



Current European Union Trade Agreements

Summary

The UK Government has signalled its desire to negotiate a free trade agreement with the EU following the UK's withdrawal, with the Prime Minister, Theresa May, expressing her opinion that the arrangement can be negotiated (but not signed) before the UK leaves in March 2019. However, the Government has also stated that it is not looking for the UK to remain a part of the single market or the customs union as part of any such agreement, as recently expressed in a joint article by the Chancellor of the Exchequer, Phillip Hammond, and the Secretary of State for Exiting the European Union, David Davis:

The UK will look to negotiate a new economic partnership with the EU—the most ambitious in the world—that recognises the extraordinary levels of interconnectedness and cooperation that already exist between us [...] When we leave the European Union, we will leave the Customs Union and Single Market, but in agreeing a new model of cooperation, we should not restrict ourselves to models and deals that already exist [...] Instead we should use the imagination and ingenuity that our two countries and the EU have shown in the past, to craft a bespoke solution that builds on our deeply integrated, unique starting point to maximise economic cooperation, while minimising additional friction. The economic partnership should cover the length and breadth of our economies including the service industries—and financial services.

This Briefing provides summary information on the EU's trading relationships with each country which is a member of the Organisation for Economic Cooperation and Development (OECD), but is not a member of the European Free Trade Association, and also with the five BRICS countries (Brazil, Russia, India, China and South Africa): a total of 15 countries. The EU has a World Trade Organisation (WTO)-recognised 'regional trade agreement' (RTA) with seven of these countries: four involving free trade agreements extending to goods and services; two free trade agreements focused on goods; and one a customs union (Turkey).

In addition, the EU is currently engaged in negotiations with a number of countries with whom it does not currently have a WTO-recognised RTA, in order to agree a free trade agreement. It is also looking to extend the reach of agreements it has already negotiated with a number of countries. This Briefing provides summary information regarding the status of these ongoing negotiations.

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I. Introduction

This Briefing provides summary information on the EU's trading relationships with each country which is a member of the Organisation for Economic Cooperation and Development (OECD), and with the five BRICS countries. However, the Briefing does not include information on the trading relationship with the OECD countries who are members of the European Free Trade Association (EFTA), as (with the exception of Switzerland) these form part of the European Economic Area (EEA).¹

For each, the Briefing highlights:

- the type of agreement in place (if any);
- the World Trade Organisation (WTO) definition of any agreement;
- information on when agreements were signed (and, where possible, how long negotiations took);
- some key points about the agreements or the countries' trading relationship with the EU;
- the status of their trading relationship; and
- a snapshot of their trading relationship (eg trade values and types of goods imported or exported).

In the main, the information is obtained from the European Commission's webpages and published documents on trade with each country. However, as these agreements are often lengthy and complex, the information provided is not comprehensive, but is intended to outline the key parameters of these agreements. In addition, as these agreements vary considerably, WTO definitions have been used to provide a consistent picture as to whether any agreements are considered 'free trade' agreements, and to give an indication of their scope.

Further analysis or commentary on the advantages or disadvantages of different types of trade agreements, particularly in relation to the possible UK-EU relationship after the UK leaves the European Union, can be found in the following sources:

- House of Lords European Union Committee, [Brexit: the Options for Trade](#), 13 December 2016, HL Paper 72 of session 2016–17
- House of Lords European Union Committee, [Brexit: Trade in Goods](#), 14 March 2017, HL Paper 129 of session 2016–17
- Institute for Government, [Trade After Brexit: Options for the UK's Relationship with the EU](#), December 2017

¹ For further information on these trading relationships see: European Free Trade Association, '[European Economic Area/Relations with the EU](#)', accessed 19 January 2018; and European Commission, '[Countries and Region: Switzerland](#)', 20 October 2017.

- House of Commons Library, [Brexit: Trade Aspects](#), 9 October 2017

The Government published a [policy paper on the UK's future trading relationship](#) with the EU and with non-EU countries on 9 October 2017.² The Lords Library has also published a short Briefing on the [UK's future trade and customs policy](#).³

² Department for International Trade and Prime Minister's Office, '[Preparing for Our Future UK Trade Policy](#)', 9 October 2017, Cm 9470.

³ House of Lords Library, [Future of UK Trade and Customs Policy](#), 1 December 2017.

2. OECD Countries: Profiles

2.1 Australia

Full Name of Agreement:

There is no formal/WTO-recognised free trade agreement between the EU and Australia. Instead, trade is conducted under WTO rules and with reference to the [2008 EU-Australian Partnership Framework](#) (the Framework Agreement).⁴

Key Points:

The European Commission states that the Framework Agreement (alongside an updated [Mutual Recognition Agreement](#)) aimed to “facilitate trade in industrial products between the EU and Australia by reducing technical barriers and improve trade in services and investment”.⁵ The Framework Agreement emphasises the reliance on WTO rules, but further states this relationship should be bolstered by bilateral dialogue and agreements where appropriate.⁶ The Mutual Recognition Agreement creates shared recognition of conformity assessment procedures, intended to reduce the costs of testing and certifying imports and exports between the Australian and European markets.⁷

Status of Relationship:

In a joint statement on 15 November 2015, the President of the European Commission, Jean-Claude Juncker, the President of the European Council, Donald Tusk, and the Prime Minister of Australia, Malcolm Turnbull, agreed that work should be undertaken towards negotiating a free trade agreement. The statement outlined the rationale for the move:

We believe that a FTA will support sustainable growth and investment, open up new commercial opportunities and promote innovation and employment in Australia and the EU. We will aim to achieve a comprehensive and balanced outcome that liberalises trade, promotes productive investment flows and enhances the regulatory environment for business. We agreed that discussions to define the scope and approach to the negotiations should start as soon as possible. In parallel, we agreed to take steps to seek the necessary authorisation for the negotiations on the basis of a successful scoping.⁸

⁴ European Commission, ‘[Countries and Region: Australia](#)’, 14 September 2017.

⁵ *ibid.*

⁶ European Commission, [European Union-Australia Partnership Framework](#), November 2009.

⁷ European Commission, ‘[Countries and Region: Australia](#)’, 14 September 2017.

⁸ European Commission, ‘[Statement of the President of the European Commission Jean-Claude Juncker, the President of the European Council Donald Tusk and the Prime Minister of Australia Malcolm Turnbull](#)’, 15 November 2015.

Preparations for the negotiations concluded in April 2017, and the European Commission has now recommended that the EU begin negotiations with Australia.⁹

Trade Summary:

The EU operates a trade surplus in both goods (€19.41 billion in 2016) and services (€10.3 billion in 2015) with Australia. Australia's imports from the EU are predominantly manufactured goods, while Australia's exports to the EU are largely mineral commodities and agricultural products. According to the European Commission, Australia ranked as the EU's 19th-largest trade in goods partner in 2016, while the EU represented Australia's third-largest trading partner after China and Japan in the same period.¹⁰

⁹ European Commission, '[Countries and Region: Australia](#)', 14 September 2017.

¹⁰ *ibid.*

2.2 New Zealand

Full Name of Agreement:

Similarly to Australia, there is no formal/WTO-recognised free trade agreement between the EU and New Zealand. Instead, trade is conducted under WTO rules and with reference to agreements between the parties, such as the recent [2017 Partnership Agreement](#).¹¹

Key Points:

The Partnership Agreement addresses a range of subjects, including security, humanitarian aid, energy, education and economic matters. Regarding trade, the Agreement contains articles covering:¹²

- Dialogue and cooperation.
- Reducing technical barriers to trade.
- Promoting access to each other's government procurement markets.
- Importance of intellectual property rights.
- Cooperation relating to customs and taxation matters.

