



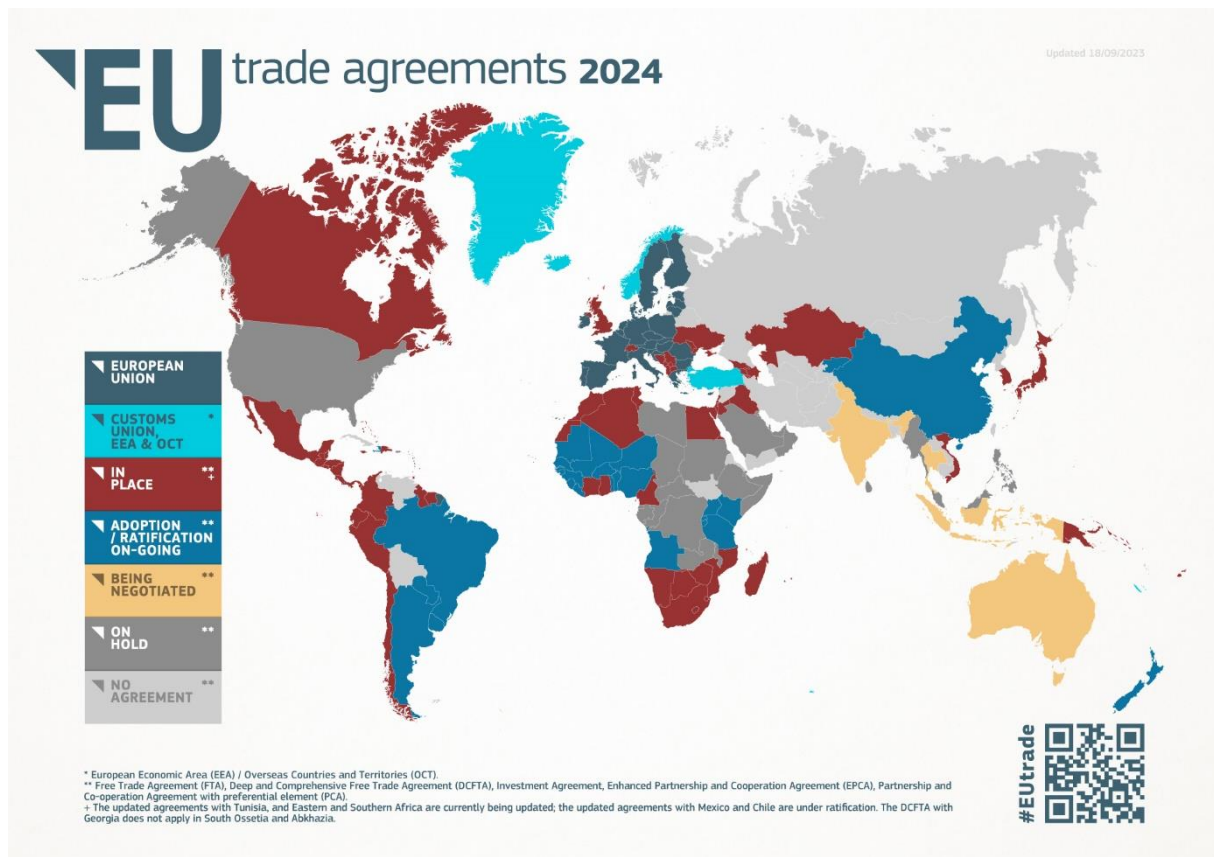
# Annual Activity Report 2023

Directorate-General for Trade

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# DIRECTORATE-GENERAL FOR TRADE IN BRIEF

The Directorate-General for Trade (DG Trade) is in charge of developing and implementing the common commercial policy of the European Union in accordance with the objectives set out in Article 207 of the Treaty on the Functioning of the EU. DG Trade supports the European Commission's Executive Vice-President Valdis Dombrovskis in shaping a trade policy that benefits European citizens and European businesses of all sizes, while supporting sustainable development in the EU and around the world.



In line with the EU's trade strategy of 2021 <sup>(1)</sup>, DG Trade pursues an open, sustainable and assertive trade policy. Such approach contributes to making the EU more competitive and resilient, while advancing the EU's sustainability and geopolitical objectives. DG Trade negotiates bilateral, plurilateral and multilateral trade agreements, ensures that the rules agreed are effectively applied, and works closely with the World Trade Organization (WTO) and other multilateral institutions. DG Trade also develops, implements and enforces EU legislation in the area of trade and investment, such as the Generalised Scheme of Preferences, the Foreign Direct Investment (FDI) Screening Regulation, the revised Enforcement Regulation, updated rules on dual-use goods, the Anti-Coercion Instrument and legislation on trade defence measures. Trade negotiations cover a wide range of areas such as goods, services, intellectual property, investment, government procurement, access to energy and raw materials, customs and trade facilitation, competition (including

<sup>(1)</sup> COM(2021) 66 final

subsidies and disciplines on State Owned Enterprises), trade and sustainable development, regulatory co-operation and dispute settlement. DG Trade upholds European interests with the aim to ensuring that businesses can operate fairly in the EU and across the world. It makes full use of its powers to tackle unfair competition, distortive dumping and subsidisation from third countries.

While DG Trade does not have direct responsibility for any specific spending programme, in 2023, it managed a budget of €17.77 million (€17.55 million in its operational budget and €0.22 million in its administrative budget). This budget has remained stable over the past years and allowed, through procurement activities as well as contributions to international organisations, for the support of negotiations and effective implementation of trade and investment policies and agreements, including in the field of trade and sustainable development. At the same time, trade-related objectives are also embedded in the different financial programmes managed by other Commission departments, mainly under the “Neighbourhood, Development and International Cooperation Instrument (NDICI) – Global Europe”.

As the EU's trade negotiator and guardian of an effectively implemented EU trade policy, DG Trade's mission depends on close working relations with its internal and external partners. DG Trade works very closely with the European Parliament and the Council of the European Union and with other international organisations. Its success draws strongly on its close partnership with the European External Action Service (EEAS) and with Commission services.

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 three Deputy Directors-General. Around a quarter of DG Trade staff is posted in EU Delegations and in two Commission representations in EU Member States.

## EXECUTIVE SUMMARY

This annual activity report is a management report 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 <sup>(2)</sup>.

### A. Key results and progress towards achieving the Commission's general objectives and department's specific objectives

The international context in which trade policy operated continued to be challenging. It was affected by several developments such as strategic competition between the United States and China, increased instrumentalisation of dependencies, resort to unilateral measures and economic nationalism, supply chain disruptions and the crisis of the multilateral rules-based order. These trends were further exacerbated by Russia's unprovoked and unjustified war against Ukraine.

In such challenging context, trade policy has contributed to deliver on the Commission's priorities in 2023 <sup>(3)</sup>:

- *Signing trade agreements with **New Zealand, Chile and Kenya**;*
- *Continuing negotiations with other important partners, such as **India, Indonesia, Thailand, Mercosur and Mexico**;*
- *Agreeing on rules on data flows with **Japan** to be included in the EU-Japan Economic Partnership Agreement;*
- *Implementing the trade-related elements of the **European Economic Security Strategy**, including by:*
  - *proposing a revision the EU's **FDI screening Regulation** in light of three years' experience, identifying necessary amendments that would strengthen its functioning and effectiveness;*
  - *Strengthening our strategic **export controls**, drawing on experience of the current EU export control regime and of the implementation of sanctions imposed against Russia, working closely with Member States and our international partners;*
  - *Exploring ways to identify potential risks stemming from **outbound investments** in certain strategic technologies;*
- *Maintaining strong economic pressure on Russia and undermining its ability to wage its unprovoked and unjustified war against Ukraine by continuing **to impose new restrictive measures**. Coordinating, including with our likeminded partners, the*

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<sup>(2)</sup> Article 17(1) of the Treaty on European Union.

<sup>(3)</sup> [com\\_2022\\_548\\_3\\_en.pdf \(europa.eu\)](#)

**effective enforcement of trade sanctions, and contributing to anti-circumvention efforts towards concerned third countries** as carried out by the EU Special Envoy;

- Strengthening EU policies and actions to ensure a secure and sustainable supply of access to **critical raw materials** through international cooperation and partnerships in bilateral and multilateral fora;
- Continuing our cooperation with candidate countries in the **Western Balkans**, along with **Ukraine, Moldova, Georgia**, in view of their future accession to the Union, maintaining our support for the **Eastern Partnership** and **Southern Neighbourhood**;
- Maintaining strong and stable trade relations with the **US**, which is our most important partner where trade and investment flows have reached new record highs;
- Stepping up action to implement and **enforce the EU's trade policy**.

In 2023, DG Trade developed new forms of engagement like the negotiations of **digital trade agreements** with the Republic of Korea and Singapore and delivered new outcomes such as the **Sustainable Investment Facilitation Agreement with Angola**. DG Trade also put in place new autonomous tools, such as the **Anti-Coercion Instrument**, and continued to assertively deploy trade defence instruments.

DG Trade contributed to other Commission priorities in support of the green and digital transitions. Trade policy helped to ensure access to energy goods and raw materials needed for the energy transition, spread green goods and services by facilitating market access for our green tech industry, and encouraged the adoption of climate-friendly policies by others. Trade policy also supported a Europe fit for the digital age helping the development of global rules for digital trade through WTO negotiations as well as bilateral engagements.

In 2023, the EU continued to be the number one trading block in the world, representing more than 16% of total global trade with the rest of the world, and the world's largest provider of foreign direct investments. The EU was the number one trading partner for 54 countries that represent 48% of global GDP. EU trade policy opened opportunities and access for EU companies to sell their goods and services around the world. EU trade policy also allowed the EU to build partnerships, protect the EU market from unfair practices, and promote EU values and standards globally.

Throughout 2023, the EU's trade policy continued to support the EU's open strategic autonomy and pursued the three core objectives outlined in the *Trade Policy Review Communication - An Open, Sustainable and Assertive Trade Policy* <sup>(4)</sup>: **supporting the recovery** and fundamental transformation of the EU economy in line with its **green and digital objectives**; shaping global rules for a **more sustainable and fairer globalisation**; and increasing the **EU's capacity to pursue its interests and enforce its rights**, including autonomously where needed.

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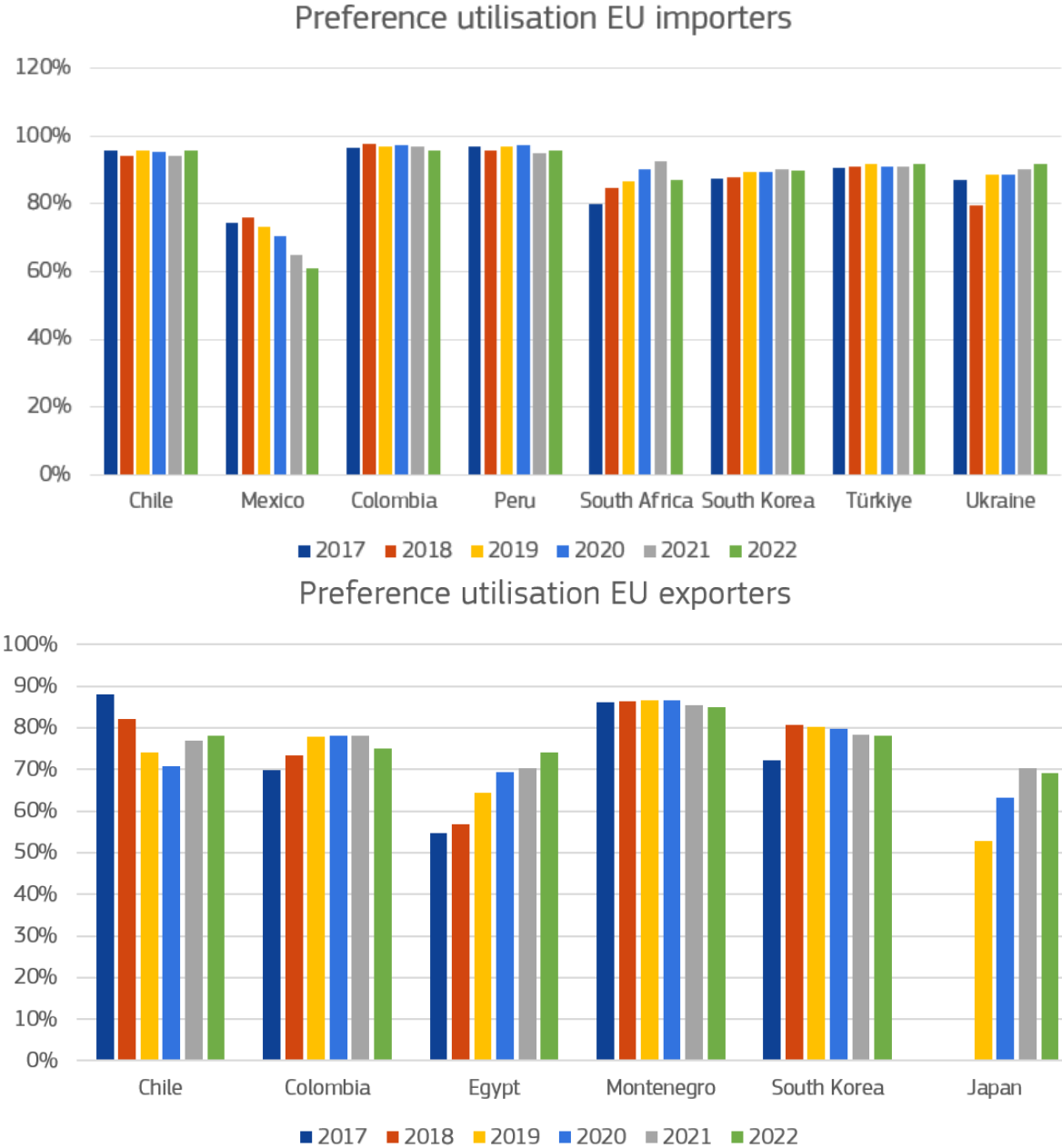
<sup>(4)</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_21\\_644](https://ec.europa.eu/commission/presscorner/detail/en/ip_21_644)

## B. Key performance indicators

### KPI 1: Preference utilisation rates of EU preferential trade arrangements <sup>(5)</sup> for the EU and partners' side

**Explanation:** This indicator shows the extent to which businesses are making use of the EU preferential arrangements and how the uptake is handled in the EU Member States and the partner countries <sup>(6)</sup>

**Source of data:** Eurostat and national customs registrations



<sup>(5)</sup> 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.

