



Annual Activity Report 2021

Directorate-General for Trade

Table of Contents

- THE DG IN BRIEF..... 3
- ACRONYMS..... 5
- EXECUTIVE SUMMARY 7
 - A. Key results and progress towards achieving the Commission’s general objectives and DG’s specific objectives (executive summary of section 1)..... 7
 - B. Key Performance Indicators (KPIs)..... 9
 - C. Key conclusions on Financial management and Internal control (executive summary of section 2.1)..... 11
 - D. Provision of information to the Executive Vice-President..... 12
- 1. KEY RESULTS and progress towards achieving the Commission’s general objectives and DG’s specific objectives..... 13
- 2. MODERN AND EFFICIENT ADMINISTRATION AND INTERNAL CONTROL..... 36
 - 2.1. Financial management and internal control..... 36
 - 2.1.1. Control results..... 36
 - 2.1.2. Audit observations and recommendations..... 44
 - 2.1.3. Assessment of the effectiveness of internal control systems..... 46
 - 2.1.4. Conclusions on the assurance..... 47
 - 2.1.5. Declaration of Assurance 48
 - 2.2. Modern and efficient administration – other aspects 50
 - 2.2.1. Human resource management..... 50
 - 2.2.2. Digital transformation and information management 51
 - 2.2.3. Sound environmental management 53

THE DG IN BRIEF

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

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 and enforces EU legislation, such as the Generalised Scheme of Preferences, foreign direct investment (FDI) screening, the revised Enforcement Regulation, updated rules on dual-use goods and legislation for taking 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 subsidies and State Owned Enterprises), trade and sustainable development, investment and regulatory co-operation. DG Trade stands up for European interests and ensures that businesses can operate fairly in the EU and across the world. It makes full use of its powers to tackle unfair competition, dumping and subsidisation. Success in Europe is inextricably bound up with the success of the EU's trading partners, both in the developed and developing world. For this reason, sustainable development and development policy are central to the overall approach.

While DG Trade does not have direct responsibility for any specific spending programme, in 2021 it managed a budget of €19.03 million (€18.6 million in its operational budget and €0.43 million in its administrative budget). This budget was used to support the negotiation and effective implementation of trade and investment policies and agreements, including in the field of trade and sustainable development. This budget has remained stable over recent years. At the same time, trade-related objectives are also embedded in the different financial programmes managed by other Commission departments, mainly under the instrument within external action “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 partners, both inside and outside the Commission. In playing its role in trade policy, DG Trade works very closely with the European Parliament and the Council of the European Union and with other international organisations, such as the WTO and the Organisation for Economic Co-operation and Development (OECD), as well as with civil society. Its success draws strongly on its close partnership with the European External Action Service (EEAS) and other Commission services.

In order to fulfil its mission, DG Trade has two related, but distinct, operational activities: trade policy and trade defence; and is organised into eight directorates. The Director-General is supported in managing operations by the Deputy Directors-General. Around a

quarter of DG Trade staff are posted in EU Delegations and in two Commission representations in EU Member States.

ACRONYMS

ACP	African, Caribbean and Pacific
AfCFTA	African Continental Free Trade Agreement
CAI	Comprehensive Agreement on Investment
CBAM	Carbon Border Adjustment Mechanism
CETA	Comprehensive Economic and Trade Agreement
CSR	Corporate Social Responsibility
CTEO	Chief Trade Enforcement Officer
DAGs	Domestic Advisory Groups
DCFTA	Deep and Comprehensive FTAs
DG INTPA	European Commission's department for International Partnerships
EBA	Everything But Arms
ECA	European Court of Auditors
ECT	Energy Charter Treaty
EEAS	European External Action Service
EPA	Economic Partnership Agreements
EPCA	Enhanced Partnership and Cooperation Agreement
ESA	Eastern and Southern African
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment screening
FTA	Free Trade Agreement
GPA	Government Procurement Agreement
GSP	Generalised Scheme of Preferences
ILO	International Labour Organization
IP	Intellectual Property
IPPC	International Plant Protection Convention
IPR	Intellectual Property Rights
ITA	Information Technology Agreement
LDCs	Least Developed Countries
MADB	Market Access Database
MIC	Multilateral Investment Court
MPIA	Multi-party Interim Appeal Arbitration Arrangement
OECD	Organisation for Economic Co-operation and Development
OIE	World Organization for Animal Health
RBC	Responsible Business Conduct
ROSA	Rules of Origin Self Assessment Tool

SACU	South African Customs Union
SADC	Southern African Development Community
SEP	Single Entry Point
SIA	Sustainability Impact Assessment
SMEs	Small and Medium Enterprises
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TCA	Trade and Cooperation Agreement
TDI	Trade Defence Instruments
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TSD	Trade and Sustainable Development
TTC	Trade and Technology Council
UNCITRAL	United Nations Commission on International Trade Law
WHO	World Health Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

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

A. Key results and progress towards achieving the Commission's general objectives and DG's specific objectives (executive summary of section 1)

DG Trade contributes to two key political objectives, namely *A stronger Europe in the world* and *An economy that works for people*. It also makes an important contribution to the *green deal* and the *digital transformation*.

In 2021, the EU's trade and investment policy delivered important results while operating in a global environment that remained particularly challenging. Key factors impacting EU's trade policy notably included the effect of the **COVID-19 crisis** and the need for trade policy to contribute to the European recovery both from a health and an economic perspective, the rise of geopolitical tensions and the increasing weaponisation of trade policy, or the need for trade policy to contribute to global challenges such as the green or the digital transitions.

