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European Commission

2016

Annual activity report

DG TRADE

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THE DG IN BRIEF

DG Trade is in charge of developing and implementing the common trade 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 is good for European citizens and for European business and helping world trade and development, thereby boosting competitiveness, jobs and growth in the process.

DG Trade negotiates bilateral, pluri- and multilateral trade agreements, ensures that the rules agreed are actually applied, and works closely with the WTO and other multilateral institutions. This means tackling international trade and customs barriers, backed up where needed with EU legislation. Trade negotiations cover a wide range of areas e.g. 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 manage any specific spending programme, in 2016 it managed a budget of about €21.5 million (about €16.7 million in its operational budget and about €4.8 million 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 prime 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 other international organisations, such as the WTO and OECD, as well as the 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 Generals, 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, operational directorates also have trade staff posted in the Delegations, 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 pressure both at Headquarters and in its Delegations throughout the world. In a climate of staff reductions across the Commission, it remains challenging to continue to support the current agenda, perform outreach and raise public awareness of its work and effectively carry out the increased implementation work, in addition to the increasing workload brought from new initiatives launched in 2016.

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 Treaties[1].

a) Key results and progress towards the achievement of DG Trade's general and specific objectives

2016 was a challenging year for EU's trade policy. Changes in the geopolitics both inside and outside the EU's border and the opinions of rising populism on what and how the EU is negotiating are just a few examples of bumps in the road on DG Trade's way to achieving the DG's and the Commission's objectives.

DG Trade has sought - and will continue - to adapt to the new realities in which it shapes trade policy. It listens to interested parties through public consultations, civil society dialogues, meetings in Brussels and EU Member States, etc. and it informs the public through internet publications of the different steps of its procedures and negotiations.

Notwithstanding those obstacles, 2016 was a crucial year for trade policy with some remarkable achievements.

In October 2016, the EU's Comprehensive Economic and Trade Agreement (CETA) with Canada was signed at the EU-Canada Summit in Brussels. In February 2017 the European Parliament approved the deal with a large majority. As the EU's most advanced and progressive trade agreement to date, CETA is a landmark accord that sets the benchmark for future agreements. It includes the most ambitious chapters on sustainable development, labour and the environment ever agreed upon in bilateral trade agreements. The deal will benefit exporters, big and small, creating opportunities for European and Canadian companies and their employees, as well as for consumers.

In addition, DG Trade continued negotiating several other free trade agreements with the aim to contribute to creating growth and jobs for Europeans by increasing their opportunities to trade with the world and to provide a tool for the EU to become a stronger global actor. The Commission brought the TTIP negotiations as far as possible with the Obama Administration; negotiations were almost finalised with Japan; it continued active negotiations with Tunisia; and it started talks with Mexico, the Philippines and Indonesia. Discussions with Mercosur revived in 2016 and the Commission recommended in December to the Council starting negotiations with Turkey to enhance EU-Turkey bilateral trade relations and to modernise the Customs Union between the two parties. Finally the Commission is on its way to recommend launching new negotiations with Australia, New Zealand and Chile.

New preferential trade agreements came in place with nine new trading partners in 2016. The Deep and Comprehensive Free Trade Agreement (DCFTA) as part of the Association Agreement with Ukraine is provisionally applied since 1 January 2016. Ivory Coast and Ghana signed and ratified their stepping stone Economic Partnership Agreements, allowing for their provisional application in September and December respectively. Following signature in June of the Economic Partnership Agreement with the Southern African Development Community, the agreement entered into force in October

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

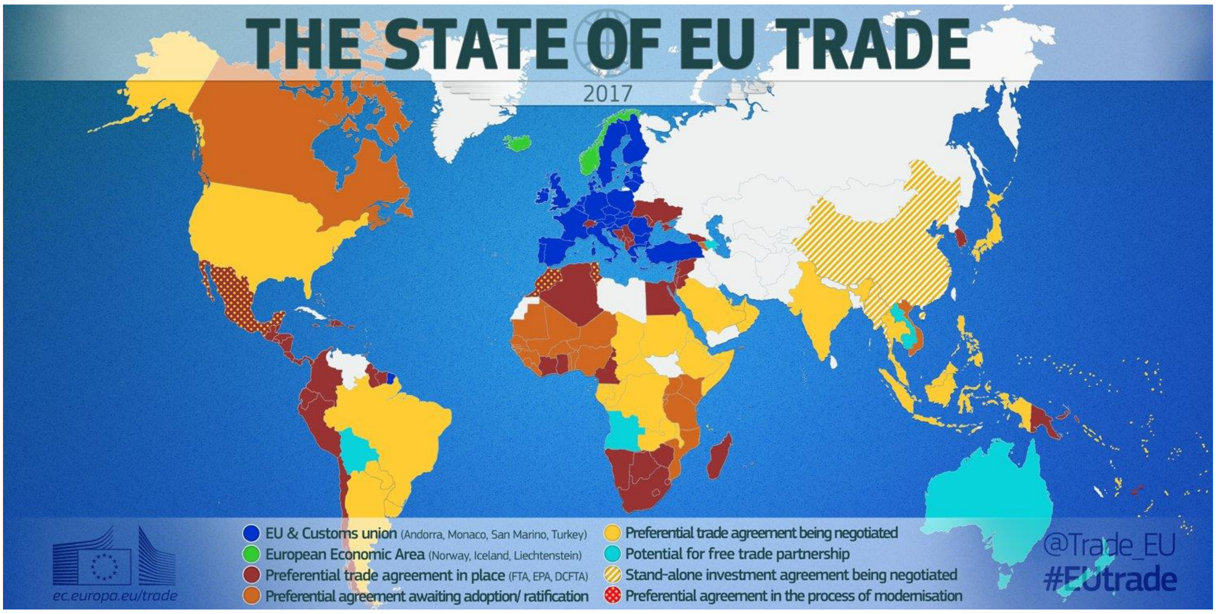
2016 in Botswana, Lesotho, Namibia, South Africa, Swaziland and Mozambique. In addition, in November 2016, Commissioner Malmström signed together with the Slovak Presidency on behalf of the EU and representatives of Colombia, Peru and Ecuador, the Protocol of Accession of Ecuador to the EU's Trade Agreement with Colombia and Peru, which is provisionally applied since 1 January 2017.

On the multilateral track, DG Trade worked on implementing the agreements reached at the 10th WTO Ministerial Conference, including export competition and the Information Technology Agreement (ITA-2) agreement. This led to the EU implementing the expansion of the initial ITA, removing customs duties on a wide range of goods in July 2016. On Trade Facilitation, the EU worked together with other WTO Members to provide assistance regarding the ratification and implementation of the agreement. This contributed to achieving by 22 February 2017 the 110 ratifications necessary for the agreement to enter into force.

In December there was a breakthrough in the Council on the long blocked proposal to modernise trade defence rules. Furthermore, the Commission presented in November a proposal for 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. This was a reaction to the expiry of certain provisions of China's WTO accession protocol and a changing trading environment.

On the legislative front, the Parliament, the Council and the Commission agreed on a framework to stop the financing of armed groups through trade in conflict minerals. This measure sets a framework within which EU companies will ensure that the vast majority of tin, tantalum, tungsten and gold imported into the EU is sourced responsibly.

The Commission also tabled a recast proposal of the Regulation on controlling exports of dual use items. The purpose of this 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.



b) Key Performance Indicators (KPIs)

In this section, the three most relevant KPIs as identified in the DG Trade 2016-2020 Strategic Plan are presented.

KPI 1 Preference utilisation rates of EU preferential trade arrangements for the EU and partners' side

Result indicator 2.1 : Preference utilisation rates of EU preferential trade arrangements[2] for the EU and partners' side

This indicator will show the extent to which operators will be making use of the EU preferential arrangements. It will give 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 2012				**Interim Milestone** 2018	**Target** 2020	**Latest known result** 2015
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
Chile	93%	93%	94%			95%
Mexico	70%	70%	62%			52%
South Africa	91%	91%	88%			85%
South Korea	78%	82%	85%			85%
Turkey	92%	92%	93%			93%
Preference utilisation EU exporters						
FTA	2012	2013	2014			2015
Chile	79%	78%	78%	Increase of rates	The target is to increase the percentage according to recent trend	76%
former Yugoslav Republic of Macedonia			90%			-
Montenegro	76%	86%	86%			-
South Korea	63%	66%	66%			68%
Switzerland		80%	80%			78%
Turkey	79%	78%				-

Looking at the latest known results from 2015, it is noticeable that in particular the utilisation rates for Mexico and South Africa seem to follow a falling trend, whereas the remaining results are rather stable.

2 A selection of countries is shown, where agreements have been in place for a certain time. This might be complemented in due course with more recently concluded agreements.

KPI 2 Percentage of trade covered by applied bi-lateral and regional agreements

Result indicator 1.2 : Percentage of trade covered by applied bi-lateral and regional agreements[3]											
This indicator will show the extent of the world's trade covered by EU's applied preferential trade and investment agreements and the evolution of this coverage.											
Source of data: DG Trade / Eurostat											
Baseline 2013-15 goods / 2012-14 services			**Interim Milestone** 2018			**Target** 2020			**Latest known result** 2013-15 goods and services		
Percentage of trade in goods and services											
Imports	Exports	Total	Imp.	Exp.	Tot.	Imp.	Exp.	Tot.	Imports	Exports	Total
24%	28%	26%	31%	35%	33%	54%	62%	58%	22%	25%	24%

Although the EU welcomed nine new countries as trade agreement partners in 2016, it will take some time before the above indicators will show results. This is due to the time lag of latest known results.

KPI 3 Percentage of fully liberalised trade with the world

Result indicator 1.3 : Percentage of fully liberalised imports from the world (i.e. at zero duty[4])			
This indicator will show the extent of the EU's applied preferential treatment for imports and its evolution. The bigger the share, the better the economic conditions and opportunities for EU consumers, and the more EU operators using imports as inputs in their businesses.			
Source of data: Eurostat			
Baseline 2015	**Interim Milestone** 2018	**Target** 2020	**Latest known result**
Merchandise imports **EU imports from countries extra-EU**			
70%	Increase	Increase	69%

The indicator remains basically at the same level as last year; any particular conclusions based on such a marginal change cannot be made.

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

4 MFN duty free, GSP duty-free and other duty-free

c) Key conclusions on Financial Management and Internal Control

In accordance with the governance statement 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 standards, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation[5] requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. DG Trade has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and function as intended. Please refer to AAR section 2.1 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 the necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

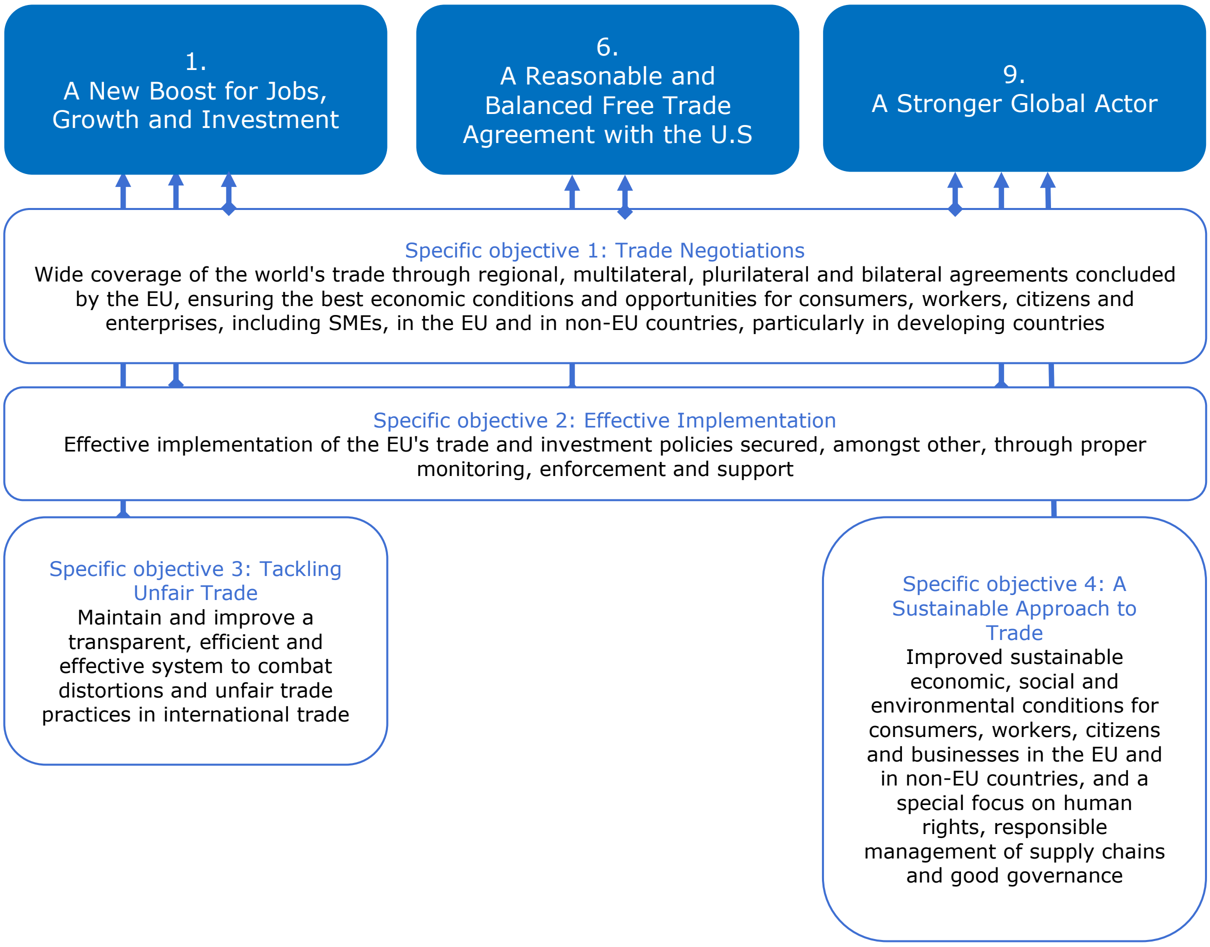
d) Provision of information to Commissioner Malmström

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.

[5] Regulation No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union

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

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 2015[6].



[6] COM(2015)497 of 14 October 2015

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 Member States, particularly in Developing Countries

Activities and outputs under this specific objective contribute to various extents to the Commission's General objective 1, 6 and 9. DG Trade has been strongly pursuing its comprehensive negotiation agenda aiming to increase the coverage of the trade between the EU and its trading partners with preferential tariffs and simplified regulatory procedures for the benefit of EU citizens. Increasing opportunities for exports and imports have proven to boost the economy and create jobs in the EU. Trade agreements are also an important element for the EU as a global actor. Needless to mention that the TTIP negotiations under this specific objective are the main factor in pursuing the Commission's priority 6 on a balanced EU-US Free Trade Agreement. However, changes in the political scene of the US counterparts are a good example of how the Commission's efforts are impacted by external factors.

In terms of DG Trade's internal organisation to support trade negotiations, one important measure was taken in 2016, namely to set up an internal FTA Coordination and Coherence Group, which is responsible for overseeing the EU’s trade agreements negotiating agenda and ensuring a more effective and coherent approach to negotiations.

The multilateral and plurilateral agenda

The EU is actively engaged in many ongoing multilateral and plurilateral trade initiatives. During 2016, it led efforts to advance negotiations in the World Trade Organization (WTO). The EU put forward a proposal on fisheries subsidies and co-sponsored submissions on e-commerce and domestic regulation. The EU also led discussions on transparency and good regulatory practices, as well as on horizontal subsidies. During 2016, DG Trade also worked on implementing the agreements reached at the 10th WTO Ministerial Conference, including export competition and the Information Technology Agreement (ITA-2) agreement. On Trade Facilitation, the EU worked together with other WTO Members to provide assistance regarding the ratification and implementation of the agreement. This contributed to achieving, by 31 December, the sum of 103 ratifications out of the 110 that are necessary for the agreement to enter into force. On 22 February 2017, the agreement entered into force after the ratification by the 110th member.

On 1 July the EU removed tariffs on 201 high-tech products to implement the trillion euro trade deal[7] which was concluded in the margins of the WTO ministerial with the United States, China and a large majority of the WTO members. A Council Decision (2016/971) adopted on 17 June 2016 and a Commission Implementing Regulation 2016/1047 adopted on 28 June 2016 allowed for this to happen. The **Information Technology Agreement (ITA-2)** will benefit both consumers and business alike by removing customs duties on a wide range of goods, including medical equipment, video games and consoles, home hi-fi systems, headphones, Blu-ray players, /digital video recorders semi-conductors, and GPS devices

[7] http://trade.ec.europa.eu/doclib/press/index.cfm?id=1355

The EU is also a leading participant in the plurilateral trade talks for a Trade in Services Agreement (TiSA)[8] between 23 WTO members. It aims at opening up markets and improving rules in areas such as licensing, financial services, telecoms, e-commerce, maritime transport, and professionals moving abroad temporarily to provide services. These talks started formally in March 2013. DG Trade took part in six rounds in 2016 organising and chairing the 18th and 21st negotiation rounds. Good progress was observed during 2016, it was nevertheless not possible to hold the planned Ministerial meeting in December 2016. There is no formal deadline for ending the negotiations. The Commission has conducted a Sustainability Impact Assessment (SIA) in support of the negotiations[9]**.**

Similarly, the EU has been very active on the negotiations of an Environmental Goods Agreement (EGA). **Commissioner Malmström represented the EU together with 16 other WTO members at a Ministerial meeting on 3-4 December, where she hoped to be able to conclude these negotiations to remove barriers to trade and investment in 'green' goods[10], services and technologies,** after 18 rounds of negotiations. Unfortunately this was not possible due to lack of broad consensus. All parties remain committed to continuing the negotiations, which were formally launched in July 2014. This agreement intends to eliminate tariffs on a broad range of environmental goods, building on a list of 54 environmental goods agreed by the Asia-Pacific Economic Cooperation (APEC). The agreement will be a "living agreement", allowing for the addition of new products in the future and for addressing non-tariff barriers and services linked to environmental goods. It is expected to bring economic and environmental benefits worldwide. The European Commission has conducted a Sustainability Impact Assessment (SIA)[11] to assess its economic, environmental and social impact.

During the second part of 2016 and in particular late in the year the Commission initiated preliminary exploratory discussions on the establishment of a multilateral investment court. These amounted in the first place to introductory discussions at international meetings of investment experts. On 13-14 December the Commission and the Government of Canada co-hosted an expert meeting in Geneva to discuss the rationale and possible structure of such a court. Exploratory discussions will continue in 2017. An impact assessment process was launched in August 2016 and is expected to be completed in 2017.

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8 http://ec.europa.eu/trade/policy/in-focus/tisa/

9 http://trade.ec.europa.eu/doclib/html/154833.htm

10 http://trade.ec.europa.eu/doclib/press/index.cfm?id=1116

11 http://trade.ec.europa.eu/doclib/html/154867.htm

Finalising concluded bilateral negotiations

At bilateral level, the main achievement that caught media and the public's attention was the signing of the Comprehensive Economic and Trade Agreement with Canada (CETA). This agreement is the first one between the EU and a G7 country. It is a progressive agreement that sets a high benchmark for international trade policy and demonstrates the EU's will to set high standards worldwide. The deal will be beneficial for exporters creating opportunities for European and Canadian companies and their employees, as well as for consumers. 99 percent of import duties will be eliminated, saving European exporters of industrial goods and agricultural products more than €500 million a year. It includes the most ambitious chapters on sustainable development, labour and the environment ever agreed upon in bilateral trade agreements. After signature, the agreement must be ratified by the European Parliament and by all 28 Member States. Following ratification at EU level most of the agreement should be provisionally applied from early 2017.