The parties also have a bilateral agreement for mutual recognition of certain technical certificates, covering medicine products and devices, telecommunication equipment and certain machinery and associated products.¹³ In addition, in 2015 the EU and New Zealand updated their Agreement relating to the simplification of trade in live animals and animal products.¹⁴

Status of Relationship:

As with Australia, preparations have recently been concluded to begin negotiations over a potential free trade agreement between the countries.¹⁵

Trade Summary:

According to the European Commission, the EU is New Zealand's second biggest trading partner (after Australia).¹⁶ The EU operates a trade surplus in both goods (€1.3 billion in 2016) and services (€1.1 billion in 2015) with New Zealand. Exports to the EU are largely made up of agricultural products, and New Zealand's imports from the EU are largely manufactured goods.

¹¹ European Commission, '[Countries and Region: New Zealand](#)', 14 September 2017.

¹² European Commission, '[Partnership Agreement on Relations and Cooperation Between the European Union and its Member States, of the One Part, and New Zealand, of the Other Part, 2017](#)'.

¹³ *ibid.*

¹⁴ *ibid.*

¹⁵ *ibid.*

¹⁶ *ibid.*

2.3 Canada

Full Name of Agreement:

[Comprehensive Economic and Trade Agreement \(CETA\) between Canada, of the one part, and the European Union and its Member States, of the other part](#)

Timescale of Agreement:

Negotiations for CETA were commenced in May 2009, with the Agreement signed and finalised in 2016.¹⁷ According to the European Commission, it provisionally entered into force on 21 September 2017, and “as such, most of the agreement now applies”.¹⁸ However, it will need to be approved by a number of national parliaments (and some regional ones) in EU countries before it can take full effect.

EU Definition of Agreement:

Comprehensive Economic and Trade Agreement¹⁹

World Trade Organisation Definition:

Free Trade Agreement and Economic Integration Agreement (Goods and Services)²⁰

Key Points:

In a 20 September 2017 press release, the European Commission suggested CETA would remove duties (tariff lines) on 98 percent of products which the EU trades with Canada from 21 September 2017, and would give “EU companies the best access ever offered to companies from outside Canada to bid on the country’s public procurement contracts”.²¹ Regarding trade in services, the European Commission has described CETA as the “most far reaching agreement the EU has ever concluded”,²² stating:

European firms will have more opportunities to provide services, such as specialised maritime services like dredging, moving empty containers, or shipping certain cargo within Canada.

In sectors such as environmental services, telecoms and finance, European firms will be able to access Canada’s market at both federal and—for the first time—provincial levels.²³

¹⁷ European Commission, ‘[Countries and Region: Canada](#)’, 21 September 2017.

¹⁸ European Commission, ‘[Comprehensive Economic and Trade Agreement \(CETA\)](#)’,

11 October 2017.

¹⁹ European Commission, ‘[Countries and Region: Canada](#)’, 21 September 2017.

²⁰ World Trade Organisation, ‘[EU-Canada](#)’, 16 January 2018.

²¹ European Commission, ‘[EU-Canada Trade Agreement Enters Into Force](#)’, 20 September 2017.

²² European Commission, ‘[CETA Explained](#)’, 21 September 2017.

²³ *ibid.*

However, the Commission also clarified CETA would not cover public services.²⁴

In addition, a European Commission factsheet offers further explanation, including that CETA:²⁵

- Would immediately remove tariffs on most EU food exports, and reduce barriers to exporting drinks.
- Contained a number of protections for 'sensitive' or geographically linked EU food or drink products.
- Removed Canadian customs duties on certain EU manufacturing exports, including clothing, machinery and vehicles, and medical devices and chemicals.
- Opens up the services sectors (particularly financial services, telecommunications, transport and postal).
- Set up a framework for the mutual recognition of certain professional qualifications (including those in accountancy and law).
- Guaranteed access to Canada's public procurement market.
- Encouraged bilateral investment.
- Improves EU intellectual property protection in Canada.
- Contains legally binding commitments on environmental protection and workers' rights.
- Simplifies customs and trade barriers or technical requirements.

Status of the Agreement:

As noted above, CETA is provisionally in effect, but is still being ratified by national (and regional) parliaments throughout the EU. At the time of writing, seven EU member states have deposited their instruments of ratification: Croatia, Czech Republic, Denmark, Estonia, Latvia, Malta and Spain.²⁶

One aspect not yet in force is the proposed [Investment Court System](#). This would replace the investor-state dispute settlement often used in past agreements.²⁷ Information on some of the concerns regarding this change, and the ratification process more generally (particularly relating to the UK), can be found in the House of Commons Library Briefing, [CETA: the EU-Canada Free Trade Agreement](#) (12 September 2017).

²⁴ European Commission, '[CETA Explained](#)', 21 September 2017.

²⁵ European Commission, '[CETA Overview](#)', September 2017.

²⁶ European Council, '[Comprehensive Economic and Trade Agreement Between Canada, of the One Part, and the European Union and its Member States, of the Other Part](#)', accessed 17 January 2018.

²⁷ European Commission, '[CETA Explained](#)', 21 September 2017.

Trade Summary:

According to the European Commission, the EU is Canada's second-biggest trading partner after the United States.²⁸ The EU operates a trade surplus in both goods (€6.1 billion in 2016) and services (€5.9 billion in 2015) with Canada. The total value of trade in goods between the EU and Canada was €64.3 billion in 2016. Goods trade was predominantly made up of machinery, transport equipment and chemical and pharmaceutical products.

²⁸ European Commission, '[Countries and Region: Canada](#)', 21 September 2017.

2.4 Chile

Full Name of Agreement:

[Agreement establishing an Association between the European Community and its Member States, of the one part, and the Republic of Chile, of the other part](#)

Timescale of Agreement:

The Agreement was signed in 2002, with the goods provisions largely coming into force in 2003 and the services provisions coming into force from 2005.²⁹

EU Definition of Agreement:

Association Agreement (and Additional Protocol)³⁰

World Trade Organisation Definition:

Free Trade Agreement and Economic Integration Agreement (Goods and Services)³¹

Key Points:

The European Commission state the Agreement between Chile and the EU established a “broad and comprehensive” free trade agreement. In particular, the Commission states:

The Agreement:

- Eliminates barriers to trade.
- Establishes clear, stable and transparent rules for exporters, importers and investors.
- Creates a free trade area in goods, services and government procurement.
- Liberalises investment and capital flows.
- Strengthens the protection of intellectual property rights.³²

Status of the Agreement:

In November 2017, it was announced that the EU and Chile would be beginning negotiations to ‘modernise’ their existing Agreement. Although the statement contended the current Agreement had been a success in relation to trade between the parties, it emphasised that it was now 14-years old and does not address the full range of trade and investment opportunities possible.

²⁹ World Trade Organisation, ‘[EU-Chile](#)’, 12 January 2018.

³⁰ European Commission, ‘[Countries and Region: Chile](#)’, 15 November 2017.

³¹ World Trade Organisation, ‘[EU-Chile](#)’, 12 January 2018.

³² European Commission, ‘[Countries and Region: Chile](#)’, 15 November 2017.

The announcement went on to state:

In these new negotiations we have also the opportunity to conclude a trade agreement of the highest calibre that covers all issues, including those that reflect our shared values such as trade and sustainable development, help for small and medium-sized companies, anti-corruption, and trade and gender.³³

Trade Summary:

According to the European Commission, since the Agreement came into force in 2003, bilateral trade between Chile and the EU has grown by 100 percent.³⁴ The EU operates a trade surplus in both goods (€1.2 billion in 2016) and services (€1.8 billion in 2015) with Chile.³⁵ The EU is Chile's second largest trading partner. EU imports from Chile are largely made up of food and live animals, copper, and manufactured goods. Over 50 percent of EU exports to Chile are defined as machinery and transport goods. The European Commission states the EU is also Chile's biggest foreign investor.³⁶

³³ European Commission, '[EU and Chile Launch Negotiations For a Modernised Association Agreement](#)', 16 November 2017.

