commission to the European Parliament and the Council on the application of Regulation (EU) No 978/2012 applying a Scheme of Generalised Tariff Preferences and repealing Council Regulation (EC) No 732/2008, COM(2018) 665 final, Brussels, 4.10.2018.

⁴¹ https://www.wto.org/english/thewto_e/minist_e/mc11_e/genderdeclarationmc11_e.pdf

proposed to Chile and are under negotiation at this stage.

Well-functioning **intellectual property** (IP) systems are a key lever to promote investment in innovation and sustainable growth. DG Trade continued to engage with key trading partners to cooperate towards an adequate and efficient protection and enforcement of IP rights. In 2018 DG Trade held IPR Dialogues and Working Groups with China, the US, Ukraine, Turkey, Korea, Hong Kong, Taiwan and Thailand. The Commission (DG Trade), in cooperation with the European Union Intellectual Property Office, started in 2018 three IP technical cooperation programmes ("IP Key" 2017-2020) in China, in South East Asia and in Latin America. In 2018 DG Trade published an updated report on the protection and enforcement of intellectual property rights in third countries and, for the first time, the IP Markets Watch List. The Watch List identifies, on the basis of input from stakeholders, online and physical markets located outside the European Union that are reported to engage in, or facilitate, substantial IPR infringements, and in particular piracy and counterfeiting.

In the area of **public procurement**, DG Trade continued to promote transparency, good governance and reciprocity with third countries, including through pursuing the establishment of an appropriate EU instrument to ensure openness of foreign procurement markets for EU companies, goods and services (International Procurement Initiative).

In the current deteriorating security environment, it is also important that trade policy contribute to the preservation of international peace and security whilst ensuring the protection of human rights. Therefore, the Commission tabled in 2016 a recast proposal⁴² of the Regulation on **controlling exports of dual use items**⁴³. The purpose of the proposal is to strike a balance between ensuring a high level of security and adequate transparency, and maintaining the competitiveness of European companies and legitimate trade in dual-use items. The proposal has been under discussion by the co-legislators in 2018 and DG Trade welcomed the European Parliament's first reading position on 17 January 2018, and engaged with Member States to support the adoption of a Council position. DG Trade will continue to monitor the legislative procedure closely with an aim of adoption in 2019.

DG Trade contributed to the broader work on preparedness and contingency measures in case the United Kingdom leaves the EU without any agreement in place. DG Trade provided input and expertise informing stakeholders, among others, by relevant preparedness notices and guidance documents. On dual use, the Commission put forward a legislative proposal (COM(2018) 891 final) adding the UK to the list of destinations covered by EU General Authorisation (EU001).

The Commission continued to develop the EU export control network to ensure an effective implementation of controls, e.g. through the development of electronic licensing systems in Member States and the preparation of EU guidelines on industry compliance standards. The Commission also participated in meetings relating to multilateral export control regimes and in export control dialogues with third countries in an effort to promote export control convergence globally.

With regard to responsible sourcing of the so-called '**conflict minerals**' tin, tantalum, tungsten and gold, DG Trade continued the implementation of Regulation (EU) 2017/821 and delivered a series of specific initiatives. This included two sets of non-binding guidelines in the form of Commission Recommendations. The first one concerned the criteria for conflict-affected and high-risk areas for businesses, and the second one was addressed to EU Member States' competent authorities on how to implement the Regulation at national level. In addition, the Commission adopted on 11 January 2019 a regulation on the methodology and criteria for the recognition of supply chain due

⁴² COM(2016)616: http://trade.ec.europa.eu/doclib/docs/2016/september/tradoc_154976.pdf

⁴³ Regulation (EC) No 428/2009

diligence schemes.

The **European Trade Policy Day 2018** was the fourth annual conference of its type. Entitled 'In defence of fair and open trade – Rising to the challenges, tackling the threats', it brought together some 470 business men and women, civil society, stakeholders and experts. The event also had considerable visibility on social media, with the related hashtag (#EUTrade) the most used in Belgium on the day of the event.

The Commission gave its first **EU Cities Award for Fair and Ethical Trade** in June 2018. The award aims to recognize and encourage the future prospects and sustainability of the city's efforts in terms of promoting fair and ethical trade. Informed decision-making of EU consumers and the role of cities as platforms for increasing information flows about such sustainability schemes were at the core of the award's objectives. The city of Ghent won because of the city government's demonstrable commitment to putting ideas into practice, a packed program of events, and its impressive pedigree as Belgium's first Fair Trade Town. Apart from the main award for Ghent special mentions were assigned to Saarbrücken ("Inspiring procurement practice"), Lyon ("Innovation"), Madrid ("Global Partnerships") and Dortmund ("Education and community participation").

With respect to the 'Anti-Torture' Regulation, and following the successful launch of a **Global Alliance to end trade in goods that can be used for torture or capital punishment** on 18 September 2017 involving Commissioner Malmström, DG Trade has supported the Service for Foreign Policy Instruments (FPI) in its efforts to promote the EU model and encourage third countries to develop and adopt similar legislation. The first ministerial conference of the Alliance was held in New York on 24 September 2018 in the margins of the United Nations General Assembly.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section explains *how* the DG delivered the achievements described in the previous section. It is divided into two subsections.

The first subsection reports the control results and all other relevant information that support management's assurance on the achievement of the financial management and internal control objectives⁴⁴. It includes any additional information necessary to establish that the available evidence is reliable, complete and comprehensive; appropriately covering all activities, programmes and management modes relevant to the DG.