> *"Today, the people of Canada and the European Union have opened a new chapter in their relationship. More than half a billion people on both sides of the Atlantic will enjoy new opportunities. For many people, it will mean new jobs and better jobs", said the President of the European Commission, Jean-Claude Juncker. "We have signed two agreements that not only symbolise our commitment to a shared future but also set a common project that will improve the lives of millions of Canadians and Europeans."*

In June 2016, the EU signed an Economic Partnership Agreement (EPA) with six countries of the Southern African Development Community (SADC), an agreement which is provisionally applied since October 2016. In addition to classic trade provisions, the participating countries, Botswana, Lesotho, Namibia, South Africa, Swaziland and Mozambique commit to act towards sustainable development, including upholding social and environmental standards. The Agreement directly supports the economic integration of the region, favouring closer links between the six nations.

> *Commissioner for Trade Cecilia Malmström said: "When I visited Botswana in June for the signing ceremony, I saw first-hand how important it is to build a stable trade partnership between Europe and Africa. Today we're taking a crucial step towards making that a reality. The agreement that we're putting in place will support sustainable economic growth and regional integration in southern Africa and is designed to help lift people out of poverty in the years to come. Africa is the emerging continent and the Economic Partnership Agreements have been designed to maximise this dynamism."*

On 11 November 2016, Commissioner Malmström signed together with the Slovak Presidency on behalf of the EU and representatives of Colombia, Peru and Ecuador, the Protocol of Accession of Ecuador[12] to the existing Trade Agreement with Colombia and Peru[13]. Ecuador's accession to this pro-development Trade Agreement opens up markets on both sides, increases stability and predictability for trade and investment in both directions, and promotes inclusive and sustainable development. The

> *Commissioner Malmström said: "This agreement is a milestone in relations between Ecuador and the EU and creates the right framework to boost trade and investment on both sides. It's important that the agreement comes into effect soon so exporters, workers and citizens can start reaping the benefits. We need to create more trade between us because trade is a key factor for growth and jobs in the EU but also for an economy like Ecuador, which wants to diversify and integrate into global value chains. It creates a foothold for European business and an anchor for reforms in Ecuador."*

12 http://trade.ec.europa.eu/doclib/press/index.cfm?id=1261

13 http://ec.europa.eu/trade/policy/countries-and-regions/regions/andean-community/

Agreement eliminates tariffs for all industrial and fisheries products, increases market access for agricultural products, improves access to public procurement and services, and further reduces technical barriers to trade. Once fully implemented, the savings for EU exporters will be at least € 106 million in tariffs annually, and Ecuadorian exports will save up to € 248 million in removed duties[14]. The Accession Protocol was approved by the European Parliament on 14 December and is provisionally applied as of 1 January 2017.

"I am glad that we now publish this agreement in line with our strong commitment to a transparent trade policy" said EU Trade Commissioner Cecilia Malmström. "When approved," she continued "the agreement will unlock a market with huge potential for EU firms. Vietnam is a fast-growing economy of more than 90 million consumers with a growing middle class and a young and dynamic workforce. Its market offers numerous opportunities for the EU's agricultural, industrial and services exports. The agreement will also help trigger a new wave of high quality investment in both directions, supported by our new investment dispute resolution system with an appeal mechanism."

In 2015 the EU and Vietnam announced the conclusion of the negotiations for a free trade agreement. The English version of the negotiated text was published in February 2016[15]. 2016 has been taken up with the legal scrubbing of this text. The next step, after finalisation of the legal scrubbing and translation of the text, will be for the Commission to present to the Council the Decision on signature and conclusion of this FTA.

As for the Economic Partnership Agreements (EPA) with the West Africa region[16], provisional application depends on the signature of a number of countries. Ivory Coast and Ghana have signed and ratified their stepping stone EPAs. In the meantime, **Ivory Coast** began applying its EPA in September 2016 and the European Parliament gave its consent to the Agreement with **Ghana** on 1 December 2016 allowing for its provisional application. A Commission proposal for signature and 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, Kenya and Rwanda signed the Agreement. Signatures of the other three African countries are needed before the consent of the European Parliament and provisional application can start.

On-going bilateral negotiations

In 2016, DG Trade continued to pursue its aim of negotiating better access for the EU to the US market by removing customs duties and other barriers to trade, as well as by facilitating new trade and investment opportunities in new areas. Independent studies and existing EU trade agreements indicate that the **Transatlantic Trade and Investment Partnership** (TTIP) would help generate growth and jobs, cut prices and give citizens more choice of goods and services. At the same time, it would uphold the high standards of protection existing in the EU. The Partnership could also help the EU and the United States protect and strengthen the values they share, including principles such as democracy and the rule of law. DG Trade organised and participated in four negotiation rounds during 2016 of which two were held in Brussels and two in New York. So far 15 negotiation rounds have been completed. EU Trade Commissioner Cecilia Malmström also met her United States counterpart Mike Froman nine times in the course of the year.

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[14] Source: http://trade.ec.europa.eu/doclib/docs/2016/september/tradoc_154964.pdf

[15] http://trade.ec.europa.eu/doclib/press/index.cfm?id=1437

[16] Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo

Reports of the negotiation rounds, advisory group meetings and civil society dialogues, as well as negotiation texts, press material, studies and much more are available on the Commission's TTIP dedicated web-site[17]. The draft final report of the Sustainability Impact Assessment in support of the negotiations was published in November for public consultation[18]. Notwithstanding all the hard work and the commitment to transparency, it did not prove possible to bring the negotiations to a conclusion under the outgoing US administration. The EU will now need to see the scope to continue these ambitious negotiations after the Trump Administration took office in early 2017.

Negotiations for a Free Trade Agreement with Japan[19], which were initially launched in 2013 intensified in 2016 following public statements by political leaders committing to a rapid conclusion. 17 negotiating rounds have taken place so far of which three were held in 2016 (two in Brussels, one in Tokyo) flanked by inter-sessional meetings. Negotiating texts and market access offers were exchanged in all areas. A Sustainability Impact Assessment[20] of the EU-Japan FTA was carried out for the European Commission and was published in 2016.

DG Trade held the first full round of negotiations with Tunisia for a Deep and Comprehensive Free Trade Agreement between the two parties with the objective of better integrating Tunisia into the EU's market, and further developing bilateral trade and investment. This would be achieved by extending the provisions of the existing association agreement to areas not covered, such as trade in services, some aspects of agriculture, trade and sustainable development, investment and trade facilitation. Negotiations continued throughout the year.

Following an exchange of offers on 11 May 2016, the EU-Mercosur[21] negotiations progressed and a negotiating round took place in Brussels in October 2016. This was the first full negotiation round since 2012. Negotiators discussed the full range of negotiating texts and rules, and exchanged views on how to progress on market access issues. The parties agreed on holding the next round of negotiations in Buenos Aires on 20-24 March 2017. A call for tender was launched in December 2016 to carry out a Sustainability Impact Assessment in support of the negotiations with Mercosur.

DG Trade also continued negotiating two EU stand-alone investment agreements. **The negotiations of the EU-China Investment Agreement continued intensively in 2016.** Four rounds and four inter-sessional technical meetings allowed for the teams to establish a joint text, in line with the agreement on scope, which took place in December 2015, and to progress on text based negotiations. Some progress has been noted with respect to definitions, domestic regulation, market access and expropriation. **Negotiations on an Investment Protection Agreement (IPA) with Myanmar were resumed with the new Myanmar Government in December 2016.** During the fourth round, good progress was achieved overall, including on the new elements of the EU's reformed approach to investment protection and investment dispute resolution. In the meantime, a Sustainability Impact Assessment[22] of the EU-Myanmar IPA was carried out for the Commission and was published in 2016.

On the basis of negotiating directives agreed by the Council in May 2016, negotiators from the Commission met their Mexican counterparts in Brussels on

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17 http://ec.europa.eu/trade/policy/in-focus/ttip/

18 http://www.trade-sia.com/ttip/

19 http://ec.europa.eu/trade/policy/countries-and-regions/countries/japan/

20 http://trade.ec.europa.eu/doclib/html/154522.htm

21 Argentina, Brazil, Paraguay, Uruguay (Venezuela is not participating in negotiations)

22 http://trade.ec.europa.eu/doclib/docs/2016/december/tradoc_155121.pdf

13-14 June 2016 for a first round and in Mexico on 22-25 November for a second round of talks on modernising the trade pillar of the existing EU-Mexico Global Agreement. Discussions in 2016 have focused i.a. on market access issues in the area of goods, services and access to public procurement on both sides, better and broader protection of intellectual property, including names of traditional European products known as 'geographical indications', trade and sustainable development and ensuring better opportunities for small and medium enterprises.

On the back of the 2007 negotiation directives for the ASEAN countries[23], and the official launch of negotiations for an EU-Philippines Free Trade Agreement in December 2015, a first round of discussions took place in May 2016 in Brussels and a second one in February 2017 in Cebu City. The rounds included meetings dedicated to trade in goods, rules of origin, sanitary and phytosanitary (SPS) measures, services and investment, intellectual property rights, competition, trade and sustainable development and dispute settlement. The EU stressed the need for consistency and coherence with what the EU has already negotiated in its bilateral free trade agreements (FTAs) with other members of ASEAN in view of the long-term objective to eventually move towards concluding an EU-ASEAN region-to-region FTA.

Also negotiations on a Free Trade Agreement with Indonesia started with a first round in September 2016 after the formal launch of the negotiations in July 2016. The coverage of the round was similar to that of the Philippines in view of the same need for consistency and coherence with FTAs with other members of ASEAN and the same long-term objective to eventually move towards concluding an EU-ASEAN region-to-region FTA. A second round of text-based negotiations is scheduled for the last week of January 2017. A request for services was sent in December 2016 for a joint Sustainability Impact Assessment on the negotiations with Indonesia and the Philippines. Contract signature is expected in the first half of 2017 with a final report to be ready in 2018.

Commissioner Malmström and Minister Lembong jointly declared: "The EU and Indonesia represent a huge market of 750 million consumers. These negotiations are key to unleash synergies between our economies. Our trade relationship has enormous untapped potential. The EU - the world's largest trading block - and Indonesia - the largest player in the dynamic region of South-East Asia – have lots to gain from a deeper trade and investment relation. The Agreement holds a promise of new great opportunities for businesses and people in our countries. That is why we engage today with a firm resolve to make these talks succeed."

After the conclusion of the negotiations of the Trans-Pacific Partnership (TPP), a technical stocktaking exercise was started with Malaysia in early 2016 to explore whether there is enough common ground to resume the FTA negotiations that were paused in 2012. Four rounds of discussion involving relevant experts on both sides have taken place since. However a number of issues are still outstanding, before it is possible to complete the assessment.

As regards India, renewed efforts were made following the EU-India Summit in March 2016 to revisit the FTA negotiations that are de facto on hold since 2013 due to lack of progress on key issues of EU interest. Furthermore, India has notified EU Member States about its decision to terminate their Bilateral Investment Treaties (BITs) and replace them with a new Indian model. As a consequence, the Indo-Dutch BIT was terminated on 1 December 2016. 18 other BITs face the same prospect in the course of 2017. In order to find a solution and avoid a gap in the protection of EU investments in India the EU has proposed to the Indian side that FTA talks be resumed and the existing BITs replaced with modernised investment provisions within the FTA, but on condition that the existing BITs are not terminated in the meantime.

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[23] Brunei Darussalam, Myanmar/Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam

In line with the Revised European Neighbourhood Policy DG Trade launched in February 2016 negotiations to enhance bilateral trade relations with Armenia in the framework of a new enhanced partnership agreement. Five trade negotiating rounds have been concluded in 2016, flanked by inter–sessional meetings to prepare for a conclusion of negotiations in early 2017 allowing thereby the EU to engage with Armenia in a new contractual relationship.

In July 2016 the Commission recommended to the Council starting negotiations on a comprehensive agreement with Azerbaijan, including on enhanced trade cooperation. The recommendations were successfully adopted by the Council in November 2016 and negotiations with Azerbaijan are ready to be launched early in 2017.

In light of the "Trade for All" Communication, special attention was paid to ensuring effective transparency of EU's negotiations, by extending the TTIP transparency initiative to all the EU's trade negotiations. Further information about background and negotiations rounds can be found on the Commission's website for trade http://ec.europa.eu/trade/. The Commission also called on the Council to make the negotiating directives of Mexico, Mercosur and Tunisia public.

In 2016 DG Trade

- *published 26 negotiation round reports*
- *published 47 legal text proposals covering 11 negotiations*
- *held 24 meetings with civil society and other interested parties, including meetings during specific negotiation rounds. The TTIP Advisory Group met nine times in 2016.*
- *launched consultations on five Impacts Assessments and one Sustainability Impact Assessment*

Preparing for new bilateral negotiations

In December 2016 the Commission recommended to the Council starting negotiations with Turkey[24] to enhance EU-Turkey bilateral trade relations and to modernise the Customs Union between the two parties. The aim is to address two main issues. First, the benefits of the already intense economic integration between the parties could be further increased by extending the preferential trade relations to other areas such as services, public procurement, agricultural trade and by laying down rules that provide a more stable business environment e.g. in the area of Sanitary and Phytosanitary or energy and raw materials. Second, a modernisation effort to improve the functioning of the existing Customs Union, which requires Turkey to align its trade policy with that of the EU and also align its technical legislation with EU law, but currently without sufficient mechanisms of consultation and involvement. In line with the Trade for All Communication and all recent EU trade agreements, the modernised Customs Union will also contain dedicated provisions on Trade and Sustainable Development.

Finally, the Commission has been working actively in 2016 - and continues to do so - towards recommending to the Council of the EU to launch negotiations of free trade agreements with Australia and New Zealand, and negotiations on the modernisation of the existing agreement with Chile. Intense work on scoping, impact assessment and translations should result in these recommendations being tabled by the Commission in the first half of 2017.

[24] http://ec.europa.eu/trade/policy/countries-and-regions/countries/turkey/

Specific objective 2: Effective implementation

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

Once agreements are in place, implementation can start and it is thus important that implementation is closely monitored and rights being enforced. Naturally this next step in the EU's trade policy equally contributes to the Commission's priorities on boosting the EU economy, creating jobs and being a strong global actor.

> *The EU is one of the world's most open economies. Open trade strengthens its economy, creates jobs, gives citizens more choice and buying power as consumers, and helps EU firms compete abroad. In 2016, over 31 million jobs in the EU – one in seven of the total – were supported by exports to countries outside the Union.*

With 39 bilateral/bi-regional trade agreements in place (including the ones under provisional application), and covering over 65 partners, DG Trade has strengthened its focus on proper implementation and enforcement of the EU's trade and investment rights, and in particular those laid out in the FTAs.

In terms of DG Trade's internal organisation to support implementation, two important measures were taken in 2016, namely to set up of an **internal FTA Coordination and Coherence Group and to appoint a Coherence Officer of Implementation**. Both are responsible for overseeing the implementation of the EU's trade agreements agenda and ensuring a more effective and coherent approach to implementation.

As underlined in the Communication "Trade for all", in order to ensure that FTAs, once they enter into force, result in the promised market opening and business opportunities on the ground, it is crucial to ensure their fullest implementation. This is done mainly through the Market Access Strategy (MAS), by making use of the specific structures set up under the FTAs (such as specific trade committees allowing early exchange and diplomatic resolution of market barriers and, as a last resort, specific dispute settlement mechanisms) as well as of the general existing structures such as WTO Committees or WTO dispute settlement, where appropriate.

The MAS complements the EU's multilateral, plurilateral and bilateral trade negotiations by ensuring that trade opportunities created by trade agreements are translated into real market access for EU exporters. The Strategy is based on a "Market Access Partnership" (MAP), consisting of regular coordination between the Commission, Member States and business both in Brussels and on the ground in non EU-Member countries. The MAS is an effective tool for gathering information on trade barriers and for prioritizing and defining a common barrier removal strategy. That strategy ranges from diplomatic demarches, discussions within specific committees or structures within the WTO or of FTAs to mediation and formal dispute settlement.

In light of the ever expanding bilateral trade agenda and the number of FTAs that will enter into force over the next few years, the 2015 Communication "Trade for All", proposed an "enhanced partnership" with Member States, the European Parliament and other interested parties for the implementation of trade agreements. This enhanced partnership covers the implementation of FTAs, including reinforced awareness raising and customs cooperation activities, trade facilitation, and SME internationalisation.

In 2016, in the context of different fora (Market Access Advisory Committee and trade policy committees), DG Trade has collected ideas from Member States and business organisations on concrete ways to enhance the partnership with a view to increase the focus on FTA awareness and implementation. DG Trade will reinforce coordination with Member States and business to better align messages and demarches with third countries based on stronger and more advance coordination within the Market Access Partnership. Further, the Market Access Database (MADB)[25] will be improved to enhance the flow and sharing of information between the Commission, Member States and business organisations. For this purpose, the "trade barriers section" of the MADB has already been overhauled and improved and it is planned to expand the MADB with a section specifically dedicated to FTAs and their implementation. This should allow interested parties to find in one place all FTA-related information of relevance to implementation and awareness raising activities. Also, within the Market Access Advisory Committee, a first exchange took place on best practices in terms of FTA implementation, promotion and communication and of streamlining national structures and procedures to further facilitate exports. This discussion will be continued in different fora in 2017.

In the context of WTO dispute settlement, the EU launched two new disputes (against Colombia on spirits (DS 502) and against China on raw materials ("Raw materials III", DS 509)). The EU was a party (complainant or defendant) to 15 ongoing proceedings.

The EU has seen first results in a number of these proceedings, with several important victories at panel stage. The EU won the tariff dispute against Russia (DS485). Russia did not appeal, so the results are final, and Russia is under obligation to bring its tariffs (on the products at issue) into compliance by 11 May 2017. The EU also won, at panel stage, the dispute against Russia on its import ban on pork. Russia appealed this report and appellate proceedings are now pending. In the dispute with Washington State on subsidies for large civil aircraft (DS487), the panel sided with the EU regarding one of its prohibited subsidy claims and the US appealed the report (appeal is pending). As a result of EU's victory in the dispute against China- anti-dumping duties on steel tubes (HP-SSST, DS 460), China fully removed its anti-dumping duties in August 2016.

On the defensive side, in February 2016, the EU secured compliance in the Fasteners dispute (DS397) through repeal of the anti-dumping measures on fasteners from China, putting an end to this long standing dispute and avoiding sanctions. The EU essentially won, at panel stage, the dispute brought by Indonesia on anti-dumping measures on Fatty Alcohols (DS442, Indonesia appealed the panel report in February 2017). The panel report came out in compliance proceedings in DS 316 (Airbus), and the EU appealed the report (appeal is pending). Work has started towards implementation work in the biodiesel dispute with Argentina (DS473, notice initiating a review was published in December 2016), in which the implementation period will expire on 10 August 2017.

Reports

The new Report on Trade Barriers and Opportunities[26] combines and replaces the Report on the Monitoring of Potentially Trade-Restrictive Measures, the so-called "Protectionism Report" and the Commission's Trade and Investment Barriers Report ("TIBR"). Both have been published regularly since 2008 and 2011 respectively. The 2016 report concludes that the slight slowdown of world economy and relatively weak global trade activity in 2015 were accompanied by an increased tendency to resort to potentially trade restrictive measures during the reference period July 2014-December 2015 and by a very limited roll back of previously introduced measures. The stock of trade restrictive measures enacted since 2008 continues to grow. As in previous years, emerging countries have resorted to restrictive measures to the greatest extent, but also developed countries, including G20 members, continue to apply them, despite

[25] http://madb.europa.eu - The Market Access Database (MADB) gives information to companies exporting from the EU about import conditions in third country markets.