³⁴ Delegation of the European Union to Chile, '[Chile and the EU](#)', 11 May 2016.

³⁵ European Commission, '[Countries and Region: Chile](#)', 15 November 2017.

³⁶ *ibid.*

2.5 Israel

Full Name of Agreement:

[Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, of the one part, and the State of Israel, of the other part](#)

Timescale of Agreement:

The Agreement was signed in 1995 and came into force in 2000.³⁷

EU Definition of Agreement:

Association Agreement³⁸

World Trade Organisation Definition:

Free Trade Agreement (Goods)³⁹

Key Points:

The EU concluded Euro-Mediterranean Association Agreements between 1998 and 2005 with seven countries in the southern Mediterranean: Israel, Lebanon, Algeria, Egypt, Jordan, Morocco and Tunisia.⁴⁰ According to the European Commission, the scope of these agreements is “essentially limited to trade in goods and a number of bilateral negotiations are on-going or being prepared in order to deepen the Association Agreements”. These bilateral negotiations are often referred to in the Agreements, and include preparatory provisions to:

- open up additional agricultural trade;
- liberalise trade in services and investment;
- negotiate agreements on accreditation and acceptance of industrial products; and
- establish deep and comprehensive free trade areas.

The Association Agreement specific to Israel came into force in 2000, and largely focused on industrial goods. However, the European Commission categorises trade relations between the parties as based on a free trade agreement, and it has stated that (since the initial Agreement):

The EU and Israel have continuously worked on improving trade and economic relations and have signed several agreements to that end:

- Agreement on agriculture and fisheries which greatly improved market access.

³⁷ World Trade Organisation, ‘[EU-Israel](#)’, 12 January 2018.

³⁸ European Commission, ‘[Countries and Region: Israel](#)’, 2 May 2017.

³⁹ World Trade Organisation, ‘[EU-Israel](#)’, 12 January 2018.

⁴⁰ European Commission, ‘[Euro-Mediterranean Partnership](#)’, 22 February 2017.

- “Open Skies” aviation agreement (2013) which further opened EU-Israel air travel and the related Eurocontrol association agreement (2016) which helps to coordinate air traffic and ensures security.
- Agreement on Conformity Assessment and Acceptance of industrial products (ACAA) which currently brings mutual recognition of pharmaceutical certification.

The sides regularly hold sub-committee meetings which strengthen cooperation. The EU also supports the Israeli market reform process, aimed at lowering the cost of living and including market entry conditions for exported goods, with best practices and support to align Israeli legislation with EU legislation.⁴¹

Israel has also signed the [Regional Convention on pan-Euro-Mediterranean Preferential Rules of Origin](#). This relates to ‘cumulation of origin’, which allows a product coming from one partner country to be “processed or added to a product of a second partner country and still be considered an ‘originating product’ of that second partner country for the purposes of a particular trade agreement”.⁴²

Status of the Agreement:

It has been suggested further negotiations to significantly strengthen the trading relationship between the EU and Israel is largely reliant on progress in the peace process involving Israel and Palestine. For example, the EU Delegation to the State of Israel stated:

In 2009, the EU suspended the decision of upgrading relations (i.e. negotiating a more ambitious Action Plan) following operation Cast Lead in Gaza and the stalemate of the peace process. As a result, the validity of the EU-Israel Action Plan, which technically expired in 2008, has been extended regularly ever since (lastly, until end-2016) [...]

According to the Foreign Affairs Council conclusions on the Middle East Peace Process (MEPP) of 16 December 2013 which were reaffirmed on 18 January 2016, the EU will provide an unprecedented package of European political, economic and security support to both parties in the context of a final status agreement. In the event of a final peace agreement the European Union will offer Israel and the future state of Palestine a Special Privileged Partnership including increased access to the European markets, closer cultural and scientific links, facilitation of trade and investments as well as promotion of business to business relations. Enhanced political dialogue and security

⁴¹ Delegation of the European Union to Israel, [‘Israel and the EU’](#), 12 May 2016.

⁴² European Commission, [‘Countries and Region: Israel’](#), 2 May 2017.

cooperation will also be offered to both states. The exact features of this Special Privileged Partnership are still to be defined.⁴³

Trade Summary:

The EU is Israel's largest trading partner.⁴⁴ The EU operates a trade surplus in both goods (€7.9 billion in 2016) and services (€2.7 billion in 2015) with Israel. EU exports and imports involving Israel are largely made up of machinery and transport equipment, chemicals and other manufactured goods.

⁴³ European Union Delegation to the State of Israel, '[EU-Israel Trade Briefing](#)', May 2017, p 9.

⁴⁴ European Commission, '[Countries and Region: Israel](#)', 2 May 2017.

2.6 Japan

Full Name of Agreement:

Although an [Economic Partnership Agreement](#) between the parties has recently been finalised, it has yet to be approved by the European Parliament and EU member states.⁴⁵ As such, the trade relationship is currently on the basis of WTO rules, although a number of specific agreements and informal bilateral dialogues have been established.⁴⁶

Key Points:

Agreements currently in place between the parties include an Agreement on Cooperation on Anti-competitive Activities (which “aims to facilitate EU-Japan trade and investment by securing a level-playing field between in- and outsiders”⁴⁷) and a mutual recognition agreement covering telecommunications equipment, electrical products and the production of chemicals and pharmaceuticals.⁴⁸ If agreed, the Economic Partnership Agreement would:⁴⁹

- remove the majority of export duties and reduce regulatory barriers;
- improve trade in the agricultural sector, particularly regarding duties and limits on cheese, wine, beef and pork exports from the EU and protection for certain EU products with ‘geographical indications’;
- guarantee access to procurement markets;
- address “specific sensitivities in the EU, for instance in the automotive sector, with transition periods before markets are opened”⁵⁰; and
- set rules on sustainable trade and development.

Regarding trade in services, the European Commission stated the Agreement would prevent the EU or Japan from discriminating against each other’s service providers.⁵¹ In particular, the parties expected it to benefit the following sectors: business services; financial services; telecommunications; transport and distribution. However, certain markets will be excluded and limitations imposed, including public services and internal rules on health and safety, working conditions, etc.

⁴⁵ European Commission, ‘[EU and Japan Finalise Economic Partnership Agreement](#)’, 8 December 2017.

⁴⁶ European Commission, ‘[Countries and Region: Japan](#)’, accessed 17 January 2018.

⁴⁷ *ibid.*

⁴⁸ *ibid.*

⁴⁹ European Commission, ‘[EU and Japan Finalise Economic Partnership Agreement](#)’, 8 December 2017.

⁵⁰ *ibid.*

⁵¹ European Commission, ‘[EU-Japan Agreement Explained](#)’, 18 May 2017.

Status of the Agreement:

Negotiations on the Agreement started in 2013 and ended in 2017. In a joint statement on 8 December 2017, the President of the European Commission, Jean-Claude Juncker, and the Prime Minister of Japan, Shinzo Abe, said:

The finalisation of the negotiations on the EU-Japan EPA demonstrates the powerful political will of Japan and the EU to continue to keep the flag of free trade waving high, and sends a strong message to the world. Beyond its considerable economic value, this Agreement is also of strategic importance. It sends a clear signal to the world that the EU and Japan are committed to keeping the world economy working on the basis of free, open and fair markets with clear and transparent rules fully respecting and enhancing our values, fighting the temptation of protectionism.