The second subsection deals with the other components of organisational management: human resources, better regulation principles, information management and external communication.

2.1 Financial management and internal control

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes.

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director-General. The reports produced are:

- A signed declaration by all Authorising Officers by Sub-Delegation confirming that all transactions authorised by them during 2018 were legal and regular and implemented in accordance with the principles of sound financial management;
- The report issued for the attention of the Director responsible for Risk Management and Internal Control on the state of play of internal control systems in DG Trade;
- The reports from Authorising Officers in other DGs managing DG Trade's budget appropriations;
- The reports on recorded exceptions and non-compliance events;
- The limited conclusion on the state of control in DG Trade issued by the Internal Audit Service (IAS);
- The observations and the recommendations reported by the internal (IAS) and external (European Court of Auditors) auditors.

This section reports the control results and other relevant elements that support management's assurance. It is structured into (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of the internal control system, and resulting in (d) Conclusions on the impact as regards assurance.

2.1.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives⁴⁵. The DG's

⁴⁴ Art 36.2 FR: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions

⁴⁵ 1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into

assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the relevant control systems.

DG Trade is a policy DG with a relatively small budget. The majority of its budget is implemented through direct management, while part of the contributions to international organisations are implemented through delegated agreements, i.e. indirect management. DG Trade's budget was implemented in 2018 as follows:

Total expenditure	Commitments in million EUR	Payments in million EUR
Administrative expenditure (excl. external staff)	4.46	0.22
Contributions to International Organisations	5.49	5.28
Procurement activities	11.81	10.53
Cross sub-delegations to other DGs	0.07	-
Total (as presented in Annex 3)	21.83	16.03
Co-delegation to other DGs	0.67	4.88
Total expenditure	22.50	20.91

The expenditure managed by DG Trade falls into the following categories:

- ***Administrative expenditures***

More than 90% of the administrative budget (missions expenses, meetings of committees and expert groups, training, conferences and other miscellaneous expenditure) managed by DG Trade is actually paid by PMO. Missions represent more than 85% of all administrative expenditure in DG Trade.

- ***Contributions to international organizations***

Overall, the value of the payments linked to contributions to international organizations represented about 33% of the total budget expenditure in 2018. DG Trade awarded direct grants and delegated agreements to international organisations with a view to implement multilateral programmes and initiatives, notably in the field of trade related assistance to strengthen the capacity of developing countries to participate effectively in the multilateral trading system and regional trading arrangements and to improve their trade and investment performance.

- ***Procurement activities (contracts)***

Overall, the value of payments linked to signed contracts represented about 66% of the total budget expenditure in 2018. DG Trade mainly acquired services for economic and impact assessment studies, organising conferences and negotiation rounds, IT support, legal and other services. These services are generally provided by specialised consultants or service providers through public procurement.

- ***Cross sub-delegations***

In 2018 DG Trade has cross sub-delegated appropriations to DG COMM (see below). Being a Commission service itself; its Authorising Officer by Delegation (AOD) is required to implement the appropriations subject to the same rules, responsibilities and accountability arrangements. The cross sub-delegation agreement requires the AOD of the DG, to whom the appropriations have been delegated, to report on the use of these appropriations.

account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.

DG	Consumed commitment appropriations in million EUR	Consumed payment appropriations in million EUR
DG COMM	0.07	-

For the 2018 reporting year, the cross-delegated AOD has reported reasonable assurance on the delegated budget managed by them on behalf of DG Trade. No serious control issues have been signalled.

The new 2018 Financial Regulation introduces a few additional reporting requirements in the AAR⁴⁶. DG Trade did not have any of these cases in 2018.

Considering the very small amount entrusted to other DGs, and bearing in mind the report without reservation from the relevant Authorising Officers, DG Trade will not perform any additional controls as regards legality, regularity and error rates.

1. Effectiveness = the control results and benefits

- **Legality and regularity of the transactions**

DG Trade has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

DG Trade continues to operate a combination of a fully centralised financial circuit and a decentralised financial circuit with counter-weight. All transactions are therefore subject to an independent ex-ante financial verification (100% of transactions). No ex-post function is set up. In addition, a combination of preventive, detective and corrective controls are embedded into the programming and planning, verification, execution and monitoring, management and reporting, and communication processes so as to ensure an effective mitigation of any financial management risks.

In addition, for all the contributions to international organisations, the disbursement of funds takes place after the conclusion of a Pillar Assessed Grant or Delegation Agreement (PAGODA agreement) with the beneficiary. Each agreement requires that international organisations have successfully passed the pillar assessments. A verification check is normally done only in cases when there are indications of possible incorrect spending of EU funds. As there have been no indications that the funds were not correctly spent in 2018, no verification mission nor audit was initiated during last year. At the same time one project visit to an International Organization was organized by the financial team of DG Trade, with the aim to confirm the adequacy of the implementation of the action from a financial and contractual point of view. The evaluation of the project visit and eventual follow-up is still ongoing.

The objective of the control system is to ensure that the DG has reasonable assurance that the amount of financial operations authorised during the reporting year and which would not be in conformity with the applicable contractual or regulatory provisions, does not exceed 2% of the total expenditure for the reporting year.

In DG Trade, the 2% threshold applies to any transaction that has been registered as an exception or a non-compliance event and which has a quantifiable impact on the legality and regularity of the underlying transaction.