<sup>(6)</sup> In 2021, the preference utilisation rate under the EU-Japan EPA has seen a sharp increase, partially driven by the boom of chemical exports due to covid vaccine exports. With the end of the pandemic, a significant contraction of chemical exports took place. Analysis of the exact impact on the overall preferential utilisation rate is ongoing. However, it is likely that the development in the chemical sector resulted in the overall slight decrease of the preferential utilisation rate under the agreement with Japan.

**KPI 2: Percentage of trade covered by applied bilateral and regional agreements <sup>(7)</sup>**

**Explanation:** This indicator shows the extent of EU trade covered by EU's applied preferential trade and investment agreements and the evolution of this coverage.

**Source of data:** DG Trade / Eurostat

Baseline			Interim Milestone (2022)			Target (2024)			Latest known results		
Goods (2017-2019) and services (2016-2018) average FTA status 31/12/2019									Goods and services (2020-2022) average FTA status 31/12/2023		
<b>Percentage of trade in goods and services</b>											
Imp.	Exports	Total	Imports	Exports	Total	Imports	Exports	Total	Imports	Exports	Total
29%	32%	30%	33%	36%	34%	34%	38%	36%	42%	48%	45%

**KPI 3: Preferential imports from GSP beneficiary countries**

**Explanation:** This indicator illustrates the extent of EU's contribution to increased exports from GSP beneficiaries which is conducive to economic growth and jobs, specifically in the poorest (least developed countries and other vulnerable lower income) countries.

**Source of data:** Eurostat, DG Trade

Baseline				Interim Milestone (2022)	Target (2024)	Latest known results		
Imports (M EUR)	2017	2018	2019			2020 <sup>(8)</sup>	2021	2022
All GSP	65,630	69,249	74,117	Increase	Increase	52,633	55,907	80,635
GSP EBA	22,682	24,810	26,923			21,311	22,307	35,407
GSP Standard	34,039	35,361	37,189			23,705	24,214	31,955
GSP Plus	8,908	9,076	10,005			7,617	9,386	13,274
Average / country	797	912	1,035			741	847	1,221
Utilisation	83.4%	83.5%	84.2%			Over 85%	81.7%	76%

<sup>(7)</sup> This indicator does not cover multilateral WTO nor the plurilateral sectoral negotiations and agreements.

<sup>(8)</sup> The relative decline of some indicators observed in 2020 was purely caused by the general collapse of world trade that occurred in 2020 in the aftermath of the COVID-19 first outbreak and that affected all major economies at the time.

<sup>(9)</sup> The decrease in GSP utilisation rate from 82 % in 2020 to 74.5 % in 2022 is mainly because Vietnam, one of the main contributors to the total GSP imports in 2020, used increasingly its preferential tariffs granted by the EU-Vietnam FTA. This led to a decrease of Vietnam's use of preferences under GSP (from 56% in 2020 to 25% in 2022).



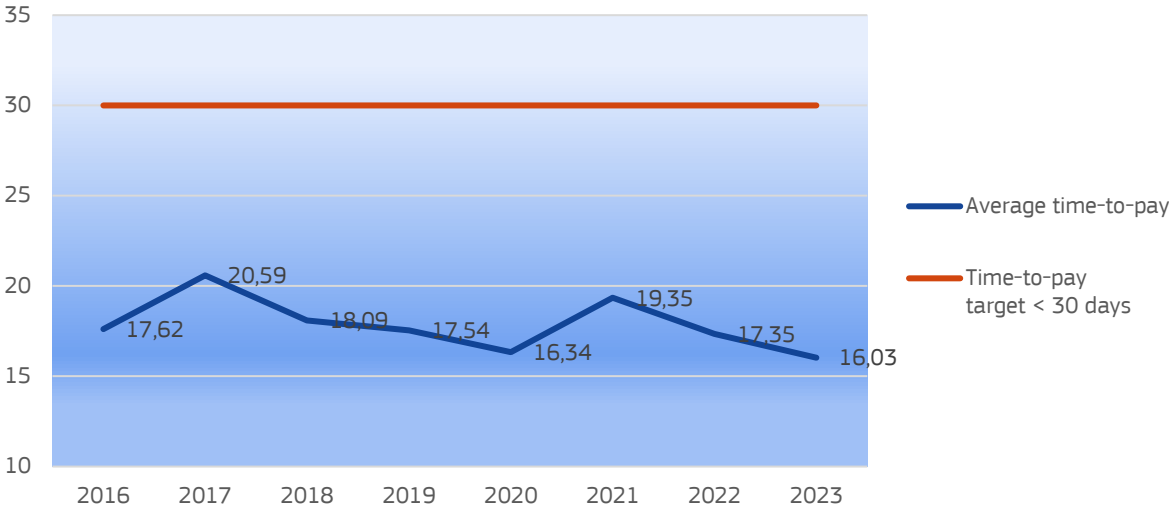
## C. Key conclusions on internal control and financial management

In line with the Commission’s Internal Control Framework DG Trade has assessed its internal control systems during the reporting year and has concluded that it is effective, and that the components and principles are present and functioning well overall, but some improvements are needed as minor deficiencies were identified. Please refer to annual activity report section 2.3 for further details.

**Indicator: Time to pay (number of days)**

**Explanation:** This indicator shows the efficiency of DG Trade’s internal control processes managing payments to contractors and international organisations (time-to-pay).

**Source of data:** DG Trade



In addition, DG Trade has systematically examined the available control results and indicators, including those from supervised entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by the internal auditor and the European Court of Auditors. These elements have been assessed to determine their impact on management’s assurance about the achievement of the control objectives. Please refer to section 2 for further details.

In conclusion, DG Trade’s management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated. Improvements are necessary concerning ICP 3 “structures and reporting lines to follow up the pursuit of objectives”, ICP 4 “attract, develop and retain staff”, and ICP 13 “functioning of internal control”. The actions taken in this respect are described in details in section 2.3. The Director-General, in her capacity as Authorising Officer by Delegation, has signed the Declaration of Assurance.

**D. Provision of information to the Commissioner(s)**

In the context of the regular meetings during the year between DG Trade and the Executive Vice-President on management matters, the main elements of this report and assurance declaration, have been brought to the attention of Executive Vice-President Dombrovskis, responsible for Trade.

# 1. KEY RESULTS AND PROGRESS TOWARDS ACHIEVING THE COMMISSION'S GENERAL OBJECTIVES AND SPECIFIC OBJECTIVES OF THE DEPARTMENT

DG Trade contributed to two key political objectives of the Commission, namely 'A stronger Europe in the world' and 'An economy that works for people' <sup>(10)</sup>, as follows:



<sup>(10)</sup> DG Trade also made an important contribution to the Green Deal and the digital transformation

## **Specific objective 1: Lead the reform of the World Trade Organization to preserve rules-based trade**

Upholding a stable and predictable trading environment, and pursuing the reform and strengthening of the World Trade Organization

**The World Trade Organization (WTO)** has provided a stable and predictable trading environment since its establishment in 1995. However, the WTO's effectiveness has been eroded on account of a paralysed dispute settlement system and limited progress on new rule-making. While reform is needed, WTO remained the cornerstone of the global trading system and an indispensable guardrail against protectionism.

At the 12<sup>th</sup> Ministerial Conference in June 2022, WTO members committed to undertake a reform of the WTO looking into all aspects of its activities: reinforcing its capacity as a forum for multilateral negotiations; enhancing deliberation in order to respond to pressing global trade policy challenges; and restoring a fully functioning dispute settlement system no later than 2024.

In 2023, DG Trade worked on taking this mandate forward with a view to delivery by the WTO's 13<sup>th</sup> Ministerial Conference (MC13) taking place in February 2024. Key areas of work have included:

- **Dispute Settlement:** The blockage of appointments of members to the WTO's Appellate Body continued in 2023, making the WTO dispute settlement system unable to function fully. DG Trade continued its efforts to resolve this situation. Pending a resolution, the 'Multi-party interim appeal arbitration arrangement' (MPIA), championed by DG Trade, proved its worth in 2023, helping to ensure the binding resolution of certain disputes between its participating WTO Members despite the blockage of the Appellate Body. The interim arrangement maintained two-tier dispute settlement through appeal arbitration under WTO rules, preventing disputes from becoming blocked;
- Reviewing the functioning of the WTO in the General Council and other bodies;
- Reviewing the application of special and differential treatment for developing countries;
- Ensuring follow-up and uptake of the EU's Communication to the WTO on Reinforcing the Deliberative Function of the WTO to respond to Global Trade Policy Challenges, such as state intervention in industrial sectors, environment and climate challenges and inclusiveness.

This specific objective has thus contributed to the Commission's general objective "A stronger Europe in the world".

## **Specific objective 2: Creating opportunities for European businesses through new and existing negotiations and an additional effort to monitor and improve the implementation and compliance of existing trade agreements**

Opening markets and creating opportunities for EU companies by implementing existing agreements, assertively pursuing our values and interests, enforcing our rights, and negotiating new deals when the conditions are right

In line with the Commission's general objective "An economy that works for people", the EU continued to open markets, by making, implementing and enforcing trade deals with partner countries or regions, to diversify trade links, and to strengthen the resilience of supply chains, which was particularly important in the context of the disruptions caused by Russia's unprovoked and unjustified war against Ukraine.

In 2023, DG Trade contributed as co-responsible to the Commission Communication of 16 March 2023 on "A secure and sustainable supply of critical raw materials in support of the twin transition" <sup>(11)</sup>. The Communication outlined an ambitious set of actions to address this challenge. DG Trade plays a key role in implementing the external aspects of the EU's critical raw materials policy, with the help of trade and investment agreements and international partnerships with resource-rich countries and other trade policy tools. DG Trade continued its efforts to put in place a Critical Raw Materials Club, which is to be created in partnership with the US and other like-minded countries under the Minerals Security Partnership, in the first half of 2024.

DG Trade also contributed to the establishment and implementation of Critical Raw Material Partnerships with third countries and engaged with trading partners to remove trade barriers hampering the development of cross border supply chains.

### ***The multilateral and plurilateral agenda***

After the adoption of the first phase of the WTO Agreement on **Fisheries Subsidies** in 2022, which the EU ratified in June 2023, the phase 2 negotiations focus on disciplines on subsidies contributing to overcapacity and overfishing and linked special and differential treatment. The European Commission continues to push for a balanced agreement to achieve UN Sustainable Development Goal 14.6 <sup>(12)</sup>.

DG Trade actively participated and shaped the plurilateral WTO **e-commerce** negotiations that currently cover more than 90 WTO Members. The aim is to agree on modern, global rules for digital trade. Such plurilateral agreement will help to harness the full potential of digital trade, by facilitating trade in goods and services, tackling trade barriers, prohibiting customs duties on electronic transmissions, while enhancing consumer and business trust in the online environment, including on privacy and personal data protection.

Following the successful conclusion of the plurilateral negotiations on **domestic regulation in services** on 2 December 2021, DG Trade continued working with the now 70 WTO participants to incorporate the outcome of the negotiations in their respective GATS schedules of specific commitments to gain legal effect. To that end, DG Trade found a solution with objecting non-participating WTO members so that the participants' commitments can soon enter into force.

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<sup>(11)</sup> <https://circabc.europa.eu/rest/download/7ce37e41-1d9a-4f96-a24b-4f89207700bf>

<sup>(12)</sup> [Goal 14: Life Below Water | United Nations Development Programme \(undp.org\)](https://www.undp.org/goals/goal-14)

The WTO Agreement on **Investment Facilitation for Development** was concluded in **July 2023**. This agreement fosters a business climate more conducive to sustainable development and gathers 118 WTO participants to date.