The EU-Japan EPA is one of the largest and most comprehensive economic agreements that either the EU or Japan have concluded so far. This EPA will create a huge economic zone with 600 million people and approximately 30 percent of the world GDP, and it will open up tremendous trade and investment opportunities and will contribute to strengthening our economies and societies. It will also strengthen economic cooperation between Japan and the EU and reinforce our competitiveness as mature yet innovative economies.⁵²

The Agreement is now subject to legal verification.⁵³ Upon completion of this stage, it will then be translated into the 23 official languages of the EU and into Japanese. It will then be submitted for approval by the European Parliament and EU member states, with the aim of having the Agreement in force by the end of 2019.

Trade Summary:

According to the European Commission, together the EU and Japan account for about a quarter of the world's GDP.⁵⁴ The EU operates a trade deficit with Japan in goods (€-8.2 billion in 2016) and a trade surplus in services (€12.1 billion in 2015). The trade in goods centres around machinery and motor vehicles and the services trade is largely made up of financial services, computer/information services, travel, air transportation services and other business services.

⁵² European Commission, '[Joint Statement by the President of the European Commission Jean-Claude Juncker and the Prime Minister of Japan Shinzo Abe](#)', 8 December 2017.

⁵³ European Commission, '[EU and Japan Finalise Economic Partnership Agreement](#)', 8 December 2017.

⁵⁴ European Commission, '[Countries and Region: Japan](#)', accessed 17 January 2018.

2.7 Mexico

Full Name of Agreement:

[Economic Partnership, Political Coordination and Cooperation Agreement between the European Community and its Member States of the one part, and the United Mexican States, of the other part](#)

Timescale of Agreement:

The initial Agreement was signed in 1997 and came into force in 2000 (for goods) and 2001 (for services)⁵⁵

EU Definition of Agreement:

Global Agreement⁵⁶

World Trade Organisation Definition:

Free Trade Agreement and Economic Integration Agreement (Goods and Services)⁵⁷

Key Points:

The US Congressional Research Service (CRS) claimed the motivations behind the Agreement between Mexico and the EU were to expand access to EU exports to Mexico and to attract more foreign direct investment (FDI) from the EU.⁵⁸ The CRS summarises the Agreement between Mexico and the European Union as follows:

The current Mexico-EU Global Agreement includes provisions on national treatment and market access for goods and services; government procurement; IPR; investment; financial services; standards; telecommunications and information services; agriculture; dispute settlement; and other provisions. The agreement also includes chapters on cooperation in a number of areas, including mining, energy, transportation, tourism, statistics, science and technology, and the environment. On industrial goods, the EU agreed to eliminate tariffs on 82 percent of imports by value coming from Mexico on the date of entry into the agreement and to phase out remaining tariffs by January 1, 2003. Mexico agreed to eliminate tariffs on 47 percent of imports by value from the EU upon implementation of the agreement and to phase out the remaining tariffs by January 1, 2007. In agricultural products and fisheries, signatories agreed to phase out tariffs on 62 percent of trade within 10 years. Tariff negotiations were deferred on certain sensitive products, including meat, dairy products, cereals, and bananas. Most non-tariff barriers, such as quotas and import/export licenses, were removed upon implementation of the agreement. Mexico agreed to phase out import restrictions of new

⁵⁵ European Commission, '[Countries and Region: Mexico](#)', 15 January 2018.

⁵⁶ *ibid.*

⁵⁷ World Trade Organisation, '[EU-Mexico](#)', 12 January 2018.

⁵⁸ US Congressional Research Service, '[Mexico's Free Trade Agreements](#)', 25 April 2017, p 5.

automobiles from the EU by 2007 [...] In services trade, the agreement goes beyond the WTO General Agreement on Trade in Services (GATS). It immediately provided European service operators “North American Free Trade Agreement-equivalent” access to Mexico in a number of areas, including financial services, energy, telecommunications, and tourism.⁵⁹

Status of the Agreement:

When it was initially signed in 1997, the European Commission described the Agreement between the EU and Mexico as the first of its type to be agreed between the EU and a Latin country.⁶⁰ In 2013, the EU and Mexico started negotiations to ‘modernise’ the Agreement. In an Impact Assessment made available in January 2016, the European Commission explained the rationale for seeking a new deal:

Fifteen years after its entry into force, the trade pillar of the EU-Mexico Global Agreement, even though it was implemented in a satisfactory way, does not address some of the important trade and investment issues relevant today (eg non-tariff barriers, intellectual property rights including geographical indications, contribution of trade and investment to sustainable development) in the way other comprehensive agreements concluded since then by the EU or Mexico (eg the Comprehensive Economic and Trade Agreement (CETA) concluded with Canada) do. As a consequence, there is an unfulfilled bilateral trade and investment potential on both sides which results in higher prices, less choice and innovation available for EU and Mexican consumers and lost opportunities to capture welfare, labour and wage benefits. On-going negotiations on both sides, such as those for the Transatlantic Trade and Investment Partnership (TTIP) or the Trans-Pacific Partnership (TPP) might intensify these problems. Finally, EU trade with Mexico faces increased competition from third countries, such as China and other Asian countries.⁶¹

The most recent negotiations took place in Mexico City in January 2018.⁶²

Trade Summary:

The EU operates a trade surplus with Mexico in both goods (€14.1 billion in 2016) and services (€4.4 billion in 2015).⁶³ The European Commission states that the EU is Mexico’s second-biggest export market, with key imports including “fuels and mining products, office and telecommunication

⁵⁹ US Congressional Research Service, [Mexico’s Free Trade Agreements](#), 25 April 2017, p 6.

⁶⁰ European Commission, [‘Countries and Region: Mexico’](#), 15 January 2018.

⁶¹ European Commission, [Recommendation for a Council Decision Authorising the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy to Open Negotiations and Negotiate with Mexico a Modernised Global Agreement](#), 13 January 2016, p 2.

⁶² European Commission, [‘The EU and Mexico Make Progress in Bridging Remaining Gaps in Latest Trade Talks’](#), 15 January 2018.

⁶³ European Commission, [‘Countries and Region: Mexico’](#), 15 January 2018.

equipment, transport equipment, and other machinery”.⁶⁴ After the US and China, the European Commission states that Mexico is the EU’s third-largest source of imports, which include machinery, transport equipment, chemical products, and fuels and mining products. Services trade includes travel and transport services, and telecommunications, computer and information services.

⁶⁴ European Commission, [‘Countries and Region: Mexico’](#), 15 January 2018.

2.8 South Korea

Full Name of Agreement:

[Free Trade Agreement between the European Union and its Member States, of the one part, and the Republic of Korea, of the other part](#)

Timescale of Agreement:

Negotiations for the Agreement between South Korea and the EU were launched in May 2007 in Seoul.⁶⁵ After eight formal rounds of talks, the FTA was initialled by both sides on 15 October 2009. It was then approved by the European Council and officially signed in 2010. The Agreement has been provisionally applied since 1 July 2011, with formal ratification in December 2015 and the gradual application of tariff concessions ending in 2016.⁶⁶

EU Definition of Agreement:

Free Trade Agreement⁶⁷

World Trade Organisation Definition:

Free Trade Agreement and Economic Integration Agreement (Goods and Services)⁶⁸

Key Points:

EU Trade Commissioner, Cecilia Malmström, has praised the Agreement with South Korea for its ambition and scope:

The free-trade agreement we struck with Korea, now in force for 6 years, was one of the first and most ambitious of a new generation of EU trade deals.

By trade value, it eliminated 98.7 percent of the customs duties between us. It tackles non-tariff barriers in areas like cars, electronics, chemicals and medicines. For example, cutting the cumbersome and costly need for duplicate testing.

It was, at the time, our most ambitious agreement ever for the services trade: opening sectors from telecoms to finance, law to shipping and extending access to procurement markets.⁶⁹

⁶⁵ European Commission, [The EU-Korea Free Trade Agreement in Practice](#), 2011, p 3.