It is in this context that the Commission adopted on 18 February 2021 a Communication on the **Trade Policy Review**: an Open, Sustainable and Assertive Trade Policy. This Communication sets out a new trade strategy for the coming years that responds both to the new global challenges that the EU is facing and takes into account the lessons learned from the COVID-19 crisis.

At the multilateral level, work at the WTO focused on four key areas: i) 'Trade and Health', ii) fisheries subsidies, iii) agriculture, and iv) WTO reform. **Leading the reform of the WTO** was a top priority for DG Trade in 2021. DG Trade launched a broad initiative on WTO reform in the context of the overall review of the EU's trade policy.

At the plurilateral level, the EU played a key role in taking forward a number of initiatives in the fields of **services domestic regulation**, **e-commerce**, **investment facilitation for development** and **trade and the environment**.

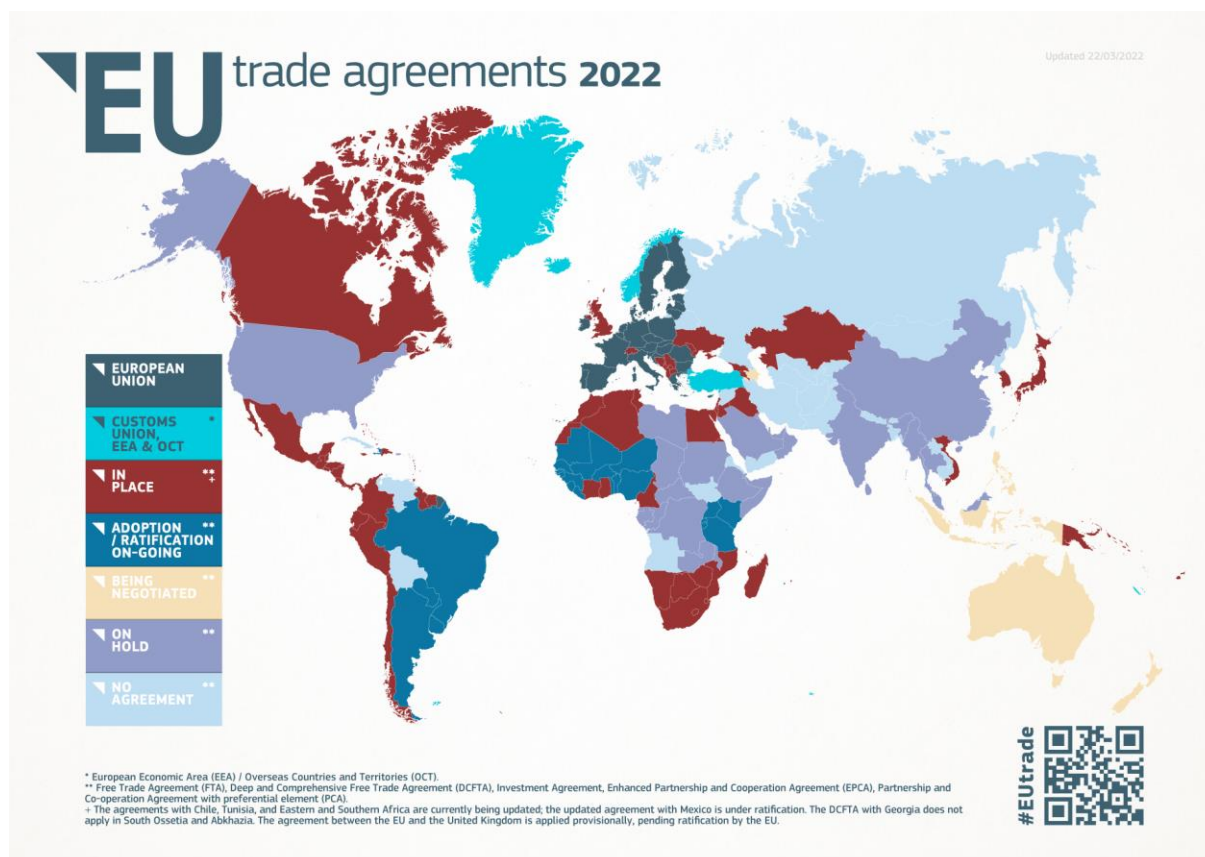
The Commission **strengthened EU trade instruments** with the amended Enforcement Regulation which entered into force in February 2021. In addition, the Commission put forward proposals for new tools on foreign subsidies and for an anti-coercion instrument.

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

2021 also marked the first anniversary of the operation of foreign direct investment (FDI) screening and saw the conclusions of the review of the EU export control regime.

The **Trade and Technology Council (TTC)**, a key outcome of the EU-US June 2021 Summit, held its inaugural meeting in Pittsburgh on 29 September 2021. It reflects the strong commitment from both sides to work together to grow bilateral trade and investment and coordinate approaches to key global trade, economic and technology issues.

On the bilateral front, the EU concluded the technical negotiations with **Chile** in November 2021 and will pursue the objective to reach a political agreement in 2022.



DG Trade continued to reinforce its efforts focused on implementation and enforcement, following the creation by the Commission of the Chief Trade Enforcement Officer function. DG Trade carefully monitored the behaviour of its trading partners to be able to move quickly to prevent or rectify discriminatory or disproportionate barriers to trade, such as difficulties in obtaining intellectual property rights, restrictions to export agricultural products, authorisations or licences, or where unfair or unjustified practices are identified.

In October 2021, the Commission published its first **annual Report on implementation and enforcement of EU trade agreements**² covering the Commission's overall activities in this area.

² https://trade.ec.europa.eu/doclib/docs/2021/september/tradoc_159794.pdf

DG Trade continued to use **Trade Defence Instruments** to combat unfair practices in international trade. The Regulation setting up the **screening of foreign direct investment into the EU** ensures that 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. It enables Member States and the European Commission to identify and address security concerns related to specific investments from outside the EU.