DG Trade continued to support the implementation of the commitments taken in the three plurilateral Ministerial statements relevant to advance the trade and environmental/climate agenda adopted in December 2021. They cover Environmental Sustainability; Fossil Fuel Subsidy Reform; and Plastics Pollution and Sustainable Plastics Trade.

In 2023, the Commission successfully concluded the negotiations on the modernisation of the Arrangement on Officially Supported **Export Credits** at the OECD and the new rules are in force since 15 July 2023. The modernised Arrangement text streamlines terms and conditions so that government-backed export finance can better meet the needs of exporters. It strengthens exporter's global competitiveness while avoiding market distortions. At the same time, the outcome widens the scope of green and climate-friendly transactions benefitting from extra incentives in the form of more flexible financial terms and conditions. It is the most comprehensive reform of the text since 1999.

Moreover, DG Trade reinforced its efforts to implement the commitment made in the Trade Policy Review communication to propose and work towards the implementation of a comprehensive EU strategy for export credits, including an EU export credit facility and enhanced coordination of EU financial tools in support of trade, investment and sustainable development <sup>(13)</sup>.

### **EU-US relations**

The EU and the **United States** <sup>(14)</sup> have the largest bilateral trade and investment relationship and enjoy the most integrated economic relationship between major players in the world.

The EU is committed to a positive transatlantic trade agenda and pursued this objective notably via the Trade and Technology Council (TTC), which focuses on a wide range of topics at the juncture of trade, technology and security, such as technology standards, advancing supply chain security, export controls, investment screening, global trade challenges, economic security, misuse of technology or promoting SMEs' role in digital and technology trade. The TTC is a transparent and inclusive process and provides for stakeholder engagement, including via the centralised TTC platform on "Futurium" <sup>(15)</sup>. Work in 2023 focused on boosting the ambition on the trade aspects of the TTC and building robust and resilient transatlantic trade relations with strong cooperation on trade policy measures beneficial to the green transition and on ensuring resilient supply chains.

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<sup>(13)</sup> A feasibility study on options for the EU export credits strategy carried out by consultants on behalf of the Commission was published in May 2023. A Joint Staff Working Document by DGs TRADE and INTPA and the EEAS, mapping EU and Member State financial tools with the aim of enhancing coordination was published on April 2023.

<sup>(14)</sup> [EU-US trade](#)

<sup>(15)</sup> <https://futurium.ec.europa.eu/en/EU-US-TTC>

At the end of 2023, the US and the EU agreed to roll over the current arrangements on steel and aluminium trade. As a result, the US continued both the suspension of US Section 232 tariffs as well as its tariff rate quotas on EU steel and aluminium exports until 31 December 2025. The EU in return continued the suspension of its counterbalancing measures until 31 March 2025. This will allow the two sides to continue discussions towards a more structural solution to facilitate bilateral trade in sustainable steel and aluminium.

The EU continued its efforts to monitor the implementation of the US Inflation Reduction Act and to mitigate possible negative effects. As part of this work, the EU started negotiations with the US in 2023 on a Critical Minerals Agreement and engaged in an EU-US Clean Energy Incentives Dialogue to achieve transparency, avoid disruptions to trade and investment and coordinate actions, where possible.

### ***Finalising concluded bilateral and regional negotiations***

The FTA negotiations between the EU and **New Zealand** were successfully concluded on 30 June 2022. Following the signature on 9 July 2023, the agreement was approved by the European Parliament and concluded by the Council in November 2023. The EU and New Zealand aim for an entry into force by the end of Q2 2024.

Ursula von der Leyen, President of the European Commission, said: *“New Zealand is a key partner for us in the Indo-Pacific region, and this free trade agreement will bring us even closer together. With today’s signature, we have taken an important step in making the agreement a reality. This modern free trade agreement brings major opportunities for our companies, our farmers and our consumers, on both sides. With unprecedented social and climate commitments, it drives just and green growth while reinforcing Europe’s economic security”.*

The EU-**Chile** Advanced Framework Agreement and the EU-Chile Interim Trade Agreement were signed on 13 December 2023 and aim to strengthen the EU’s and Chile’s commitment to the transition to renewable energy and the sustainable use of raw materials. They include an ambitious chapter on Trade and Sustainable Development and for the first time in an EU trade agreement, a dedicated chapter on trade and gender.

Valdis Dombrovskis, Executive Vice-President and Commissioner for Trade, said: *“Today marks a momentous occasion in EU-Chile relations. This modern, ambitious deal will be beneficial for our economies, creating new opportunities for our SMEs in particular, while helping us diversify our supply chains. Strengthening ties with a trusted partner like Chile will benefit the EU across a range of geopolitically important areas. It boasts wide-reaching sustainability commitments to help both sides achieve the green transition.”*

In June 2023, the EU and **Kenya** <sup>(16)</sup> concluded negotiations for an Economic Partnership Agreement (EPA). The agreement was adopted in the plenary of the European Parliament on 29 February 2024. The EPA includes ambitious provisions on trade and sustainable

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<sup>(16)</sup> [EU-Kenya trade](#)

development. The agreement was signed on 18 December 2023 in Nairobi and was transmitted to the European Parliament and the Council for conclusion in 2024. It will be open for other East African Community Member States willing to join in the future.

In November 2023, the EU signed with **Angola** a Sustainable Investment Facilitation Agreement (SIFA). The agreement was adopted in the plenary of the European Parliament on 7 February 2024. This is the first-ever bilateral agreement on investment facilitation that the EU has negotiated, and a possible blueprint for future similar agreements with African and Southern neighbourhood partners as announced in the 2021 Trade Policy Review.

The Commission successfully concluded in October 2023 the negotiations on data flows with Japan under the specific review clause in the EPA between the EU and **Japan** <sup>(17)</sup>. The agreement was adopted in the plenary of the European Parliament on 14 March 2024. The new data flows rules include ambitious commitments against unjustified restrictions on cross border data flows by prohibiting different forms of data localisation requirements, prior approval requirements as well as restrictions of transfers of incoming data. At the same time, the rules are accompanied by exceptions to protect personal data and privacy to ensure that the Union's digital and data acquis can be implemented and enforced.

The EU and **Mexico** <sup>(18)</sup> reached a political agreement in April 2018 on the negotiations to update their bilateral trade and investment framework. In 2023, DG Trade continued the work to conclude the technical work and internal procedures leading to the signature and conclusion of the agreement.

In 2019, the European Union and **Mercosur States** – Argentina, Brazil, Paraguay and Uruguay –concluded negotiations on a trade agreement <sup>(19)</sup>. The agreement is designed to create significant opportunities for sustainable growth in both regions, while promoting high labour and environmental standards and preserving the interests of EU consumers and businesses in sensitive economic sectors, notably agriculture. In order to improve the text agreed in 2019, the Commission proposed to Mercosur more granular commitments on sustainable forest management and the Paris Agreement. The Commission made good progress with Mercosur in 2023 to further strengthen the sustainability dimension of the Agreement - a critical element on the path towards ratification of the agreement. The two sides will continue their discussions in 2024.

### ***On-going negotiations***

The EU remained committed to strengthening the economic partnership with **India** <sup>(20)</sup>. The EU-India negotiations were resumed in March 2022 and continued with three negotiating rounds in 2023. In February 2023, the EU and India set up an EU-India Trade and Technology Council (TTC) to tackle strategic challenges at the nexus of trade, technology

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<sup>(17)</sup> [EU-Japan trade](#)

<sup>(18)</sup> [EU-Mexico trade](#)

<sup>(19)</sup> <https://ec.europa.eu/trade/policy/in-focus/eu-mercosur-association-agreement/>

<sup>(20)</sup> [EU-India trade](#)



and security issues with Ministerial meetings that should take place at least once a year. The first TTC meeting took place in May 2023.

In 2023, the Commission continued trade negotiations with **Indonesia** <sup>(21)</sup> and restarted negotiations with **Thailand** <sup>(22)</sup> in September 2023.

DG Trade also kept on contributing to building international digital partnerships with the **Indo-Pacific region**, notably with Japan, the Republic of Korea and Singapore, as set out in the Indo Pacific Strategy <sup>(23)</sup>.

Building on those digital partnerships, and after the Council decision to authorise the opening of negotiations on 6 June 2023, DG Trade launched the negotiations on digital trade agreements with the **Republic of Korea and Singapore** in autumn 2023. These agreements will complement the existing FTAs and support the EU's digital transition. They aim at providing legal certainty for companies in digital transactions, facilitating trade in goods and services, tackling trade barriers, enhancing consumer and business trust in the online environment, harnessing the full potential of data flows while fully preserving the EU's privacy and personal data protection framework.

DG Trade continued working to enhance sustainable trade and investment relations between **the EU and Africa**. DG Trade advanced negotiations to deepen the existing Economic Partnership Agreement (EPA) with five **Eastern and Southern African** countries (Comoros, Madagascar, Mauritius, Seychelles and Zimbabwe). A Sustainable Impact Assessment (SIA) on these negotiations was carried out and a position paper on the SIA was published in February 2023 <sup>(24)</sup>. Furthermore, EPAs remain the cornerstone of Africa-EU trade relations and contribute to the on-going African integration projects, including the **African Continental Free Trade Agreement (AfCFTA)**.

Work carried on in 2023 to expand the existing network of EPAs. An accession process to the EU-Pacific EPA is underway with Tonga, Timor-Leste, Tuvalu, Niue, Vanuatu and the Federated States of Micronesia. Accession negotiations with **Angola** into the EU-SADC EPA <sup>(25)</sup> should be launched in 2024, with a final SIA report published in March 2023 <sup>(26)</sup>.

The Council approved in December 2022 the negotiating directives for an Enhanced Partnership and Cooperation Agreement with the Republic of **Tajikistan**. Formal opening of negotiations took place in February 2023 and there were negotiating Rounds in June and November 2023.

In 2021, the EU and the **UK** started a negotiation on the future EU-UK agreement in respect of Gibraltar. In 2023 DG Trade continued contributing to the negotiation of all trade related

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<sup>(21)</sup> [EU-Indonesia trade](#)

<sup>(22)</sup> [EU-Thailand trade](#)

<sup>(23)</sup> [The EU strategy for cooperation in the Indo-Pacific, JOIN\(2021\) 24 final](#)

<sup>(24)</sup> [Position paper on the SIA with Comoros, Madagascar, Mauritius, Seychelles and Zimbabwe.](#)

<sup>(25)</sup> [EU-SADC trade](#)

<sup>(26)</sup> <https://circabc.europa.eu/rest/download/64bd4ed9-559a-4dc7-866d-5b1209eba501>

aspects, including trade in goods, horizontal dispute settlement and level playing field provisions.

In May 2018, the Council authorised opening negotiations for an FTA between the EU and **Australia** <sup>(27)</sup>. The position paper on the SIA in support of the negotiations was published in July 2021. In October 2023, ahead of the final negotiation talks, Australia announced however that it will not be in a position to conclude the agreement in the foreseeable future. The EU remains ready to reengage once that situation changes.

### ***The proposal of new bilateral negotiations***

In 2023, DG Trade kept on working with partners in the Southern Mediterranean region to explore the interest and feasibility of the modernisation of relations and of negotiations on sustainable investment facilitation agreements to improve the investment climate and support sustainable development.

In 2023, the Commission has initiated two stocktaking exercises, with respectively **Malaysia** and **The Philippines**. These exercises aim at establishing the degree of convergence between those countries and the EU and will contribute to the ongoing reflection on the potential resumption of FTA negotiations.

DG Trade will also continue prospecting the possibility to negotiate Sustainable Investment Facilitation Agreements (SIFA) with a number of **African partners**, such as Nigeria (*following informal contacts in 2023*), Ghana, and Ivory Coast (*following exploratory talks in 2023 with a view to a scoping exercise*).

### ***Effective implementation***

In 2023, DG Trade advanced its efforts to **unlock the benefits of the EU's trade agreements**, coupled with **assertive enforcement**, in both the area of market access and their sustainable development (in line with specific objective four), and taking into account the findings of the evaluation of trade agreements already in force.

This is a critical element of the EU's drive toward open strategic autonomy, and facilitate access to markets, particularly for SMEs. In 2023, DG Trade worked in the following areas:

- Ensuring the full implementation and effective execution of trade agreements by trading partners, as well as monitoring these agreements to address any arising issues;
- Supporting EU stakeholders and businesses to make best use of the opportunities EU trade agreements create through further development of the Access2Markets portal, e.g. covering now gradually procurement (Access2Procurement) and services and investment, and through awareness raising of the business community, especially SMEs;

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<sup>(27)</sup> [EU-Australia trade](#)

- Facilitating complaints by EU stakeholders related to market access barriers and infringements of trade and sustainable development commitments through a streamlined process of the Single Entry Point.

DG Trade continued to monitor and enforce the rights stemming from preferential bilateral or plurilateral trade agreements as well as multilateral trading rules through technical, diplomatic and political contacts, negotiation, regulatory cooperation or dispute settlement, in the WTO or through bilateral dispute settlement mechanisms.

The 2023 Commission annual **Report on Implementation and Enforcement of EU Trade Policy** <sup>(28)</sup> reported on the above-mentioned areas.