⁶⁶ European Commission, [Countries and Region: South Korea](#), 10 November 2017.

⁶⁷ *ibid.*

⁶⁸ World Trade Organisation, [EU-Korea, Republic Of](#), 16 January 2018.

⁶⁹ European Commission, [Building Bridges Between the EU and South Korea](#), 21 September 2017, p 1.

The European Commission further notes the Agreement:⁷⁰

- Removed the vast majority of goods tariffs on an incremental basis (between 2011 and 2016), with the exception of a limited number of agricultural products.
- Addressed non-tariff barriers to trade, particularly in the automotive, pharmaceutical, medical devices and electronics sectors.
- Created “new opportunities for market access in services and investments, and includes provisions in areas such as competition policy, government procurement, intellectual property rights, transparency in regulation and sustainable development”.⁷¹

The European Commission also highlights working groups, regular meetings and committees established to monitor the progress and implementation of the Agreement, stating:

These bodies also provide an opportunity to seek resolutions to market access concerns and to engage in closer regulatory cooperation. The annual trade committee at ministerial level plays a supervisory role and is designed to ensure that the Agreement operates properly.⁷²

Status of the Agreement:

In its latest annual monitoring report, the European Commission stated the Agreement has “worked very well”.⁷³ For example, the report highlighted improvements in the value of goods and services trade between the parties since the Agreement came into force in 2011:

EU exports of goods to Korea increased by 59 percent between 2010 and 2016. Also Korean exports increased, though at lower pace given the decrease in demand in the EU in the context of the financial crisis.

EU exports of services to Korea increased by 49 percent, compared to 32 percent for EU imports from Korea from 2010 to 2015.⁷⁴

It also noted increases in foreign direct investment, which had seen a 33 percent increase in EU investments and a vice versa increase of 59 percent between 2010 and 2015.

⁷⁰ European Commission, [‘Countries and Region: South Korea’](#), 10 November 2017.

⁷¹ *ibid.*

⁷² *ibid.*

⁷³ European Commission, [Report from the Commission to the European Parliament and the Council Annual Report on the Implementation of the EU-Korea Free Trade Agreement](#),

20 October 2017, p 12.

⁷⁴ *ibid.*

However, the report did highlight a number of ongoing issues and concerns to be addressed, including:⁷⁵

- ‘Serious concerns’ regarding labour rights in South Korea.
- Improvements required in the areas of intellectual property rights (eg the need for Korea to establish a remuneration system for public performance rights) and customs procedures, particularly changes to help small and medium sized enterprises.
- Further negotiations necessary to improve market access issues.

Trade Summary:

The EU had a goods trade deficit with South Korea of €-11.6 billion in 2010, which has now become a trade surplus of €3.1 billion (2016).⁷⁶ This goods trade is largely made up of machinery and appliances, and transport equipment. The EU had a trade surplus in relation to services with Korea of €4.8 billion in 2015.

⁷⁵ European Commission, [Report from the Commission to the European Parliament and the Council Annual Report on the Implementation of the EU-Korea Free Trade Agreement](#), 20 October 2017, pp 11–12.

⁷⁶ European Commission, [‘Countries and Region: South Korea’](#), 10 November 2017.

2.9 Turkey

Full Name of Agreement:

[Decision No 1/95 of the EC-Turkey Association Council of 22 December 1995 on Implementing the Final Phase of the Customs Union](#)

Timescale of Agreement:

As set out by the European Commission, the “final phase of the relations between the EC and Turkey under the [Ankara Association Agreement 1963](#) was to achieve the EC-Turkey Customs Union”.⁷⁷ The Customs Union entered into force in 1996.

EU Definition of Agreement:

Customs Union⁷⁸

World Trade Organisation Definition:

Customs Union (Goods)⁷⁹

Key Points:

The Customs Union between the EU and Turkey ensures a common customs tariff is applied to most goods passing into the EU, and allows free movement of most goods between each party. The European Commission notes:

It covers all industrial goods but does not address agriculture (except processed agricultural products), services or public procurement. Bilateral trade concessions apply to agricultural as well as coal and steel products.

In addition to providing for a common external tariff for the products covered, the Customs Union foresees that Turkey is to align to the *acquis communautaire* in several essential internal market areas, notably with regard to industrial standards.⁸⁰

Turkey is also a member of the Euro-Mediterranean partnership (Euromed).⁸¹ As such, it is encouraged by the EU to sign free trade deals with other members of the partnership, with the aim of creating a Euro-Mediterranean free trade area.

⁷⁷ European Commission, '[Turkey: Customs Unions and Preferential Arrangements](#)', accessed 17 January 2017.

⁷⁸ European Commission, '[Countries and Region: Turkey](#)', 19 October 2017.

⁷⁹ World Trade Organisation, '[EU-Turkey](#)', 16 January 2018.

⁸⁰ European Commission, '[Countries and Region: Turkey](#)', 19 October 2017.

⁸¹ *ibid.*

Status of the Agreement:

In 2016, the European Commission proposed a modernisation of the trade deal with Turkey to extend it to areas such as services, public procurement and sustainable development. In a press release issued on 21 December 2016, the European Commission explained:

Modernising the Customs Union to reflect current EU-Turkey trade relations would bring substantial economic benefits for both partners.

With the evolution of the economic environment and the significant growth of EU-Turkey trade, the Customs Union that entered into force in 1996 is becoming less and less equipped to deal with the modern day challenges of trade integration [...] The modernisation and extension of the Customs Union could unlock further opportunities for EU companies in the agri-food and services sectors and the public procurement market. Respect of democracy and fundamental rights will be an essential element of the agreement.⁸²

Regarding services, it has been suggested in a report commissioned by the European Commission that the proposed changes could have an impact upon the EU's trade deficit with Turkey in services by reducing barriers to the market.⁸³

Trade Summary:

The EU is Turkey's largest import and export partner. The EU operates a trade surplus in goods with Turkey (€11.4 billion in 2016) and a trade deficit in services (€-4.1 billion in 2015).⁸⁴ The goods trade is largely made up of machinery and transport equipment and material, as well as manufactured goods. Turkey's services trade is predominantly linked to tourism, transport, and insurance.⁸⁵

⁸² European Commission, '[Commission Proposes to Modernise the Customs Union with Turkey](#)', 21 December 2016.

⁸³ European Commission, '[Study of the EU-Turkey Bilateral Preferential Trade Framework, Including the Customs Union, and an Assessment of Its Possible Enhancement](#)', 26 October 2016, p 187.

⁸⁴ European Commission, '[Countries and Region: Turkey](#)', 19 October 2017.

⁸⁵ European Commission, '[Study of the EU-Turkey Bilateral Preferential Trade Framework, Including the Customs Union, and an Assessment of Its Possible Enhancement](#)', 26 October 2016, p 40.

2.10 United States

Full Name of Agreement:

There is currently no formal free trade agreement between the United States and the EU, with trade issues generally dealt with under WTO rules. However, the parties were negotiating a new trade agreement, the [Transatlantic Trade and Investment Partnership](#) (TTIP), between 2013 and 2016, before this was ‘paused’ (after 15 rounds of negotiations) at the end of 2016, due to the change of Administration in the United States.⁸⁶

Key Points:

Although there is no formal free trade agreement between the two countries, the European Commission describes the EU’s trade relationship with the US as the “largest bilateral trade and investment relationship and the most integrated economic relationship in the world”.⁸⁷ Since 2007, negotiations over the trading relationship between the countries has largely been conducted through the Transatlantic Economic Council. The European Commission explains that:

The TEC is the only EU-US high level forum in which economic issues can be discussed in a coherent and coordinated manner. It brings together a range of ongoing economic cooperation activities in issues of mutual interest and provides a platform to give political guidance to this work.⁸⁸

Writing on the trading relationship in 2012, the US Congressional Research Service highlighted that regulatory barriers to trade tended to outweigh concerns over tariff levels:

Since the mid-1990s, both US and European multinational companies have consistently identified divergent regulatory frameworks for both goods and services as the most serious barriers to transatlantic commerce. Redundant standards, testing, and certification procedures are seen by these companies as far more costly and harmful than any trade barriers imposed at the border, such as tariffs or quotas. While the purpose of many regulations is to protect consumers and the environment, divergent domestic regulations and standards add to the cost of doing business on both sides of the Atlantic and serve as non-tariff barriers to trade in many different economic activities and sectors [...]