[26] COM(2016)406 of 20 June 2016 –

their repeated pledge not to adopt trade-protectionist measures and to roll back existing ones. The importance of the enhanced partnership with EU Member States and the European Parliament in this context is highlighted as crucial. The next Report is planned for spring 2017. With a view to better communicate on the joint (EU-Member States-business) work on trade barrier removal and FTA implementation, DG Trade intends to increase the focus of the 2017 Report on trade barriers that matter most for EU companies and on joint successes. In order to emphasise the importance of effective implementation of EU Free Trade Agreements, the Commission will issue a new report dedicated to FTA implementation in the autumn 2017.

In 2016 the EU celebrated the fifth anniversary of the EU-South Korea Free Trade Agreement. The fourth annual report on the implementation of the agreement was published in June 2016[27]. Findings showed that EU exports to South Korea have increased by 55% since the trade deal between the two partners entered into force in 2011, and European companies have saved €2.8 billion in scrapped or discounted customs duties. Equally Korea's exports to the EU have grown at much higher rates than those from other countries, and this in particular in the areas fully or partially liberalised by the agreement. Bilateral trade in goods between the EU and South Korea has been growing constantly since 2011, and reached a record level of over €90 billion in 2015.

> *The numbers speak for themselves. The evidence of our agreement with Korea should help convince the unconvinced that Europe benefits greatly from more free trade. When our companies can export more easily, or when money saved from scrapped customs duties can be reinvested in company development, it spurs European growth. It safeguards and creates jobs. This anniversary gives us many reasons to roll up our sleeves and conclude all other pending EU trade deals that are on the table."*

The second annual report on the Implementation of the EU-Colombia/Peru Trade Agreement[28] showed that, two years after its entry into force, the agreement is functioning well overall. The economic slowdown in Latin America and the fall in commodity prices on the global market also affected EU trade flows between the EU and Colombia and Peru. Colombia exports to the EU decreased in value in 2015, following an increase in 2014. Peruvian exports to the EU remained stable in 2015 compared to 2014. Exports from Peru and Colombia of products liberalised under the agreement have increased, in some cases significantly, indicating the agreement's positive effects. EU has significantly increased its exports to both Colombia and Peru of products that have been liberalised under the agreement, either fully, partially or by means of preferential tariff quotas. In terms of diversification, since 2012, a significant number of new tariff lines[29] registered imports. The third annual report will be issued by the end of the first half of 2017.

The annual report on the implementation of the trade part of the Association Agreement between the EU and Central America[30] demonstrated that overall, the agreement appears to work well and the implementation process is continuing steadily. Despite the challenging global economic environment, EU trade flows with Central America proved to be fairly dynamic. EU exports to Central America increased by 7.2% in 2014. The utilisation rate of the preferences remains, nevertheless, quite low for EU exports to Central America, but is better for EU imports from Central America. Communication efforts on both sides of the Atlantic are necessary to increase the awareness on the opportunities and the benefits that the Agreement can bring. The

[27] COM(2016)268 of 30 June 2016

[28] COM(2016)058 of 10 February 2016

[29] A tariff line is a product as defined in lists of tariff rates. Products can be sub-divided, the level of detail reflected in the number of digits in the Harmonized System (HS) code use to identify the product

[30] COM(2016)073 of 18 February 2016

third annual report on the implementation of the Association Agreement will be released in the first half of 2017.

Monitoring Committees and Councils

South Korea FTA[31] : Ten out of sixteen implementation bodies (seven specialised committees, seven working groups and two dialogues) took place in 2016, as well as the annual FTA Trade Committee at ministerial level. The committees acknowledged the positive trends in the development of the bilateral trade relations and discussed outstanding implementation issues in a number of FTA areas.

Colombia/Peru and **Central America** Agreements[32]: The annual Trade Committee with Colombia and Peru and the annual Trade Committee/Association Committee with Central American countries took place in 2016. In addition work was done by EU Delegations and Headquarters on implementation of specific issues as well as dissemination/communication activities in the EU and the partner countries. Furthermore accompanying development cooperation actions were planned under the relevant instruments in order to support implementation of the agreements, including a strong focus on trade and sustainable development.

EU-**Ukraine** DCFTA[33]: Sub-committees and an annual Association Committee/Council took place. In the context of implementation of the Association Agreement, a Sanitary and Phytosanitary (SPS) strategy and a public procurement roadmap will be subject to a Commission proposal to update the its annexes. Also new Autonomous Trade Measures have been proposed on top of the trade liberalisation that is available under the DCFTA.

Georgia and **Moldova** DCFTAs[34]: An annual Association Committee in trade configuration and four specialised sub-committees took place in 2016. A decision on the update of the SPS annex of the Association Agreement is awaiting signature by the EU-Georgian SPS sub-committee. Decisions on the update of the Public procurement and technical barriers to trade (TBT) annexes of the Association Agreement are being prepared for signature at the upcoming EU-Georgia Association Committee in trade Configuration. Two decisions on the update of the public procurement and TBT annexes of the Association Agreement were signed at the EU-Moldova Association Committee in Trade Configuration. A decision on the replacement of Protocol II (rules of origin) by a link to the PEM[35] Convention was signed at the EU-Moldova Customs sub-committee. The list of arbitrators for dispute settlement was approved.

Economic Partnership Agreements: The Cariforum[36]-EU EPA Joint Consultative Committee met in Brussels in April 2016. The Cariforum Trade Development Committee met in November 2016. The ESA EPA Committee met in Brussels in December 2016. The EPA Committee with Cameroon took place in Yaoundé in December 2016.

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[31] The EU-Korea FTA has been provisionally applied since July 2011, and amended in 2014 to include Croatia as a party to the FTA with effect from 1 July 2013. It entered into force in December 2015.

[32] The EU-Colombia/Peru FTA and EU-Central America DCFTA are provisionally applied since 2013.

[33] The trade part of the EU-Ukraine Association Agreements is provisionally applied since 1 January 2016.

[34] Both the Georgia and Moldova Association Agreements have entered into force as of 1 July 2016. Provisional application started already in September 2014.

[35] Pan-Euro-Med Convention. The protocols of rules of origin in FTAs between Parties to the pan-Euro-Med zone are being replaced by the rules of origin laid down in the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention) published in OJ L54 of 26 February 2013.

[36] Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Saint Kitts and Nevis, Surinam, Trinidad, Tobago, and the Dominican Republic

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

The EU uses trade defence instruments to re-establish a competitive environment for the EU industry when harmed by unfair imports. DG Trade has throughout 2016 committed to maintaining and improving a transparent, efficient and effective system to combat distortions and unfair trade practices. As such this specific objective contributes to the Commission's general objective of expanding the EU economy and maintaining jobs in the EU. In 2016 more than 300.000 jobs in the EU were covered by the EU's trade defence measure. DG Trade completed all investigations within the mandatory deadlines or even earlier.

In the context of the expiry of certain provisions of China's WTO accession protocol by 11 December 2016 and a changing trading environment, the Commission presented in November 2016 a proposal[37] for 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. The purpose of the proposal is to make sure that Europe has trade defence instruments (TDIs) that are able to deal with current realities, notably overcapacities, in the international trading environment, while fully respecting the EU's international obligations in the legal framework of the World trade Organization (WTO). The proposal, which introduces changes to the EU's anti-dumping and anti-subsidy legislation, follows a broad public consultation and is accompanied by an impact assessment[38].

Furthermore, following the steel crisis and the Commission Communication on preserving sustainable jobs and growth in the steel sector[39], the 2013 Commission proposal on modernisation of the EU's Trade Defence Instruments[40] received new impetus. The pending proposal for modernising the EU's trade defence rules was discussed at the highest political level during 2016 and in December, the Council was able to finalise its common position. The Commission is trying to facilitate agreement on the proposal between the Council and the European Parliament early in 2017. Among other things, the adoption of the proposal would make it possible to impose provisional anti-dumping measures more quickly and would allow the EU not to apply the Lesser-Duty Rule[41] where the exporting country distorts raw material prices, for instance by introducing export restrictions on them.

> *On 13 December 2016, the Permanent Representatives Committee (Coreper) agreed on the Council's negotiating position on a* ***proposal to modernise the EU's trade defence instruments****. The Slovak Minister representing the EU Presidency said that "This is a major breakthrough. Our trade defence instruments have remained largely the same for over 15 years but the situation on world markets has changed dramatically. Europe cannot be naïve and has to defend its interests, especially in case of dumping. This is a crucial step towards a solid solution that would help EU producers cope with unfair competition and practices."*

37 COM (2016)721 of 9 November 2016

38 http://trade.ec.europa.eu/doclib/docs/2016/november/tradoc_155080.pdf

39 COM(2016) 155 of 16 March 2016 (DG GROW)

40 COM(2013)192 of 10 April 2013

41 Under a Lesser-Duty Rule, authorities impose duties at a level lower than the margin of dumping if this level is adequate to remove injury

Transparency

The Commission has taken further steps to increase transparency in its trade defence procedures and to facilitate communication with interested parties. In particular, a dedicated web platform "TRON[42]" (from "TRrade ONline"), now offers the parties involved in each particular procedure an instant online access to the entire non-confidential case-related file. This provides relief particularly to smaller companies that will no longer be obliged to request access to the file through a Brussels-based representative.

In 2017, TRON will include two additional features: i) the web notification: where interested parties will be notified and have on-line access to all public and limited communications, and (ii) the web submission: allowing interested parties to make all submissions related to a case via the Web (for instance questionnaire replies). The pilot phases for both additional features are ongoing and the system will be gradually operational. The web notification will be available by mid-2017 and the web submission and the online registration by parties by the end of 2017.

> *EU Trade Commissioner Cecilia Malmström said:*
> "I'm committed to making trade policy more transparent across-the-board, including for trade defence. With the on-going steel crisis, we need more engagement between the Commission's trade defence services and everyone concerned, including small businesses who struggle with unfair imports. With these new tools to improve two-way communication, we hope for more contributions to help us better address the industry's legitimate concerns."

Actions by non-EU countries

DG Trade also actively follows trade defence investigations by non-EU countries with the aim to minimize the effects for EU exporters. These investigations are in particular problematic when the relevant WTO standards are not scrupulously respected because the resulting measures unduly limit legitimate market access of EU exporters.

In this context, the Commission assists the EU industry subject to trade defence investigations by non-EU countries and almost systematically intervenes directly in the framework of investigations, as interested party. These interventions were successful in various cases in 2016, as they allowed either minimising the negative effect of measures or sometimes even avoiding their imposition.

Overall, there are around 150 measures in force by non-EU countries, which effect EU exports. On average, the Commission monitors and intervenes in close to a hundred such investigations per year.

In order to advocate for the EU’s best practices in the area of trade defence, the Commission also regularly organises training seminars for non-EU countries trade defence authorities.

Global Forum on steel excess capacity

While the TDI instruments are very important to restore the balance in case of unfair trade practices, it is also extremely important to act on the root causes of some unbalances leading to these situations of unfair trade. For this reason **the Commission and notably DG Trade has been very active and played a leading role in the**

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[42] http://trade.ec.europa.eu/tdi/index.cfm

establishment of the Global Forum on steel excess capacity on 16 December in Berlin. The G20 Leaders have called for the establishment of this Forum at the occasion of the Hangzhou Summit in September 2016. The Forum will allow enhancing communication and cooperation on capacity developments and policy. It will also enable taking effective steps to address the challenges so as to enhance market functioning and encourage adjustment in the steel sector.

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

The "Trade for All" Communication committed the Commission to reinforce its action within trade policy to promote sustainable development, human rights and good governance, **in the spirit of the UN's 2030 Agenda for Sustainable Development,** including by ensuring effective implementation of related FTA provisions and the Generalised Scheme of Preferences[43]. In this sense the outputs under this specific objective, as listed below, contribute to a large extent to the Commission's priority 9 enhancing the EU's position as a stronger global actor.

The Commission continues to negotiate strong provisions to promote the respect of labour rights and environmental protection, including the fight against climate change around the world. Once Free Trade Agreements enter into force, the Commission encourages the EU's trading partners to implement the relevant provisions on core labour standards like the abolition of child labour, the rights of workers to organise and non-discrimination at work and to increase the priority given to the sustainable management and conservation of natural resources (biodiversity, soil and water, forests and timber, fisheries and wildlife) as well as to the fight against climate change.

In this context, given the real progress in the elimination of child labour in Uzbekistan, it is worth mentioning a long awaited consent given by the European Parliament on a Council Decision on the conclusion of a Protocol to the Partnership and Cooperation Agreement (PCA) between the EU and Uzbekistan, extending the provisions of the PCA to bilateral trade in textiles. In 2004, the EU-Uzbekistan textile agreement expired and Uzbekistan was not in favour of extending/renewing the agreement. As Uzbekistan is not a WTO member, it was free to increase import tariffs regarding EU exports of cotton/textiles to Uzbekistan. The Textile Protocol to the PCA will now ensure EU textiles and clothing products are treated as most-favoured-nation treatment for trade and will put an end to the current legal uncertainty for EU textile exporters. In December 2011, the European Parliament refused its consent to the Protocol due to the use of child labour during Uzbekistan's cotton harvests. After the Commission's and EEAS' mediation efforts, Uzbekistan allowed International Labour Organisation (ILO) monitoring in 2013 and child labour was eradicated by 2015. Uzbekistan is the sixth largest cotton producer in the world, though EU-Uzbekistan bilateral trade in cotton and textiles is not very significant. EU imports of cotton amount to €36.5 million out of €940 million total Uzbek exports. Uzbekistan benefits from GSP treatment for its exports of cotton and textile products to the EU. Once the textile protocol is ratified the EU will benefit from MFN treatment for exports of textile products to Uzbekistan.

In 2016, DG Trade continued to implement the EU's Generalised Scheme of Preferences (GSP). DG Trade closely monitored the **GSP+**[44] beneficiaries' compliance with their obligations, notably effective implementation of the relevant conventions, in

[43] The EU's Generalised Scheme of Preferences (GSP) is designed to help developing countries integrate in the international trade system by making it easier for them to export their products to the EU. This is done in the form of partly or fully reduced tariffs for their goods when entering the EU market. Through the additional export revenue which is generated, GSP fosters growth in their income and supports their development.

[44] The GSP+ enhanced preferences mean full removal of tariffs on essentially the same product categories as those covered by the general arrangement. These are granted to countries which ratify and implement core international conventions relating to human and labour rights, environment and good governance.

order to timely spot potential problems and assist beneficiaries in their rectification and so minimise a risk of withdrawal of preferences. In particular, four GSP+ monitoring missions took place in 2016 (Kyrgyzstan, Bolivia, Paraguay, Pakistan). Other developments included: a new list of graduated products[45]; Kyrgyzstan becoming a GSP+ beneficiary on 26 January 2016[46]; Sri Lanka applied for GSP+ in the second quarter of 2016[47]; removing Ukraine and reintroducing Tonga from the list of beneficiaries[48]. On 28 January 2016, the Commission adopted the first bi-annual report to the EP and Council on the effects of the revised GSP Regulation, in particular on the implementation of the GSP+ arrangement[49].

In 2016, the Commission continued to take an active role in flagship autonomous initiatives. Together with the other Compact partners, the Commission closely followed the implementation of the **Bangladesh "Sustainability Compact" for improving labour**, **including health and safety, conditions** for workers in the Bangladeshi garment factories, including through a progress monitoring project carried out by the ILO. The last high-level Compact follow-up meeting took place in Dhaka in January 2016 and the third annual report on progress achieved in the Bangladeshi garment sector through the Sustainability Compact for Bangladesh was published in August 2016[50]. In this framework, DG Trade also encouraged EU enterprises to take responsibility for their impacts on society and to sustain private sector efforts in contributing to safe working conditions in Bangladesh in the garment sector.

The Commission is also engaged in the Labour Rights Initiative in Myanmar to promote decent work and responsible business conduct in the country which brings together the government of Myanmar, the US, the EU, Denmark, Japan and the ILO. The Commission funded and actively participated in the second Stakeholders Forum of the Initiative which took place in Yangon, Myanmar in September 2016. The Forum enabled constructive discussions with social partners and other actors on progress and the way forward towards achieving the objectives of the initiative.

"The rules we agreed upon today are a huge step forward in our efforts to stop human rights abuses and armed conflict financed by trade in minerals. I'm convinced that it will have real impact on the ground, for the people suffering from such conflicts. I sincerely hope that the EU model will now set an example for other countries to follow," said EU Trade Commissioner Cecilia Malmström

The Commission, Council and the European Parliament agreed in 2016 on a framework to stop the financing of armed groups through trade in conflict minerals. This Regulation, which is expected to be formally adopted in May 2017 – sets a framework within which EU companies will ensure that the vast majority of tin, tantalum, tungsten and gold imported into the EU is sourced responsibly. These minerals are typically used in everyday products such as mobile phones, cars and jewelry. The Regulation will apply from 2021. In 2016, DG Trade organised outreach dialogues on conflict minerals with a number of trading partners including China, India, United Arabic Emirates, Colombia, Malaysia and Thailand. It also works in parallel on guidelines for

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45 Commission Implementing Regulation (EU) 2016/330 of 8 March 2016 - C(2015)5946. Graduated products are products that have become so competitive that they no longer need support to be successfully exported to the EU. These products will no longer receive GSP preferences as from 1 January 2017 until 31 December 2019 when the list will be reviewed. This decision, however, will not apply to countries which will benefit from GSP+ in the period concerned.

46 Commission Delegated Regulation (EU) 2016/79 of 25 November 2015

47 Commission Delegated Regulation (EU) C(2016) 8996 final of 11 January 2017

48 Commission Delegated Regulation (EU) C(2016)7809 of 5 December 2016

49 COM(2016) 29 of 28 January 2016

50 http://trade.ec.europa.eu/doclib/html/154841.htm

authorities in the EU Member States to ensure the appropriate EU-wide implementation of the Regulation. Accompanying measures to provide the appropriate support to importers, in particular SMEs, will also be deployed shortly, combined with a range of development aid and foreign policy actions to ensure buy in from EU trading partners and effectiveness of the Regulation and its positive impact on the ground in developing countries.

In the current deteriorating security environment, it is also important that trade policy contributes to the preservation of international peace and security whilst ensuring the protection of human rights. To this end, the Commission tabled a recast proposal[51] of the Regulation on controlling exports of dual use items. The purpose of this 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. Awareness-raising organised by DG Trade in 2016 comprised both a civil society dialogue meeting in October and a dedicated Export Control Forum in December.

"We are living in turbulent times. Preserving peace and protecting human rights are core objectives of the EU and our trade policy is essential to that aim. That's why we are proposing a set of modern rules to make sure that exports are not misused to threaten international security or undermine human rights", said Commissioner for Trade Cecilia Malmström

On 19 July 2016, the EU and Jordan agreed on an initiative on rules of origin to support Jordan in the context of the current Syrian refugee crisis. This initiative provides for a significant relaxation of otherwise applicable rules of origin for imports of a wide range of industrial products from Jordan into the EU, provided that a number of criteria are met including a minimum amount of employment of Syrian refugees in manufacturing. This work on rules of origin has taken precedence over scoping discussions on a potential deep and comprehensive free trade agreement, where Jordan has wanted to exclude a number of issues that the EU considers important. Implementation work will continue in 2017 in order to help Jordan in its efforts to attract foreign investors and buyers and take full advantage of the initiative in the years to come.