DG Trade continued the implementation of the Deep and Comprehensive Free Trade Areas (DCFTAs) with **Ukraine, Georgia and Moldova** throughout the year and took stock in the respective committees. The implementation of the DCFTAs with Ukraine and Moldova was intensified by means of specific Priority Action Plans to unlock the full potential of the DCFTAs. In June 2023, the EU prolonged for another year the suspension of import duties, quotas and trade defence measures on Ukrainian exports to the EU - known as the Autonomous Trade Measures (ATMs)- and in July 2023 it did the same on Moldovan exports.

Executive Vice-President Dombrovskis said: *“Since the start of the full-scale Russia's war year ago, the EU has prioritised the importance of keeping Ukraine's economy going. The prolongation of trade liberalisation for one more year shows our unwavering support in helping Ukraine to maintain its trade position with the rest of the world, while further deepening its trade relations with the EU.”*

Work on increased permanent trade liberalisation with Ukraine and Moldova carried on throughout 2023.

In 2023, the Commission continued to focus on ensuring the smooth and effective implementation of the most recent FTAs (**the Republic of Korea** <sup>(29)</sup>, **Canada** <sup>(30)</sup>, **Japan, Singapore** <sup>(31)</sup>, **Vietnam** <sup>(32)</sup>, and the **United Kingdom**). This included identifying and following-up on implementation issues, ensuring that FTA committees meetings took place on a regular basis and that their outcomes were promptly followed-up.

In September 2023, the EU and Korea signed an arrangement to cooperate on electronic health certification and on the harmonisation of such certificates for exports of agricultural products. This will enable EU exporters to reduce their administrative burden and increase Korean consumers' trust. It thus contributes to further digitalisation of trade to the benefit

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<sup>(28)</sup> [Register of Commission Documents - COM\(2023\)740 \(europa.eu\)](#)

<sup>(29)</sup> [EU-South Korea trade](#)

<sup>(30)</sup> [EU-Canada trade](#)

<sup>(31)</sup> [EU-Singapore trade](#)

<sup>(32)</sup> [EU-Vietnam trade](#)

of producers, traders and consumers, saving time and money through the real time exchange of information.

The EU-Korea FTA includes a review clause for the adoption of regulatory principles regarding postal and courier services. The EU continued negotiating with the Republic of Korea with a view of agreeing to modern trade rules in this area.

DG Trade keeps on monitoring and ensuring the effective implementation of the Agreements the EU has with **Mexico, Chile, Colombia/Peru/Ecuador** <sup>(33)</sup> and **Central America** <sup>(34)</sup>, including through the management of the respective Committee and specialised committees set up for this purpose. In 2023, DG Trade also launched the ex-post evaluation of the EU-Canada FTA.

With regards to the **ex-post evaluation** of the impact of the Agreements with Colombia, Peru and Ecuador, a Staff Working Document was published in October 2023 <sup>(35)</sup>, and with Central America in June 2023 <sup>(36)</sup>, based on the final independent reviews.

In 2023, DG Trade continued its active monitoring and enforcement of all trade aspects of the Trade and Cooperation Agreement (TCA) between the EU and the **UK** <sup>(37)</sup>, including the level playing field and sustainability chapters.

In February 2023, the **Windsor Framework** - a comprehensive package of joint solutions responding in a definitive manner to the implementing challenges of the Protocol on Ireland/Northern Ireland - was announced, and the EU and UK are now focused on its implementation. Addressing the issue of availability of Tariff Rate Quotas (TRQs) in Northern Ireland is one of the key elements of the Windsor Framework. As part of the that Agreement, the EU has made EU TRQs applicable in Northern Ireland for two categories of UK originating steel as of 1 July 2023, and another 5 categories of UK originating steel as of 1 January 2024. Additionally, the EU committed to work with the UK in order to find a joint solution in respect of TRQs relating to other commodities not originating in the UK and subject to EU WTO TRQs, for which important headway was made in 2023.

With **Southern Mediterranean countries** <sup>(38)</sup>, DG Trade continued to engage to remove trade-related barriers, while also aiming to help them taking better advantage of the existing preferential market access, in particular through trade-related assistance and capacity building.

Implementation work on the seven Economic Partnership Agreements (EPAs) with 32 **African, Caribbean and Pacific countries** (ACPs) continued in 2023, including EPAs with the CARIFORUM EPA group, the Southern African Development Community (SADC) EPA group,

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<sup>(33)</sup> [EU-Andean Community trade](#)

<sup>(34)</sup> [EU-Central America trade](#)

<sup>(35)</sup> [Ex-post evaluation of the impact of the Agreements with Colombia, Peru and Ecuador](#)

<sup>(36)</sup> <https://circabc.europa.eu/rest/download/Odddf9c2-0719-4bdd-974c-4529a079cf90>

<sup>(37)</sup> [EU-UK trade](#)

<sup>(38)</sup> [EU-Southern Neighbourhood](#)

the Eastern and Southern African (ESA) EPA sub-group, Cameroon, Cote d'Ivoire, Ghana, and the Pacific EPA countries. This included the management of the relevant joint institutions, with the organisation of 3 EPA Committees and 2 Special Committees, ensuring compliance with EPA commitments, as well as monitoring and evaluation, development cooperation and joint activities and dialogues with state and non-state actors, as well as raising awareness of the partnerships.

DG Trade advanced the implementation of the 2019 EU strategy on **China** <sup>(39)</sup> and intensified bilateral discussions on trade and investment issues covering China's agenda for economic reforms. In 2023, the EU and China held the 10<sup>th</sup> High-Level Economic and Trade Dialogue (HEC), which allowed to raise EU key trade and investment concerns, including level-playing field issues, in particular as a result of the subsidisation of the Chinese economy, structural overcapacity issues, lack of reciprocity in market access, Chinese export controls rules, Chinese unjustified barriers to digital trade on grounds of data sovereignty and cybersecurity and protection of intellectual property right. In autumn 2023 the Commission held an export control dialogue with China.

Implementation of the strategy also entailed following plurilateral and multilateral discussions at the level of G7, G20, the OECD and the WTO, including on issues such as digital trade, and overcapacity <sup>(40)</sup>.

In reaction to **Russia's** unjustified and unprovoked war against Ukraine, the EU has imposed a wide range of **sanctions** against Russian individuals, entities and economic sectors. DG Trade continued to work on the design, development and monitoring of the implementation of trade restrictive measures under the Sanctions Regulation that target goods, technologies and services as well as entities and legal persons in Russia and its network and tools inter alia through the use of the Export Control Regulation. DG Trade's input to export restrictions focused on undermining Russia's capacity to wage war and weaken its industrial base, while minimising impacts on critical raw materials' supply chains. DG Trade supported the Special Envoy for the Implementation of EU Sanctions in his mandate of ensuring that EU sanctions are not circumvented and engaging in this context in continuous, high-level outreach to third countries. As successive packages of sanctions adopted by the Council took effect throughout 2022 and 2023, over 60% of EU imports from Russia prior to the invasion have been placed under EU restrictive measures. Throughout the year 2023, EU overall imports from Russia amounted to EUR 51 billion, down 69% from EUR 164 billion recorded in 2021. The adopted packages of sanctions have provided also for export restrictive measures applying to a similarly comprehensive list of goods and technologies. As a result, 58% of EU exports to Russia prior to the invasion (2021) have been placed under the EU restrictive measures by the end of 2023.

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<sup>(39)</sup> [Communication-eu-china-a-strategic-outlook.pdf \(europa.eu\)](#)

<sup>(40)</sup> The technical negotiations in the IWG were suspended in 2020 for lack of consensus between China and OECD countries, and the effort now is to increase our global competitiveness, including against China, through modernisation of the OECD rules on export credits.

Consequently, EU exports to Russia in 2023 were EUR 38 billion, down 57% from EUR 89 billion in 2021.

DG Trade progressed on removing trade barriers imposed by third countries through our **Market Access Partnership** with Member States and industry. In 2023, 26 barriers could be partially or fully resolved while 16 new barriers were registered. The removal of barriers in the period 2017 to 2021 created additional export opportunities of more than € 7 billion, helping to support hundreds of thousands of jobs in the EU – equivalent to the benefits of a trade agreement. DG Trade remained committed to reinforcing the Partnership, as shown by the organisation of several Market Access Days across Member States. These events brought together trade experts and industry representatives to identify and overcome the barriers faced by EU companies in third countries, underlining our proactive approach to supporting EU businesses on the global stage.

At the same time, DG Trade continued addressing multilaterally and bilaterally a growing number of **Technical Barriers to Trade (TBT)** faced by EU exporters, by promoting, inter alia, the use of international standards, proportionate conformity assessment procedures as well as transparency and public consultation of proposed regulatory measures. Building on the positive impacts of Mutual Recognition Agreements on conformity assessment (MRAs) as trade facilitation tools, DG Trade continued to implement the MRAs that the EU has concluded with Australia, Canada, Israel, Japan, New Zealand, Switzerland, and the United States. DG Trade also updated the 2004 EU-US MRA on marine equipment and expanded the annex on pharmaceutical Good Manufacturing practices of the 1998 EU-US MRA, to include veterinary medicine.

In the area of **Sanitary and Phytosanitary measures**, important progress was made in advancing market access applications in several third countries and in the implementation of the regionalisation agreement with Korea. DG Trade's activities in this area also included its work in the Sanitary and Phytosanitary Market Access Working Group which discussed the priority barriers and countries on which to focus attention; the constant improvement of the Market Access Database, including with access now given to third countries. The Commission continued to provide financial support to international standard setting organizations (Food and Agriculture Organization (FAO)/International Plant Protection Convention (IPPC), World Health Organization (WHO)/Codex Alimentarius Commission and World Organization for Animal Health (OIE)), organised several study visits on SPS matters for third country officials.

Well-functioning **intellectual property** systems are a key lever to promote investment in innovation and sustainable growth. Intellectual Property Rights infringements worldwide cost European firms billions of euros in lost revenue and put thousands of jobs at risk, endanger consumers, public health and the environment and contribute to organised crime. DG Trade continued to use a range of bilateral and multilateral trade tools to promote solid intellectual property laws and effective enforcement worldwide, such as Intellectual Property Dialogues and Working Groups, the WTO TRIPS Council or various technical cooperation programmes such as the IP Key cooperation programmes for China, Southeast



Asia and Latin America or the four-year cooperation programme for Africa. The report on the protection and enforcement of intellectual property rights in third countries was published in May 2023 <sup>(41)</sup>.

In the area of **public procurement**, DG Trade continued to promote transparency, good governance and improved market access in third countries, through negotiations and implementation of bilateral and plurilateral international agreements. In 2023, DG Trade intensified its work to implement the International Procurement Instrument (IPI) which had entered into force in August 2022 to ensure preparedness. Guidelines for contracting authorities for the implementation of the IPI Regulation have been published on 21<sup>st</sup> February 2023. In addition, guidance for interested parties and an electronic complaint form were put online in the second semester of 2023.

DG Trade carried on enforcing the EU's multilateral and bilateral rights and obligations through the **dispute settlement mechanisms available in the WTO or under relevant trade agreements**. DG Trade developed practical experience in bilateral dispute settlement in the EU's disputes with the Republic of Korea, Ukraine, the South African Customs Union (SACU) and Algeria. In the WTO, for as long as the current blockage of the appeal mechanism lasts, the EU's ability to obtain a binding outcome is best safeguarded in individual WTO disputes through appeal arbitration agreements concluded either on an ad hoc basis or under the umbrella of the Multi-party Interim Appeal arbitration arrangement (MPIA). Following the amendments of the Enforcement Regulation that entered into force in February 2021, the Commission has the power to adopt trade measures against any WTO Members that seek to benefit from the blockage of the appeal mechanism in order to prevent a final adjudication of a dispute initiated by the EU.

DG Trade continued to assert and defend EU interests in the relevant WTO committees and bodies. In 2023, the EU underwent its 15<sup>th</sup> WTO Trade Policy Review <sup>(42)</sup> where it presented its trade policy to the WTO Membership and replies to Members' questions. The EU responded to a record high number of questions – more than 1,700 questions.

### **Specific objective 3: Protecting EU companies and citizens from unfair trade and investment by making full use of existing Trade Defence Instruments, developing new tools and focusing on enforcement of existing commitments at an EU or international level**

Ensuring fair and open trade by pursuing mutually beneficial trading conditions and combatting unfair competition internally and in third countries.

The **Chief Trade Enforcement Officer** continued to enhance DG Trade's effective implementation and enforcement of third countries' trade commitments by proactively engaging with trading partners to resolve breaches of their commitments. Through the centralised *Single Entry Point (SEP)* on the Access2Markets portal, EU-based stakeholders and civil society submit complaints about trade barriers in non-EU countries, as well as

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<sup>(41)</sup> <https://circabc.europa.eu/rest/download/7099aee0-c68f-42c5-ae30-5350a879a30e>

<sup>(42)</sup> [g442\\_e.pdf \(wto.org\)](#)

concerns regarding compliance with commitments related to workers' rights, climate change, or environmental standards. In 2023, DG Trade conducted a review of the SEP complaint process, resulting in a simplified and redesigned complaint form. Throughout 2023, the SEP received 26 external complaints and engaged with third countries to address the barriers identified.