In 2021, EU trade policy continued to contribute to the Treaty objective of **sustainable development in its economic, social and environmental dimensions** both in Europe and in our partner countries, and to boost inclusive and sustainable growth and reduce poverty in developing countries.

The Commission adopted on 22 September 2021 a proposal for a new regulation **reforming the Generalised Scheme of Preferences (GSP)**. This proposal represents the continuation of actions to implement the findings of the GSP mid-term evaluation that was finalised in 2018 and strengthens the sustainability dimension of and civil society's involvement in the GSP, among other aspects.

DG Trade launched in 2021 the review of the 2018 *15-Point Trade and Sustainable Development Action Plan*³ to make the **implementation of Trade and Sustainable Development chapters in trade agreements** more effective and to improve their enforcement, including a comparative study and a public consultation.

DG Trade further strengthened EU global leadership position in relation to shaping a transparent and inclusive trade and investment policy to enhance legitimacy and public trust.

B. Key Performance Indicators (KPIs)

This section presents the three Key Performance Indicators identified in the DG Trade 2020-2024 Strategic Plan.

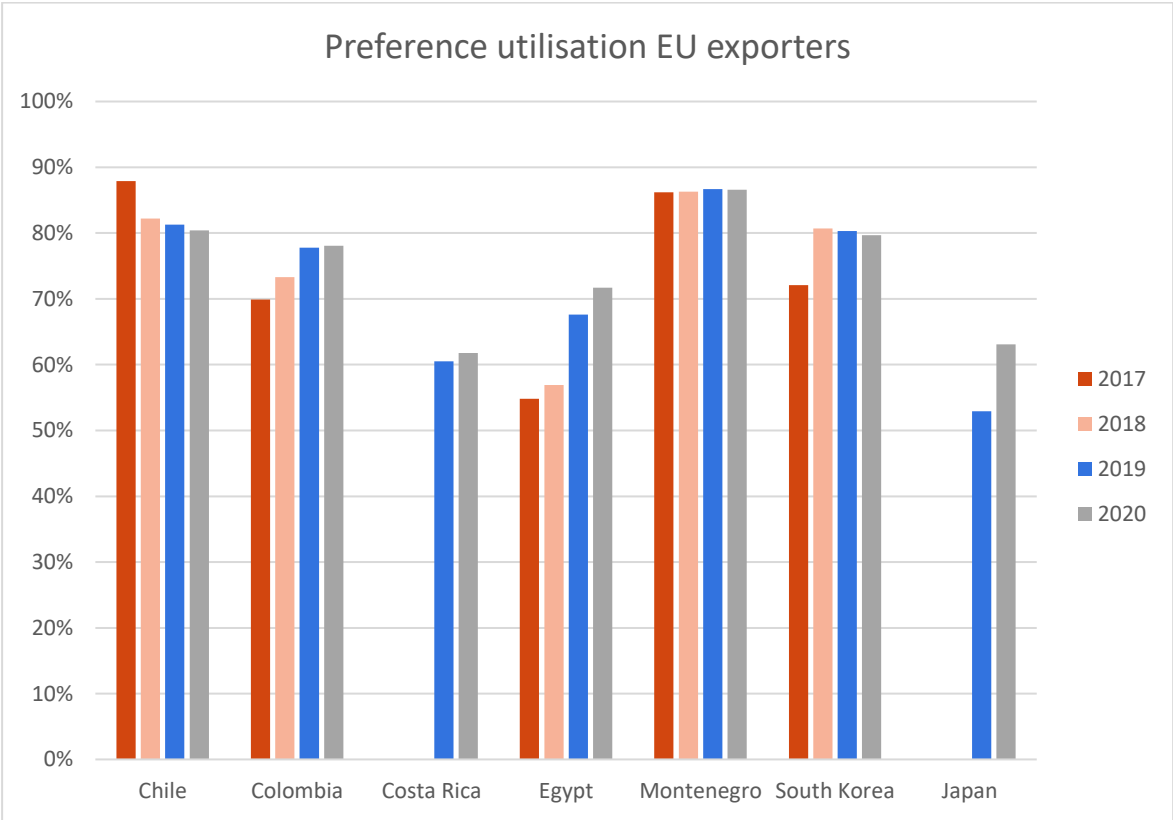
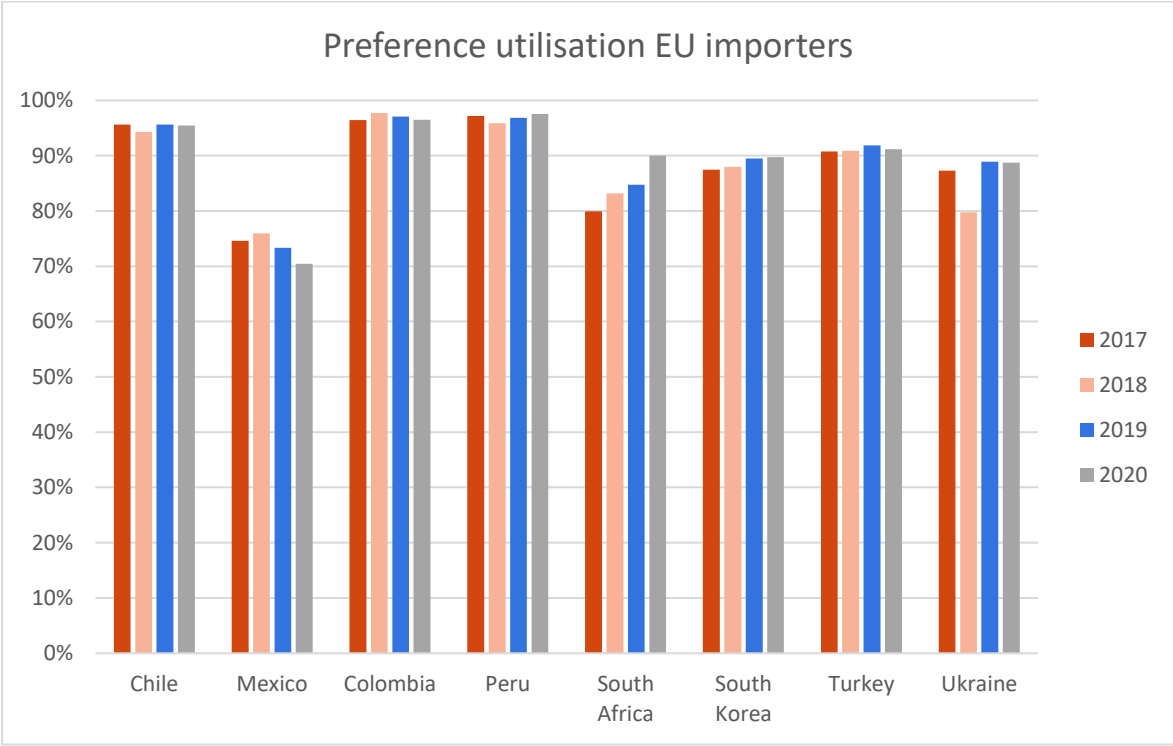
KPI 1: Preference utilisation rates of EU preferential trade arrangements⁴ for the EU and partners' side