In 2018, 2 non-compliance events were recorded as control weaknesses. None of these

⁴⁶ any cases of 'confirmation of instructions' (new FR art 92.3); cases of financing not linked to costs (new FR art 125.3); Financial Framework Partnerships >4 years (new FR art 130.4); cases of flat rates >7% for indirect costs (new FR art 181.6); cases of "Derogations from the principle of non-retroactivity [of grants] pursuant to Art 193 FR" (new FR art 193.2).

non-compliance events had an impact on the legality and regularity of the transactions. All concerned events related to formal compliance issues which do not have a negative impact on the budget.

The correction of detected erroneous invoicing which involved an amount unduly invoiced, resulted in 20 credit notes for a total amount of 79,976 EUR and 16 cases of claiming an ineligible amount totalling 1,640 EUR. Please refer to table 8 in Annex 3 for details. All errors and irregularities have been discovered before the actual payment. No other elements were brought to the attention of the AOD which could give rise to a financial correction or an ex-post recovery.

The legality and regularity is demonstrated by the following key indicators:

INDICATOR	TARGET	2018	2017	2016	2015	2014
No of financial exceptions	Keep stable/ reduce	None	None	1	2	4
No of non-compliance events	Keep stable/ reduce	2	4	7	10	2
No of decisions overriding controls	None	None	None	None	None	None
No of legal cases following complaints in procurement procedures	None	None	None	None	None	None
ASSESSMENT						
The rate of financial exceptions/non-compliance events decreased in 2018 compared to previous years. An examination of the nature of the non-compliance did not reveal any fundamental weaknesses in the control system. In addition, they were considered not to impact the legality and regularity of the underlying transactions.						
Legal cases: In 2018, there were no legal cases, nor complaints, about a procurement procedure.						

In the context of the protection of the EU budget, at the Commission's corporate level, the DGs' estimated overall amounts at risk and their estimated future corrections are consolidated.

For DG Trade, the estimated overall amount at risk *at payment*⁴⁷ for the 2018 expenditure is 0.063 million EUR. This is the AOD's best, conservative estimation of the amount of *relevant expenditure*⁴⁸ during the year (12.617 million EUR) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made⁴⁹.

⁴⁷ In order to calculate the weighted average error rate (AER), the *detected or equivalent* error rates have been used; see note 6 to the table.

⁴⁸ "relevant expenditure" during the year; see note 5 to the table.

⁴⁹ "payments made" or *equivalent*; see note 2 to the table.

The internal control strategy foresees the implementation of an ex-ante control of 100% of the expenditure authorised. Given that there is no ex-post control function setup, no future corrective capacity after the payments have been made is being considered.

As a result, the estimated overall amount at risk at payment is considered to be the same as the estimated overall amount at risk at closure, i.e. 0.063 million EUR.

Table X - Estimated overall amount at risk at closure

DG Trade	"payments made" (FY; m€)	<i>minus</i> new prefinancing [<i>plus</i> retentions made*] (in FY; m€)	<i>plus</i> cleared prefinancing [<i>minus</i> retentions released* and deductions of expenditure made by MS] (in FY; m€)	= "relevant expenditure" (for the FY; m€)	Average Error Rate (<i>weighted</i> AER; %)	estimated overall amount at risk at payment (FY; m€)	Average Recoveries and Corrections (<i>adjusted</i> ARC; %)	estimated future corrections [and deductions] (for FY; m€)	estimated overall amount at risk at closure (m€)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Programme, Budget Line(s), or other relevant level	as per AAR Annex 3, table 2	as per ABAC DWH BO report on prefinancing	as per ABAC DWH BO report on prefinancing	= (2) -/+ (3) +/- (4)	Detected error rates, or equivalent estimates	= (5) x (6)	H-ARC (as per ABAC DWH BO report on corrective capacity), <u>but adjusted</u>	= (5) x (8)	= (7) - (9)
Procurement	10.527	0.000	0.000	10.527	0.5%	0.053	0.0%	0.00	0.053
Contributions to International organizations	5.280	5.172	1.762	1.870	0.5%	0.009	0.0%	0.00	0.009
Administrative expenditures	0.220	0.000	0.000	0.220	0.5%	0.001	0.0%	0.00	0.001
Overall, total	16.027	5.172	1.762	12.617	0.5%	0.063; 0.5% of (5)	0.00%	0.00; 0% of (5)	0.063; 0.5% of (5)

Notes to the table

(1) Differentiated for the relevant portfolio segments at a level which is lower than the DG total

(2) Payments made or equivalent, such as after the expenditure is registered in the Commission's accounting system, after the expenditure is accepted or after the pre-financing is cleared. In any case, this means after the preventive (ex-ante) control measures have already been implemented earlier in the cycle. In all cases of Co-Delegations (Internal Rules Article 3), the "payments made" are covered by the Delegated DGs. In the case of Cross-SubDelegations (Internal Rules Article 12), they remain with the Delegating DGs.

(3) New pre-financing actually paid by out the department itself during the financial year (i.e. excluding any pre-financing received as transfer from another department). The "Pre-financing" is covered as in the context of note 2.5.1 to the Commission (provisional) annual accounts (i.e. excluding the "Other advances to Member States" (note 2.5.2) which is covered on a pure payment-made basis).

"Pre-financings paid/cleared" are always covered by the Delegated DGs, even in the case of Cross-SubDelegations.

(4) Pre-financing actually having been cleared during the financial year (i.e. their 'delta' in FY 'actuals', not their 'cut-off' based estimated 'consumption').