In 2023, the Chief Trade Enforcement Officer coordinated efforts across the Commission to strengthen implementation and enforcement, drawing on a range of **available tools** under bilateral and multilateral agreements, from diplomatic and political contacts to dispute settlement, as well as via the use of the updated Enforcement Regulation, the Trade Barriers Regulation or Trade Defence Instruments.

To strengthen the EU's ability to deter and counteract coercive actions by trade partners, the **Anti-Coercion Instrument (ACI)** was adopted and entered into force in December 2023 <sup>(43)</sup>.

Executive Vice-President Dombrovskis said: *"This critically important tool sends a clear signal that the EU rejects economic coercion by third countries and will be more assertive in defending our legitimate rights and interests. It is an important building block for the EU's economic security and that of our Member States. The ACI provides an assurance of resilience and stability in an increasingly unstable world."*

In 2023, DG Trade reinforced its commitment to address steel excess capacity internationally, in multilateral fora, notably the OECD Steel Committee and the G20 mandated Global Forum for Steel Excess Capacity (GFSEC), and its bilateral relations, in particular the US. As global steel excess capacity continues to increase, and current and future key steel producing countries that are the main sources of the problem (China, Indonesia, India) refuse to cooperate, new policy approaches to address this acute problem are being considered.

The Commission stands firm against unfair trade practices. In line with WTO rules, the EU has its own system of **Trade Defence Instruments** to combat unfair trade practices in international trade. The EU is an efficient user of these instruments and applies a number of conditions in addition to WTO rules to ensure their use is measured. DG Trade also actively participated in trade defence investigations by non-EU countries against EU Member States with the aim of minimising the cost for EU exporters.

In October 2023, the European Commission formally launched an anti-subsidy investigation into the imports of battery electric vehicles (BEV) from China. The investigation was announced by the President of the European Commission, Ursula von der Leyen on 13 September in the State of the European Union (SOTEU) speech. The investigation will determine whether BEV value chains in China benefit from illegal subsidisation and if so, whether this subsidisation causes or threatens to cause economic injury to EU BEV

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<sup>(43)</sup> [Regulation - 2023/2675 - EN - EUR-Lex \(europa.eu\)](#)



producers. Then, the investigation will examine the likely consequences and impact of measures on importers, users and consumers of battery electric vehicles in the EU.

Ursula von der Leyen said: *“The electric vehicle sector holds huge potential for Europe’s future competitiveness and green industrial leadership. EU car manufacturers and related sectors are already investing and innovating to fully develop this potential. Wherever we find evidence that their efforts are being impeded by market distortions and unfair competition, we will act decisively. And we will do this in full respect of our EU and international obligations - because Europe plays by the rules, within its borders and globally. This anti-subsidy investigation will be thorough, fair, and fact-based.”*

In September 2023, the Commission published its Annual Report on the EU’s trade defence activities of 2022 <sup>(44)</sup>. By the end of 2023, the EU had 181 trade defence measures in place, with 40 of those measures addressing circumvention practices. The measures protect over 494,000 direct jobs in the EU.

DG Trade also intensified its efforts to deal with level-playing field issues such as subsidies and the role of State-Owned Enterprises across all sectors, by working closely with other trading partners, as well as in the WTO, the OECD and the G7/G20. DG Trade also contributed to the work led by the Executive Vice-President for a Europe fit for the Digital Age, to put in place a new instrument to address the distortive effects of **foreign subsidies** in the internal market. The Foreign Subsidies Regulation <sup>(45)</sup> was adopted on 10 November 2022 and entered into force in July 2023.

### **European Economic Security**

The Joint Communication on the **“European Economic Security Strategy”** <sup>(46)</sup> was adopted on 20 June 2023. It focuses on ensuring that the EU continues to reap the benefits of economic openness, while minimising risks arising from excessive dependencies, increased geopolitical tensions and accelerated technological shifts. The strategy sets out a framework for the assessment of risks to the EU’s economic security. It further proposes precise and proportionate actions across three key pillars: *promoting* the EU’s competitiveness; *protecting* against risks; and *partnering* with the broadest possible range of countries to address shared concerns and interests. DG Trade is closely involved in the implementation of many of these actions.

To make sure the EU remains one of the world’s most open investment environments and thereby a source of growth and jobs while protecting its security and public order, the EU adopted the **screening of foreign direct investment into the EU**, in force since October 2020. DG Trade is responsible for both (1) overseeing the cooperation mechanism between all Member States and the Commission on FDI transactions that may pose a risk to security or public order in the EU and (2) analysing notifications relating to FDI transactions received

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<sup>(44)</sup> [Annual Report on the EU’s trade defence activities of 2022](#)

<sup>(45)</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R2560&from=EN>

<sup>(46)</sup> <https://circabc.europa.eu/rest/download/a75f3fb8-74e3-4f05-a433-fdbf406d5de6>

from Member States. In 2023, DG Trade worked intensely on evaluating the functioning and effectiveness of the EU's FDI Screening Regulation based on the experience gained from reviewing more than one thousand FDI transactions over a period of two years. In October 2023, the Commission published its third annual report on the Implementation of the EU FDI Screening Regulation <sup>(47)</sup>. Based on that, DG Trade identified necessary amendments that would strengthen and make the Regulation fit for existing and new challenges, presenting in January 2024 its new legislative proposal for the revision of the Regulation.

DG Trade also started a process with Member States to explore potential risks associated with **outbound investments** in certain strategic sectors and set up a dedicated Expert Group on Outbound Investments in September 2023 to gather views from Member States.

In the area of export controls, in 2023, the Commission worked with Member States to ensure the effective implementation of the modernised **Export Control Regulation** <sup>(48)</sup> on sensitive dual-use goods and technologies with a view to supporting secure supply chains, promoting international security and protecting human rights. The Commission conducted public consultations to support the preparation of Commission Recommendations on human rights due diligence guidelines and on the transparency of licensing decisions, and promoted effective enforcement of controls through the newly-created Enforcement Coordination Mechanism.

Some of the provisions of the Export Control Regulation, and the network and tools set up under it, have been mobilised by the EU to develop, adopt and implement export sanctions against Russia and Belarus mentioned above. Considering this experience, as well as close cooperation with partners such as the US – in particular in the EU-US Trade and Technology Council –, Japan and the UK, the Commission explored how to strengthen security-based controls in order to address new challenges associated with trade and transfers of emerging and sensitive technologies.

In line with the new Regulation, the Commission supported the consistent implementation of controls within the EU, notably sustaining enhanced information exchange (and transparency) with Member States. In 2023, the EU enabled coordinated export controls by compiling national lists that allow Member States to impose authorisation requirements on exports of items included in other Member States' control lists, as long as these are included in the Commission's own compilation. Also in 2023, the Commission adopted the regular updates of the EU Dual-Use control list and continued to steer the activity of the Dual-Use Coordination Group (DUCG) and related new technical expert groups. The Commission also adopted the yearly annual report on the implementation of controls and promoted outreach to stakeholders.

The Hiroshima G7 Summit on 20 May 2023 produced a Leaders' Communiqué and a Statement on Economic Resilience and Economic Security, both of which announced the launch of a "Coordination Platform on Economic Coercion". This was an important step, and stood in the continuity of the G7 work on economic coercion. The aim is to increase the

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<sup>(47)</sup> [Third Annual Report on the screening of foreign direct investments into the Union](#)

<sup>(48)</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_2045](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_2045)

collective assessment, preparedness, deterrence and response to economic coercion, and further promote cooperation with partners beyond the G7.

**Specific objective 4: Ensuring trade policy is sustainable by effectively contributing to a wider set of EU policy goals, such as the Green Deal, adherence to international commitments on labour and the environment, gender and sustainable supply chains**

Deploying trade measures to contribute to sustainability, including the achievement of Sustainable Development Goals (SDGs) by 2030, the fight against climate change, biodiversity loss, deforestation and other relevant global environmental priorities outlined in the Commission's European Green Deal as well promoting internationally agreed labour standards and human rights.

In 2023, EU trade policy continued to support the Treaty objective of **sustainable development in its economic, social and environmental dimensions** both in Europe and in our partner countries, to boost inclusive and sustainable growth, and reduce poverty in developing countries. The EU and its Member States are fully committed to implementing the Agenda 2030 and its Sustainable Development Goals through EU policies. This specific objective is thus contributing to the Commission's general objectives "*A stronger Europe in the world*" and "*An economy that works for people*".

In 2023, the Commission continued proposing and negotiating trade and sustainable development chapters for EU trade and investment agreements in a number of ongoing and concluded negotiations, in line with the Communication on the power of trade partnerships <sup>(49)</sup> adopted in June 2022. The EU and New Zealand FTA signed in July 2023 includes unprecedented provisions on sustainable trade, with the possibility to suspend preferences as measure of last resort in cases of failure to comply with obligations that materially defeat the object and purpose of the Paris Agreement on Climate Change or in serious instances of non-compliance with the ILO fundamental principles and rights at work. The EU and Kenya EPA signed in December 2023 is the most ambitious EU trade deal with an African country when it comes to sustainability provisions such as climate and environmental protection, labour rights and gender equality.

The Commission also proposed and continued negotiating trade and sustainable development commitments in non-preferential agreements like the enhanced partnership and cooperation agreements, for example with Tajikistan, and in sustainable investment facilitation agreements (SIFAs). The EU-Angola SIFA signed in November 2023 integrates environmental, climate and labour rights commitments.

The Samoa Agreement, the new cooperation Agreement between the EU and the Organisation of African, Caribbean, and Pacific States (OACPS) that was signed on 15 November 2023, emphasizes the importance of integrating sustainable development in trade cooperation and notably contains strong social, environmental and climate elements.

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<sup>(49)</sup> [Communication on the power of trade partnerships](#)

It remains the framework agreement for all EPAs ACP countries, as was its predecessor the Cotonou Partnership Agreement.

In 2023, DG Trade continued to work with FTA partners to ensure the effective implementation and enforcement of relevant **trade and sustainable development** and **Energy and Raw Materials chapters**, thereby supporting decent work, sustainable management of the environment and the promotion of renewable energy and through avoiding subsidising fossil fuels by prohibiting dual pricing. The Commission also paid close attention to core labour standards and in particular to the elimination of child labour in its trading partner countries <sup>(50)</sup>, in line with the zero-tolerance approach outlined in the political guidelines of President Ursula von der Leyen and as part of an overall effort pulling together the different policy areas. Since November 2018, a €3 million Partnership Instrument-funded project supports civil society involvement in the implementation and monitoring of EU trade agreements. The project was extended by three years until end 2024.

At the end of 2023, DG Trade launched an ex-post evaluation of the impact of the EU's trade agreements on key environmental aspects, including the climate, to be carried out by an external consultant. The draft inception report is online <sup>(51)</sup> and the outcome is expected to be available in July 2024.

In July 2023, the Commission put forward a proposal to extend the existing **Generalised Scheme of Preferences (GSP)** for the period 2024-2027, as the scheme was set to expire at the end of 2023. This proposal was adopted by the co-legislators on 27 November 2023. Negotiations on the new Generalised Scheme of Preferences (GSP) have not yet been concluded, given differences in the political mandates in the Council and in the European Parliament.

GSP remains the EU trade policy's main tool to support developing countries and their efforts to pursue sustainable development. The current scheme has 65 beneficiary countries and includes the Special Incentive Arrangement for Sustainable Development and Good Governance (**GSP+**), which offers additional preferences to vulnerable developing countries that commit themselves to the ratification and effective implementation of core international conventions on human rights, labour rights, environmental protection and good governance, and the **Everything But Arms (EBA)** arrangement, which provides duty and quota free access for all goods from Least Developed Countries (LDCs) except arms and ammunition. Through monitoring missions and high-level engagement, DG Trade continued its action to ensure the compliance with human and labour rights' obligations in beneficiary countries. Enhanced engagement continued with three EBA countries (Bangladesh, Cambodia and Myanmar), in 2023 following different tracks in light of their highly diverse political, economic and development situations. In November 2023, the

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<sup>(50)</sup> e.g. Africa component on the Trade for Decent Work project will focus on activities towards the elimination of child labour in Ivory Coast, Ghana, Madagascar, Mozambique and Cabo Verde.

<sup>(51)</sup> [https://policy.trade.ec.europa.eu/analysis-and-assessment/ex-post-evaluations\\_en](https://policy.trade.ec.europa.eu/analysis-and-assessment/ex-post-evaluations_en)

Commission published the report on the implementation of GSP <sup>(52)</sup>. The report covers the period 2020 to 2022 – one year longer than usual, due to COVID-19, as well as significant events in 2023.

The Commission has continued to promote sustainable and responsible value chains. In terms of legislation, in 2023 DG Trade continued to co-lead the work on the Commission's proposal on a Regulation on forced labour products, contributing notably to the discussions in the European Parliament and the Council. It is expected that the Regulation will be adopted by the Council and the European Parliament in 2024. DG Trade has also followed actively and contributed to the legislative process related to the Corporate Sustainability Due Diligence Directive, and the implementation of the Corporate Sustainability Reporting Directive, including the adoption of the Delegated Acts on the European Sustainability Reporting Standards.