Meetings with FTA partners (Korea, Central America, Colombia-Peru, Moldova, Georgia) took place to review the implementation of Trade and Sustainable Development Chapters of the bilateral trade agreements as well as to raise any issues of concern. These took place for the first time with Georgia in 2016. In addition to meetings of officials, interactive sessions were held with civil society. The **civil society meeting** held under the EU's trade agreement with Colombia and Peru, which took place in Brussels, was webcast in order to facilitate participation from civil society representatives in the Andean countries.

51 COM(2016)616 of 28 September 2016

Financed projects

The following is a selection of projects that DG Trade has financed from its operational budget, and which support its work in achieving specific objective 4.

DG Trade has contributed 300,000€ to the operation of the United Nations Commission on International Trade Law (UNCITRAL). The UNCITRAL Rules on Transparency in Treaty-based Investor-State Arbitration are effective as from 1 April 2014. The rules constitute a major step in favour of improving transparency in investor-state arbitration, which is an important aspect of the EU's investment policy. DG Trade provides financial support for allowing the UNCITRAL secretariat to fully exercise the function of repository covering the period 2016-2018.

230,000€ has also been granted to the World Bank to contribute to the Support Programme on Investment Policy and Related Areas (SPIRA). Its objective is to support developing countries to improve their investment policies by addressing legal, regulatory, and administrative impediments in order to attract, retain and expand investments to the local economy.

A 1 million euro contribution has been given to the International Trade Centre (ITC) for the first-year activities of a two-year project on **fair and ethical trade**. Within this project, the ITC will on one hand carry out a study of the market for sustainability assurance complementing EU-funded work on the supply side (e.g. small producers). On the other hand the ITC will design the scoping and criteria for the first edition of the EU City for Fair and Ethical Trade award, and will involve relevant stakeholders to receive inputs and raise awareness on the process to the 2018 ceremony. Another 1 million euro is planned in 2017 to finance activities for the second year of the project. This project will help to deliver on the objectives of the 'Trade for All' Communication on fair trade and other sustainability assurance schemes.

Finally, The ILO, the monitoring body for the eight fundamental labour conventions that are relevant under GSP+ and Trade and Sustainable Development (TSD) Chapters of EU trade and investment agreements has received a contribution of 900,000€ to support the implementation of the Sustainability Compact for continuous improvements in labour rights and factory safety in the Ready-Made Garment and Knitwear Industry in countries such as Bangladesh, and to cover activities such as awareness raising and training to ensure that trade liberalisation goes hand in hand with the respect for labour rights.

For a full overview of the latest results in relation to all impact, result and output indicators including details of publications, please refer to annex 12.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section answers to the question *how* the achievements described in the previous section were delivered by DG Trade. This section is divided in 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 objectives. 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 for 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 2016 were legal and regular and implemented in accordance with the principles of sound financial management;
- The report issued for the attention of the Internal Control Coordinator on the state of play of internal control systems in DG Trade;
- The reports from Authorising Officers in other DGs managing budget appropriations;
- The opinion on state of control 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 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 objectives[52]. The DG's 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 control systems.

[52] Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and appropriate 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 (Financial Regulation Article 32).

DG Trade is a policy DG with a relatively small budget, where the majority of the budget is implemented through direct management, while part of the contributions to international organisations are implemented though delegated agreements, i.e. indirect management. DG Trade's budget was implemented in 2016 as follows:

Total expenditure	Commitments in €	Payments in €
	21,420,063	**19,236,131**
Administrative expenditure (excl. external staff)	4,668,278	4,229,489[53]
Contributions to International Organisations	5,280,000	5,475,767
Procurement activities	11,347,189	9,312,804
Other expenditure[54]	124,596	218,071

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

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

Overall, the value of payments linked to signed contracts represented about 48% of the total budget expenditure in 2016. DG Trade mainly acquireed 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.

- ***Contributions to international organizations***

Overall, the value of the payments linked to contributions to international organizations represented about 29% of the total budget expenditure in 2016. DG Trade awarded direct grants and delegated agreements to international organisations with a view to implementing 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 performance.

- ***Administrative expenditures***

The administrative expenditure managed by DG Trade (mission's expenses, meetings of committees and expert groups, training, conferences and other miscellanea expenditure) represents about 22 % of the total budget paid in 2016. Missions represent more than 80% of all administrative expenditure.

- ***Cross sub-delegations***

DG Trade has cross sub-delegated appropriations to the DGs listed below. Being Commission services themselves, their 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.

[53] From which about € 4 mio was paid by the Paymaster's Office (PMO).

[54] Including the appropriations cross sub-delegated or co-delegated to other DGs

DG	Consumed commitment appropriations in €	Consumed payment appropriations in €
DG CLIMA	12 044.30	0.00
DG COMM	9 235.76	8 839.53
DG DGT	0.00	1 967.40
DG SANTE	0.00	105 000.00
DG DEVCO	0.00	0.00

For the 2016 reporting year, the cross-delegated AODs have themselves reported reasonable assurance on the delegated budget managed by them on behalf of DG Trade's. They have signalled no serious control issues. For the amounts that have not been spent by the cross-delegated AODs, no report has been received.

Considering the relatively small amount entrusted to these other DGs, and bearing in mind the reports without reservation from the Authorising Officers in those DGs, DG Trade does not make additional controls as regards legality, regularity and error rates.

Coverage of the Internal Control Objectives and their related main indicators

- ***Control effectiveness as regards legality and regularity***

DG Trade has set up internal control processes aimed at ensuring the appropriate 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 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 effective mitigation of the financial and 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 and 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 spent correctly in 2016, no expenditure checks were initiated during last year.

The control objective 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, this 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 2016, 1 exception and 7 non-compliance events were recorded as control weakness. None of these had an impact on the legality and regularity of the transactions. All concerned events relate to formal compliance issues which do not have a negative impact on the budget.

The correction of the detected erroneous invoicing which involved an amount unduly invoiced, resulted in 26 credit notes for a total amount of EUR 144,444 and one case of claiming an ineligible amount totalling EUR 41,718. Please refer to table 8 in annex 3 for details. Apart from one specific case linked to VAT recovery needing the establishing of a recovery order of EUR 3,689 all errors and irregularities have been discovered before the actual payment, which is why no other recovery order for unduly paid amount has been issued in 2016. In addition, no other elements were brought to the attention of the AOD which could give rise to a financial correction or recovery ex-post.

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

OBJECTIVE	INDICATOR	TARGET	2016	2015	2014	2013	2012
Compliance with ICS8	No of financial exceptions	Keep stable/ reduce	1	2	4	3	6
	No of non-compliance events	Keep stable/ reduce	7	10	2	3	
	No of decisions overriding controls	None	None	None	None	1	None
Complaints in procure-ment procedures	No of legal cases following complaints in procurement procedures	None	None	None	None	None	None
ASSESSMENT							
	Compliance with ICS 8: the rate of financial exceptions/non-compliance events decreased in 2016 compared to 2015. An examination of the nature of the exceptions 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 2016, there were no legal cases, nor complaints, about a procurement procedure.						

DG Trade considers that there is no indication that transactions managed by DG Trade would not be legal and regular. Apart from one specific case all corrections take place before the actual payment is made (ex-ante), there are no errors left at the moment of payment. Nonetheless, to calculate the error rate, DG Trade has taken a most conservative approach and estimates the error rate being at 0.5%.

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*[55] for the 2016 payments made is 0.10 M€. This is the AOD's best, conservative estimation of the amount of

[55] In order to calculate the weighted average error rate (AER) for the total *relevant expenditure* in the reporting year, the *detected*, estimated or other equivalent error rates have been used.

relevant expenditure during the year (20.43 M€) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

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* of 0.10 M€.

Table 1 - Estimated overall amount at risk at closure

DG Trade	"payments made" (FY; m€)	*minus* new[a] prefinancing [*plus* retentions made[b]] (in FY; m€)	*plus* cleared[c] prefinancing [*minus* retentions (partially) released[b] and deductions of expenditure made by MS] (in FY; m€)	**= "relevant expenditure"** [d] **(for the FY; m€)**	Average Error Rate (*weighted* **AER**; %)	estimated overall amount at risk *at payment* (FY; €)	Average Recoveries and Corrections (*adjusted* **ARC**; %)	estimated future corrections [and deductions] (for FY; €)	**estimated overall amount at risk *at closure*[e] (€)**
(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 [f]	as per ABAC DWH BO report on prefinancing [f]	= (2) – (3) + (4)	Detected error rates, or equivalent[g] estimates	= (5) x (6)	*based* on 7Y-avg historic ARC (as per ABAC DWH BO report on corrective capacity)[f]: (1,7%), but *adjusted*[h] to be the *best but conservative* estimate for the current MFF	= (5) x (8)	= (7) – (9)
Procurement	9.3	0.0	0.0	9.31	0.5%	0.05	0.0%	0.00	0.05
Contributions to International organizations	5.5	4.6	5.8	6.67	0.5%	0.03	0.0%	0.00	0.03
Administrative expenditures	4.2	0.0	0.0	4.23	0.5%	0.02	0.0%	0.00	0.02
Other	0.2	0.0	0.0	0.22	0.5%	0.00	0.0%	0.00	0.00
Overall, total	19.24	4.61	5.80	20.43	0.5%	0.10 mEUR; 0.5% of (5)	0.00%	0.00 mEUR; 0% of (5)	0.10 mEUR; 0.5% of (5)

[a] New PF actually paid by out the DG itself during the FY (i.e. excluding any PF received as transfer from another DG)

[b] In Cohesion, the (10%) retention made/released by the Commission

[c] PF actually having been cleared during the FY (i.e. their 'delta' in FY actuals, not their 'cut-off' based estimated 'consumption')

[d] 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 AR methodological Annex 1.1 point 7*), also our concept of "relevant exposure" 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 (partially) released 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.

[e] For some programmes with no set closure point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate

[f] [*preferably to be*] differentiated at a level lower than the DG total

[g] In Shared Management, e.g.: "validated/adjusted error rates", "residual error rates at MS-level, as reported by the MS Audit Authorities and applied/adjusted/projected by the DG", etc.

[h] Even though 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, in order to come to the best but conservative estimate of the expected corrective capacity average to be applied to the reporting year's relevant expenditure. Considering *that that DG TRADE is the DG with entirely ex-ante control system the ex-post future corrections are considered to be 0.0%.*

Cost-effectiveness and efficiency

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

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 cover 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 the main control processes. DG Trade estimates the overall cost of control at €1,587,000[56].

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

DG Trade, being considered as small-spending DG, retained a single overall cost of control indicator:

INDICATOR	2016	2015	2014
Overall cost of control as percentage of payments authorised	9.1%	10,3%	9,7%

Where the cost of control remained stable, while the level of appropriations authorised increased compared to 2015. DG Trade considers the necessity of these controls to be undeniable, as they are essential to ensure compliance with regulatory requirements. As demonstrated in annex 5 a substantial part of the appropriations would be at risk if these controls would not be in place.

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 efficient and necessary. DG Trade continues to reflect on its control model and examines whether it is possible to make it even more cost-effective and efficient.

Fraud prevention and detection

DG Trade has developed and implemented its own anti-fraud strategy in 2013, elaborated on the basis of the methodology provided by OLAF. It has been updated in 2015.

Despite its small budget, DG Trade has put in place various control levels to minimise the risk of fraud in financial transactions as outlined above and in annex 5. 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.

56 This corresponds to 11.5 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.

In 2016 no cases were reported by DG Trade to OLAF. Moreover and to DG Trade's knowledge, there are no cases linked to the financial procedures or staff matters currently being investigated by OLAF. In the area of fraud linked to trade defence investigations, the cooperation with OLAF continues to work well.

2.1.2 Audit observations and recommendations

This section details and assesses the observations, opinions and conclusions presented 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 2016

In 2016, the Internal Audit Service (IAS) performed and completed one audit on ethics in DG Trade. In addition, the IAS finalised five follow–up audits to the audits performed either by the former DG Trade's Internal Audit Capability (IAC)[57] or by the IAS itself[58] (on financial and procurement management and on management of local IT). During the reporting year, DG Trade was subject to an audit from the European Court of Auditors (ECA) in the context of the 2016 DAS exercise (Declaration d'Assurance). One transaction pertaining to one of DG Trade's projects, i.e. conducting of the Sustainability Impact Assessment for the TTIP negotiations, was selected and audited. No issues were detected by the auditors in this audit on the TTIP SIA.

As regards the audit on ethics, the auditors recognised that DG Trade set up and implemented an effective ethics framework based on strong support from the management and the appropriate procedures adapted to the DG's specific environment. It did not reveal any cases where ethics rules were breached and did not identify critical or very important weaknesses. The IAS detected some areas for improvement, in particular related to monitoring and reporting on ethics, and certain processes with regard to contacts with interest groups. It issued two recommendations that were addressed in the action plan to be completed by the end of 2017, of which implementation is being monitored.

With regard to two audits, which had been initially performed by the ex-Trade IAC, the IAS has carried out the follow-up engagements. The evidence provided by DG Trade's management enabled the IAS to conclude that all outstanding recommendations have been adequately and effectively implemented and risks reasonably mitigated. This also includes the very important concerns relating to the organisation of work in the context of enforcement activities, in particular implementation of trade deals.

As regards two very important observations made by the IAS in the context of i) the audit on local IT in DG Trade and ii) the audit on financial and procurement management, which were touched upon in previous annual reports, they were respectively implemented and downgraded following the actions effectively undertaken by DG Trade's management in the course of 2016. In response to the recommendation stemming from the audit on IT, the standard IT governance policy of the Commission is followed and in place in DG Trade. In relation to the weaknesses detected in financial and procurement management, the IAS had decided to downgrade one very important recommendation, after DG Trade's management demonstrated the completion of a number of actions proposed to address it. While the drafting of a reflection paper on the control model to be

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[57] IAC Audit on document management (2013), IAC Audit on enforcement of EU rights in the context of multilateral and bilateral trade commitments (2014) and Audit on planning and risk management in DG Trade (2015)

[58] IAS audit on financial and procurement management (2015) and IAS audit on management of local IT within DG Trade (2013)

applied in DG Trade for the financial and procurement management was put on hold, some measures were implemented to increase efficiency in this field within DG Trade. These aim at further simplifying financial management in DG Trade while at the same time maintaining the control system in place. This recommendation should be fully implemented in the course of 2017.

In its contribution to the 2016 AAR exercise, the IAS concluded that the internal control systems audited are working satisfactorily and at the end of 2016 there were no very important findings that remained to be addressed.

Implementation of audit recommendations

In 2016, DG Trade continued to systematically monitor the implementation of recommendations stemming from audit reports. A comprehensive state of play of audit recommendations is regularly updated and its summary is brought to the attention of DG Trade's management and staff through the twice yearly Resources Report. Whenever deemed necessary, the specific issues resulting from on-going/closed audits are presented in other settings in DG Trade. Action plans are systematically established following each audit with active involvement of all auditees concerned.

All the recommendations were accepted and are being currently addressed.

As regards, the audit on Trade Defence Instruments (TDIs), completed at the end of 2015, all recommendations have been addressed on time and actions finalised by the end of 2016 according to DG Trade's management. The IAS is currently performing a follow-up assessment of their implementation. These focused on improving several areas in the management of TDIs, notably the systematic validation and documenting of the process of calculation of the dumping or subsidy margin and the injury suffered by the EU, completing the second phase of the TDI's documentation review, reinforcement of knowledge management by creating a system or structure to capture and share experience, work practices and important information with all staff dealing with defence cases.

Almost all the weaknesses identified in the 2014 ECA Special Report[59] and that were within DG Trade's competence were addressed within the set deadlines and DG Trade will continue to report to the EP and the Council in the context of the follow up to the Discharge if requested. There is only one out of six recommendations remaining to be fully implemented in relation to the Generalised System of Preferences' monitoring (which should be reinforced to meet its policy objectives). The recommendation should be considered to be fully addressed upon presentation of the mid-term review of the GSP to the legislative authorities as required by the legal base (at the latest by the end of 2017).

As of end of 2016 there were no outstanding critical or very important audit observations that remained to be implemented.

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 assurance implications, and are being implemented as part of the on-going and continuous efforts in terms of further improvements.

[59] Special Report 2/2014 "Are preferential trade arrangements appropriately managed?"

2.1.3 Assessment of the effectiveness of the internal control systems

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

DG Trade has put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, in accordance with the 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 compliance, assessing and reporting on the internal control systems in DG Trade. One official in Unit A.1 assists DG Trade's Internal Control Coordinator (Director A) in his tasks.

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.

The 2016 assessment of the internal control systems was launched in November and completed in February 2017 with the report sent to the Internal Control Coordinator. 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:

- Results of the staff survey;
- Qualitative assessments by the units/sectors/teams in charge of the implementation of particular Internal Control Standards;
- A desk review by Unit A.1 of information collected throughout the year, in particular records from management meetings, the quarterly management meetings on administrative matters; senior management working groups, meetings covering specific internal control issues (e.g. security);
- The results of DG Trade's risk assessment exercise;
- The reports by the Authorising Officers by Subdelegation (AOSD Declaration);
- The IAS opinion on the state of control;
- Relevant audit results (IAS, ECA);
- Other control information (OLAF, IDOC);
- The register of exceptions and non-compliance events.

Based on the above elements it can be concluded that the internal control standards are effectively implemented and functioning. For certain elements covered under specific Internal Control Standards, additional measures should be taken to further improve the effectiveness of DG Trade's internal control systems in certain areas covered under standards i.e. No2 Ethical and Organisational Values, No8 Processes and Procedures and No11 Document Management.

With regard to the controls existing in the ethics area, DG Trade's ethical framework is up to date, aligned with the corporate framework and adapted to the DG's specific environment. The DG's specific code on ethics and integrity was last updated in May 2016, together with an overhaul of the ethics pages on the intranet and is made available to staff. This contributes to staff complying with the ethics rules and obligations (in particular in terms of independence, integrity, impartiality, discretion and objectivity).

Although the IAS issued two important recommendations in its most recent audit, it did not reveal any cases where ethics rules were breached or controls were deficient. It highlighted though that the processes of reporting to senior management on ethical matters and handling contacts with non-registered organisations should be improved. It is important to know that the latter is not covered by any corporate guidelines.

DG Trade continued to make a considerable effort to improve its document management policy throughout 2016. The risk of harm resulting from leaks of sensitive negotiating documents or information still remains important though such leaks, when then occur, do not necessarily originate inside the Commission. While it has been assessed that effective controls exist in handling the sensitive information in ARES , the Commission's Advanced Records System, further consideration should be given to strengthen the controls in area of handling of and safeguarding sensitive information outside Ares. It is also being currently assessed in an on-going audit by the IAS on the administrative process supporting DG Trade negotiations. Nevertheless, according to management's assessment the mitigating actions applied within DG Trade do not allow to further reduce the level of residual risk in light of the above. One possible solution to better mitigate this risk would be the creation of an inter-institutional IT system for the more secure transmission of sensitive information.

One of the management tools which are used to conclude on the effectiveness of controls and/or to asses where changes need to be applied, are the reports on exceptions and non-compliance events. In 2016 the number of exceptions and non-compliance events decreased in comparison with 2015 and can be considered as reasonable. Moreover, the events did not reveal any fundamental weaknesses in the control system and they were considered not having impact on the legality and regularity of the underlying transactions.