Explanation: This indicator shows the extent to which businesses are making use of the EU preferential arrangements. It gives an indication how well these agreements are formulated and how the uptake is handled in the EU Member States and the partner countries

Source of data: Eurostat and national customs registrations

³ <https://trade.ec.europa.eu/doclib/html/156618.htm>

⁴ A selection of countries is shown, where agreements have been in place for a certain time. This might be complemented in due course with more recently concluded agreements.



KPI 2: Percentage of trade covered by applied bi-lateral and regional agreements⁵

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

Source of data: DG Trade / Eurostat

Baseline			Interim Milestone (2022)			Target (2024)			Latest known results ⁶		
Goods (2017-2019) and services (2016-2018) average FTA status 31/12/2019									Goods (2019-2021) and services (2018-2020) average FTA status 31/12/2021		
Percentage of trade in goods and services											
Imp.	Exports	Total	Imports	Exports	Total	Imports	Exports	Total	Imports	Export	Total
29%	32%	30%	33%	36%	34%	34%	38%	36%	42%	49%	46%

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			Imports (M EUR)	2020 ⁷
All GSP	65,630	69,249	74,117	Increase	Increase	All GSP	52,633
GSP EBA	22,682	24,810	26,923			GSP EBA	21,311
GSP Standard	34,039	35,361	37,189			GSP Standard	23,705
GSP Plus	8,908	9,076	10,005			GSP Plus	7,617
Average/country	797	912	1,035			Average/country	741
Utilisation	83.4%	83.5%	84.2%			Over 85%	Utilisation

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

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 the components and principles are present and functioning well overall, but some improvements are needed as minor deficiencies were identified. Please refer to AAR section 2.1.3 for further details.

⁵ This indicator does not cover multilateral WTO nor the plurilateral sectoral negotiations and agreements.

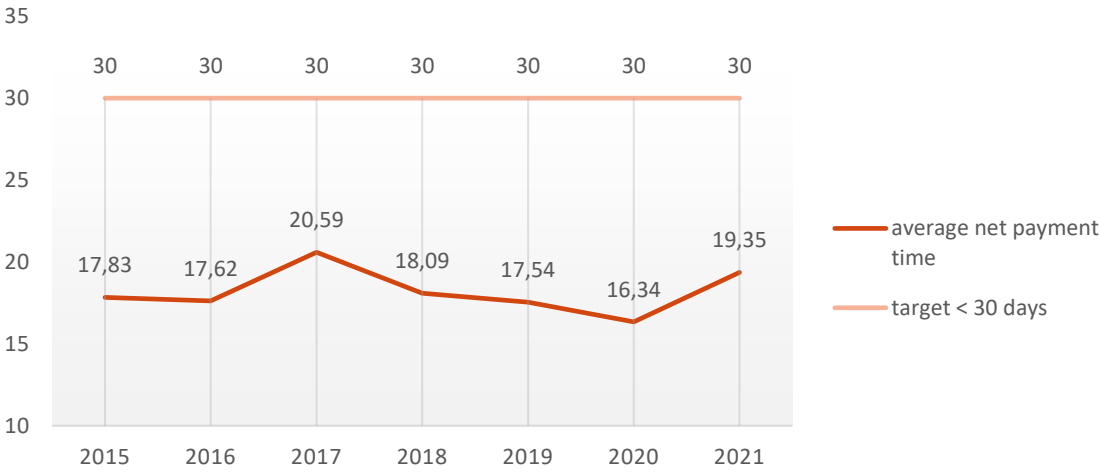
⁶ The important increase in 2021 is mainly due to the Trade and Cooperation Agreement between the EU and the UK that represents 12% of the imports, 16% of the exports and 14% of the total.

⁷ 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.