(5) For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to L&R errors (*see the ECA's 2017 AR methodological Annex 1.1 point 15*), also our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out [*& adds the retentions made*], and adds the previous pre-financing actually cleared [*& subtracts the retentions released and those (partially) withheld; and any deductions of expenditure made by MS in the annual accounts*] during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

(6) In order to calculate the weighted Average Error Rate (AER) for the total relevant expenditure in the reporting year, the detected error rates have been used – or equivalent. For types of low-risk expenditure with indications that the equivalent error rate might be close to 'zero' (*e.g. administrative expenditure, operating subsidies to agencies*), it is recommended to use 0.5% nevertheless as a conservative estimate.

(8) Even though to some extent based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD has adjusted this historic average from 1.9% to 0.0% given that all transactions are subject to an independent ex-ante financial verification (100% of transactions) and there is no ex-post function is set up.

- ***Fraud prevention, detection and correction***

DG Trade has developed and implemented its own anti-fraud strategy since 2013, elaborated on the basis of the methodology provided by OLAF. It has been updated in 2015 and its implementation is being monitored every year. In 2018 all actions have been implemented.

The update of DG Trade's anti-fraud strategy started in 2018 but it will only be finalised in 2019 to be in line with the new Commission Anti-Fraud Strategy (CAFS) that is foreseen to be published in the first quarter of 2019.

Despite its small budget, DG Trade has put in place various control levels to minimise the risk of fraud in financial transactions. Furthermore, clear procedures and guidelines on how to detect and report potential fraudulent cases, including whistleblowing, have been put in place and shared with staff.

In 2018 no cases were reported by DG Trade to OLAF. Moreover, and to DG Trade's knowledge, there are no cases linked to financial procedures or staff matters currently being investigated by OLAF. Cooperation with OLAF continues to work well in the area of fraud linked to trade defence investigations on which 25 files were analysed by OLAF in the course of 2018.

2. Efficiency = the Time-to-pay

The efficiency of DG Trade's internal control processes is measured by "the Time-to-pay" indicator.

During 2018, DG Trade made a total of 599 payments amounting to 16.03 million EUR. 96% of them were done in time, with an average net payment time of 18.09 days.

3. Economy = the cost of controls

DG Trade quantifies the costs for carrying out the controls described in Annex 5 on the basis of the human resources required for these controls and estimates their benefits, in so far as possible, in terms of the amount of errors and irregularities prevented, detected and corrected by these controls (as shown in Annex 3, table 8). However, most benefits are non-quantifiable since they include non-financial gains such as compliance with regulatory provisions, deterrent effects, system improvements and protection from reputational damage.

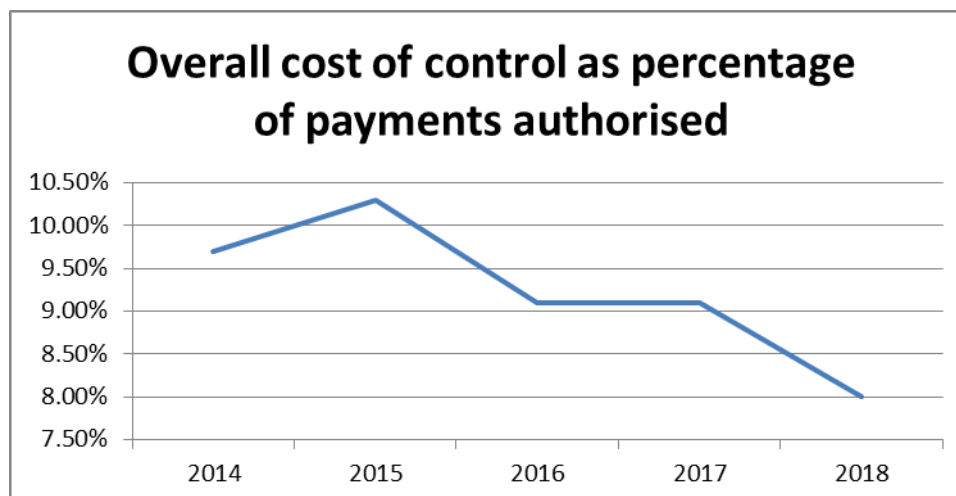
DG Trade has produced an estimation of the costs of its main control processes (as shown in Annex 9, table Y). DG Trade estimates the overall cost of control at 1.3 million EUR⁵⁰.

Apart from the above mentioned Commission's own cost of control, there are fees paid to international organizations for their overall administration/management which are, however, broader and cover much more than control operations. In the case of DG Trade this fee represents a 7% flat-rate of the final amount of the direct eligible costs actually incurred, representing a total amount of 0.35 million EUR for the year 2018.

DG Trade applies a 100% ex ante verification to all transactions and procedures. This verification includes mainly procurement procedures and direct awards of grants and delegation agreements. To a large extent, both are governed by a regulatory framework which cannot be curtailed. No ex-post control function is established.

⁵⁰ This corresponds to 10.7 FTE, representing the estimated combined effort of actors in the financial and operational units involved in the execution and verification of financial transactions in DG Trade.