⁸⁶ European Commission, ‘[Countries and Region: United States](#)’, 6 November 2017. For further information on President Trump’s attitude to the proposed Agreement see: House of Lords Library, [US Foreign Policy and the UK’s International Relationships](#), 12 January 2018, pp 3–4.

⁸⁷ European Commission, ‘[Countries and Region: United States](#)’, 6 November 2017.

⁸⁸ *ibid.*

When US and EU trade officials meet these days, it is more likely that they will be discussing product standards and regulations than tariff barriers imposed at the border. One reason this is the case is that successive rounds of multilateral trade liberalization have dramatically reduced tariffs on transatlantic trade in goods, including food, to very low levels.⁸⁹

Despite this, the briefing identified a will (at the time) to eliminate the remaining tariffs. In addition, the briefing noted the parties' ambition to negotiate a 'barrier-free investment agreement'.⁹⁰

Outlining the progress on TTIP at the beginning of 2017, a joint report by the parties highlighted that the following agreements had been reached in principle:⁹¹

- [The parties have] exchanged offers to eliminate duties on 97 percent of our tariff lines, a large majority of which would be phased out immediately upon entry into force of the agreement or phased out quickly.
- Identified steps to reduce unnecessarily burdensome requirements and delays at our borders.
- Agreed that TTIP must include strong obligations to protect the environment and fundamental labour rights and should encourage cooperation to support strong labour and environmental standards in our trade partners.
- Negotiated a dedicated chapter in TTIP focused on small and medium-sized enterprises, which, among other things, would help SMEs better navigate the transatlantic marketplace through the provision of enhanced on-line information and new mechanisms for US-EU cooperation.
- Agreed on the importance of transparency and due process in trade remedy procedures and competition policy.

The joint report also emphasised the progress made in tackling regulation (including improvements to cooperation on regulation and mechanisms to reduce redundant or duplicative testing and certification) and to update certain mutual recognition agreements.⁹²

Status of the Agreement:

No formal negotiations for TTIP have taken place since Donald Trump was inaugurated as the President of the United States on 20 January 2017. However, the European Commission website makes clear the EU's

⁸⁹ Congressional Research Service, [US-EU Trade and Economic Relations: Key Policy Issues for the 112th Congress](#), 18 January 2012, pp 4 and 6.

⁹⁰ *ibid*, p 8.

⁹¹ Executive Office of the President of the United States and the European Commission, [US-EU Joint Report on TTIP Progress to Date](#), 17 January 2017, pp 2–3.

⁹² *ibid*.

continued interest in progress:

The logic for a further deepening of the transatlantic trade and investment relationship remains compelling but it is premature to anticipate whether or when negotiations could resume.⁹³

Trade Summary:

The European Commission states the EU and the US economies account together for about half the entire world GDP and for nearly a third of world trade flows.⁹⁴ The EU operates a trade surplus in both goods (€115.3 billion in 2016) and services (€13 billion in 2015) with the United States. The majority of this goods trade is in the machinery and chemicals sectors.⁹⁵

⁹³ European Commission, '[Countries and Region: United States](#)', 6 November 2017.

⁹⁴ *ibid.*

⁹⁵ European Commission, '[European Union, Trade in Goods with USA](#)', 16 November 2017, p 2.

3. BRICS Countries: Profiles

3.1 Brazil

Full Name of Agreement:

There is currently no formal trade agreement between the EU and Brazil.⁹⁶ However, there are ongoing negotiations to set up a free trade agreement through an Association Agreement proposed between the EU and the Mercosur countries, of which Brazil is a member.

Key Points:

According to recent European Commission reports, Brazil is a “G-20 country that has the highest number of new, potentially restrictive trade measures”.⁹⁷ As a result, the EU is encouraging Brazil to reduce tariff and non-tariff barriers and maintain consistent rules and regulations to aid trade.

Brazil is also a member of the Mercosur group, along with Argentina, Paraguay, Uruguay and Venezuela. This group was initially formed in 1991, and is based on the principles of free movement of goods, services and factors of production. As noted by the Council on Foreign Relations (CFR):

The four countries agreed to eliminate customs duties, implement a common external tariff of 35 percent on certain imports from outside the bloc, and adopt a common trade policy toward outside countries and blocs.⁹⁸

However, the CFR report there have been issues in the group, including over the importing of goods between the countries and the treatment of goods and services from countries outside the bloc.

The EU trades with Mercosur countries on the basis of WTO rules and a number of Framework Cooperation Agreements (including one applying to the whole region). In a factsheet concerning the ongoing negotiations with the Mercosur group, the European Commission set out the following objectives:⁹⁹

- Elimination of high and prohibitive tariffs across a large number of sectors, including machinery, chemicals and pharmaceuticals, motor vehicles and textiles.
- Simplification of customs procedures and technical regulations or standards.

⁹⁶ European Commission, ‘[Countries and Region: Brazil](#)’, 22 May 2017.

⁹⁷ Delegation of the European Union to Brazil, ‘[Brazil and the EU](#)’, 11 May 2016. See, for example: European Commission, [Report from the Commission to the Council and the European Parliament on Trade and Investment Barriers and Protectionist Trends](#), 20 June 2016.

⁹⁸ Council on Foreign Relations, ‘[Mercosur: South America’s Fractious Trade Bloc](#)’, 26 December 2017.

⁹⁹ European Commission, [EU-Mercosur Association Agreement](#), 2017, pp 1–3.

- Open up the services markets in the countries.
- Allow EU companies much better access to the public procurement markets in the countries (these are largely closed to EU companies currently).
- Improvement of agriculture trade, whilst retaining protection for sensitive products.
- Incorporation of measures connected to responsible trade and sustainable development.

Status of Relationship:

Negotiations between the EU and the Mercosur group on a free trade agreement are ongoing, with the latest round of talks ending in December 2017. This was the 31st round of talks.

Trade Summary:

In 2016, the EU was Brazil's largest trading partner for goods.¹⁰⁰ The EU operates a trade surplus in both goods (€1.6 billion in 2016) and services (€6.9 billion in 2015) with Brazil. The EU's imports from Brazil are largely in food and drink, vegetable and mineral products and tobacco. EU exports to Brazil are largely in the fields of machinery and transport equipment, and chemical products.

¹⁰⁰ European Commission, '[Countries and Region: Brazil](#)', 22 May 2017.