Indicator: Time to pay

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 for supervising 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 2.1 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented as described in details in section 2.1.3. The Director-General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

D. Provision of information to the Executive Vice-President

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

1. KEY RESULTS and progress towards achieving the Commission's general objectives and DG's specific objectives

DG Trade contributes to two key political objectives, namely a stronger Europe in the world and an economy that works for people. It also makes an important contribution to the green deal and the digital transformation, as follows:



In 2021, the EU's trade and investment policy delivered important results while operating in a global environment that remained particularly challenging. Key factors impacting EU's trade policy notably included the effect of the COVID-19 crisis and the need for trade policy to contribute to the European recovery both from a health and an economic perspective, the rise of geopolitical tensions and the increasing weaponisation of trade policy, or the need for trade policy to contribute to global challenges such as the green or the digital transitions.

It is in this context that the Commission adopted on 18 February 2021 a Communication on the **Trade Policy Review**: an Open, Sustainable and Assertive Trade Policy (COM(2021) 66)⁸. This Communication sets out a new trade strategy for the coming years that responds both to the new global challenges that the EU is facing and takes into account the lessons learned from the COVID-19 crisis.

As outlined in this Communication and in several of the initiatives included in the Commission Work Programme 2021, trade policy contributed to delivering on many of the Commission's priorities in 2021:

- Contributing to *an economy that works for people*: global trade generated economic growth and jobs in Europe and thereby contributed to the post-COVID-19 recovery of the European economy. European trade policy ensured that these benefits were maximised. A new study (EU exports to the world: effects on employment⁹) notably highlighted that since 2000, EU exports dependent jobs have increased by 75%, from nearly 22 million to 38 million in 2019. In this context, the relative decline of some indicators¹⁰ 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.

Trade policy also played a key role in the global response to the COVID-19 pandemic via the exports of vaccines. The EU has been a leader in delivering effective vaccines to the rest of the world, exporting two-thirds of the vaccines it has produced – more than 1.7 billion doses sent to 165 countries by mid-January 2022, and is the leading exporter to Africa, with more than 277 million of finished doses exported and over 100 million doses of active drug substance for producing vaccines locally in Africa.

- Building *a stronger Europe in the world*: the EU's trade and investment policy directly contributed to this objective by prioritising the strengthening of the rules-based global multilateral system. This led the Commission to present WTO reform proposals, as outlined in the annex of the Trade Policy Review Communication on "Reforming the WTO: towards a sustainable and effective multilateral trading system". In addition, the EU's trade and investment policy contributed to building a stronger Europe in the world in 2021 by enhancing its bilateral, regional and global

⁸ https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc_159438.pdf

⁹ https://trade.ec.europa.eu/doclib/docs/2018/november/tradoc_157516.pdf

¹⁰ Preferential imports from GSP beneficiary countries (KPI 3) and EU trade openness (Annex 2)

partnerships. This was notably done via the stabilisation of the EU's relations with the US thanks to the temporary resolution of several long standing trade disputes and the launch of some forward looking processes such as the Trade and Technology Council (TTC). DG Trade also continued to strengthen the EU's bilateral relationships by advancing bilateral negotiations, and preparation for resuming trade talks and for launching investment negotiations with India.

In addition, the EU significantly strengthened its autonomous tools via the entry into force of the revised Enforcement Regulation (February 2021). The Commission put forward proposals for new tools on foreign subsidies and for an anti-coercion instrument. 2021 also marked the first anniversary of the operation of foreign direct investment (FDI) screening and saw the conclusions of the review of the EU export control regime.

- DG Trade contributed to other Commission priorities in support of the green and digital transitions. The objectives of *the European Green Deal* can only be achieved with a greater use of trade policy to help spread green goods and services, and to encourage the adoption of climate-friendly policies by others. Multilaterally, the EU notably promoted work on Trade and Environment in the World Trade Organization via signing up to three new plurilateral Joint Statements to step up joint action on facilitating trade in green goods and services, promoting sustainable supply chains and the circular economy, battling plastic pollution and enhancing transparency of fossil fuel subsidies. Bilaterally, the Commission notably committed to proposing that the respect of the Paris Agreement be considered an essential element in future trade and investment agreements. A new chapter on Sustainable Food Systems was proposed to FTA partners in ongoing negotiations. Finally, the Commission also acted on the unilateral front, notably by adopting on 14 July 2021 a proposal for a new Carbon Border Adjustment Mechanism (CBAM) which will put a carbon price on imports of a targeted selection of products so that ambitious climate action in Europe does not lead to 'carbon leakage'. On 17 November 2021, the European Commission also adopted a Proposal for a Regulation to curb EU-driven deforestation and forest degradation.
- Similarly, trade policy supported a Europe fit for the digital age with a particular focus on contributing to develop global rules for digital trade through both the World Trade Organization negotiations on e-commerce and through the inclusion of digital trade chapters in all recent free trade agreements.

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

As reflected in the Commission Work Programme 2021, and in an overall challenging context, the Commission led international efforts and worked with partners to **reform the World Trade Organization (WTO)** to make it fit for new realities, strengthening the call

for rules that are fair, effective, and enforceable and that create a level playing field for all trading parties. Consequently, every effort was made to reform the WTO and re-establish it as an effective forum to develop new and appropriate trade rules, ensure their implementation and help to settle disputes. This specific objective has thus contributed to the Commission's general objective *A stronger Europe in the world*.

Leading the reform of the WTO was a top priority for DG Trade in 2021. DG Trade launched a broad initiative on WTO reform in the context of the overall review of the EU's trade policy¹¹. DG Trade focused on pursuing the reform of the WTO's three functions:

- rulemaking, through the WTO's negotiations for disciplines on fisheries subsidies and plurilateral negotiations on e-commerce, domestic regulation in services and investment facilitation; and preparing the ground for a review of WTO institutional aspects and the development of new rules to level the playing field;
- dispute settlement – focusing on finding a solution to the situation surrounding the blockage of appointments to the WTO's Appellate Body, which hears appeals in trade disputes taken before the WTO and at the same time ensuring, pending resolution of that situation, the availability of binding, two-tier and independent adjudication;
- regular WTO work, notably changes to strengthen transparency and to improve WTO committee procedures to make them more effective.