Based on all above elements it can be concluded that all internal control standards are effectively implemented and functioning and that they provide a reasonable assurance regarding the achievement of the business objectives with some improvements needed in areas identified above.

2.1.4 Conclusions 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) and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

Review of the elements supporting assurance

Whereas, DG Trade has a relatively small budget to manage, the key controls implemented in DG Trade and which were not altered in 2016, operate appropriately as confirmed by the different audits conducted. 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 view.

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, ex-post controls, the limited conclusion of the Internal Auditor on the state of control and the observations of the Internal Audit Service 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 or those of the Commission.

Brussels, 31 March 2017

Jean-Luc Demarty

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 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

DG Trade continues its efforts to absorb both the effects of budgetary austerity and the increased workload as far as possible within existing teams by developing more horizontal cooperation and constantly seeking for redeployment options, both at Headquarters and in Delegations.

On a regular basis unit A1 together with the Resource Director meets with the Director General to discuss the staffing situation in DG Trade. Measures to adapt the staffing levels where necessary are decided and in most cases solved through internal redeployments or redistribution of tasks between directorates and units. Continuous close dialogue and collaboration with middle and senior managers ensures that unit A1 and the Resources Director receives the relevant information needed for engaging with the Director General on such decisions.

Example 2 – streamlining financial management

DG Trade will pursue the deployment of the relevant corporate e-modules so as to manage its Information Technology contracts throughout their life cycle fully electronically. In addition, simplification measures for low- and middle-value tenders, stemming from the revision of the Financial Regulation, will be considered and implemented.

E-ordering was implemented in 2015. DG Trade contacted and met DIGIT in 2016 in relation to e-fulfilment and e-submission. E-fulfilment was in pilot phase in 2016 and should be implemented in May 2017. It will allow electronic handling of the processing of time sheets and may allow e-invoices to be automatically "certified correct" provided they fulfil certain conditions. E-submission (electronic submission of offers) was put on hold pending a decision of whether the financing of e-modules should be done at central level. It was decided, however, that as of 2017, these modules should be financed from DG Trade's budget.

Meanwhile, based on DG Trade's continuous analysis of cost-effectiveness and efficiency, several simplification measures in the financial circuits were implemented in the second half of 2016. The measures mainly relate to simplification of validation chains and lowering of responsibilities for low risk transactions, such as first pre-financings and de-commitments.

2.2.1 Human resource management

DG Trade staff engagement (i.e. overall indicator for staff satisfaction) in 2016 remains above the Commission average at 67% and has improved by 2 percentage points since the last staff satisfaction survey. Despite this very positive feedback, results on well-being continue to be below the Commission average (26%) and have even decreased since the last staff satisfaction survey. Being mindful of the very high workload in DG Trade, a first analysis of the staff satisfaction survey was performed towards the end of the year. This analysis will result in 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). Furthermore, to address staff motivation in 2016 an internal mobility exercise was organised for AD staff. This has allowed for 14 colleagues to change jobs in line with their expressed interests. Also DG Trade organised for the second time a call for the internal mentoring scheme.

As in previous years, DG Trade continued taking very seriously its commitment to promote gender equality. Compared to the baseline figure of 2015 (18.5%) in 2016 DG Trade substantially increased the percentage of female middle managers to help reach the 2019 target and the total now stands at 28%[60].

Furthermore, at middle management level, an internal mobility was organised end of 2015 and which took effect 1 January 2016 leading to 12 Heads of Units changing unit, a challenge and opportunity both for managers and staff concerned. In addition, DG Trade also participated in the new middle management mobility exercise, launched by DG HR in June 2016. This exercise resulted in 2 new middle managers, one female and one male, joining DG Trade on 16 December 2016 and 1 January 2017 respectively.

On a continuous basis DG Trade seeks to analyse and address how to efficiently and effectively manage its human resources. This enables the DG to prepare for forward planning of staff in order to optimise the human resources needed for implementing DG Trade's policy objectives while at the same time ensuring staff engagement through learning and development, well-being and diversity actions.

In this regard, DG Trade prepares a Resources Report (covering both financial and human resources) twice a year and circulates it to management. The report focuses on and analyses vacancy rates, rate of and length of sensitive posts, turnover of staff, the proportion of external staff/statutory staff, work/life balance, gender balance in AD and management positions, and absence management.

Each year, DG Trade holds a spring and autumn review, involving Senior Management, where the resources unit looks at the human resource and mobility situation in the DG. These reviews also help DG Trade's senior management to decide how to implement the Commission's compulsory policy of cutting and taxing staff posts for the redeployment pool; any needs for further reinforcement, or whether to consider internal redeployments of staff.

Through this process, continuous redistribution of human resources within the DG is possible so that DG Trade priorities can be met whilst balancing insufficient staff levels and turnover of staff. Where necessary, mitigating actions are taken.

2.2.2 Better regulation

In line with the Better Regulation Agenda, DG Trade submitted in 2016 three impact

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[60] Reference date 31 December 2016. Table sent by DG HR: Indicator number 1 for Human Resources (female representation in middle management) by DG

assessments to the Regulatory Scrutiny Board. All three documents received a positive opinion on their first submission. These submissions concerned the impact assessment in support of the recast of the Regulation on export control of dual use goods, the impact assessment in support of amendments to the Regulations on dumped and subsidised imports, and the impact assessment in support of a recommendation to open negotiations on enhancement of the EU-Turkey bilateral trade relations.

2.2.3 Information management aspects

According to DG Trade's objective to register and file documents in ARES and making them retrievable and thus to be shared in the DG and reusable by other DGs, it is important to notice that the increase in number of emails registered with Areslook in 2016 has been higher than 35%. This result confirms the increase in the use of Ares and the success of information and awareness campaigns.

In addition, the percentage of registered documents that are not filed in DG Trade has decreased from 5.6% in 2014 to 0.99% in 2016, which is a remarkable result. The improvement in the overall results for all DGs is explained by the mandatory filing introduced in the ARES last version. The particularly good results in DG Trade show the success of the monthly monitoring system and of regular information and awareness campaigns. In addition, it is worth mentioning that DG Trade has moved by the end of 2016 to phase out paper files for the vast majority of notes and letters.

2.2.4 External communication activities

In 2016, the increased political and public scrutiny and interest regarding the EU's trade policy continued with a specific focus on the negotiations/agreements with the United States (TTIP) and Canada (CETA). The DG's communications, information, outreach and transparency work has therefore focused to a large extent on these priority issues. While showing how DG Trade's actions fit into the wider priorities of this Commission, notably, delivering jobs, growth and investment.

Nevertheless, DG Trade has also shown that the EU's trade policy is wider than these two negotiations, and has covered other bilateral trade negotiations, as well as the multilateral dimension and development function.

It appears that these efforts have been recognised by EU citizens. According to the November 2016 Eurobarometer, 68 % of EU citizens have a positive image of the EU's trade policy and its benefits. A figure which shows to a large extent that the EU citizens perceive that the EU is working to improve their lives and they feel that their concerns are taken into consideration in trade policy decision making.

In particular, DG Trade has continued to develop its integrated approach of being more transparent about its work. It has provided comprehensive information about trade negotiations and EU trade policy. It has for instance published 26 reports of negotiation rounds and 47 legal text proposals covering 11 negotiations[61]. In the case of TTIP and CETA, DG Trade also produced plain language explanatory documents aimed at the

[61] These reports and texts can be found on the country-specific pages on http://ec.europa.eu/trade/

general public[62].

DG Trade has engaged with civil society, other interested parties and the general public explaining the benefits of trade such as jobs and growth in 24 meetings held throughout the year. In particular the TTIP Advisory Group met nine times during 2016.

As part of a project with an external contractor, DG Trade published on its website over 50 stories about the impact of EU trade policy on small businesses in Europe[63]. Many of the stories got good media coverage in a variety of national media. DG Trade also produced the *EU-US trade in your town* project with an interactive map showing the density of companies in every EU country exporting to the US[64]. Informative brochures on the benefits of trade were published for the wider public, such as *CETA benefits*[65], *Exporters' stories*[66]: *Making EU trade work for you*[67], and *10 benefits of Economic Partnership Agreements*[68]

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 specific posts for trade communications and outreach officers were created (Berlin, Paris and Vienna). It has also deployed staff to participate in grass roots level events and to work closely with Commission Representations, with a particular focus on those in Member States where public opinion is more negative. The Commission has also sought to encourage Member State governments to play their part in communicating about EU trade policy.

[62] http://trade.ec.europa.eu/doclib/press/index.cfm?id=1395

[63] http://ec.europa.eu/trade/trade-policy-and-you/in-focus/exporters-stories/

[64] http://ec.europa.eu/trade/policy/countries-and-regions/countries/united-states/trade-in-your-town/

[65] http://bookshop.europa.eu/en/the-benefits-of-ceta-pbNG0416483/?CatalogCategoryID=bWAKABst3G0AAAEjGocY4e5K

[66] https://bookshop.europa.eu/en/exporters-stories-pbNG0216721/?CatalogCategoryID=bWAKABst3G0AAAEjGocY4e5K

[67] https://bookshop.europa.eu/en/eu-trade-policy-pbNG0116753/?CatalogCategoryID=bWAKABst3G0AAAEjGocY4e5K

[68] https://bookshop.europa.eu/en/10-benefits-of-economic-partnership-agreements-epas--pbNG0616132/?CatalogCategoryID=bWAKABst3G0AAAEjGocY4e5K

ANNEXES

ANNEX 1: Statement of the Resources Director

I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission, I have reported my advice and recommendations to the Director-General on the overall state of internal control in the DG.

I hereby certify that the information provided in Section 2 of the present AAR and in its annexes is, to the best of my knowledge, accurate and complete.

Brussels, 31 March 2017

(signed)

Peter Sandler

ANNEX 2: Reporting – Human Resources, Better Regulation, Information Management and External Communication

1.1.Human Resource Management

Objective : The DG deploys effectively its resources in support of the delivery of the Commission's priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions.		
Indicator 1 : Percentage of female representation in middle management **Source of data: DG Trade HR Report (Sysper2 data)**		**Latest known result** 2016
Baseline 2015: 18.5%	Target: 30% female representation in middle management by 2019	28%
Indicator 2 (mandatory – data to be provided by DG HR): Percentage of staff who feel that the Commission cares about their well-being **Source of data:** Commission staff survey		**Latest known result** 2016
Baseline 2014: 30%	Target: To reach the Commission average of the next Staff Survey	26% - This is below the COM average in 2016. Targeted well-being actions will be developed in 2017 to remedy this result to reach the COM average of the next Staff Survey.
Indicator 3 (mandatory – data to be provided by DG HR): Staff engagement index **Source of data:** Commission staff survey		**Latest known result** 2016
Baseline 2014: 66%	Target: Remain above the Commission average for the next Staff Survey	67% - Three percentage points above the COM average. It should be noted that in the 2016 Staff Survey DG Trade has a response rate of 49% compared to 38% in the 2014 Staff Survey.

Management Plan 2016 objective :
To ensure the most adequate use of human resources in the DG and in the EU delegations by identifying possible needs for additional staff, to respond to the cutting of posts decided by the Commission and redeploying staff as necessary to match these with the priorities of the management plan/work programme.

Main outputs in 2016:			
Description	**Indicator**	**Target**	**Latest known result** 2016
Review on a regular basis the use of resources at headquarters and in EU delegations and where necessary propose redeployment of staff.	Two reviews	Spring Review - May 2016 Autumn Review – October 2016	Two reviews were held in 2016 in addition to the continuous close monitoring of human resources throughout the year

Management Plan 2016 objective :

To motivate and retain highly qualified staff in order to maintain effective and efficient operation of DG Trade

Main outputs in 2016:			
Description	**Indicator**	**Target**	**Latest known result** 2016
Suitable training courses to ensure that the DG has the skilled, knowledgeable and competent staff required to meet its present and future needs within all categories of staff.	To organise the training sessions and away days foreseen in DG Trade's training programming, including the Trade Seminar for staff at headquarters and in EU Delegations.	By end of 2016.	The training sessions and away days provided for in the DG Trade 2016 plan were implemented by December 2016.
Recruitment of more women to ensure gender diversity primarily at middle management level but also at AD level in the DG.	At least one additional woman should be appointed at middle management level	By end of 2016 (Have a positive increase in female middle managers towards DG Trade 2019 target of 30%).	One additional female middle manager was appointed in 2016. At 31 December 2016 the percentage of female middle managers had increased to 28%. DG Trade is continuing its work to increase the female AD base also at Deputy Head of Unit Level.
Implementation of actions set out in the DG Trade Career Management Policy in order to ensure high degree of staff engagement and well-being.	Implement two career management actions foreseen in the Career Management Policy in 2016.	By end of 2016	By December 2016 DG Trade had implemented the internal mentoring scheme and an internal AD mobility exercise.

1.2. Better Regulation

Objective: Prepare new policy initiatives and manage the EU's acquis in line with better regulation practices to ensure that EU policy objectives are achieved effectively and efficiently.			
Indicator 1 (mandatory – monitored by the DGs concerned): Percentage of Impact assessments submitted by DG Trade to the Regulatory Scrutiny Board that received a favourable opinion on first submission. ***Explanation:*** *The opinion of the RSB will take into account the better regulation practices followed for new policy initiatives. Gradual improvement of the percentage of positive opinions on first submission is an indicator of progress made by the DG in applying better regulation practices.* **Source of data: DG Trade**			
Baseline 2015	Interim Milestone 2016	Target 2020	**Latest known result** 2016
68% = Commission average in 2014	Above 2014 Commission average	Above 2016 Commission average	100%. All three impact assessments submitted by DG Trade to the RSB in 2016 (IA in support of a new regulation on export control, IA in support of amendments to the Regulations on dumped and subsidised imports, and IA in support of a recommendation to open negotiations on enhancement of the EU-Turkey bilateral trade relations) received a positive opinion on their first submission.

1.3. Information management aspects

Objective: Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable		
Indicator 1: Percentage of registered documents that are not filed (ratio) **Source of data:** *Hermes-Ares-Nomcom (HAN) statistics*		
Baseline 2014	Target	**Latest known result** 2016
5.6%	≤ 2 %	New result **0.99%** The improvement in the overall results for all DGs is explained by the mandatory filing introduced in the ARES last version. In addition, the particularly good results in DG Trade show the success of the monthly monitoring system and of regular information and awareness campaigns.
Indicator 2: Percentage of HAN files readable/accessible by all units in the DG **Source of data:** HAN statistics		
Baseline 2014	Target	**Latest known result** 2016
66%	**70%** (to be determined by each DG)	New result **67%** There has been a slight improvement in the results, even if the factors that decrease the percentage of files accessible by all units have not changed and are inherent in the DG's mission. Lower findings of DG Trade are mainly due to the need-to-know restrictions in Trade Defence, dispute settlement and negotiations activities.
Indicator 3: Percentage of HAN files shared with other DGs **Source of data:** HAN statistics		
Baseline 2014	Target	**Latest known result** 2016
0.08%	None	New result **0.36%** The improvement in the result corresponds to the opening of some horizontal and administrative files. For the rest of the DG files, the opening could be more difficult due principally to factors mentioned under indicator n° 2.

Management Plan 2016 objective :
Information and knowledge in DG Trade is shared and reusable by other DGs. Important documents are registered, filed and retrievable.

Main outputs 2016:			
Description	**Indicator**	**Target**	**Latest known result** 2016
Mapping out a new approach to managing information and knowledge within DG Trade	Develop a more strategic approach for the DG, including making better use of potential tools to encourage knowledge sharing and collaborative working. New approach to be endorsed by senior management.	July 2016	DG Trade Briefing store offers a secure SharePoint collaborative environment. The project has started in 2016 and will be operational in first quarter 2017. A study started in 2016 with the view to enabling paperless meetings based on IT solutions used by other DGs e.g. DG AGRI's Kiosk application

Increase email registration in Ares	Nr. of emails registered with Areslook	Increase ≥ 20% of 2015 rates	The increase in number of emails registered with Areslook in 2016 has been higher than 35%. This result confirms the increase in the use of Ares and the success of information and awareness campaigns.
Better use of electronic workflows, with the reduction of errors caused by the double circulation and the reduction of paper storage	Nr. of registered documents with a fully approved e-signatory (no paper circulation in parallel).	70% of registered documents approved in full electronic mode (without paper signatories circulation)	The full implementation of the 100% electronic e-signatory in Ares was launched in November 2016 With this as a basis, DG Trade expects to obtain in 2017 more than 90% of registered documents approved in full electronic mode

1.4.External communication activities

Objective 1: Citizens perceive that the EU is working to improve their lives and engage with the EU. They feel that their concerns are taken into consideration in European decision making and they know about their rights in the EU.		
Indicator 1: Percentage of EU citizens having a positive image of the EU's trade policy and its benefits *Definition: Eurobarometer and other EU-wide surveys measure the awareness for EU trade policy and the impact on citizens' lives. The positive image citizens have of the EU can be measured in terms of number of EU citizens who considered that they personally benefitted from international trade. An in depth study was conducted in 2010. Following the launch of a new Communication ("Trade for All") in October 2015, it will need to be reviewed 2-3 years after the publication of the new strategy.* **Source of data:** Standard Eurobarometer (DG COMM budget)		
Baseline November 2010	Target: 2020	**Latest known result** 2016
Benefited from trade: 44% Did not benefit from trade: 39%	Benefited from trade > 50%	Positive connotation of 'free trade': 68 % (Source: Eurobarometer Nov 2016).