3.2 Russia

Full Name of Agreement:

There is no free trade agreement between Russia and the EU. Instead, the trading relationship is governed principally by a 1997 [Partnership and Cooperation Agreement](#) (PCA) and, since 2012, by WTO rules.¹⁰¹

Key Points:

The European Commission describes the PCA as an “attempt to promote trade and investment and develop harmonious economic relations between the EU and Russia”.¹⁰² The Agreement included provisions to encourage regular dialogue between the parties, and to ensure trade in goods and services was conducted without discrimination (for example, the Agreement sought to enforce general ‘most-favoured-nation treatment’).¹⁰³

After 18 years of negotiations, Russia joined the WTO in 2012.¹⁰⁴ Russia’s position included a requirement that there be a phased reduction of import tariffs relating to the country’s most sensitive sectors, such as the automobiles sector. Commenting on Russia’s WTO membership, the European Commission observed that trade between the parties had decreased since 2012:

At that time there were high expectations that trade with Russia would be liberalised. Trade flows between the EU and Russia have steadily decreased since 2012, though—a trend observed with all Russia’s main trade partners.¹⁰⁵

It has been suggested that this trade decrease may be linked to a variety of factors, including issues connected to the implementation of the WTO’s rules and difficulties in the Russian and global economy:

[P]roblems remain with the Russian implementation of the WTO commitments which has had an impact on further growth. Indeed, bilateral trade declined already in 2013 and it further went down in 2014 against the backdrop of economic difficulties in Russia and trade restrictions introduced by Russia on food imports. The strong depreciation of the Russian Rouble, the fall in global commodity prices and the protracted economic recession in Russia led to a further

¹⁰¹ European Commission, ‘[Countries and Region: Russia](#)’, 12 January 2018.

¹⁰² *ibid.*

¹⁰³ European Commission, ‘[Agreement on Partnership and Cooperation Establishing a Partnership Between the European Communities and their Member States, of One Part, and the Russian Federation, of the Other Part](#)’, 1997. For further information on these principles see: World Trade Organisation, ‘[Principles of the Trading System](#)’, accessed 19 January 2018.

¹⁰⁴ Catherine Belton, ‘[Russia Joins WTO After 19 Years of Talks](#)’, *Financial Times* (£), 22 August 2012.

¹⁰⁵ European Commission, ‘[Countries and Region: Russia](#)’, 12 January 2018.

contraction in bilateral economic relations.¹⁰⁶

In addition, the European Commission has described a number of other issues arising from Russia's WTO membership, including trade disputes filed by both parties (for example, relating to Russia's import duties and certain anti-dumping measures of both parties). The European Commission stated that Russia continues not to meet commitments made when joining the WTO:

Five years after its accession to the World Trade Organization, Russia is still not meeting all its commitments. Russia's import substitution policy launched in 2014 puts in question its willingness to comply with World Trade Organization rules. The EU will continue to use all the available bilateral and multilateral policy instruments, as appropriate, to make sure World Trade Organization rules are respected. Respect for them is a key element for improving trade and investment relations with Russia in the long term.¹⁰⁷

The Russian News Agency (TASS) reported on 23 January 2018 that Russia had reiterated its commitment to observe WTO rules in a joint statement made with Argentina:

Russia and Argentina have reiterated their commitment to observe the rules of the World Trade Organization (WTO) and agreed to focus on such topic as measures to strengthen the trade system and reform the international financial architecture within the G-20.

The two leaders "stressed the importance of an open, transparent, non-discriminatory and inclusive multilateral trade system based on the WTO rules, and reiterated their commitment to the efficient multilateral negotiating process within the WTO".¹⁰⁸

Status of the Agreement:

There are currently no negotiations ongoing between the parties for a new trading relationship. The European Commission observe that all negotiations on the subject have ceased since 2014:

In 2008 the EU and Russia began negotiating a new agreement aiming at providing a comprehensive framework for bilateral trade and investment relations. In March 2014 the European Council suspended the negotiations due to the situation in Ukraine.¹⁰⁹

¹⁰⁶ Delegation of the European Union to Russia, [The European Union and the Russian Federation](#), 21 November 2017.

¹⁰⁷ *ibid.*

¹⁰⁸ Russian News Agency, ['Putin: Russia Ready to Supply Rocket Engines to Argentina'](#), 23 January 2018.

¹⁰⁹ *ibid.*

In addition, the EU currently has a number of sanctions in place against Russia, due to its actions in relation to Ukraine, including asset freezes and certain economic sanctions.¹¹⁰ The latter include the following:

- Restrictions on trading bonds with or issuing loans to certain Russian banks and energy and defence companies.
- Embargo on importing or exporting arms to/from Russia.
- Prior authorisation is necessary to export certain energy-related equipment and technology to Russia.

In December 2017, these sanctions were extended due to ongoing delays in the implementation of the Minsk agreements, and are currently due to last until 31 July 2018 (unless there is a further extension).¹¹¹

Trade Summary:

The European Commission state that Russia is the EU's fourth largest trading partner, and the EU is Russia's largest.¹¹² However, it reports that "EU-Russia trade has continuously decreased since 2012, dropping by 44 percent between 2012 and 2016 from €339 billion in 2012 to €191 billion in 2016".¹¹³ In recent years, the EU has operated a trade deficit in goods with Russia (€-46.2 billion in 2016) and a trade surplus in services (€13.6 billion in 2015). The main exports to Russia included machinery, transport equipment and chemicals and pharmaceuticals, and imports from Russia were primarily raw materials, such as oil and gas.

¹¹⁰ European Union, '[EU Sanctions Against Russia Over Ukraine Crisis](#)', 16 March 2017.

¹¹¹ European Council, '[Russia: EU Prolongs Economic Sanctions by Six Months](#)', 21 December 2017.

¹¹² European Commission, '[Countries and Region: Russia](#)', 12 January 2018.

¹¹³ *ibid.*

3.3 India

Full Name of Agreement:

India does not currently have a specific trade agreement with the EU. However, negotiations over a free trade agreement are ongoing.¹¹⁴

Key Points:

Trade between the EU and India is currently conducted on the basis of WTO rules.¹¹⁵ However, India does enjoy unilateral trade preferences under the EU's Generalised Scheme of Preferences. This is a scheme available to developing countries, and reduces EU import duties by 66 percent on all product lines.¹¹⁶

Noting the size and growth of the Indian market, the European Commission specifically refers to the benefits of a free trade agreement potentially being negotiated between the parties:

India is currently the fastest growing economy in the world and a strategic partner for the EU, representing a sizable and dynamic market of 1.25 billion people [...]

With its combination of rapid growth, complementary trade baskets and relatively high degree of market protection, India is an obvious partner for a free trade agreement for the EU.¹¹⁷

Negotiations on a free trade agreement have been ongoing since 2007, focusing on four key themes:

- Access to each other's markets, for goods, services and to public procurement contracts.
- The framework for investment, including investment protection.
- The rules that frame trade, such as intellectual property and competition.
- Sustainable development, to ensure growth in trade is in tandem with the environment, social and labour rights.¹¹⁸

Status of the Agreement:

As noted above, negotiations are still ongoing between the parties. The European Commission website states:

After substantial progress was made through a number of negotiation rounds, discussions are currently focused on key outstanding issues

¹¹⁴ European Commission, '[Countries and Region: India](#)', 7 April 2017.

¹¹⁵ *ibid.*

¹¹⁶ European Commission, '[Standard GSP](#)', accessed 18 January 2018.

¹¹⁷ European Commission, '[Countries and Region: India](#)', 7 April 2017.

¹¹⁸ *ibid.*

that include improved market access for some goods and services, government procurement, geographical indications, sound investment protection rules, and sustainable development.¹¹⁹

However, some media reports have suggested that the talks between the parties have stalled, with little progress apparently made since 2013.¹²⁰

Trade Summary:

The value of EU exports to India was €37.8 billion in 2016, with engineering goods, gems and jewellery, other manufactured goods and chemicals accounting for the majority of such exports, and the value of EU imports from India was €39.3 billion in 2016, with textiles and clothing, chemicals and engineering goods the biggest sectors.¹²¹ This represented an EU deficit of €-1.5 billion for trade in goods with India. Services trade witnessed an EU surplus of €0.8 billion in 2015, with trade in services between the two countries totalling around €28.1 billion.

¹¹⁹ European Commission, '[Countries and Region: India](#)', 7 April 2017.