On the multi- and plurilateral front, DG Trade continued its close cooperation involvement with the ILO on the ratification and the implementation of the core labour conventions, including through the management of dedicated actions (Trade for Decent Work Programme) and was a key contributor to the targeted update of the OECD Guidelines for Multilateral Enterprises at the OECD Working Party on Responsible Business Conduct.

DG Trade and DG INTPA continued to work during 2023 on the **Alliance on Sustainable Cocoa** established in 2022 and organised several thematic meetings with stakeholders on the implementation of deforestation regulation and traceability.

The Commission actively promoted **gender equality** through its trade policy in 2023. It continued its active engagement on the issue in the WTO, including on the implementation of Buenos Aires Declaration. DG Trade also further advanced its bilateral work with key trade partners on the negotiation and implementation of trade and gender provisions, for example under the CETA Joint Recommendation on Trade and Gender.

The EU cannot tackle sustainable development or climate change alone. Therefore, DG Trade also ensured that trade and sustainable development continues to be a focus of multilateral work in key international bodies and fora.

In 2023, DG Trade worked on the monitoring and implementation of the Regulation to ensure responsible **sourcing of tin, tantalum, tungsten and gold** <sup>(53)</sup> to ensure that EU imports do not indirectly contribute to violent conflict and associated human rights abuses along the supply chain but instead improve the livelihood of local communities. The first review of the implementation of the Regulation will be published in early 2024.

In terms of the **European Green Deal initiatives** and trade, DG Trade contributed to the work related to the preparation for the implementation of the **Carbon Border Adjustment Mechanism (CBAM)** and the EU **Deforestation Regulation**, including through promoting

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<sup>(52)</sup> [Report on the implementation of GSP](#)

<sup>(53)</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2017:130:TOC>

trade facilitation and cooperation with third countries whose trade with the EU could be affected by the measures. The negotiation and implementation of TSD commitments in trade agreements offers a privileged platform to raise awareness about EU legislation, to answer questions and to identify technical assistance tools that may help compliance by our trade partners.

Under the EU's Farm to Fork Initiative and in support of the global transition to sustainable agri-food systems, the Commission proposes a chapter on sustainable food systems in ongoing and future trade negotiations, as it has been the case in the signed modernised FTA with Chile. The Commission worked on addressing animal welfare, the use of pesticides and the fight against antimicrobial resistance in its trade relations with third countries.

DG Trade also contributed to facilitating undistorted trade and investment in all sustainable energy goods and raw materials as well as in associated, green energy technologies, including renewable energy and clean hydrogen.

In January 2023, the European Commission, EU Member States, and 26 partners countries launched "The Coalition of Trade Ministers on Climate", the first Ministerial-level global forum dedicated to trade and climate and sustainable development issues. The Coalition will foster global action to promote trade policies that can help address climate change through local and global initiatives building partnerships between trade and climate communities to identify the ways in which trade policy can contribute to addressing climate change. It will promote trade and investment in goods, services and technologies that help mitigate and adapt to climate change.

Executive Vice-President Dombrovskis said: *"The climate crisis is an unprecedented challenge which requires a global response. Trade can help in finding solutions to achieve mitigation and adaptation to climate change, for instance by spreading access to the right technologies and investments. Through this Coalition, we will be able to provide high-level leadership and guidance to boost international cooperation and promote trade policies, initiatives and actions towards climate-resilient economies. Time is of the essence to face the devastating impact of climate change on people and economies worldwide."*

DG Trade also promoted the ratification and implementation of the relevant international conventions through its FTAs and GSP instrument. The Commission sought commitments from partners on climate neutrality and proposed to make the respect of the Paris agreement an essential element in future trade and investment agreements.

These actions in 2023 were in line with the proposals made during the **Conference on the Future of Europe** <sup>(54)</sup>, and in particular the request to define standards within and outside the EU in trade and investment relations and in environmental policies by strengthening the ethical and environmental dimension of trade and investment relations.

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<sup>(54)</sup> [Conference on the Future of Europe](#)



## **Specific objective 5: Improve the acceptance and understanding of EU trade policy, in particular, by ensuring that it is pursued in an open, inclusive and transparent manner**

More engagement and better communication with the European Parliament, the Council and civil society ensuring that trade policy responds to citizen's concerns.

Transparency, clear communication and inclusive policy-making remained corner stones of DG Trade's activities with the European Parliament, the Council, stakeholders and the public. In addition to the dedicated institutional channels established with the European Parliament and the Council, DG Trade published up-to-date information about trade policy, including on trade agreements, on its website in easy-to-understand language, press releases, news items and factsheets, to inform about and explain the EU's trade policy initiatives to different target groups and the wider public. To this end, DG Trade also continued to engage actively on Social Media, including through increased engagement of DG Trade staff. While stakeholders based in Brussels tend to be more active and present in the debate than those based in Member States, DG Trade has intensified its efforts to reach also stakeholders in Member States. The growing use of audio-visual material on its social media accounts (in particular LinkedIn) also makes it easier to explain sometimes complex technical issues in a way that is accessible to a broader audience. An example of this is the new TRADE podcast series launched successfully in 2023.

DG Trade continued holding regular hybrid meetings of its Civil Society Dialogue (CSD) on a range of trade policy issues at relevant moments (for example at key moments in ongoing negotiations of trade agreements, just after the publication of the Implementation and Enforcement report, or around meetings of the Trade and Technology Council with the US).

DG Trade's communication work continued to show the benefits of an open trade agenda, including from a geopolitical, economic and sustainability perspective, as well as to emphasise the implementation, enforcement and legislative aspects of EU trade policy. Particular emphasis was also placed on informing stakeholders of the EU trade policy's role in Green and Digital Transformations, in the context of the impact of the Russian invasion of Ukraine and economic security.

Throughout 2023, more engagement and better communication remained an important asset in better explaining what DG Trade is trying to achieve and ensuring that our trade policy responds to citizens' concerns. DG Trade informed broad public and specialised audiences, engaging in relevant outreach and communication activities and explaining EU Trade policy to the media (for example through two dedicated journalist seminars that were organised in 2023).

These measures further strengthened EU global leadership position in relation to shaping a transparent and inclusive trade and investment policy and are in line with the Conference on the Future of Europe that proposed that *"the EU, in particular in its actions at the international level, including trade negotiations, improve its accessibility for citizens through better information, education, citizen participation, and transparency of its actions."*

## 2. INTERNAL CONTROL AND FINANCIAL MANAGEMENT

Assurance is provided on the basis of information on the efficiency and effectiveness of internal control systems and governance processes. The management monitors the functioning of the internal control systems on a continuous basis and carries out an objective examination with internal and external auditors. The results are explicitly documented and reported to the Director-General. The following reports / documentation have been considered:

- the reports from Authorising Officers by Subdelegation (AOSDs);
- the reports on control results from entrusted entities in indirect management, as well as the results of the DG's supervisory controls on the activities of these bodies;
- the contribution by the Director in charge of Risk Management and Internal Control, including the results of internal control monitoring at DG level;
- the reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions' (Art 92.3 FR);
- the limited conclusion of the Internal Auditor on the state of internal control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

The systematic analysis of the available evidence provides sufficient guarantees as to the completeness and reliability of the information reported and results in the full coverage of the budget delegated to the Director-General of DG Trade.

This section covers the control results and other relevant elements that support management's assurance. It is structured into 2.1. Control results, 2.2. Audit observations and recommendations, 2.3. Effectiveness of internal control systems, and resulting in 2.4. Conclusions on the assurance.

### 2.1. Control results

This section reports on the control results used by management to support the assurance on the achievement of the internal control objectives (ICO) <sup>(55)</sup>. DG Trade's assurance building and materiality criteria are outlined in annual activity report annex 5. The annual activity report annex 6 outlines the main risks together with the control processes to

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<sup>(55)</sup> 1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.



mitigate them and the indicators used to measure the performance of the relevant control systems.

DG Trade is a policy DG with a relatively small budget. The majority of its budget is implemented through direct management (mainly through procurement), while part of the contributions to international organisations are implemented mainly through contribution agreements but also grants, i.e. indirect management. The relevant control systems are different based on these two main spending activities, but DG Trade retained a single overall indicator of cost of controls in view of the small size of its budget. The control strategy details are described in annexes 5 and 6.

DG Trade's budget was implemented in 2023 as follows:

### Overview table (amounts in EUR million)

Risk-type / Activities	Grants (e.g. actual costs based, or lump sums, or entitlements)	Procurement (e.g. minor or major values)	Delegation / Contribution agreements with EE (EIB, Int-Org, etc)	Other (co-delegation received from other DGs)	Total Expenditure
<b>Procurement activities</b>		11.29		2.42	13.71
<b>Contributions to International Organisations</b>	0.90		2.56	0.40	3.86
<b>Administrative expenditure (excl. external staff)</b>		0.20			0.20
<b>Totals (coverage)</b>	<b>5%</b>	<b>65%</b>	<b>14%</b>	<b>16%</b>	<b>100%</b>
<b>Links to AAR Annex 3</b>	<b>Overall total (m EUR); see Table 2 – payments made</b>			<b>Overall total (m EUR)</b>	<b>17.77 <sup>(56)</sup></b>

Legend for the abbreviations: EE=Entrusted Entities, DG FPI=Directorate General for Foreign Policy Instruments.

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

- Administrative expenditure

Around 93% of the administrative budget (missions expenses, meetings of committees and expert groups, training, conferences and other miscellaneous expenditure) managed by DG Trade is actually paid by PMO. Missions represent more than 87% of all administrative expenditure in DG Trade.

<sup>(56)</sup> On top of the amount, DG Trade has co-delegated to other DGs (DIGIT, TAXUD, PMO, HR, DGT, FISMA and OP) EUR 1.51 million in commitments and EUR 5 million in payments.

- Contributions to international organisations

Overall, the value of the payments linked to contributions to international organisations represented about 22% of the total budget expenditure in 2023. DG Trade awarded contribution agreements to international organisations with a view to implement multilateral programmes and initiatives, notably to strengthen the capacity of developing countries to participate effectively in the multilateral trading system and regional trading arrangements, and to improve their trade and investment performance, as well as to promote labour rights and environmental protection.

- Procurement activities (contracts)

Overall, the value of payments linked to signed contracts represented about 77% (including the co-delegation received from other DGs) of the total budget expenditure in 2023. DG Trade mainly acquired services for economic, evaluation and impact assessment studies, development and maintenance of the Access2Markets (a web portal merging the Market Access Database and the Trade Helpdesk), organising conferences and negotiation rounds, IT support (including IT infrastructure for the implementation of the FDI screening regulation), legal and other services. These services are generally provided by specialised consultants or service providers through public procurement.

In line with the 2018 Financial Regulation, DG Trade's assessment for the new reporting requirement is as follows:

- Cases of "confirmation of instructions" (new FR art 92.3): No such cases for the DG.
- Cases of financing not linked to costs (new FR art 125.3): No such cases for the DG.
- Financial Framework Partnerships >4 years (new FR art 130.4): No such cases for the DG.
- Cases of flat-rates >7% for indirect costs (new FR art 181.6): No such cases for the DG.
- Cases of "Derogations from the principle of non-retroactivity pursuant to Article 193 FR" (new Financial Regulation Article 193.2): No such cases for the DG.

### 2.1.1. Effectiveness of controls

#### ***a) Legality and regularity of the transactions***

DG Trade uses internal control processes to ensure the sound management of risks relating to the legality and regularity of the underlying transactions it is responsible for, taking into account the multiannual character of programmes and the nature of the payments concerned.

## 1) *Control objective*

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

In addition, for all contributions to international organisations, the disbursement of funds takes place after the conclusion of a Pillar Assessed Grant or Contribution Agreement with the beneficiary (using the PAGODA template agreement). 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 such indications in 2023, no verification mission nor audit was 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 remains below 2%.

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

## 2) *Assessment of the control results*

In 2023, 3 exceptions and 1 non-compliance event were recorded as control weaknesses. None of these events had an impact on the legality and regularity of the transactions. All concerned events related to formal compliance issues, which do not have a negative impact on the budget.

DG Trade has in place an effective mechanism for correcting errors. The correction of detected erroneous invoicing related to unduly invoiced amounts, resulted in 40 credit notes and 16 cases of claiming an ineligible amount. The situation is summarized in the table below:

	Preventive Measures (EUR)	Corrective measures (EUR)
<b>DG Trade total</b>	<b>585,383</b>	---

Please refer to table 8 in Annex 3 for details. All irregularities have been discovered before the actual payment. No other elements were brought to the attention of the AOD, which could give rise to a financial correction or an ex-post recovery.