DG Trade supported the appointment of the WTO's new Director-General Dr Ngozi Okonjo-Iweala in March 2021.

The WTO's 12th Ministerial Conference (MC12), which was due to take place in December 2021, was postponed because of the Covid-19 pandemic.

Throughout 2021, appointments to the WTO's Appellate Body remained blocked and DG Trade continued its efforts to see this situation resolved. In particular, the EU worked on obtaining engagement from the whole WTO Membership on a meaningful **reform of the WTO dispute settlement system** that would bring about improvements while keeping intact the essential core of that system: binding, independent and impartial adjudication in which appeals are possible. Pending a resolution of the Appellate Body situation, the EU has been a founding and prominent participant in the **'Multi-party interim appeal arbitration arrangement** pursuant to Article 25 of the DSU', which by the end of 2021 covered 52 WTO Members, accounting for roughly half of the world's gross domestic product and 50.5% of the world trade.

The Commission has **strengthened EU trade instruments**. The amended Enforcement Regulation entered into force in February 2021. This revised Regulation will be the EU's third line of defence to enable enforcement action in cases of illegal measures also where

¹¹ https://eur-lex.europa.eu/resource.html?uri=cellar:5bf4e9d0-71d2-11eb-9ac9-01aa75ed71a1.0001.02/DOC_2&format=PDF

the EU's attempt to obtain binding resolution of a trade dispute is unsuccessful for reasons outside the EU's responsibility.

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 opened markets by making, implementing and enforcing trade deals with partner countries or regions. Building on the multilateral trading system and the EU's broad network of trade and investment agreements with countries outside the Union, the EU created opportunities for EU businesses and workers, including for small and medium-sized enterprises (SMEs), and enhanced the resilience and robustness of the EU's economy. EU exports supported almost 38 million jobs in the EU in 2019, 11 million more than a decade ago¹². The EU economy equally relies on imports, providing access to critical raw materials and other inputs to EU companies, and access to innovative and diverse products at competitive prices to EU consumers. More trade means more jobs, and the best way to increase this is through securing new opportunities through trade agreements and diligently enforcing them. The EU's openness and the attractiveness of the single market are the foundations of the EU's prosperity and competitiveness.

Executive Vice-President and Commissioner for Trade, Valdis Dombrovskis, said: *"Trade is a key driver for job growth in the EU, as shown by the astonishing 75% growth in export-related jobs in the last two decades. As economic recovery gathers pace, it is our priority to keep boosting exports and create markets for EU goods and services. This will support our companies – especially SMEs, which represent 93% of all EU exporters – to create jobs for people across the EU. The continued roll-out of our new EU trade strategy, with its strong emphasis on opening new opportunities and being assertive in implementing our trade agreements, will play a crucial role in reinforcing this trend."*

The multilateral and plurilateral agenda

DG Trade worked intensely to get results at the 12th WTO Ministerial Conference (MC12), planned for 30 November–3 December 2021. Despite of the postponement of the Ministerial Conference, important advances were made in several areas.

At the multilateral level, work at the WTO focused on four key areas: i) the 'Trade and Health' nexus (covering both the TRIPS waiver debate as well as the efforts to facilitate trade, limit restrictions and increases transparency in the trade of Covid-related products),

¹² EU exports to the world: effects on employment - 2021 edition
(https://ec.europa.eu/commission/presscorner/detail/en/ip_21_5904)

ii) fisheries subsidies, iii) agriculture, and iv) WTO reform. Work to identify landing zones in all four areas continues in Geneva and in capitals.

In 2021, DG Trade worked towards concluding an agreement on the WTO response to the COVID-19 pandemic in the form of a Ministerial Declaration. The proposal on a **trade and health initiative** put forward in the WTO in November 2020 by the EU and 12 other like-minded co-sponsors constituted a meaningful contribution to that Declaration. The EU also worked to agree with other WTO Members on an Action Plan which would be intended to elaborate best practices and recommendations on the basis of shared experiences during the pandemic in areas such as transparency, export restrictions, trade facilitation, and international collaboration of the WTO with other organizations. Due to the postponement of the WTO 12th Ministerial Conference, this could not be successfully concluded in 2021 but was set to continue in 2022.

DG Trade lead the work on the **WTO negotiations on fisheries subsidies**, in cooperation with DG MARE and other services, stressing the importance of delivering on the UN Sustainable Development Goals mandate. This means prohibiting certain forms of fisheries subsidies which contribute to overcapacity and overfishing, as well as eliminating subsidies to vessels or operators engaged in illegal, unreported and unregulated fishing.

At the plurilateral level, the EU played a key role in taking forward a number of initiatives in the fields of services domestic regulation (which was concluded in December 2021), e-commerce (decisive progress expected in 2022), investment facilitation for development (expected to be concluded in 2022) and trade and the environment (three plurilateral Joint Statement initiatives on environmental sustainability, plastics pollution and fossil fuel subsidies were launched by a broad range of WTO Members in December 2021). These discussions are described in more detail below.

The Covid-19 pandemic has accelerated the digital transformation of the economy, highlighting the importance of digital trade, and its role in facilitating global value chains and developing innovative products and services. Throughout the year, DG Trade gave impetus to the plurilateral WTO **e-commerce negotiations** which aim to set up modern rules on digital trade. These global rules would facilitate electronic transactions, help harness the full potential of data, tackle trade barriers, improve market access in goods and services and enhance consumer and business trust in the online environment, in full respect of the EU's personal data protection framework.