¹²⁰ See, for example: Hindu Business Line, '[India, EU Free Trade Pact Talks Remain Deadlocked](#)', 6 October 2017.

¹²¹ European Commission, '[Countries and Region: India](#)', 7 April 2017.

3.4 China

Full Name of Agreement:

There is no formal trade agreement linking the EU and China. Instead, the parties have been trading on WTO terms since 2001 (when China signed up to the WTO).¹²²

Key Points:

Although there are no signs of imminent negotiations for a free trade agreement, the European Commission has signalled its desire to open up trading relations in the future:

The EU is committed to open trading relations with China. However, the EU wants to ensure that China trades fairly, respects intellectual property rights and meets its obligations as a member of the World Trade Organization (WTO) [...]

When China joined the WTO in 2001 it agreed to reform and liberalise important parts of its economy. While China has made progress, some problems remain:

- A lack of transparency.
- Industrial policies and non-tariff measures that discriminate against foreign companies.
- Strong government intervention in the economy, resulting in a dominant position of state-owned firms, unequal access to subsidies and cheap financing.
- Poor protection and enforcement of intellectual property right.¹²³

The two parties maintain a regular dialogue relating to trade and investment. This includes discussion of policy coordination and the annual summits, and specific high level meetings and committee on trade and investment. In addition, in 2016 the European Commission published the latest EU strategy on China. Within this, it discussed a number of ambitions to improve trade and economic cooperation, including:¹²⁴

- Better cooperation on customs and trade links and on facilitating mutually beneficial investment.
- Discussing measures to improve financial regulation in China.
- Dialogue on reducing costs and barriers to key sectors, principally through dialogue on standards, regulations and conformity assessment procedures.

¹²² European Commission, '[Countries and Region: China](#)', 5 September 2017.

¹²³ *ibid.*

¹²⁴ European Commission, '[Elements for a New EU Strategy on China](#)', June 2016.

- Working together to strengthen intellectual property protections and China's research and innovation relationship with the EU.
- Promoting global public goods, sustainable development and international security.

Status of the Agreement:

Since 2013, the parties have been negotiating an Investment Agreement. The aim of the Agreement is to:

- Improve investment for European and Chinese investors by creating investment rights and guaranteeing non-discrimination.
- Improve transparency, licensing and authorisation procedures.
- Provide a high and balanced level of protection for investors and investments.
- Encourage the implementation of better rules on environmental and labour-related aspects of foreign investment.¹²⁵

Speaking about the importance of the Agreement in 2014, an EU Trade Spokesman stated:

The current level of bilateral investment between the EU and China is way below what could be expected from two of the most important economic blocks on the planet [...] The main purpose for these negotiations is the progressive abolition of restrictions on trade and foreign direct investment and to improve access to the Chinese market for EU investor.¹²⁶

The 16th round of negotiations for the Investment Agreement concluded on 15 December 2017.¹²⁷

Trade Summary:

Stressing the importance of the parties' trading relationship, the European Commission states that "China is the EU's biggest source of imports and its second-biggest export market. China and Europe trade on average over €1 billion a day".¹²⁸ The EU operates a significant trade deficit in goods with China (€174.5 billion in 2016), but a surplus in trade in services (€10.9 billion in 2015). The main imports from China were industrial and consumer goods, machinery/equipment, and footwear and clothing, whereas exports to China were mainly machinery/equipment, motor vehicles and aircraft, and chemicals.

¹²⁵ European Commission, [Elements for a New EU Strategy on China](#), June 2016.

¹²⁶ European Commission, ['EU and China Begin Investment Talks'](#), 20 January 2014.

¹²⁷ European Commission, [EU-China Investment Agreement: Report of the 16th Round of Negotiations](#), 20 December 2017.

¹²⁸ European Commission, ['Countries and Region: China'](#), 5 September 2017.

3.5 South Africa

Full Name of Agreements:

[Trade, Development and Cooperation Agreement \(TDCA\)](#) and [Economic Partnership Agreement between the European Union and its Member States, of the one part, and the Southern African Development Community Economic Partnership Agreement States, of the other part](#) (the EPA also includes Botswana, Lesotho, Mozambique, Namibia and Swaziland)¹²⁹

Timescale of Agreements:

The TDCA was completed in 1999 and came into force in 2000.¹³⁰ The EPA currently only has provisional effect, but will replace the TDCA when fully ratified. The EPA was signed in June 2016 and provisionally came into force on 10 October 2016.¹³¹

World Trade Organisation Definitions:

Free Trade Agreement (Goods)¹³²

Key Points:

According to the European Commission, the TDCA established a free trade area that covers 90 percent of bilateral trade between the EU and South Africa.¹³³

Turning to the introduction of the EPA, the Delegation of the EU to South Africa explained that:

The EU has fully or partially removed customs duties on 98.7 percent of imports from South Africa while guaranteeing full free access to the rest of the signing countries. Due to the importance given to developmental priorities, the asymmetric nature of the EPA means that the African signatories will not be required to respond with the same level of market openness as the EU will provide. The EPA will contribute to improve business climate between the partners by providing companies with a stable and forward looking framework, not only in South Africa but in the whole Southern African region.¹³⁴

In particular, the European Commission note the following key principles:¹³⁵

- Development-Orientated—The SADC EPA members can

¹²⁹ European Commission, '[Countries and Region: South Africa](#)', 22 February 2017.

¹³⁰ *ibid.*

¹³¹ European Commission, '[Overview of Economic Partnership Agreements](#)', January 2018.

¹³² World Trade Organisation, '[Participation in Regional Trade Agreements](#)', accessed 18 January 2018.

¹³³ European Commission, '[Overview of Economic Partnership Agreements](#)', January 2018.

¹³⁴ Delegation of the European Union to South Africa, '[South Africa and the EU](#)', 10 May 2016.

¹³⁵ European Commission, '[Countries and Region: South Africa](#)', 22 February 2017.

restrict liberation and apply safeguards to protect sensitive products if imports grow too quickly.

- Improved Trade in Goods—South Africa will have improved market access, including better trading terms in the agriculture and fisheries sectors. The EU will obtain better market access for certain food products (such as grains and dairy).
- Geographical Indications—The EPA includes a bilateral protocol between the EU and South Africa on the protection of geographical indications and on trade in wines and spirits.

Status of the Agreement:

In a speech on 17 October 2017, the EU Trade Commissioner, Cecilia Malmström, marked the first anniversary of the EPA by highlighting some of its benefits to South Africa and the other parties of the Agreement:

I am here these days to celebrate its first anniversary. We are discussing with business, civil society and representatives of governments on how it has worked so far. The EPA is about creating a predictable set of rules—a stable framework to support trade and investment.

The EU opens its market much more than the six African countries—it is an asymmetrical agreement, allowing for protection in sensitive areas. It is also development-focused, with a budget to assist countries in creating the right infrastructure to be able to trade. It also promotes regional integration, in no way in contradicting the integration efforts already underway on the African continent.

A first evaluation shows an increase in exports from South Africa, notably in agricultural/food exports. But there is much more to do to really reap the benefits, and this is what we have been discussing here during these past few days. In addition, through the EPA, South Africa has succeeded in improving its market access to the EU compared to before. For example—a full liberalization of the fisheries sector, with the possibility to export duty-free to the EU. And South Africa now has better access for its wine, sugar, fruit, juices, flowers, jams, ethanol, and dairy products.

The EU is also the largest foreign direct investor in South Africa, accounting for almost 80 percent of the country's total foreign direct investment, creating more than half a million direct and indirect jobs.¹³⁶

The ratification process for the EPA is ongoing.

¹³⁶ European Commission, [‘Speech by the EU Trade Commissioner, Cecilia Malmström on ‘Global Trade: Path to Shared Prosperity’](#), 17 October 2017.