Given that DG Trade is a small-spending DG, which cannot split the cost of controls between Direct and Indirect Management modes, DG Trade retained a single overall cost of control indicator:



The slight decrease of the percentage of cost of controls (see the chart) reflects the fact, that the overall cost of control remained stable compared to previous year, while the level of authorized payments increased slightly. DG Trade considers that these controls are strictly necessary in order to ensure compliance with regulatory requirements. As demonstrated in Annex 5, a substantial part of the appropriations could be at risk if these controls were not in place. For these reasons, the overall cost of control has to be seen in relation to DG Trade's relatively small amount of payments (16.03 million EUR).

Taking into account the obligations resulting from the regulatory framework, the total costs of controls and both the quantifiable and non-quantifiable benefits, DG Trade considers that the controls performed today are cost-effective, efficient and necessary. DG Trade continues to assess its control model and examines whether it is possible to make it even more cost-effective and efficient.

4. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, DG Trade has assessed the effectiveness, efficiency and economy of the control system and reached a positive conclusion on the cost-effectiveness of controls.

DG Trade's control environment and strategy remained stable during the reporting year and also compared to the previous years. DG Trade considers that the applied control strategy fits very well to its profile of low spending DG and is the best suited to fulfil the intended control objectives efficiently and at a reasonable cost. The main focus is on ensuring an adequate balance between low error rates, fast payments and low costs of controls.

2.1.2 Audit observations and recommendations

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the limited conclusion of the Internal Auditor on the state of control, which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

Audits completed in 2018

In November 2018 the IAS completed an audit on financial management of procurements contracts and grants, where the internal auditors concluded that the internal control system in place provides reasonable assurance regarding the achievement of the business objectives set up for the management of procurement and grants and the efficiency and effectiveness of the related financial circuits.

Although the audit did not reveal any critical or very important issues, the IAS issued one recommendation with suggested areas for improvement (mainly in the document management of financial files and in relation with some particular procedures). The action plan to address them will be implemented by DG Trade throughout 2019.

Implementation of audit recommendations

- **IAS audit on internal processes supporting trade policy negotiations (final report issued in October 2017)**

The IAS issued five recommendations with suggested areas for improvement, notably as regards the organisation of the negotiating process, the information security related to negotiations, the IT support tool for negotiations (NEST) and the need for efficient risk and workload assessment around the negotiations.

Parts of the recommendations were already fully implemented. For the rest, actions were taken in all areas but the full implementation of the recommendations will be finalised throughout 2019.

- **IAS audit on ethics in DG Trade (final report issued in November 2016)**

Several actions were undertaken in order to reinforce systematic reporting and monitoring activities in the ethics area, notably the launch of an Ethics survey within DG Trade, as well as to clarify rules and procedures regarding contacts with interest groups.

The implementation of the last open recommendation from this audit (additional monitoring activities on ethics) was finalised and it is currently under revision by the IAS.

- **IAS audit on Financial and Procurement Management in DG Trade (final report issued in September 2015)**

This audit focused on procurement procedures covering all budget lines directly managed by DG Trade as Authorising Officer by Delegation. All the recommendations were addressed and actions completed. The last recommendation to reflect on the adequacy of the control model in place for procurement procedures was implemented through a reflection paper in June 2018.

- **ECA audit on the management of Preferential Trade Arrangements (issued in May 2014)**

The only remaining open issue resulting from the ECA audit was about the monitoring of the GSP scheme in view of ensuring that it meets its policy objectives to contribute to combating global poverty and promoting sustainable development. These issues were addressed in the GSP mid-term review on the application of the whole GSP Regulation which was adopted and submitted to the European Parliament and to the Council in October 2018.

As a result of the assessment of the risks underlying the auditors' observations together with the management measures taken in response, the management of DG Trade believes that the recommendations issued do not raise any concerns towards the assurance. These recommendations

are being implemented as part of on-going and continuous efforts by DG Trade to seek for further improvement and efficiency in its processes.

None of the above mentioned recommendations were rated as critical or required the issuance of a reservation. Moreover, DG Trade's control system is not considered to be affected by these recommendations.

In its contribution to the 2018 AAR exercise, the IAS concluded that the audited DG Trade's internal control systems are effective. This conclusion is based on all work undertaken by the IAS in the period 2016-2018 and taking into account the actions plans adopted to implement recommendations made by the IAS in 2016-2018.

2.1.3 Assessment of the effectiveness of the internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with the internal control framework is a compulsory requirement.

The assessment and report of the effectiveness of the internal control system in 2018 was based for the first time on the new Internal Control Framework that was implemented in DG Trade from 1 January 2018.

DG Trade has put in place the organisational structure and the internal control systems suited to the achievement of the policy and internal control objectives, in accordance with the Commission standards and having due regard to the risks associated with the environment in which it operates. Within the DG, Unit A.1 is responsible for advising, monitoring, assessing and reporting on the internal control systems in DG Trade. Unit A.1 assists DG Trade's Director responsible for Risk Management and Internal Control (RMIC).

The present assessment relates exclusively to the implementation of internal control systems for which DG Trade is responsible and, therefore, does not include reporting on internal control arrangements in EU Delegations.

Management assesses on a continuous basis the effectiveness of the internal control systems, in order to determine whether they work as intended and ensuring that any control weaknesses in the system are detected, analysed and considered for improvement. In addition, management performs specific assessments to ascertain whether the internal control systems and their components are present and functioning. The purpose of these management assessments is to provide reasonable assurance that the internal control principles (ICPs) adopted by the Commission are implemented and functioning in the DG, that the assessment findings are evaluated and that any deficiencies are communicated and corrected in a timely manner, with serious matters reported as appropriate.