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

INDICATOR	TARGET	2023	2022	2021	2020	2019	2018	2017
No of financial exceptions	Keep stable/ reduce	3	None	3	2	3	None	None
No of non-compliance events	Keep stable/ reduce	1	None	None	None	1	2	4
No of decisions overriding controls	None	None	None	None	None	None	None	None
No of legal cases following complaints in procurement procedures	None	None	None	None	None	None	None	None
ASSESSMENT								
Three exceptions have been registered in 2023, corresponding to similar number of exceptions authorised during the years 2019-2021 (though compared to zero exceptions registered in 2022). The exceptions have been properly analysed and evaluated. As they were fully justified and did not have a significant impact on the legality and regularity of the underlying transactions, they were authorised.								
At the same time, one non-compliance event has been registered in 2023, compared to zero in previous years. An examination of the nature of this one non-compliance did not reveal any fundamental weaknesses in the control system. In addition, it was considered not to affect the legality and regularity of the underlying transactions.								
<b>Legal cases:</b> In 2023, there were no legal cases, nor complaints, about a procurement procedure.								

### 3) Overview of DG Trade's risk profile

DG Trade's portfolio consists of segments with a relatively low error rate, thanks respectively to the inherent risk profile of the funding modalities and the performance of the related control systems.

### 4) Table (X): Estimated risk at payment and at closure

Based on all the above, DG Trade presents in the following Table X an estimation of the risk at payment and risk at closure for the expenditure managed during the reporting year:

#### Table (X): Estimated risk at payment and at closure (amounts in EUR million)

The full detailed version of the table is provided in annex 9.

DG TRADE	Payments made	Relevant expenditure	Estimated risk (error rate %) at payment		Estimated future corrections and deductions		Estimated risk (error rate %) at closure	
	m EUR	m EUR	m EUR	%	m EUR	%	m EUR	%
Procurement	14.09	13.98	0.07	0.50%	0.00	0.00%	0.07	0.50%
Contributions to International organizations	0.90	0.71	0.00	0.50%	0.00	0.00%	0.00	0.50%
Contributions to International organizations	2.56	1.47	0.01	0.50%	0.00	0.00%	0.01	0.50%
Administrative expenditures	0.22	0.22	0.00	0.50%	0.00	0.00%	0.00	0.50%
<b>DG total</b>	<b>17.77</b>	<b>16.39</b>	<b>0.08</b>	<b>0.50%</b>	<b>0.00</b>	<b>0.00%</b>	<b>0.08</b>	<b>0.50%</b>

The estimated overall risk at payment for 2023 expenditure amounts to €0.08 million, representing 0.5 % of the DG's total relevant expenditure for 2023. This is the AOD's best, conservative estimate of the amount of relevant expenditure during the year not in conformity with the contractual and regulatory provisions applicable at the time the payment was made. The internal control strategy foresees the implementation of an ex-

ante control of 100% of the expenditure authorised. Since DG Trade does not carry out ex-post controls <sup>(57)</sup> (as explained in annex 6) no further corrections to the expenditure are expected and the estimated future corrections are thus set at 0%. As a result, the estimated overall risk at closure corresponds to the estimated overall risk at payment.

As a result, the estimated overall amount at risk at closure is considered to be the same as the estimated overall risk at payment for 2023, i.e. €0.08 million.

For an overview at Commission level, the departments' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the AMPR.

### *5) Preventive and corrective measures*

As regards the corrections carried out in 2023, DG Trade has in place an effective mechanism for correcting errors, through ex-ante, resulting in preventive measures, amounting to EUR 0.58 million. This represents an increase compared to N-1, with EUR 0.02 million which is mostly explained by one specific case, when the ex-ante controls discovered a relatively important amount erroneously invoiced.

#### ***b) Fraud prevention, detection and correction***

DG Trade has developed and implemented its own anti-fraud strategy since 2013, based on the methodology provided by OLAF. Its implementation is being monitored and reported to the management annually. All necessary actions have been implemented. Last update was in 2020. In 2023 DG Trade performed a fraud risk assessment to update its strategy in 2024.

DG Trade also contributed to the revised Commission anti-fraud strategy Action Plan of July 2023, notably to actions 20, 21 and 22.

Despite its small budget, DG Trade has put in place various control levels to minimise the risk of fraud in financial transactions. Furthermore, clear procedures and guidelines on how to detect and report potential fraudulent cases, including whistleblowing, have been put in place and shared with staff. On the basis of the available information, DG Trade has reasonable assurance that the anti-fraud measures in place are effective.

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<sup>(57)</sup> No ex-post control is put in place in DG Trade because it would be a disproportionate burden and cost given the amounts involved and the potential level of risk.

**Objective: The risk of fraud is minimised through the application of effective anti-fraud measures and the implementation of the Commission Anti-Fraud Strategy (CAFS) <sup>(58)</sup> aimed at the prevention, detection and correction <sup>(59)</sup> of fraud**

**Main outputs in 2023:**

<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b>
<b>Raising awareness about fraud and internal procedures</b>	Events to inform about the financial rules and potential areas of fraud	At least once per year	No awareness raising action in 2023 <sup>(60)</sup>
	In TDI context: Organise regular training courses, in particular for newcomers, exchange of experience and best practices	At least once per year	There were regular meetings, exchanges of information and two trainings <sup>(61)</sup> on fraud awareness.
<b>Integrity and compliance</b>	Internal communication and training on ethics, with and special emphasis on conflict of interest, relations with lobbyists, duty of discretion and whistleblowing	At least once per year	Topics included in four internal DG Trade trainings for newcomers. Awareness raising of four trainings on ethics principles organised at European Commission central level. In addition, a reminder note of ethics rules and obligations was sent to all staff.
<b>Implementation of the anti-fraud strategy as planned for 2023</b>	% of implementation of actions planned for 2021 in the anti-fraud strategy	100%	89% implemented <sup>(62)</sup>

To DG Trade’s knowledge, there are no cases linked to financial procedures or staff matters currently being investigated by OLAF. DG Trade did not have any financial recommendation from OLAF. Cooperation with OLAF continues to work well in the area of fraud linked to trade defence investigations. In 2023, there was a follow-up of open recommendations in this area.

On the basis of available information, DG Trade has reasonable assurance that the anti-fraud measures in place are effective.

### 2.1.2. Efficiency of controls

The efficiency of DG Trade's internal control processes is measured by the "timely payments" indicator.

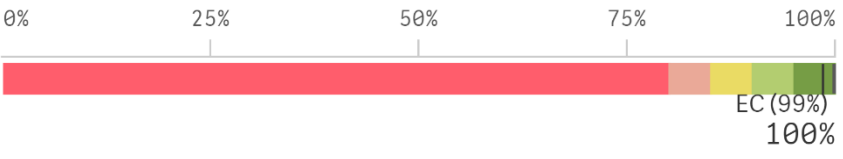
<sup>(58)</sup> Communication from the Commission ‘Commission Anti-Fraud Strategy: enhanced action to protect the EU budget’, COM(2019) 176 of 29 April 2019 – ‘the CAFS Communication’ – and the accompanying action plan, SWD(2019) 170 – ‘the CAFS Action Plan’.

<sup>(59)</sup> Correction of fraud is an umbrella term, which notably refers to the recovery of amounts unduly spent and to administrative sanctions.

<sup>(60)</sup> It was decided to wait for the update of DG Trade’s anti-fraud strategy early in 2024 to launch an awareness raising campaign.

<sup>(61)</sup> There were two trainings as part of the newcomers training, with the participation of OLAF, on their role in combatting fraud.

<sup>(62)</sup> No awareness raising actions in 2023.

Timely Payments	TRADE Score	EC Score
	<b>100%</b>	<b>99%</b>

During 2023, DG Trade made a total of 498 payments amounting to €17.77 million. Thanks to very effective and efficient working processes, 100% of the amount was paid in time, compared to 99% of EC average. The average net payment time was 16.03 days.

### 2.1.3. Economy of controls

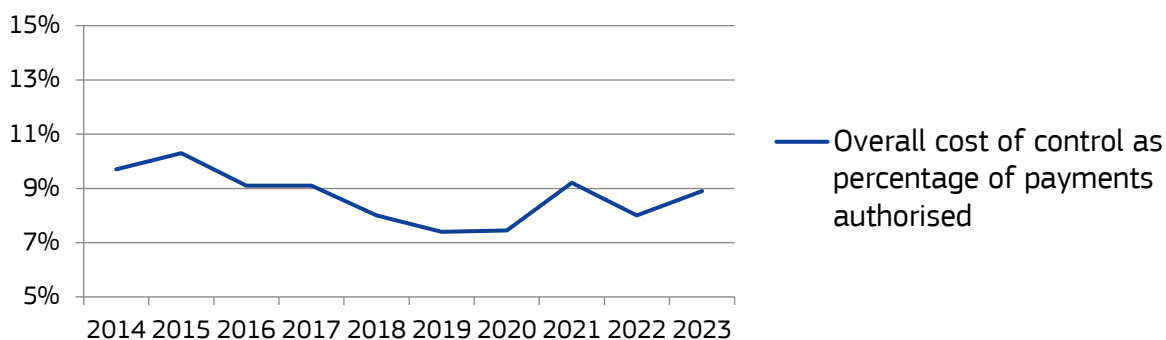
DG Trade quantifies the costs for carrying out the controls described in Annex 6 on the basis of the human resources required for these controls and estimates their benefits, in so far as possible, in terms of the amount of errors and irregularities prevented, detected and corrected by these controls (as shown in Annex 3, table 8). However, most benefits are non-quantifiable since they include non-financial gains such as compliance with regulatory provisions, deterrent effects, system improvements and protection from reputational damage.

DG Trade has produced an estimation of the costs of its main control processes (as shown in Annex 7, table Y). DG Trade estimates the overall cost of control at €1.578 million.

Apart from the above-mentioned Commission’s own cost of control, there are fees paid to international organisations for their overall administration/management which are, however, broader and cover much more than control operations. In the case of DG Trade this fee represents a 7% flat-rate of the final amount of the direct eligible costs actually incurred, representing a total amount of €0.242 million for the year 2023.

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

Given that DG Trade is a small-spending DG, which cannot split the cost of controls between Relevant Control Systems (or Direct and Indirect Management modes), DG Trade retained a single overall cost of control indicator, which does not have any impact on the potential risk involved:



The slight increase in the percentage of cost of controls (see the chart above) reflects the fact that while the overall cost of control remained rather stable in 2023 compared to the previous year, the level of authorised payments decreased by about €1.3 million. DG Trade considers that these controls are strictly necessary in order to ensure compliance with regulatory requirements. As demonstrated in Annex 6, a substantial part of the appropriations could be at risk if these controls were not in place. For these reasons, the overall cost of control has to be seen in relation to DG Trade's relatively small amount of payments (€17.77 million).

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

#### 2.1.4. Conclusion on the cost-effectiveness of controls

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

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

## 2.2. Audit observations and recommendations

This section sets out the observations, opinions and conclusions reported by auditors – including the limited conclusion of the Internal Auditor on the state of internal control. Summaries of the management measures taken in response to the audit recommendations are also included, together with an assessment of the likely material impact of the findings on the achievement of the internal control objectives, and therefore on management's assurance.



## **Status of implementation of very important recommendations of completed audits**

The IAS finalised an audit on **evaluation activities in DG Trade** in January 2021, which included one very important recommendation to improve the planning and monitoring of the evaluations. DG Trade completed the implementation of the recommendation in 2022 and the IAS reviewed and validated the implementation of the recommendation in 2023.

The IAS finalised an audit on **monitoring of implementation of trade agreements in DG Trade** in January 2023. The auditors issued two very important recommendations in the following areas: The use of ex post evaluations and supporting studies to improve the implementation of bilateral trade agreements. And to improve the Information on trade barriers recorded in the MACFLOW database. DG Trade completed the implementation of these recommendations as provided for in the action plan.

In its contribution to the 2023 AAR exercise, the IAS concluded that the internal control systems in place for the audited processes are effective. This conclusion is based on all work undertaken by the IAS in the period 2019–2023 and takes into account the Action Plans adopted to implement the recommendations made by the IAS.

The ECA published in July 2020 a performance audit report on **the enforcement of trade defence policy**. The audit concluded that the Commission was successful as an enforcer of trade defence policy. However, the ECA recommended some improvements that have, for the main part, been implemented.

The ECA published in December 2023 a performance audit report on **Screening foreign direct investments (FDI) in the EU**. The audit concluded that the Commission had taken appropriate steps to establish and implement a framework for screening foreign direct investment in the EU. However, the ECA recommended some improvements to strengthen the EU FDI screening framework; to assess the national screening mechanisms; to improve the cooperation mechanism; and to improve the quality of reporting. In January 2024, the Commission made a proposal to amend the Regulation to strengthen the EU FDI screening framework that will be discussed with the Council and the Parliament.

All recommendations are detailed in Annex 7.

As a result of the assessment of the risks underlying the auditors' observations together with the measures taken in response, DG Trade considers that the recommendations issued do not raise any concerns towards the assurance. These recommendations are being implemented as part of on-going and continuous efforts by DG Trade to seek further improvement and efficiency in the way it operates.

## 2.3. Assessment of the effectiveness of internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, to ensure the achievement of its policy and management objectives. Compliance with the internal control framework is a compulsory requirement.