DG Trade reached a successful conclusion of the plurilateral negotiations on **domestic regulation in services** on 2 December 2021 among a group of 67 WTO Members. The rules aim at simplifying unnecessarily complicated regulations and easing procedural hurdles faced by SMEs in particular. This agreement will help reduce the costs of global services trade by more than USD 150 billion every year.

Executive Vice-President and Commissioner for Trade, Valdis Dombrovskis said: *“This is a major achievement. Today's agreement covers 90% of global trade in services and it will unlock billions of euros of growth thanks to clearer rules, more transparency and less red tape. This will help our SMEs in particular to thrive on the global stage. We have been at the forefront of this initiative, which is also a priority under our renewed EU trade strategy.”*

The Council adopted in October 2019 the negotiation directives for the WTO negotiation on **Investment Facilitation for Development**. Following the commitment by eight WTO Members on 30 November 2021, more than two-thirds of WTO Members are now part of investment facilitation negotiations, bringing the number of participants to over 110. The participating Members have agreed to intensify the negotiations and to conclude them by the end of 2022, on the basis of a consolidated text. This text includes most of the key EU proposals on transparency, streamlining authorisation and administrative procedures, and sustainable investment.

In 2021, DG Trade continued to participate actively in ensuring the correct implementation of the **WTO Government Procurement Agreement (GPA)** and of the **Information Technology Agreement (ITA)** on tariffs.

Work on drafting the provisions of the convention establishing a **Multilateral Investment Court (MIC)** continued in 2021.

DG Trade co-sponsored the three plurilateral Joint Statements relevant to advance the WTO trade and environmental/climate agenda adopted in December 2021. The Statements on Environmental Sustainability, on Fossil Fuel Subsidy Reform and on Plastics Pollution and Sustainable Plastics Trade will ensure the revitalisation of multilateral work on climate and environment issues in the WTO with a clear roadmap towards the 13th Ministerial Meeting of the WTO.

Executive Vice-President and Commissioner for Trade, Valdis Dombrovskis, said: *“The European Union is proud to co-sponsor these initiatives at the WTO. We believe trade policy has a role to play in tackling climate change and environmental degradation, which is why our new EU trade strategy is our greenest ever. WTO must also play its part, and we are now taking important steps in this regard.”*

In November 2021, Executive Vice-President and Commissioner for Trade, Valdis Dombrovskis met virtually with the Trade Ministers of United States and Japan to renew their trilateral partnership. They agreed to identify and tackle the global challenges of market-distortive policies and practices that are currently not sufficiently addressed by WTO rules nor by the existing enforcement tools.

In 2021, negotiations for the modernisation of the **Energy Charter Treaty (ECT)** intensified and the Contracting Parties started to discuss on the basis of different options and compromise texts. There has been some progress on the 3 key objectives of the EU: 1. updating the investment protection clauses; 2. introducing the right to regulate principle and sustainable development provisions in line with our climate objectives; 3. carving out the protection of fossil fuel investment.

EU-US relations

The EU and the **United States**¹³ have the largest bilateral trade and investment relationship and enjoy the most integrated economic relationship between major players in the world. The US remains the EU's largest overall trade and investment partner by far. A key outcome of the EU-US June 2021 Summit, the **Trade and Technology Council (TTC)** held its inaugural meeting in Pittsburgh on 29 September 2021. It reflects the strong commitment from both sides to work together to grow bilateral trade and investment and coordinate approaches to key global trade, economic and technology issues.

The work takes place in 10 working groups that focus on a wide range of topics such as technology standards, advancing supply chain security, export controls, investment screening, global trade challenges, misuse of technology or promoting SMEs' role in digital and technology trade. The EU is committed to a fully transparent and inclusive process and stakeholder engagement will be a key component of a successful TTC, notably via the centralised TTC platform on "Futurium"¹⁴.

In parallel, in 2021 DG Trade continued to work to solve and prevent bilateral disputes. At the June 2021 Summit, the EU and US agreed to a 5-year truce on the WTO large civil aircraft disputes. Following progress in international tax negotiations in the Organisation for Economic Co-operation and Development (OECD), a solution on differences over the taxation of the digital economy. On 1 November, the EU and the US announced their intention to negotiate a Global Arrangement on Sustainable Steel and Aluminium to address global overcapacity and to achieve the decarbonisation of global steel and aluminium production. The US also agreed to remove Section 232 tariffs on EU steel and aluminium exports up to past trade volumes and the EU in exchange suspended temporarily the corresponding EU rebalancing measures against the US. Both agreed also to pause the bilateral WTO disputes on steel and aluminium.

Finalising concluded bilateral and regional negotiations

In 2021, DG Trade continued to work to conclude the technical work and internal procedures leading to the signature and conclusion of the modernized agreement with **Mexico** and the comprehensive trade agreement with **Mercosur states** – Argentina, Brazil, Paraguay and Uruguay. The sustainability chapter of the latter is amongst the most progressive in any of the trade deals and contains explicit commitments on deforestation and implementation of the Paris Agreement on Climate Change. In 2021, the Commission has been working with Mercosur to improve the sustainability conditions on the ground including a possible additional instrument to address TSD/deforestation concerns in the Amazon region.

¹³ [EU-US trade](#)

¹⁴ <https://futurium.ec.europa.eu/en/EU-US-TTC>

Negotiations with **China**¹⁵ on the stand-alone bilateral investment agreement (CAI) were concluded in principle in December 2020 and published on 22 January 2021¹⁶. In 2021, technical work continued to prepare the agreement for adoption, but prospects for the ratification will depend on how the political situation evolves.