The 2018 assessment of the internal control systems was launched in December 2018 and completed in February 2019 following the methodology established in the "Implementation Guide of the Internal Control Framework of the Commission". The report was sent to the Director responsible for Risk Management and Internal Control. The following elements have been taken into account in order to build reasonable assurance on the functioning of the entire internal control systems in DG Trade:

- Analysis of the internal control monitoring criteria;

- Provisional results of the 2018 staff survey;
- Qualitative assessments by the units/sectors/teams in charge of the implementation of particular Internal Control Principles;
- Desk review of information collected throughout the year for internal control matters, in particular records from management meetings, trainings and meetings covering specific internal control issues (e.g. security, access to documents, ethics, etc.);
- Results of the latest risk assessment exercise;
- The reports by the Authorising Officers by Subdelegation (AOSD Declaration);
- The register of exceptions and non-compliance events;
- The IAS opinion on the state of control;
- Audit/control information (IAS, ECA, OLAF, IDOC) and DG Trade's actions undertaken in response to it, exception reports, and relations with central services.

Based on the above elements it can be concluded that all principles are effectively and efficiently implemented. For certain elements covered under specific Internal Control Principles, minor additional measures should be taken to further improve the effectiveness of DG Trade's internal control systems. ICP 4 "attract, develop and retain staff", ICP 8 "anti-fraud strategy", ICP 10 "control activities", ICP 12 "non-compliance events" and ICP 13 "information security" would require specific attention:

- ✓ Following up on the recommendations by the IAS on the audit on trade negotiations processes, notably on information security measures (ICP 13), DG Trade's organisation and internal processes, definition of roles and responsibilities, training and IT support (ICP 4 and ICP 12);
- ✓ Update of DG Trade's anti-fraud strategy in line with the new Commission anti-fraud strategy (ICP 8);
- ✓ Update of the Financial Manual following the recommendations from the IAS (ICP 10);
- ✓ Recurrent non-compliance event (ICP 12) regarding legal commitments being signed before the budgetary commitments.

DG Trade has put in place all the necessary mitigating measures to improve the effectiveness of its internal control system.

Finally, in 2018 there were no exceptions and the number of non-compliance events (two cases) decreased in comparison with 2017 (four cases) and can be considered as reasonable. Moreover, the non-compliance events did not reveal any fundamental weaknesses in the control system and they were considered as not having an impact on the legality and regularity of the underlying transactions.

DG Trade has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning as intended. In addition, on the principles 4, 8, 10, 12 and 13, even though they are present and functioning well overall, some improvements are needed as some minor deficiencies, as described above, were identified.

2.1.4 Conclusions on the impact as regards assurance

This section reviews the assessment of the elements reported above (in Sections 2.1.1, 2.1.2 and 2.1.3), the sub-conclusions above, and draws the overall conclusion supporting the declaration of assurance and whether it should be qualified with reservations.

Review of the elements supporting assurance

While DG Trade has a relatively small budget to manage, the key controls implemented in DG Trade operate appropriately as confirmed by the different audits conducted and the assessment of the internal control system. The outcome of all the audits, the regular and comprehensive follow-up of the related audit recommendations and the results of the internal control assessment constitute important components of assurance in this respect.

Taking into account the conclusions of the review of the elements supporting assurance, DG Trade considers that the information presented above gives a full and fair presentation of the systems in place to ensure that resources assigned to the DG have been used for their intended purposes and in accordance with the principles of sound financial management and those of legality and regularity.

It is therefore possible to conclude that the internal control systems implemented by DG Trade provide sufficient assurance to appropriately manage the risks relating to the legality and regularity of the underlying transactions. Furthermore, it is also possible to conclude that the internal control systems provide sufficient assurance with regards to the achievement of the other internal control objectives.

Overall Conclusion

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

2.1.5 Declaration of Assurance

DECLARATION OF ASSURANCE

I, the undersigned,

Director-General of DG Trade

In my capacity as authorising officer by delegation declare that the information contained in this report gives a true and fair view⁵¹.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, the work of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution.

Brussels, 29 March 2019

(e-signed)

Jean-Luc DEMARTY

⁵¹ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

2.2 Other organisational management dimensions

In order to illustrate how the Commission is continuously trying to improve its functioning with a view of investing its resources not only to the most relevant objectives but also in the most economical and efficient manner, DG Trade has chosen the following two examples of specific efforts that it has made to improve the economy and efficiency of financial and non-financial activities. For a full overview of the performance indicators on organisational management please refer to Annex 2.

Example 1 - HR management

Given the continued visibility and high political pressure on trade policy DG Trade remains determined effectively and efficiently to absorb both the effects of budgetary constraints and continuous high workload and to ensure that as far as possible DG Trade staff is allocated to key priorities, both at Headquarters and in Delegations.

To support this goal, DG Trade joined a small number of DGs in the roll-out and development of the new staff mapping tool ATLAS from the pilot phase to its current deployment. DG Trade subsequently opted for a full use of the tool in order to get the best possible overview of its resources both in Headquarters and in Delegations. The Human Resources Business Correspondent (HR BC), together with the Head of Unit TRADE A.1. and the Resource Director, established a centralised model to ensure a coherent and efficient approach for the use of the tool in the DG, while not imposing a disproportionate administrative overhead on middle management. This allowed the use of the tool for strategic HR analysis purposes.

Example 2 – streamlining financial management

DG Trade will closely follow-up the development of the eProcurement project and pursue the deployment of the ensuing applications as the main driver of efficiency gains in financial management.