DG Trade uses the organisational structure and the internal control systems suited to achieving its policy and internal control objectives in accordance with the internal control principles and has due regard to the risks associated with the environment in which it operates. Within the DG, Unit R.1 is responsible for advising, monitoring, assessing and reporting on the internal control systems in DG Trade. Unit R.1 assists DG Trade's Director responsible for Risk Management and Internal Control (RMIC).

### Assessment of the internal control systems

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

The 2023 assessment of the internal control systems was launched in November 2023 and completed in February 2024 following the methodology established in the "Implementation Guide of the Internal Control Framework of the Commission". The report was sent to the Director responsible for Risk Management and Internal Control. The following elements have been taken into account in order to build reasonable assurance on the functioning of the entire internal control systems in DG Trade:

- Analysis of the internal control monitoring criteria;
- Qualitative assessment of the follow-up actions linked to DG Trade's results in the 2023 staff survey;
- Desk review of information collected throughout the year for internal control matters, in particular records from management meetings, trainings and meetings covering specific internal control issues (e.g. security, access to documents, ethics, etc.);
- Results of the latest risk assessment exercise;
- Audit/control information (IAS, ECA, OLAF, EDPS, IDOC) and DG Trade's actions undertaken in response to it, exception reports and relations with central services;
- The reports by the Authorising Officers by Subdelegation (AOSD Declarations);
- The register of exceptions and non-compliance events;

- The IAS opinion on the state of control.

Following this assessment, DG Trade has concluded that some improvements are needed as deficiencies were identified, especially related to: ICP 3 “structures and reporting lines to follow up the pursuit of objectives”, ICP 4 “attract, develop and retain staff”, and ICP 13 “functioning of internal control”. Additionally, some other measures proposed will contribute to the effective implementation of ICPs 1, 2, 6, 8, 10, 12, 14, 15.

The improvements and remedial measures already taken in 2023 and 2024 were:

- ✓ Implementation of the Action Plan following the recommendations made by the IAS on the audit on the implementation of bilateral trade agreements (ICP 3, ICP 12 and ICP 15), see details in ANNEX 7;
- ✓ Implementation of the recommendation from the ECA special report on Screening foreign direct investments (FDI) in the EU to amend the Regulation to strengthen the EU FDI screening framework (ICP 3), see details in ANNEX 7;

The improvements and remedial measures envisaged are:

- ✓ Preparing an Action Plan following the final results of the 2023 Corporate Staff Survey (ICP 3, ICP 4, ICP 14);
- ✓ Complete the information regarding mission statements in my TRADEnet (ICP 2, ICP 3, ICP 6);
- ✓ Update DG Trade’s Code of Ethics (ICP 1);
- ✓ Update DG Trade’s Business Continuity Plan (ICP 4, ICP 10);
- ✓ Update DG Trade’s Anti-Fraud Strategy (ICP 8);
- ✓ Finalisation of the assessment of the three new pillars on exclusion from access to funding, publication on information on recipients of funds and protection of personal data of the entrusted international organisations (WTO) working with DG Trade. Meanwhile, as the pillar assessment process was delayed and not finalised during 2023, DG Trade included supervisory measures agreed by DG BUDG and DG INTPA in the relevant contribution agreements (ICP 12);
- ✓ Implementation of the Action Plan following the recommendations made by the IAS on the audit on the implementation of bilateral trade agreements (ICP 3), see details in ANNEX 7;
- ✓ Implementation of the Action Plan following the recommendations made by the IAS on the limited review on data protection (ICP 13), see details in ANNEX 7;
- ✓ Implementation of the recommendations from the ECA special report on Screening foreign direct investments (FDI) in the EU (ICP 3, ICP 15), see details in ANNEX 7;
- ✓ Implementation of the recommendation from the ECA special report on Trade defence instruments (TDI) (ICP 12), see details in ANNEX 7;

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

In 2023, DG Trade updated its Risk Register to ensure that all the foreseeable risks have been included and are being adequately mitigated. DG Trade continues to face some

important risks, notably in relation to the situation of the multilateral trading system, trade relations with the US and China and last but not least, inadequate implementation of trade-related sanctions due to Russia's aggression against Ukraine.

Finally, in 2023 there were one non-compliance event discovered and three exceptions authorised, demonstrating the robustness and well-functioning of the control system.

In line with the Commission's Internal Control Framework, DG Trade has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning well overall, but some improvements are needed, as minor deficiencies were identified related to the principles described above.

## **2.4. Conclusions on the assurance**

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

The information reported in Section 2.1 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. 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 the 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 appropriately to 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. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director-General of DG Trade.

In conclusion, based on the elements reported above, 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 her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

## 2.5. Declaration of Assurance [and reservations]

### 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 <sup>(63)</sup>.*

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

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

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

*Brussels, 02 April 2024*

.....

*(e-signed)*

*Sabine WEYAND*

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<sup>(63)</sup> True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

### **3. MODERNISING THE ADMINISTRATION**

The internal control framework supported sound management and decision-making. It ensured that risks to the achievement of objectives were taken into account and reduced to acceptable levels through cost-effective controls.

DG Trade has established an internal control system tailored to its particular characteristics and circumstances. The effective functioning of the service's internal control system was assessed on an ongoing basis throughout the year and was subject to a specific annual assessment covering all internal control principles.

#### **3.1. Human resource management**

Working towards the optimisation of the allocation of human resources for the implementation of DG Trade's policy objectives, DG Trade continuously analysed, planned and adapted its human resources management to ensure the most efficient and effective use of its staff. To this end, regular discussions and close collaboration took place with senior and middle managers to qualitatively assess the needs of the DG. In order to support this qualitative assessment, DG Trade also put in place a “workload assessment warning system”, providing an overview of quantitative workload indicators (vacancy rate, working time, number of briefings, number of requests of accesses to documents, etc.).

Over the past year, DG Trade's already charged agenda became even more busy, notably adding work on economic security, more and highly visible trade defence cases, trade-related sanctions due to Russia's aggression against Ukraine, next to negotiations and conclusion of trade and investment agreements to open third country markets and secure access to critical raw materials, work on the multilateral trading system as well as intensified bilateral engagement with key partners like the US. DG Trade's staff has shown a remarkable resilience over several years. However, the constantly high workload coupled with the pressure to deliver on numerous political sensitive files has now negatively impacted staff engagement which dropped from 76% in 2021 to 74% in the staff engagement index in the 2023 Commission Staff Survey.

Being mindful of this constantly increasing pressure, further actions seeking to improve work-life balance, health and well-being continued to be a priority in 2023. At the same time, DG Trade kept on providing its learning and development offer, also adjusting according to staff needs, and called attention to diversity initiatives in line with the corporate HR strategy. In this vein, DG Trade revised its Management Charter, setting out a series of golden rules that DG Trade managers commit to in order to ensure a respectful and inclusive workplace.

Besides learning and development as well as BE WELL activities, to further preserve staff engagement, DG Trade organised periodic internal communication activities and debriefs on developments relating both to policy and to human resources. This came in addition to established updates on these matters on our local intranet and via e-mail distribution.

Finally, DG Trade continued its commitment to promote gender equality. After fulfilling and exceeding our target of first appointments of female middle managers during the period 2020-2022, we continued our efforts to ensure a balanced pool of AD staff. DG Trade received a new target 2023-2024 of three first female appointments and no appointment was made in 2023. DG Trade appointed a female senior manager in 2023, thus increasing its female representation rate at senior management level.

### 3.2. Digital transformation and information management

**Digital Transformation:** Information is a critical asset for DG Trade. To enhance the management of information, there is a need to shift from a traditional document registry approach to a more comprehensive lifecycle management system. To achieve this, DG Trade has implemented effective collaboration tools and expanded the use of corporate tools, such as SharePoint online included in the corporate M365, for information and knowledge management, ensuring that all security needs are met.

DG Trade has adopted a strategic approach to promote knowledge sharing and collaborative working, aligned with the corporate framework. This includes a "share-by-default" approach, combined with a "need-to-know" confidentiality policy. The objective is to identify information assets of corporate interest that can be shared with other services, particularly for transparency purposes.

In line with its digital transformation efforts, DG Trade has contributed with four projects to the associated topics that are part of the Digital Transformation initiative.

1	Access2Markets FTA implementation	Communication and knowledge management
2	Case Management TRON Sherlock Sherpa GSP monitoring	Electronic workflows and communication between the Commission and businesses
3	eLicensing platform	Paperless and cross-border cooperation
4	FDI screening	Electronic transmission and management of classified information

These projects aim to contribute to modernising the Commission and DG Trade. They comply with the EC Digital Strategy principles that include “Digital by Default”, ensuring security and privacy, guaranteeing openness, transparency and interoperability, while being user centric and data driven.

DG Trade has taken further steps in the implementation of the corporate principles of data governance and in its transformation to a data driven organisation by appointing the data governance role and identifying responsibilities. Concretely, the Chief Economist has been appointed as *data owner* of DG Trade's data warehouse, which is DG Trade's primary data asset.

**Document Management:** Concerning document management, systematic filing of documents in ARES is a prerequisite for the effective and efficient sharing and reuse of the information managed in Hermes-Ares-NomCom (HAN). It is also important for ensuring a transparent approach to policy making. DG Trade pursued its strategy of awareness raising



and promoting the active use of Ares by all staff and management, together with a systematic monitoring of the use made by all DG Trade departments. A particular focus was placed on increasing the registration of financial documents within Ares following an analysis of the established document management practices for financial files.

The integration of DG Trade's IT systems with HAN remains another essential area to achieve efficient sharing and reuse of information. After the Briefings And Speeches Information System (BASIS, corporate briefing tool) and the Events Management Tool (EMT, recording and reporting meetings with external stakeholders), other applications such as the Public Procurement Management Tool (PPMT) and EASE (Access to Documents) followed the same scheme.

These initiatives generated efficiency gains, made processes faster and facilitated a more comprehensive use of the common repository included in HAN.

DG Trade's specific objective in data protection is based on the Commission's Action Plan and on both a risk-based approach to assessing data processing operations and the concept of accountability of the 'controller' (i.e. the body or entity, which determines the purpose and means of the processing of personal data). To raise awareness on data protection, DG Trade's Data Protection Coordinator (DPC) continued awareness raising activities to all staff, including on the implications of possible restrictions of data subjects' rights and of international data transfers to third countries and to international organisations, as well as dedicated guidance to all operational controllers and record editors. Finally, data protection continued to be part of DG Trade newcomers' trainings. DG Trade continued to ensure that all the IT tools and systems developed in-house incorporate all applicable data protection rules and principles, such as privacy by design and privacy by default and security obligations. Full compliance with data protection rules and principles has also been included in DG Trade's legislative proposals which might lead to the potential processing of personal data.

The current data protection legislation allows international transfers of personal data in principle if the EU standards for the protection of the rights and freedoms of the data subject are guaranteed also after the transfer. In the absence of adequacy decisions and other appropriate safeguards (standard data protection clauses adopted by the Commission or EDPS), DG Trade (likewise the other DGs working in the field of external relations) transfers personal data to third countries on the basis of derogations, namely the case of "important reason of public interest" (Article 50(1) (d) of Regulation 2018/1725) and "for the conclusion or performance of a contract concluded in the interest of the data subject" (Article 50(1) (b) of Regulation 2018/1725).

### **3.3. Sound environmental management**

DG Trade took full account of its environmental impact in all its actions and actively promoted measures to reduce the related day-to-day impact of the administration and its work.

DG Trade promoted EMAS corporate campaigns at local level to support the Commission to reach its environmental targets, notably to achieve corporate climate neutrality by 2030 and reduce its environmental footprint. This included the promotion of campaigns focused on the efficient use of resources, the field of smart mobility and waste management, including digital waste as a reflection of the recent developments. In this respect, DG Trade continued its reflection regarding missions and, in cooperation with SCIC, updated its video conference facilities so to cater for the smooth handling of the increased number of virtual meetings which have and will continue to replace certain missions. On top of informing the staff of all corporate initiatives, events and conferences, DG Trade organised a collection of electric appliances throughout the whole month of January in collaboration with DG ECFIN and DG REFORM. DG TRADE also purchased customised re-usable cups for all staff to be used i.e. in DG Trade events. Instead of ordering water bottles through Cares, DG Trade purchased customised re-usable water bottles for the colleagues attending the annual seminar for delegation. These could be refilled at the many water fountains in the Charlemagne building.

### **3.4. Examples of economy and efficiency**

#### HR management

DG Trade continued to develop a more agile and flexible structure by setting up new cross-DG project teams and allow for informal staff loans within the directorates as an effort to better respond to the external economic and geopolitical challenges, the limited human resources and the increased workload. Alongside already established project teams covering core trade policy matters, ensuring swift coordination across the DG of highly complex and politically sensitive files, for example on India or on Critical Raw Materials, in 2023, the DG set up a new project team in charge of sanctions against Russia. This is a further attempt to address the high workload and challenging political environment in which DG Trade is operating. At the same time, the setting-up of project teams will also assist in maintaining a high level of staff engagement as it responds to concerns expressed by staff in staff surveys or other similar fora relating in particular to cross-cutting collaboration in the DG.