Objective 2: Citizens understand and recognise the value of external trade for the EU's economic and social model. They are aware and supportive of trade agreements, such as the agreement with the United States.		
Indicator 2: Awareness for the trade agreement with the United States. Positive opinion about agreement. *Definition and context: Eurobarometer and other sources (internal reporting, surveys, national opinion polls) can measure the perception of EU citizens vis-à-vis major trade initiatives. An important starting point is awareness for these policies, which can be deducted from "no reply" answers, but also through other indicators, such as number of articles in the press etc. Support/ positive perception can be measured in respective opinion polls, mainly via the standing Eurobarometer question on the perceptions vis-à-vis the EU-US negotiations. The support/positive perception is, however, heavily influenced by factors that are out of the Commission's control and cannot be mitigated through communication activities.* **Source of data:** DG Comm reports and monitoring; social and digital media mentions; surveys (Eurobarometer and national surveys).		
Baseline 2015 (spring wave)	Target: 2020	**Latest known result** 2016
Awareness: 84 % Positive opinion: 56 %	Awareness: >84 % Positive opinion: >50%	Awareness: 92 % Positive opinion: 53%

Main outputs in 2016:			
Description	**Indicator**	**Target**	
Implement the integrated communications and outreach strategy	Widen public reach Current estimated reach (currently calculated for TTIP activities): Public speaking: 1,200 (BXL) – 11,000 (outside BXL) persons in the audience Europe Direct requests: 600 Publication downloads: 5,000 Website views p.m.: 180,000 Social media reach: 240,000	Widen public reach by 2016	Public speaking (on TTIP only): 6,969 (BXL) 10,575 (outside BXL) persons in the audience On all trade-related aspects: Europe Direct requests: 1,995 Publication downloads (views): 1,103,464 Website views (unique visitors): 3,270,000 Social media average potential reach: 1,360,000 Twitter users
Raise awareness for	Successful message	Implementation	53 stories produced, 43 published so far

benefits of trade (communication and information campaign)	testing, sourcing and development of stories, content marketing (classical media and social media)	until Q2 2016	via dedicated webpage. These stories generated 131 articles in the focus countries (AT, BE, DE, ES, FR, IT, LU, PL) 30 675 320 people reached. • AT: reach 5 324 500 readers (print and blog, 55 % tier one media, i.e. amongst the most influential or broadly read on a national/regional level) • BE: reach 5 324 500 readers (web and print, 55 % tier one media) • FR: reach 3 595 000 readers (print and web, 60 % tier one media) • DE: reach 1 126 000 readers (web, radio and print, 22 % tier one media) • PL: reach 13 603 200 readers (print and web, 32 % tier one media) • LU: reach 295 900 readers (print and web, 100 % tier one media) ES: reach 3 722 500 readers (web and print, 64 % tier one media) • IT: reach 200 220 readers (print, 100 % tier one media)
Production of relevant material (brochures, videos, online material)	Relevance of issues covered, public reach of material	2016	Publications published: • Environmental goods agreement • Fisheries factsheet • Management plan 2016 • Strategic plan 2016-2020 • Annual activity report 2015 • 10 ways the EU supports LDCs • CETA benefits • Trade SIA on the EGA (Environmental goods agreement) • Exporters' stories • EU trade policy – Making trade work for you • SIA EU-Myanmar (Main report and Executive summary) • 10 benefits of EPAs • Non-tariff measures on exports • Supporting businesses and communities in ACP countries • SIA in support of negotiations on TTIP Videos produced on CETA and Exporters' Stories
External website: keep it reliable and up to date	Metrics of the website	2016	**Updates:** +/- 430 content updates +/- 500 documents were updated in 2016 +/- 1000 new documents 200 news and events 12 stakeholder consultations Regular updates on Trade defence actions, EU exporters and WTO dispute settlement cases. **Major new material** for Transparency in action, Green Goods examples, TDI complaints, Exporters' stories; Full CETA revamp + CETA text chapter by chapter, EU-US trade maps and Migration to corporate Piwik (new web statistics tool)
Further improve Civil Society Dialogue	Number of meetings and level of satisfaction	2016	19 meetings with Civil society

	(relevance)		Good level of satisfaction as reflected by the participation of civil society organisations (1172 registered participants and 470 participating organisations) indicates the relevance of the meetings

The 2016 communication budget has been spent on Domestic Advisory Groups, the Trade Policy Day event, FTA implementation, production of communication material, social media, audio visual, outreach activities and updating of export helpdesk.

Annual communication spending (based on estimated commitments):			
Baseline (Year n-1):	Target (Year n):	Total amount spent	Total of FTEs working on external communication
€2 374 295.12	€2 797 000.00	€2 667 001.67	10.85

ANNEX 3: Draft annual accounts and financial reports

See separate document.

ANNEX 4: Materiality criteria

In conformity with the existing guidelines, DG Trade retained the following materiality criteria:

Quantitative criteria

As regards legality and regularity, the proposed standard quantitative materiality threshold of 2% of the executed payments is applied. DG Trade considers it to be an appropriate threshold above which weaknesses detected should be considered “material”.

In DG Trade this applies to all non-compliance events detected throughout the year and with a quantifiable impact on legality and regularity.

Qualitative criteria

DG Trade’s activities are mostly of a political nature (trade negotiations, monitoring and implementation) and procedural (case-handling), involving a very modest level of financial management.

Qualitative criteria cover significant reputational risks for the DG or the Commission and significant weaknesses in the internal control systems. For assessing the significance of the weakness, the nature and scope, duration, existence of mitigating controls and/or remedial actions are taken into account.

In this respect, if a ‘critical’ recommendation would be issued by auditors in the context of a final audit report, provided it is accepted by the auditee, and that sufficient corrective action has not been taken to implement this recommendation, it will be considered.

ANNEX 5: Internal Control Template(s) for budget implementation (ICTs)

The cost of control in DG Trade is exclusively calculated by estimating the number of FTEs dedicated to the control stages. No other expenditure is incurred in this respect. **For 2016, the overall cost of control is estimated at €1,587,000** (11.5 FTEs). This includes all the financial initiating and verifying agents (6.5 FTEs), the operational verification (20 FTEs estimated at 5%) and the Administrative Coordination Assistants (8 FTEs estimated at 50%).

ICT N° 1 – Public procurement in direct management	
Management mode:	
Direct management	
Total appropriations committed in 2016	20.020100 (€ 11,347,189)
Key figures:	
Average value of contracts: approx.. 90K Euros, maximum of approx. 1,566K Euros	In principle the procurement procedures are implemented through open procedures. Where required, DG Trade has developed a series of framework contracts to assist in operational activities, such as the organization of events and negotiating rounds, legal advice, and (sustainability) impact assessments and ex post evaluations. Economic studies are usually launched using a Vendors' list.
Average contract period: 12 months, varying between 3 month and 24 months	

Stage 1: Planning and needs assessment

MAIN RISKS	MITIGATING CONTROLS	COVERAGE, FREQUENCY AND DEPTH	BENEFITS OF CONTROLS	CONTROL INDICATORS
The procurement needs are not well defined Inappropriate choice of procurement procedure The best offer/s are not submitted due to poor definition of the tender specifications	Procurement needs clearly defined and justified from an economic/operational view and approved by the AO(S)D Ex ante support and verification Trainings provided centrally and locally Selection criteria clearly defined and approved by the AOSD	**Coverage**: 100% **Frequency**: At least before launch	**Benefits**: best offers received	Number of tenders cancelled Number of legal cases/complaints Number of project officers followed training Commitment rate

Stage 2: Selection of the offer and evaluation

MAIN RISKS	MITIGATING CONTROLS	COVERAGE, FREQUENCY AND DEPTH	BENEFITS OF CONTROLS	CONTROL INDICATORS
Insufficient quality of the evaluation report, impacting the award decision Existence of conflict of interest Non-compliance with regulatory framework (transparency, time limits,…) Over-dependency	Formal evaluation process: Opening and evaluation committee Opening and evaluation committee's declaration of absence of conflict of interest Opinion of Financial Verifying Agent Exclusion criteria documented Standstill period, unsuccessful tenderers to put forward their concerns on the decision	**Coverage**: 100% **Depth**: all documents transmitted and analysed; all declarations of conflict of interest for all members	**Benefits**: compliance with Financial Regulation	Number of unfavourable opinions by financial verification Number of non-award decisions Number of legal cases/complaints Number of cases referred to OLAF

Stage 3: Financial transactions

Main risks	Mitigating controls	Coverage, frequency and depth	Benefits of controls	Control indicators
Non-compliance with legal requirements (payment deadlines, timely closure) Lack of experience and skills of operational and financial agents Operational monitoring - the services foreseen are not, totally or partially, provided in accordance with the technical description and requirements foreseen in the contract Financial monitoring - the amounts paid exceed those due in accordance with the applicable contractual and regulatory provisions	Ex-ante support, including local training DG Trade applies the financial circuit "decentralized with counterweight" for all transactions Monitoring and supervision mechanisms (spring and autumn reviews, Resources Report, weekly financial reporting,…)	**Coverage:** 100% of all procurement contracts	**Benefits**: Amounts recovered or potential overpayments detected (credit notes)	Amount of credit notes Recovery orders Payment times % Payment execution Outstanding RAL (Reste à liquider) Number of legal cases/Ombudsman Number of cases referred to OLAF Number of project officers followed training

Stage 4: Supervisory measures

Main risks	Mitigating controls	Coverage, frequency and depth	Benefits of controls	Control indicators
An error in relation to the regulatory and /or contractual provisions or fraud is not prevented/ detected ex ante	Analysis of non-compliance events Audits performed by IAS and ECA	**Coverage:** 100% non-compliance events; all audits **Depth:** review procedures if weaknesses detected	**Benefits**: Amounts recovered	Recovery Orders Number of cases referred to OLAF

ICT N° 2 – CONTRIBUTIONS TO INTERNATIONAL ORGANISATIONS – DIRECT (GRANTS) AND INDIRECT (DELEGATION AGREEMENTS) MANAGEMENT

Management mode:	
Direct (grants) and indirect (delegation agreements) management	€ 5,280,000
Total appropriations committed in 2016	20.020300 (€ 4,500,000) 20.020100 (€ 780,000)
Key figures:	
Average value of contracts: 576K Euros, varying between 100K and 1000K Euros **Average contract period:** varying between 12 month and 36 months	About 29% of the overall committed projects (in value) in DG Trade are contributions to international organizations. 9 agreements with international organizations were signed in 2016. All agreements are awarded in accordance with Art. 190 §1. (f) of the Rules of Application (RAP). The essential selection and award criteria are laid down in the corresponding Financing Decision. All agreements are signed with international organizations within the meaning of Art. 43. §1. of the RAP, and whose systems and procedures have been subject to an ex-ante pillar assessment in order to verify that they offer guarantees equivalent to internationally accepted standards, notably with transparent procurement and grant-award procedures, an effective internal control system for management of operations, an accounting system that enables the correct use of EU funds, an independent external audit, granting public access to information at the level provided for in the EU, issuing appropriate annual ex post publication of beneficiaries of funds deriving from the budget. Where there is no delegation of budget implementation tasks, it is opted to implement the actions through pillar assessed grants (direct management mode). In cases where there is budget implementation tasks it is opted to implement the actions through pillar assessed delegation agreements (indirect management mode).

Stage 1: Programming, evaluation and selection of proposals

MAIN RISKS	MITIGATING CONTROLS	COVERAGE, FREQUENCY AND DEPTH	BENEFITS OF CONTROLS	CONTROL INDICATORS
The agreement is not included in the Financing Decision The Financing Decision does	Inter-service consultation, including all relevant units and DGs	**Coverage**: 100% of all grant agreements **Frequency**: during preparation	**Benefits :** Full compliance/Reach objectives of the budget line	Commitment rate Number of unfavourable opinions by financial

Main risks	Mitigating controls	Coverage, frequency and depth	Benefits of controls	Control indicators
not include adequately the essential selection and award criteria The financing Decision does not spell out the reasons for an agreement (Art. 190 RAP) The status of the International Organisation regarding the Pillar Assessment is not properly reflected in the grant agreement to be signed with the Organisation The evaluation is not carried out in accordance with the Financial Regulation, established procedures and/or the criteria set out in the Financing Decision	Adoption by the Commission Specific procedure Evaluation Report./ Award Decision Opinion of Financial Verifying Agent Inclusion in check-list	Financing Decision/ each Commitment request **Depth**: Checklist		verification

Stage 2: Contracting and monitoring of the implementation of the agreements

Main risks	Mitigating controls	Coverage, frequency and depth	Benefits of controls	Control indicators
The agreement is signed late The agreement does not contain all applicable/necessary provisions The estimated budget to the agreement does not correspond to the action proposed	Spring/Autumn reviews. Administrative Coordination Assistants meetings Detailed guidance on Intranet and checklist Use Commission templates	**Coverage**: 100% of all agreements	**Benefits:** Full compliance **Depth**: check in detail all financial and narrative reports	Exceptions Non-compliance events Amount of credit notes Recovery orders

Main risks	Mitigating controls	Coverage, frequency and depth	Benefits of controls	Control indicators
Changes to the agreement have not been properly documented or authorised The action implemented does not correspond to the agreement Ineligible costs are reimbursed Payments are made late Timely clearing of pre-financing	(PaGODA) Upstream assistance (incl. training of project officers) Ex-ante verification Verification Accounting controls			Payment times % Payment execution Outstanding RAL Number of project officers followed training

Stage 3: Supervisory measures

Main risks	Mitigating controls	Coverage, frequency and depth	Benefits of controls	Control indicators
An error in relation to the regulatory and /or contractual provisions or fraud is not prevented/ detected ex ante	Analysis of non-compliance events Audits performed by IAS and ECA.	**Coverage:** 100% non-compliance events; all audits **Depth:** review procedures if weaknesses detected	**Benefits**: Amounts recovered	Recovery orders Number of cases referred to OLAF

ANNEX 6: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission - not applicable

ANNEX 7: EAMR of the Union Delegations - not applicable

ANNEX 8: Decentralised agencies – not applicable

ANNEX 9: Evaluations and other studies finalised or cancelled during the year

No of MP		Title	Reason [1]	Scope [2]	Type [3]	Associated DGs	Costs (EUR)	Comments [4]	Reference [5]
	I. Evaluations finalised or cancelled in 2016								
	a. Evaluations finalised in 2016								
MP2015 - 1		Ex post evaluation of the EU's FTA with Mexico	O	The EU's existing FTA with Mexico, which entered into force in 2000.	R	SG, AGRI, ECFIN, EMPL, ENTR, ENV, MARE, MARKT, SANCO, TAXUD, EEAS	296,500.25	SEC(2007)213 §2.1; Evaluation Standards B2, B3, B4: EU international agreement. Costs cover a combined study in 2 modules, one looking at ex post analysis of impact of existing FTA, the other analyzing expected impact of a possible new FTA with Mexico (with a view to supplying evidence for an IA).	SWD(2015) 290 final of 16 December 2015
MP2015 - 2		Evaluation of Council Reg. (EC) 953/2003 to avoid trade diversion into the EU of certain key medicine	CWP/REFIT	Council Reg. (EC) 953/2003	R	SG, MARKT, DEVCO, ENTR, TAXUD, SANCO, EEAS	149,940.00	SEC(2007)213 §2.1; Evaluation Standards B2, B3, B4	SWD(2016) 125 final of 7 April 2016
	b. Evaluations cancelled in 2016								
MP2016 - 3		Evaluation of Regulation 1219/2012 (transitional arrangements for BITs) and other elements of the EU's investment policy	L	Regulation 1219/2012 as part of the evolution/elaboration of the EU's investment policy	R			The Regulation was originally proposed by COM to address the legal situation that arose after entry into force of the Lisbon Treaty, which had shifted the competence on FDI from Member States to the EU. It seeks to maintain the status quo as regards MS investment agreements by providing legal certainty on the status and validity of those agreements under EU law. It authorizes the continuation in force of those agreements until they are replaced by the EU's own agreements; and it establishes as well the conditions and a procedural framework for the negotiation and conclusion by MSs of such agreements in the future in derogation of the EU's exclusive competence. Given the nature of Regulation 1219/212 and its specific objectives, as well as the fact that there is no legal obligation to conduct a fully-fledged evaluation, the intention to carry out such an evaluation was reconsidered and found not to be appropriate.	

	II. Other studies finalised or cancelled in 2016								
	a. Other studies finalised in 2016								
MP2016 - 12		Trade SIA in support of negotiations for a proposed TTIP with USA	O		O		199,650.00	DG Trade's policy of undertaking Trade SIA in parallel with all its major trade negotiations : EU international agreement	Not finalised yet
MP2016 - 13		Trade SIA of the proposed FTA between the EU and Japan	O		O		195,900.00	DG Trade's policy of undertaking Trade SIA in parallel with all its major trade negotiations : EU international agreement	http://trade.ec.europa.eu/doclib/docs/2016/may/tradoc_154522.pdf
MP2016 - 14		Data collection for an assessment of the export control system (Reg. 423/2009 covering strategic export controls for dual use goods).	CWP/REFIT	Analyzes the potential impact(s) of possible changes in EU legislation covering dual use goods	R		235,000.00	Study in support of an impact assessment	Impact assessment: SWD(2016) 315 final of 28 September 2016
MP2016 - 15		Trade SIA in support of negotiations on a Green Goods initiative	O		O		249,900.00	DG Trade's policy of undertaking Trade SIA in parallel with all its major trade negotiations : EU international agreement	http://www.egatradesia.com/sites/all/docs/Final_Report/EGA_Trade_SIA_Final_Report.pdf
MP2016 - 16		Trade SIAs in support of negotiations on an investment agreement with Myanmar	O		O		197,625.00	DG Trade's policy of undertaking Trade SIA in parallel with all its major trade negotiations : EU international agreement	EU Bookshop: Final Report: http://bookshop.europa.eu/is-bin/INTERSHOP.enfinity/WFS/EU-Bookshop-Site/en_GB/-/EUR/ViewPublication-Start?PublicationKey=NG0116767 (catalogue number: NG-01-16-767-EN-N); Executive Summary: http://bookshop.europa.eu/is-bin/INTERSHOP.enfinity/WFS/EU-Bookshop-Site/en_GB/-/EUR/ViewPublication-Start?PublicationKey=NG0116768 (catalogue numbers: NG-01-16-768-EN-N (English); NG-01-16-768-FR-N (French), NG-01-16-768-MY-N (Burmese))
MP2016 - 18		Study in support of possible modernization of the EU Turkey customs union	O		O		299,328.00	Study in support of an impact assessment; EU international agreement	Title slightly changed as the study is not limited to economic analysis SWD(2016) 475 final of 21 December 2016
19		Economic analysis of potential impact of changing the methodology for calculating normal value in trade defence investigations against China	O	Analyzes the potential impact(s) of amending the trade defence legislation on EU employment	O		125,820.00	Study in support of an impact assessment (http://trade.ec.europa.eu/doclib/docs/2016/november/tradoc_155080.pdf)	SWD(2016) 370 final of 9 November 2016
	b. Other studies cancelled in 2016								

ANNEX 10: Specific annexes related to "Financial Management" – not applicable

ANNEX 11: Specific annexes related to "Assessment of the effectiveness of the internal control systems" – not applicable

ANNEX 12: Performance tables

1. IMPACT, RESULT AND OUTPUT INDICATORS

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.

The below indicator is one of the impact indicators defined at Commission central level. The latest known figures can always be consulted by following the bookmark below.

General objective 6. A Reasonable and Balanced Free Trade Agreement with the U.S

Impact indicator: US Share in total EU FDI stocks

Trade and investment liberalisation create conditions for increased exports, imports, and investment which have become an increasingly significant source of growth and jobs for Europeans. Therefore the higher percentage of trade and investment covered by free trade agreements, the more jobs and the more economic activity. Furthermore, broader access to cheaper imported inputs, new export opportunities as well as outward investment stimulate or even directly contribute to boosting the EU's competitiveness.

Source of the data: Eurostat

Baseline 2014				**Target** 2020	**Latest known result** 2015			
FDI stocks	Inwards	Outwards	Total	Increase	*FDI stocks*	Inw.	Outw.	Total
	35%	32.4%	33.3%			43.5%	35%	38.4%

The figures were calculated subtracting "Special Purpose Entities" FDI from "Total" FDI in order to have "non-SPE" FDI figures that can be comparable with other international data.

Latest figures can be consulted at this bookmark

Specific objective 1 Trade Negotiations

Result indicator

Result indicator: Percentage of EU trade in goods and services as well as investment covered by applied EU preferential trade and investment agreements

Trade and investment liberalisation create conditions for increased exports, imports, and investment which have become an increasingly significant source of growth and jobs for Europeans. The higher percentage of trade and investment covered by free trade agreements, the more jobs and the more economic activity. Furthermore, broader access to cheaper imported inputs, new export opportunities as well as outward investment stimulate or even directly contribute to boosting the EU's competitiveness.