Following the implementation of e-ordering (in 2015), e-fulfilment (in 2017) and e-submission (in 2017), DG Trade started in 2018 to deploy the IT system Advance Gateway to your Meetings (AGM). This system facilitates the preparation and organisation of meetings. Once the system will be fully deployed, AGM should increase efficiency in this area and especially in handling of reimbursement files for experts participating at meetings.

DG Trade continues to analyse the cost-effectiveness and efficiency of its processes and proposes appropriate measures, mainly relating to simplification of validation chains and level of responsibilities, when they are considered beneficial.

2.2.1 Human resource management

Within DG Trade, the HR Business Correspondent and its team coordinate strategic HR matters and prepare the related decisions of the DG's management. Its success draws on the regular and appropriate direct access to Senior Management within DG Trade and this has contributed in 2018 to the efficient and smooth running of the new HR delivery model in a pragmatic and positive manner to ensure a smooth delivery of DG Trade's HR matters for all involved, staff, managers and the partners within the HR Community.

DG Trade's specific objective relating to Human Resources is to motivate and retain highly qualified staff in order to maintain an effective and efficient operation of DG Trade. Therefore DG Trade continued in 2018 to treat this as a priority.

The latest staff survey took place in the autumn 2018 and final results have not yet been released for both headquarters and Delegations. Therefore, for reporting on the indicators in 2018 the reference is made only to headquarters results. DG Trade's staff engagement (i.e. the overall indicator for staff satisfaction) in 2018 came out at 75% which is 6 percentage points above the Commission average. This is a clear improvement compared with the 2016 staff satisfaction survey. Despite this very positive feedback, results on well-being remains slightly below the Commission average (52%) although having seen a major increase to 50%. The staff survey also showed the need to continue to improve and increase internal communication actions, which we are addressing in our HR strategy.

Being mindful of the very high workload in DG Trade, further actions seeking to improve work-life balance/well-being, focusing on managing stress and workload (including through elements of flexibility like teleworking and flexitime) were seen as priority in 2017 and in 2018. A specific action plan to address the 2016 staff survey results was put in place in 2017 with a special focus on career development, work-life balance, well-being and internal communication. Building on this action plan, DG Trade prepared and adopted its new HR Strategy 2018-2020.

In 2018 DG Trade continued the implementation of the revised action plan and, among other initiatives, focused on providing our management team with training events relating to soft skills, to the prevention of burn-outs and the importance of respect and dignity. With health and well-being at the heart of our strategy, DG Trade organised a Health Week, a teambuilding day dedicated fully to our AST staff and also reinstated the DG Trade Summer party after a gap of several years (during the annual training week for trade staff in EU delegations) which allowed our staff at headquarters and those posted around the world to meet informally.

In addition to well-being, as regards learning and development, special focus was put on actions on management development, in addition to those on trade policy. For example, a pre-management development programme was organised for the first time in 2018. Our aim is to continue the implementation of the action plan linked to the new HR Strategy and with similar learning events also in 2019. A revision of the action plan will be considered following the results of the 2018 Staff survey where needed.

Additionally, DG Trade tries to analyse and forward plan its staffing needs in order to optimise the human resources needed for implementing its policy objectives, while at the same time ensuring staff engagement through learning and development, well-being, fit@work and diversity actions. Furthermore, to address staff motivation, an internal mobility exercise (launched for the first time in 2016) was organised again in 2018 for both AD and AST staff. With the continued high workload for DG Trade staff, well-being and staff motivation will continue to be a priority also for the coming year.

As in previous years, and in addition to regular discussions with senior management, and the preparation of ad hoc strategic notes and a resource report, we organise each year a spring and autumn review, where, together with Senior Management, we look at the human resource and mobility situation in the DG. These reviews also help DG Trade's senior management to decide how to meet the increasing workload demands within existing staff levels; to decide any needs for further reinforcement, or whether to consider internal redeployments of staff. Through this process, and in close discussion with the Director General, continuous redistribution of human resources within the DG is possible so that we can meet our priorities while at the same time balance insufficient staff levels and turnover of staff. Where necessary, we take mitigating actions.

Finally, as in previous years, DG Trade continued taking very seriously its commitment to promote gender equality. Compared to the baseline figure 2015 (18.5%) DG Trade has substantially increased the percentage of female middle managers and reached its target

of 30% already in 2017, which was maintained in 2018. In addition, DG Trade reached in September 2017 the additional target of first appointment of two female middle managers. DG Trade also participated in the compulsory middle management mobility exercise, launched by DG HR in 2018. This exercise resulted in one new middle manager joining DG Trade on 1 January 2019.

2.2.2 Better regulation

DG Trade did not submit any impact assessment to the Regulatory Scrutiny Board in 2018.

2.2.3 Information management aspects

Following the Hermes-Ares-NomCom (HAN) indicators (as shown in Annex 2, section 3), the number of registered documents that were not filed in the system has slightly increased, but remains at acceptable levels (1.44% vs. 0.95% in 2017).

In addition, following the full implementation of the 100% electronic e-signatory in Ares launched in January 2017, DG Trade maintains a stable percentage of more than 90% of registered documents with fully approved e-signatory. This procedure has facilitated a better use of electronic workflows, with a reduction of the errors caused by the parallel circulation of paper files and a reduction of paper storage.