Source of the data: Eurostat

Baseline			**Interim Milestone**			**Target**			**Latest known results**		
Goods average 2013-15 Services average 2012-14 FDI stocks 2013-14			2018			2020			Goods average for 2014-2016 Services and FDI average for 2013-2015 *The latest figures for services do not include trade in services with Switzerland as the FTA does not cover this area. The baseline and forecast figures mistakenly include Switzerland, which is one of the EU's biggest partners in trade in services.*		
Goods											
Imp.	Exp.	Total	Imp.	Exp.	Total	Imp.	Exp.	Total	Imp.	Exp.	Total
25%	30%	28%	32%	37%	34%	51%	61%	56%	27%	32%	29%
Services											
Imp.	Exp.	Total	Imp.	Exp.	Total	Imp.	Exp.	Total	Imp.	Exp.	Total
19%	23%	22%	28%	31%	30%	63%	63%	63%	19%	22%	21%
Foreign Direct Investment stock											
Inw.	Outw.	Total	Inw.	Outw.	Total	Inw.	Outw.	Total	Inw.	Outw.	Total
14%	17%	16%	19%	26%	23%	66%	69%	68%	14%	17%	16%
New forecast figures based on agreements excl. CH			Imp.	Exp.	Total	Imp.	Exp.	Total	Imp.	Exp.	Total
			15%	15%	15%	54%	52%	53%	10%	9%	9%
			Inw.	Outw.	Total	Inw.	Outw.	Total	Inw.	Outw.	Total
			9%	13%	11%	55%	59%	57%	4%	7%	6%

Result indicator 1.1 : Number of on-going[69] EU trade and investment negotiations and number of applied[70] EU trade and investment agreements *This indicator will show the extent of the EU's negotiating agenda in terms of its potential to cover the world's trade, and how it evolves. The broader the agenda, the wider the potential coverage. It also shows the extent of the world's trade covered by EU's applied preferential trade and investment agreements and the evolution of this coverage.* **Source of data: DG Trade**			
Baseline 2015	**Interim Milestone** 2018	**Target** 2020	**Latest known result** 2016
28 on-going negotiations or agreements[71] in the process of finalisation with countries/regions in the world. **In finalisation:** Canada, Singapore, Ecuador, West Africa, Southern African Development Cooperation (SADC), East African Community (EAC), Kazakhstan, Vietnam **Negotiations not yet completed**: US, Japan, Morocco, Tunisia, Mercosur, Azerbaijan, China investment, Myanmar investment, Information Technology Agreement (ITA), Trade in Services Agreement (TISA), Environmental Goods Agreement (EGA) **Negotiations (formally or informally paused)** Thailand, Malaysia, India, Central Africa, Eastern and Southern Africa (ESA), Pacific, Libya, Gulf Cooperation Council, Russia	Open FTA negotiations with Australia, New Zealand and the Philippines. Open negotiations for modernising free trade agreements with Mexico, Chile and the Customs Union with Turkey	Launch a revision of the EU-Korea FTA and, in that context, negotiate a new investment chapter. Open negotiations with other Asian countries, if conditions right (Indonesia) Open negotiations for Investment agreements with Taiwan and Hong Kong	28 on-going negotiations or agreements in the process of finalisation with countries/regions in the world. **In finalisation:** Canada, Singapore, West Africa, EAC, Vietnam, Armenia **Negotiations not yet completed**: Japan, Tunisia, Mercosur, Azerbaijan, Modernisation of the EU-Mexico Global Agreement, Philippines, Indonesia, China investment, Myanmar investment, TISA, EGA **Negotiations (formally or informally paused)** US, Morocco, Thailand, Malaysia, India, Central Africa, ESA, Pacific, Libya, Gulf Cooperation Council, Russia
35 Agreements (Countries and regions) in force or provisionally applied **Customs Unions**: Andorra, Turkey, San Marino. **Free Trade Agreements (FTAs)**: Faroe Islands, Norway, Iceland, Switzerland, The former Yugoslav Republic of Macedonia (Stabilisation and Association Agreement (SAA), Albania (SAA), Montenegro (SAA), Bosnia and Herzegovina (Interim Agreement on trade) Serbia (SAA), Algeria (Association Agreement (AA), Egypt (AA), Israel (AA), Jordan (AA), Lebanon (AA), Morocco (AA), Palestinian Authority (Interim AA), Syria (Co-	Canada CETA (provisional application expected in 2017) Singapore FTA (trade and investment) Ecuador (integrating Colombia/Peru agreement) West Africa EPA SADC EPA EAC EPA Kazakhstan PCA Vietnam FTA	US Japan Morocco Tunisia China investment Myanmar investment *If the reasons for pausing the negotiations are lifted:* Thailand Malaysia India Azerbaijan	+ Ecuador (accession to EU Colombia/Peru Trade Agreement, + Kazakhstan Enhanced Partnership and Cooperation Agreement (EPCA) + Southern African Development Community (SADC) Economic Partnership Agreement ((Botswana, Lesotho, Namibia, South Africa, Swaziland and Mozambique) + Ivory Coast stepping stone Economic Partnership Agreement (EPA) + Ghana stepping stone

69 "On-going trade negotiations" are here identified as negotiations from the point of launch of negotiations to provisional application or direct entry into force of the agreement.

70 This refers to agreements that have been provisionally applied (awaiting ratification) and agreements that have entered into force

71 This indicator does not cover the multilateral WTO negotiations and agreements within the framework of the Doha Development Agenda

operation Agreement), Tunisia (AA), Iraq (Partnership and Cooperation Agreement), Chile (Association Agreement and Additional Protocol), Mexico (Economic Partnership, Political Coordination and Cooperation Agreement, Korea (New Generation FTA) Central America (AA), Peru - Colombia FTA, Georgia (Association Agreement), Moldova (Association Agreement), South Africa (Trade, Development and Co-operation Agreement), Ukraine (DCFTA) **Economic Partnership Agreements:** CARIFORUM States, Central Africa (Cameroon), ESA (4 countries), Pacific (Papua New Guinea, Fiji).			EPA, + Information Technology Agreement 2 (ITA2) Number of agreements in force or provisionally applied increased from 35 to 39 Agreements (40 incl. ITA)

Result indicator 1.2 : Percentage of trade covered by applied bi-lateral and regional agreements,[72]

This indicator will show the extent of the world's trade covered by EU's applied preferential trade and investment agreements and the evolution of this coverage.

Source of data: DG Trade / Eurostat

Baseline 2013-15 goods / 2012-14 services			**Interim Milestone** 2018			**Target** 2020			**Latest known result** 2014-16 goods/2013-15 services		
Percentage of trade in goods and services											
Imports	Exports	Total	Imp.	Exp.	Tot.	Imp.	Exp.	Tot.	Imports	Exports	Total
24%	28%	26%	31%	35%	33%	54%	62%	58%	22%	25%	24%

Result indicator 1.2 : Percentage of trade in goods and services and investment covered with the US

This indicator will show the extent of the EU's negotiating agenda with the US in terms of its potential to cover the world's trade, and how it evolves. The more ambitious the agreement the more impact on jobs and growth.

Source of data: Eurostat

Baseline 2014				**Interim Milestone** 2018	**Target** 2020	**Latest known result** 2016		
Share US in total EU trade								
Goods	Imports	Exports	Total	Increase	Increase	Imports	Exports	Total
	12%	17%	15%			14%	21%	18%
Services	Imports	Exports	Total			Imports	Exports	Total
	31%	26%	28%			31%	27%	29%
FDI flows	Imports	Exports	Total			Imports	Exports	Total
	56%	30%	44%			54%	62%	58%

[72] This indicator does not cover multilateral WTO nor the plurilateral sectoral negotiations and agreements

Result indicator 1.3 : Percentage of fully liberalised imports from the world (i.e. at zero duty[73]) *This indicator will show the extent of the EU's applied preferential treatment for imports and its evolution. The bigger the share, the better the economic conditions and opportunities for EU consumers, and the more EU operators using imports as inputs in their businesses.* **Source of data: Eurostat**			
Baseline 2015	**Interim Milestone** 2018	**Target** 2020	**Latest known result** 2016
Merchandise imports EU imports extra EU			
70%	Increase	Increase	69%

Result indicator 1.4 : China share in total EU trade in goods, specifying also percentage of liberalised trade under the ITA2 *China is the EU's largest non-preferential trading partner. Trade with China is thus not captured in any of the other indicators, This indicator will show the importance of this trading partner and will serve as an example of the impact of the plurilateral negotiations/agreement lead by DG Trade* **Source of data: Eurostat**										
Baseline 2014				**Interim Milestone** 2018	**Target** 2020	**Latest known result**				
	Imp.	Exp.	Tot.				Imp.	Exp.	Tot.	
China	17%	9%	13%	Maintain or increase growth rate	Maintain or increase growth rate	China	19%	10%	14%	
ITA2	1.7%	1.3%	1.5%			*More recent figures are not available*				

Result indicator 1.5 : Share of preferential and zero duty imports from ACP countries *This indicator will illustrate the extent of EU's contribution to economic growth specifically in the ACP countries.* **Source of data: Eurostat**				
Baseline		**Interim Milestone** 2018	**Target** 2020	**Latest known result**
	ACP	Keep ACP share close to 100%	Keep ACP share close to 100%	
2012	97%			2015: 96% 2016: 95%
2013	97%			
2014	97%			

[73] MFN duty free, GSP duty-free and other duty-free

Result indicator 1.6 : Number of EU's exporting and importing SMEs

This indicator will illustrate the level of participation of the EU SMEs in international trade and its evolution. Given the foreseen special attention to SMEs through dedicated provisions in the upcoming EU FTAs and through other means (e.g., EU level coordinated economic diplomacy efforts, regular survey and other means to receive regular feedback from SMEs representatives), this indicator will help assess the effectiveness of these EU measures in helping SMEs to take advantage of the economic opportunities provided by imports and their business internationalisation.

Source of data: Eurostat

Baseline Number of trading SMEs extra EU			**Interim Milestone** 2018		**Target** 2020		**Latest known result**
Year	Importing	Exporting	Importing	Exporting	Importing	Exporting	
2011	759,000	615,000	Increase	Increase	Increase	Increase	*More recent figures are not available.*
2012	741,000	633,000					
2013	763,000	660,000					

Planned evaluations related to this objective:
1/ EU Korea FTA launched in 2015 to be completed in 2017
2/ Interim evaluation of the EU's trade agreements with Peru and Colombia (launch 2018) and of the EU's trade pillar agreements with Central American countries (2019).
3/ Interim evaluation of the EU's trade pillar agreements with Georgia and Moldova to be launched in 2019 completed in 2020

Specific objective 1: Output indicators

	Main outputs in 2016:			
	Policy–related outputs			
No	**Description**	**Indicator**	**Target date**	**Latest known results (situation on 31/12/2016)**
1	Trade Facilitation Agreement	Provision of technical assistance. Outreach to Members with a view to increasing the number of Members that have ratified the agreement	End of 2016	☺ 31/12: 103 out of 110 WTO members have ratified the Trade Facilitation Agreement. The agreement is expected to enter into force in the first quarter of 2017. Technical assistance has continued to be deployed and outreach undertaken to Members to ratify and implement the agreement.
2	Commission proposal for conclusion of the Information Technology Agreement (ITA) *2010/TRADE/017*	College adoption of proposal for Council Decision	Q1 2016	☺ The Commission adopted its proposal on 8 March 2016. (COM/2016/122/FINAL). On 17 June 2016 the Council decided on the conclusion, on behalf of the EU of an agreement in the form of the Declaration on the Expansion of Trade in ITA products. Council Decision 2016/971 of 17/6/2016
3	Commission implementing regulation for the Information Technology Agreement (ITA)	College adoption	Q1 – Q2 2016	☺ The EU has implemented the duty commitments under ITA (see above under 2) within the agreed deadline of 1 July 2016 with Commission Implementing Regulation 2016/1047 of 28.06.2016
4	Environmental Goods Agreement (EGA)	Completion of negotiations	Q4 2016	😐 Not possible to conclude at December Ministerial meeting. Negotiations to continue. The EU together with 16 partners of the WTO have been negotiating for an Environmental Goods Agreement to remove barriers to trade in environmental or "green" goods that are crucial for environmental protection and climate change mitigation. 17 rounds in total. The Sustainability Impact Assessment (SIA) for these negotiations was finalised in 2016[74].
5	Myanmar Investment Agreement	Completion of negotiations	Q3 2016	😐 After a long pause linked to the general elections in Myanmar in November 2015 and the transition to the new government that took office in April 2016, negotiations resumed at the fourth round of negotiations in

[74] http://trade.ec.europa.eu/doclib/html/154867.htm

				December 2016. Good progress could be made and negotiations can be expected to conclude in the first half of 2017.
6	Modernisation of the trade pillar of the EU-Mexico Global Agreement *2015/TRADE/001*	Launch of negotiations	April 2016	☺ Negotiations were launched at the first round of negotiations, which was held in Brussels on 13-14 June. A second round took place on 22-25 November 2016 in Mexico City.
7	Enhancement of the EU-Turkey bilateral trade relations and the modernisation of the Customs Union *2015/TRADE/035*	Preparation for Commission recommendations to open negotiations	Q4 2016	☺ Scoping exercise completed in April 2015. Political endorsement to launch preparations : on 12 May 2015, by Commissioner Malmström and Turkish Economy Minister Zeybekci. Impact Assessment and external study carried out throughout 2016. As part of the Impact Assessment preparation, an online public consultation was organised with stakeholders between March and June 2016. ISC on Impact Assessment and draft negotiating directives completed in November 2016. Negotiating Directives proposed on 21 December 2016 (COM(2016)830). Impact assessment, its executive summary, the study by the external consultant and the RSB opinion were published on 10 January 2017
8	Commission proposal for conclusion, signature and provisional application of the EU-Singapore FTA *2015/TRADE/020* *2015/TRADE/021*	College adoption of proposal for Council Decision *(following pending ECJ ruling on the agreement)*	Q4 2016	☹ The College adoption is pending an opinion of the EU Court of Justice on the EU competence to sign and ratify the agreement. The exact date of adoption therefore largely depends on the timing of the Court proceedings.
9	Council Decisions on conclusion as well as on the signing and provisional application of the Protocol to take account of the accession of Ecuador to the EU-Colombia/Peru Free Trade Agreement *2015/TRADE/028* *2015/TRADE/029*	College adoption of proposal for Council decision	Q1 2016	☺ The Commission adopted its proposal on 4 April 2016 - COM(2016) 174 and COM(2016) 173. The Council adopted the decisions on the conclusion as well as on the signing and provisional application of the Protocol of Accession of Ecuador to the Trade Agreement at the Foreign Affairs Council of 11 November 2016. The European Parliament gave its consent on 14 December 2016. The Protocol of Accession of Ecuador to the Trade Agreement with Colombia and Peru is provisionally applied as from 1 January 2017. The Parliaments of all EU Member States as well as Colombia and Peru will subsequently have to ratify the Protocol before it can enter into force fully.
10	Council Decision on conclusion, signature and provisional application of the	College adoption of proposal for Council Decision	June 2016 Q4 2016	☺ The Commission adopted its recommendations on 5 July 2016 -

	EU-Canada CETA *2015/TRADE/009* *2015/TRADE/010*	Council Decision		COM(2016)0444. The Council adopted the decisions on the signature and provisional application of the agreement on 28 October 2016. The agreement was signed by both parties on 30 October 2016. The European Parliament gave its consent on 15 February 2017, after which the agreement can be provisionally applied. The Parliaments of all EU Member States will subsequently have to ratify the agreement before the agreement can enter into force fully.
11	COM proposals for signature and provisional application; and conclusion following EU Member State ratification, of full Economic Partnership Agreement (EPA) with the East African Community *2015/TRADE/016* *2015/TRADE/017*	College adoption of proposal for Council Decisions	Q1 2016	☺ The Commission adopted its proposals on 11 February 2016 - COM(2016)63 and COM(2016)64. The Council adopted the Decisions to conclude, sign and provisionally apply the agreement in June 2016. All EU Member States, Kenya and Rwanda signed the Agreement. The European Parliament is expected to give its consent after completion of signature by both sides, after which the agreement will be provisionally applied.
12	Commission proposals for signature and provisional application; and conclusion following EU Member State ratification, of full Economic Partnership Agreement (EPA) with the SADC EPA countries *2015/TRADE/014* *2015/TRADE/015*	College adoption of proposal for Council Decisions	22 January 2016	☺ The Commission adopted its proposals on 22 January 2016 - COM(2016)8 and COM(2016)18. The Council adopted the Decisions to conclude, sign and provisionally apply the agreement on 1 June 2016. The European Parliament gave its consent on 14 September 2016. The EPA was signed on 10 June and provisionally applied as of 10 October 2016.
13	Council decision on adaptation of EU-Chile Association Agreement to take account of Croatia accession to the EU *2015/EEAS+/001 and 002*	College adoption of proposal for Council decision	Q1 2016	😐 The contracting parties have agreed on the necessary elements to take into account Croatia's accession to the EU to adapt the EU-Chile Association Agreement. The respective internal administrative procedure (EEAS lead) is ongoing with a view to get the decision adopted during the first semester of 2017
14	Council decision on adaptation of EU-Mexico Global Agreement to take account of Croatia accession to the EU *2016/EEAS/018 and 019*	College adoption of proposal for Council decision	Q2 2016	😐 The contracting parties have agreed on the necessary elements to take into account Croatia's accession to the EU to adapt the EU-Mexico Global Agreement. The respective internal administrative procedure (EEAS lead) is ongoing with a view to get the decision adopted during the first semester of 2017

15	Council decision on adaptation of EU-Central America Association Agreement to take account of Croatia accession to the EU	College adoption of proposal for Council decision	Q4 2016	☹ Further discussions with Central America are necessary to reach an agreement on the necessary adaptations to be introduced into the EU-Central America Association Agreement to take account of Croatia's accession to the EU.
	Main expenditure outputs			
	Description	**Indicator**	**Target**	**Latest known results**
16	Sustainability Impact Assessment For TTIP	Draft Report Final report	Q2 2016 Q4 2016	☺ Draft Report finalised and published in July 2016 Draft Final Report published in November 2016. Publication of final report expected early 2017.
17	Sustainability Impact Assessment for FTA with the Philippines	Launch of the SIA Q1 2016 Completion expected Q4 2016 or early 2017	Q4 2016	😐 Launch of tender procedure delayed due to slow start of the negotiations (first round in May 2016) and the decision to have one SIA for both the Philippines and Indonesia, with whom negotiations were launched in July 2016. Request for services sent in December 2016. Contract signature expected for 1st half of 2017 and final report in 2018.
18	Economic analysis of the outcome of the negotiations of a Free Trade Agreement with Vietnam	Signature of contract Final report	Q2 2016 Q4 2016	☺ Contract signed on 10 May 2016 Kick-off meeting held in May. Final report 1st quarter 2017.
19	Economic analysis of the outcome of the negotiations of a EU-Canada CETA	Final report	May 2016	😐 Under finalisation.

Specific objective 2 Effective implementation

Result indicators

Result indicator 2.1 : Preference utilisation rates of EU preferential trade arrangements[75] for the EU and partners' side

This indicator will show the extent to which operators will be making use of the EU preferential arrangements. It will give 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

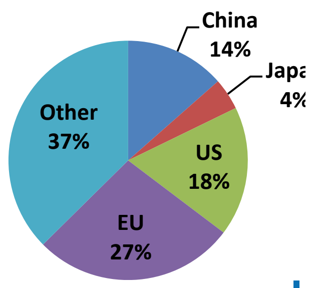
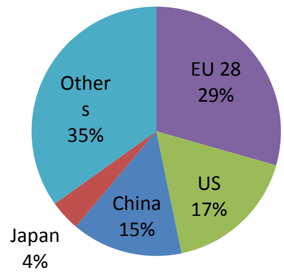
Baseline 2012				**Interim Milestone** 2018	**Target** 2020	**Latest known result** 2015
Preference utilisation EU importers						
FTA	2012	2013	2014			2015
Chile	93%	93%	94%	Increase of rates	The target is to increase the percentage according to recent trend. It is difficult to predict an exact percentage 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	95%
Mexico	70%	70%	62%			52%
South Africa	91%	91%	88%			85%
South Korea	78%	82%	85%			85%
Turkey	92%	92%	93%			93%
Preference utilisation EU exporters						
FTA	2012	2013	2014			2015
Chile	79%	78%	78%	Increase of rates	The target is to increase the percentage according to recent trend	76%
former Yugoslav Republic of Macedonia			90%			-
Montenegro	76%	86%	86%			-
South Korea	63%	66%	66%			68%
Switzerland		80%	80%			78%
Turkey	79%	78%				-

75 A selection of countries is shown, where agreements have been in place for a certain time. This might be complemented in due course with more recently concluded agreements.

Result indicator 2.2 : EU share in imports of partner countries with which the EU has a preferential trade agreement in force[76]

This indicator will demonstrate the effects of preferential access to export markets stemming from the preferential agreements. The deeper the liberalisation and the more effective its implementation, the stronger the anticipated EU's competitive position vis-à-vis other partners on the export market. This indicator may also be helpful in assessing comparative effectiveness of EU's and other partners' preferential instruments vis-à-vis selected markets.

Source of data: DG Trade / Eurostat

Baseline 2014	**Interim Milestone** 2018	**Target** 2020	**Latest known result** 2015
	Maintain EU share	Maintain EU share	

Result indicator 2.3: Number of new barriers to trade identified. Number of barriers partially or fully resolved and value of trade affected/created.

This indicator will show, on the one hand, the number of newly identified and recorded barriers under market access partnership procedures leading to enhanced awareness by industry and member states of market conditions in specific countries. On the other hand, the indicator will estimate the number and flows of trade concerned (and when possible the flows of trade created) by the removal of identified obstacles.

Barrier identification, prevention and removal are evidence of an effective implementation strategy notably when such barriers are in breach of third party trade commitments. Removing key irritants will increase the level of exports from the EU. It is therefore relevant to the overall objective of more international trade opportunities boosting the economy.

The work of the market access partnership and the regular reports are the place to form a view on the prioritisation, prevention or resolution of market access barriers, and on the mid- to long term strategy for their resolution, for the improvement of the rules and standards framework, or for a more responsive EU set-up where necessary to better respond to real needs or concerns by trading partners.

Source of data: DG Trade / Eurostat

Baseline 2015	**Interim Milestone** 2018	**Target** 2020	**Latest known result** 2016
No of obstacles identified per year: 35-40	No of obstacles identified per year: 35-40	No of obstacles identified per year: 35-40	No of obstacles identified: 35
Barriers solved: 15	Barriers solved: 15	Barriers solved: 15	Barriers solved: 21
Value of trade affected: €1,500 Mio	Value of trade affected: €1,500 Mio	Value of trade affected: €1,500 Mio	Value of trade affected: €1,900 Mio
Value of additional exports [2014 data]: €2,400 Mio	Value of additional exports: €2,400 Mio	Value of additional exports: €2,400 Mio	Value of additional exports: €2,400 Mio

76 This indicator will be calculated annually only in the first 10 years since the entry into force of the preferential agreement, starting after three years of implementation, and using a three year average preceding the entry into force as the benchmark for the comparison. Furthermore, it is not appropriate for EPAs without EU offensive interests and back-loaded liberalisation.

Result indicator 2.4 : Outcome of dispute settlement cases *This indicator will measure whether cases are successfully defended with EU as a respondent or brought by EU as a complainant according to existing law and taking into account the initial analysis of strength of the case. Ensuring successful dispute settlement leads to maintaining the markets at the legally expected level of openness, and in turn generates opportunities for export and the inherent creation of jobs and economic growth.* **Source of data:** DG Trade and the WTO (http://trade.ec.europa.eu/wtodispute/search.cfm)			
Baseline 2015	**Interim Milestone** 2018	**Target** 2020	**Latest known result** 2016
Compliance of the EU and its trade partners to the agreement(s) in place	Successful outcome in cases up for decision and other positive developments in main ongoing disputes, including where feasible the settlement of disputes	Successful outcome in cases up for decision and other positive developments in main ongoing disputes, including where feasible the settlement of disputes The target is not defined in time, but on a case-by-case basis	In 2016, the EU launched 2 new WTO disputes and managed 15 ongoing panel/Appellate Body proceedings. Panel reports were issued in a number of proceedings, with important wins in DS485 (Russia tariffs) and DS 475 (Russia-pork) (the latter dispute is under appeal). Following the results in DS 460, China fully removed its anti-dumping duties on steel tubes (HP-SSST) in August 2016. On the defensive side, in 2016, the EU achieved full compliance in the Fasteners dispute (DS397) and started implementation in DS473 (Argentina biodiesel). Proceedings are ongoing in 6 defensive disputes
Planned evaluations related to this objective: 1/Evaluation of Regulation 1219/2012 on transitional arrangements for BITs and other elements of the investment policy to be launched in 2018, completed in 2019 2/ Evaluation of Regulation 654/2014 on the EU's rights for application and enforcement of international trade rules to be launched in 2017, completed in 2018			

Specific objective 2: Output indicators

	Main outputs in 2016:			
	Policy–related outputs			
	Description	**Indicator**	**Target date**	**Latest known results (situation on 31/12/2016)**
20	Report on Trade Barriers and Opportunities *2015/TRADE/043*	College adoption	June 2016	☺ The Commission adopted the report on 20 June 2016 – COM(2016)406
21	Free Trade Agreement Implementation Report	College adoption	April 2017	😐 The report is currently scheduled for October 2017 as data will only become available in the spring of 2017.
22	Annual report South Korea *2016/TRADE/009*	College adoption	March 2016	☺ The Commission adopted its fourth annual report on 30 June 2016 COM(2016)268
23	Annual report Central America *2016/TRADE/006*	College adoption	April 2016	☺ The Commission adopted its second annual report on 18 February 2016 – COM(2016)073

24	Annual report Colombia/Peru *2016/TRADE/007*	College adoption	April 2016	☺ The Commission adopted its second annual report on 10 February 2016 – COM(2016)058
25	Annual report Georgia *2015/TRADE/066*	College adoption	April 2016	😐 Following the entry into force of the DCFTA on 1 September 2014, the report is currently scheduled for October 2017 as data will only become available in the spring of 2017.
26	Annual report Moldova *2015/TRADE/067*	College adoption	April 2016	😐 The report is currently scheduled for October 2017 as data will only become available in the spring of 2017.
27	Creation of an international investment court	Adoption of Commission recommendation to open negotiations	2017	☺ Impact assessment launched in August 2016. Initial exploratory discussions with 3rd countries ongoing.
	Main expenditure outputs			
	Description	**Indicator**	**Target**	**Latest known results**
28	Ex-post evaluation of the implementation of the EU-Korea FTA *2015/TRADE/054*	Signature of contract	Q1 2016	☺ Contract signed on 6 July 2016 Inception report published in October 2016
29	Continue support of international standard setting organisations.	Sign and implement adequate new grant agreements with Codex, IPPC and OIE within the new strategies of these organisations	December 2016	☺ Contribution of 900,000 € to FAO through the International Plant Protection Convention (IPPC) (2017-2019) → Grant agreement signed on 16 December 2016. Contribution of 700,000€ to WHO through CODEX Alimentarius Trust Fund (2017-2019) → Delegation agreement signed on 15 December 2016

Specific objective 3 Tackling unfair trade

Result indicators

Specific objective 3. Tackling Unfair Trade			
Result indicator 3.1 : Efficiency and transparency in TDI investigations using latest IT tools and electronic means of communication with parties **Source of data: DG Trade**			
Baseline 2015	**Interim Milestone** 2017	**Target** 2020	**Latest known result** 2016
Pilot phase for the TRON web platform for consultation of files completed	The TRON web platform used in all investigations for continuous web consultation; extend TRON web platform to also cover web submissions, notifications, and registration	Fully functioning web platform for all communication with parties in the context of investigations	Developments of features to improve the online access to the public files. Pilot phase for the Web-notification successful. Improvement of security

Result indicator 3.2 : Efficiency of investigations by their conclusion within mandatory deadlines or whenever possible before such deadlines **Source of data: DG Trade**			
Baseline 2015	**Interim Milestone** 2018	**Target** 2020	**Latest known result** 2016
100% of new investigations completed within mandatory deadlines	10% of new investigations completed before the mandatory deadline (by at least a month); setting of the new 2020 target based on the review of the length of investigations	New target for investigations completed before the mandatory deadline achieved based on experience gained until 2018	All investigations concluded within the mandatory deadlines. In addition, the Commission further continues to implement the concrete actions set out in the Commission's Communication "Steel: Preserving sustainable jobs and growth in Europe" (16 March 2016), including shortening the period to impose provisional measures to less than 8 months (e.g. Hot Rolled Flat products and Heavy Plates from China).

Result indicator 3.3 : Number of jobs in sectors covered by the trade defence measures **Source of data: DG Trade**			
Baseline 2015	**Interim Milestone** 2018	**Target** 2020	**Latest known result** 2016
Development of employment in relevant industry sector between imposition of original measures and expiry reviews completed in 2015	For measures under review at the end of their statutory duration, the level of employment while the measures were in force shows a status quo or an increase	On a yearly basis, the comparison of employment between the original imposition of measures and their expiry shows a status quo or an increase	In 2016 more than 300.000 jobs were covered by the trade defence measures
Planned evaluations related to this objective: 1/ Evaluation of the EU's trade defence instruments to be launched in 2018, completed in 2019.			

Specific objective 3: Output indicators

	Main outputs in 2016:			
	Policy–related outputs			
	Description	**Indicator**	**Target date**	**Latest known results (situation on 31/12/2016)**
30	TDI investigations conducted in an effective and efficient manner.	Completion of investigations within statutory deadlines or, whenever possible, a month earlier	Demand driven. To be adopted within the regulatory deadlines	☺ 15 new TDI cases were initiated in 2016 – 13 of which targeting the steel sector. In 2016 the following should be noted: (1) one investigation was opened on the basis of 'threat of injury', (2) imports were 'registered' in two cases and in one of the cases the duties were collected retroactively, and (3) a 'prior surveillance system' on steel products was introduced in May.
31		Timeliness of conclusion of investigations	100% of investigations concluded within deadlines while 10% of new investigations concluded before the mandatory deadline (by at least a month)	☺ All investigations concluded within the mandatory deadlines. In addition, the Commission further continues to implement the concrete actions set out in the Commission's Communication "Steel: Preserving sustainable jobs and growth in Europe" (16 March 2016), including shortening the period to impose provisional measures in less than 8 months (e.g. Hot Rolled Flat products and Heavy Plates from China).

Specific objective 4 A sustainable approach to trade

Result indicators

Specific objective 4: A Sustainable Approach to Trade			
Result indicator 4.1 : Number of FTAs[77] with dedicated anti-corruption provisions or appropriate links to framework agreements covering anti-corruption *Corruption is a plague on economies and societies, which holds countries back from development by wasting public funds, distorting economic opportunities, discouraging investment, and hampering trade. This indicator will show to what extent EU takes action to improve sustainable economic conditions and promote good governance using free trade agreements to tackle issues posed by corruption, directly or indirectly (via linkage to framework agreements).* **Source of data: DG Trade**			
Baseline 2015	**Interim Milestone** 2018	**Target** 2020	**Latest known result** 2016
None[78]	None	Four FTAs - depending on outcome of on-going negotiations[79]	Work is ongoing to define the EU's approach on anti-corruption in FTAs including consultations with other Commission services, Member States and the European Parliament.

Result indicator 4.2			
Result indicator 4.2 : Number of dialogues addressing Human Rights/Sustainable Development issues with GSP+ beneficiaries *This indicator will demonstrate the evolving extent of the EU's engagement in making full use of the channels offered by the GSP+ scheme to address Human Rights and Sustainable Development issues. The broader the engagement, the more opportunities to improve conditions conducive to sustainable economic, social and environmental development and respect for human rights.* **Source of data: DG Trade**			
Baseline 2015	**Interim Milestone** 2018	**Target** 2020	**Latest known result** 2016
1 dialogue per year per GSP+ beneficiary	1 dialogue per year for selected standard GSP/EBA beneficiaries 2 dialogues/year for selected GSP+ beneficiaries (likely 4)	1 dialogue per year for selected standard GSP/EBA beneficiaries 2 dialogues/year with each GSP+ beneficiary	GSP+ monitoring missions last year: Kyrgyzstan; Pakistan; Bolivia; Paraguay;

[77] This includes FTAs that are not yet being applied but where negotiations have been concluded

[78] Article 97 of the "Cotonou Agreement" is not counted in this context, as it is not an FTA

[79] See result indicator 1.1

Result indicator 4.3 : Number of trading partners, international organisations and relevant stakeholders groups initiatives (i.e. business, trade unions, NGOs) with whom DG Trade is engaged on Responsible Supply Chain (i.e. partnerships, projects, events, dialogues, guidance, platforms) *This indicator will demonstrate the evolving extent of the EU's engagement in advancing initiatives concerning responsible management of supply chains through outreach to institutional and trading partners. The wider the outreach, the more opportunities to improve responsible sourcing which, in turn, will help ensure sustainable economic, social and environmental conditions.* **Source of data: DG Trade**			
Baseline 2015	**Interim Milestone** 2018	**Target** 2020	**Latest known result** 2016
15	25	35	19- under flagship initiatives: Bangladesh Sustainability Compact: Bangladesh, ILO, US, Canada Myanmar Labour Rights Initiative: Myanmar, ILO, US, Denmark, Japan EU-OECD Roundtable on responsible supply chains in the garment sector: OECD, Cambodia, EU-Japan Industrial Policy Dialogue, Working Group on Corporate Social Responsibility: Japan As well under Trade and Sustainable Development Implementation committees with the following partners: Panama, Guatemala, Costa Rica, El Salvador, Honduras, Nicaragua (EU-Central America), Korea (EU-Korea), Colombia, Peru (EU-COLPER)

Result indicator 4.4 : Number of structured dialogues with stakeholders on Trade and Sustainable Development (TSD) issues (e.g. Domestic Advisory Groups, EPA committees, DG Trade Civil Society Dialogue) *This indicator will show the evolving extent of the EU's engagement in structured dialogues with stakeholders concerning sustainable economic, social and environmental conditions affected by trade policy. The wider and deeper the engagement, the better is the mutual understanding of the issues that need to be addressed and of the possibilities that trade policy can offer to address them, which are prerequisites to improving those conditions.* **Source of data: DG Trade**			
Baseline 2015	**Interim Milestone** 2018	**Target** 2020	**Latest known result** 2016
Under TSD chapters in FTAs: On average, 4 meetings/year/agreement (3 DAG meetings, 1 joint civil society meeting) – for 5 FTAs	Under TSD chapters in FTAs: On average, 4/5 meetings per year per agreement (3/4 DAG meetings, 1 joint civil society meeting) – for 8 FTAs	Under TSD chapters in FTAs: On average, 5 meetings per year per agreement (4 DAG meetings, 1 joint civil society meeting) – for 10 FTAs	Under TSD chapters in FTAs: on average 4 meetings/year/agreement (3 DAG meetings, 1 joint civil society meeting) for 5 FTAs.
Under EPAs, the regional CARIFORUM-EU Consultative Committee met once, in 2014, but not in 2015. The annual Pacific EPA Committee meeting in 2015 included civil-society participation and TSD discussion.	On average 1 joint *regional* meeting per year per EPA applied that involves civil-society representatives and/or addresses TSD issues	1 joint *regional* meeting per year per EPA applied that involves civil-society representatives and/or addresses TSD issues	Second meeting of CARIFORUM-EU Consultative Committee was held in Brussels in April 2016. Civil Society Outreach events concerning the SADC EU EPA were hosted in September in Johannesburg and in Cape Town in October 2016
8 meetings of the Civil Society Dialogue on TSD issues, including GSP and Trade Sustainability Impact Assessments (SIAs), with more than 350 registered participants in total.	CSD meetings on SIAs in support of ongoing negotiations. For each SIA, civil society is consulted on the draft report. (2-3 meetings per SIA)	CSD meetings on SIAs in support of ongoing negotiations. For each SIA, civil society is consulted on the draft report. (2-3 meetings per SIA)	9 meetings of the Civil Society Dialogue on TSD issues, including GSP and Trade SIAs, with 383 registered participants in total.
Other events: - 1 stakeholder meeting on Vietnam & TSD with more than 130 participants. - 1 session of the Trade Policy Day on TSD with 150 participants.	CSD and stakeholder meetings on updates on TSD issues and new initiatives in this field will be organised, including the follow up of TSD aspects of the new trade strategy	CSD and stakeholder meetings on updates on TSD issues and new initiatives in this field will be organised, including the follow up of TSD aspects of the new trade strategy	

Specific objective 4: Output indicators

	Main outputs in 2016:			
	Policy–related outputs			
	Description	**Indicator**	**Target date**	**Latest known results (situation on 31/12/2016)**
32	Export control review *2015/TRADE/027*	College adoption of Commission proposal for new Regulation	Q2 2016	☺ Commission adopted its proposal on 28 September 2016 and transmitted it to the Council and European Parliament. COM(2016)616 - annexes
33	Commission Delegated Regulation updating the EU control list for dual-use	Commission adoption	Q3 2016	☺ Commission adopted the 2016 update of the EU control list for

	items *2016/TRADE/004*			dual-use items on 12 September 2016 – C(2016)5707
34	Export control annual report *2016/TRADE/001*	Commission adoption	Q2 2016	☺ Commission adopted its report on 24 August 2016 - COM(2016)521
35	Commission amended proposal for a Regulation of the European parliament and the Council on access of third-country goods and services to the Union's internal market in public procurement and procedures supporting negotiations on access of Union goods and services to the public markets of third countries. *Initial proposal tabled in 2012*	Commission adoption Adoption by Council and Parliament	29 January 2016 Q3 2016	😐 Proposal adopted by the College on 29 January 2016 - COM (2016)0034 Council discussions to continue towards a Council Common Position (possibly) during the Maltese Presidency. On the basis of an agreed Common Position, the Council will enter into Trilogues – during Maltese or Estonian Presidency.
36	Implementing legislation under GSP, in particular implementing act establishing graduated product sections for 2017-2019 and updating list of beneficiaries of the respective arrangements (general arrangement, GSP+ and EBA) *2015/TRADE/007*	Adoption of Implementing Act on graduated sections Adoption Of Delegated Act updating list of GSP beneficiaries	Q1 2016 Q3 2016	☺ Adopted on 08 March 2016 - C(2015)5946 Commission Implementing Regulation (EU) 2016/330 Sri Lanka applied for GSP+ in 2nd Quarter 2016
37	Commission report to the European Parliament and Council on the effects of the revised GSP *2016/TRADE/021*	Adoption of Report by Commission	Q1 2016	☺ Commission adopted on 28 January 2016 the annual report - COM(2016) 29
38	Commission proposal (2013) for a Regulation on minerals from conflict-affected and high-risk areas	Adoption by the European Parliament and Council	2016	☺ The legislative proposal on minerals originating from conflict-affected and high-risk areas has been agreed in trilogues in November 2016 and is expected to be adopted by the Council and the European Parliament in April or May 2017. The Regulation will enter into application in 2021.
39	Amendment of Regulation (EU) 2015/936 – abolition of autonomous quotas on imports of textiles and clothing originating in the Republic of Belarus	Adoption by College, Council and EP	Q3 2016	☺ Adopted on 3 February 2016 - COM(2016) 44 final / 2016/0029 COD. Adoption by Council and EP expected in first quarter 2017.