The number of emails registered with AresLook has reached one third of the total of documents registered in Ares (33.50% in 2017 and 33.63% in 2018), which should be maintained in the future. Therefore, the target of this output has been revised in the 2018 Management Plan.

Relevant results have been achieved in the domain of information and knowledge management in DG Trade: Trade notifications (Tron) is now operational and used for the exchange of information in an increasing number of Trade Defense cases; DG Trade has also contributed with a software component to the inter-DG project for the creation of a Commission-wide case management system (CASE@EC); Quality data service & advanced reporting (Quasar) supports trade data analysis and statistics reports as well as the generation of statistical reports in specific domains and applications such as Events Management Tool (EMT), allowing for systematic records of meetings with external stakeholders. DG Trade's Intranet (My TRADEnet) has migrated to My Intracomm during 2018.

Major milestones have also been achieved in knowledge management in support to trade negotiations. Two key modules of the Negotiations Support Tool (NEST), i.e. the Trade Agenda and Free Trade Agreement (FTA) documents modules, are now available from the home page of My TRADEnet. They are also accessible to staff in Delegations. The Trade Collaborative Space (Trade Together) is equally accessible by staff in Delegations and available from My TRADEnet.

Regarding the protection of personal data, a mapping exercise of the existing processing of personal data in DG Trade started in the first half of 2018 with a view of identifying areas in which action was needed in preparation of the entry into application of Regulation (EU) No 2018/1725. This has helped us in ensuring compliance with data protection principles and rules, in particular as regards lawfulness, data minimisation, retention periods and storage limitation.

The results of the exercise have also been used for the purpose of converting existing notifications into records. This exercise started when the new IT tool, Data Protection Records Management System (DPMS), became available in December 2018. In parallel,

DG Trade has started the revision of the existing privacy statements in order to ensure compliance with the above-mentioned Regulation.

With respect to lawfulness, DG Trade has identified all existing processes where it relies on consent from data subjects as a legal basis when collecting their personal data. Moreover, DG Trade is assessing if consent remains necessary and if it is used appropriately.

So far, only one case in which there may be a need to restrict the rights of data subjects has been identified in DG Trade in the context of trade defence investigations. For example, in some procedures, investigated companies require anonymity so that their participation in the investigation is kept confidential. For that purpose, DG Trade has adopted a Commission Decision on restriction of certain rights of data subjects.

2.2.4 External communication activities

In 2018, there was a continued high level of interest in trade policy, including relations with the United States; important steps in the EU's trade agreements with Japan, Mexico and Singapore; implementation of trade agreements such as CETA; and the progress of the legislative proposal on investment screening.

The DG's communications, information, outreach and transparency work therefore focused on these priority issues and how they fit into the wider priorities of this Commission, in particular delivering jobs, growth and investment. DG Trade also used its communications efforts to cover other bilateral trade negotiations, as well as the multilateral dimension and the values agenda.

DG Trade continued pursuing this approach not only from Commission headquarters in Brussels, but also from Commission Representations in the Member States, in particular in the three Member States where there are specific posts for trade communications and outreach officers (Berlin, Paris and Vienna). Many of our trade sections across the EU's Delegation network have undertaken similar efforts, particularly in those countries where new agreements are in force, have been provisionally applied or are under negotiation.

Within the Commission, DG Trade worked with other DGs (in particular DG Communication's spokespersons' service) to implement the communication strategy and monitor the impact of our communication policy in Member States' media, social media and politics. DG Trade also cooperates with the European Parliament, the Council and third parties (think tanks and civil society organisations). The DG supported press and media relations through 'lines to take', technical media briefings and interviews as well as seminars dedicated to trade for groups of journalists.

In terms of social media, DG Trade mainly uses its Twitter account (40,000+ followers, with a 26% annual follower growth rate and an average of 514 interactions per tweet) and coordinates closely with the Commissioner's communications adviser with regards to the Commissioner's Twitter account with over 70,000 followers. We also cooperate with the Representations in Member States and the Delegations around the world that also use their social media channels. DG Trade's and the Commissioner's Twitter account, as well as additional social media channels from the Commission and the Representations in Member States, have become increasingly important in our strategy to give visibility to our actions and increase our outreach.

In relation to transparency, DG Trade continued to step up its transparency policy by deciding to publish Commission's proposals to the Council for negotiating directives and the opening of negotiations as well as the explanation of eventual political agreements on trade deals sent to Member States and the EP. Additionally, we continue to publish first negotiating texts and reports of each negotiating round. In 2018, DG Trade published

(including updates of versions already on line) 234 texts: 19 negotiation round reports, 85 negotiation text proposals, 109 factsheets and 21 implementation reports. Starting with CETA, DG TRADE also started to extend its transparency policy to the implementation phase of trade agreements by publishing agendas and reports of meetings of committees and dialogues in charge of the implementation of the agreement.

Communication activities also focused on stakeholder involvement and on an interactive process with civil society. In 2018, DG Trade organised 19 civil society dialogue meetings on different trade policy issues and launched seven public consultations.

The expert group, created in September 2017 and composed of 28 representatives of businesses, trade unions and NGOs, and with observers of the European Economic and Social Committee and the Committee of the Regions, held six meetings in 2018 (twice with the participation of the Commissioner).

In November 2018, DG Trade organised its flagship event on trade policy – the EU Trade Policy Day. The event was very successful, with some 450 people attending and many more watching the web-streamed session. On the day of the conference, our hashtag #EUTrade was once again the number one hashtag in Belgium.