On-going negotiations

Following the adoption by the Council on 13 November 2017 of the negotiation directives¹⁷, the EU launched negotiations with Chile to modernise the scope of the existing Association Agreement (2002)¹⁸, including ambitious, comprehensive and progressive trade provisions. The EU concluded the technical negotiations with **Chile** in November 2021 and will pursue the objective to reach a political agreement in 2022. The SIA carried out by an independent contractor and the Commission position paper was published in June 2020¹⁹.

In May 2018, the Council authorised opening negotiations for Free Trade Agreement (FTA) between the EU and **New Zealand**. The position paper on the SIA in support of the negotiations was published in July 2021. DG Trade made substantial progress in the negotiations in 2021 and will seek to close them in the course of 2022.

In May 2018, the Council authorised opening negotiations for FTA between the EU and **Australia**. The position paper on the SIA in support of the negotiations was published in July 2021. DG Trade continued the negotiations during 2021.

The Commission also launched negotiations for trade agreements with **Indonesia**²⁰, **Malaysia**, the **Philippines**²¹ and **Thailand**. Only negotiations with Indonesia were actively pursued in 2021, while the other negotiations are paused.

The Commission continued to engage with ASEAN in the area of trade and investment and the annual ASEAN Economic Ministers – EU Trade Commissioner Consultations were held in September 2021 discussing concrete areas for further cooperation. DG TRADE also contributed to the new **Indo Pacific Strategy** by the Commission and the HR/VP of September 2021 and is actively involved in its implementation.

In the EU's immediate neighbourhood, DG Trade continued to work with partners in the Southern Mediterranean region, building on the existing network of free trade areas of the Association Agreements. The evaluation of the trade pillars of six EU Association Agreements with **Euromed countries** was published in March and the respective Staff Working Document in November 2021²². DG Trade gauged the interest of the Southern Neighbourhood countries in the sustainable investment initiative and the interest of

¹⁵ [EU-China trade](#)

¹⁶ <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2237>

¹⁷ [EU-Chile - Negotiation Directives for Modernisation of the Agreement](#)

¹⁸ [EU-Chile trade](#)

¹⁹ <http://trade-sia-chile.eu/en/>

²⁰ [EU-Indonesia trade](#)

²¹ [EU-Philippines trade](#)

²² [Ex-post evaluations - Trade - European Commission \(europa.eu\)](#)

Morocco and Tunisia in modernising their trade and investment relations with the EU. In 2021 DG Trade also launched the Union for the Mediterranean (UfM) platform on trade investment, where two meetings were held in this format in 2021 (in July and December) in preparation of the next meeting of the UfM Trade Ministers.

In 2021, DG Trade continued working towards the conclusion of negotiations on the trade chapters of Enhanced Partnership and Cooperation Agreement (EPCA) with **Uzbekistan**²³ and on the new agreement with **Azerbaijan**²⁴.

In 2021, the EU and the **UK** started a negotiation concerning Gibraltar. DG Trade contributed and will continue contributing to the negotiation of all trade related aspects, including ensuring a level playing field.

On 1 January 2021 the Amendment of the Regulation granting autonomous EU trade measures for the six **Western Balkan countries**²⁵ entered into force. The Amendment prolongs the preferential access to the EU for certain agricultural products from these countries until end of 2025.

In addition, bilateral and plurilateral negotiation rounds continued in 2021 towards a new framework agreement with **Andorra, San Marino and Monaco**, ensuring, along with the Customs Union established with Andorra and San Marino, their integration in the single market and their alignment with the EU's trade policy.

Africa is the continent with the highest growth potential in the world: by 2050, Africa will represent around 75% of the growth of the global workforce. The continent remained a priority for the EU, which is enhancing sustainable trade and investment links both between the EU and Africa and in Africa itself. In 2021, DG Trade worked on the implementation of 4 Association Agreements in North Africa²⁶ and 5 Economic Partnership Agreements (EPA)²⁷ in Sub-Saharan Africa. This contributes to building resilient value chains and boosting sustainable public and private investment in sectors of mutual interest. These Agreements continued to be the cornerstone of Africa-EU trade relations and contributed to the ongoing African integration projects, including the **African Continental Free Trade Agreement (AfCFTA)**.

Upgrading and expanding existing partnerships is part of this priority. Negotiations are ongoing to deepen the existing EPA with five **Eastern and Southern African** (ESA) countries (Comoros, Madagascar, Mauritius, Seychelles and Zimbabwe), as part of the new EU-Africa Strategy, outlined in the Joint Communication *“Towards a Comprehensive*

²³ [EU-Uzbekistan trade](#)

²⁴ [EU-Azerbaijan trade](#)

²⁵ [EU-Western Balkans trade](#)

²⁶ [FTAs with: Tunisia, Morocco, Algeria and Egypt](#)

²⁷ Five Economic Partnership Agreements are currently being implemented with 14 countries: with the SADC EPA group (Botswana, Eswatini, Lesotho, Mozambique, Namibia and South Africa); the Eastern and Southern African (ESA) sub-region (Comoros, Madagascar, Mauritius, Seychelles, and Zimbabwe); Cameroon in Central Africa; Côte d'Ivoire and Ghana in West Africa.

*Strategy with Africa*²⁸, and in line with one of the four headline actions on Africa defined in the Trade Policy Review Communication of February 2021. A SIA on these negotiations is being carried out by an independent consultant and the final report is expected in the first quarter of 2022. The trend of expansion of the existing EPAs both geographically and thematically continued in 2021 (following the accession to the EU-Pacific EPA of Samoa in 2019 and Solomon Islands in 2020), with on-going negotiations for the accession of Tonga and Timor-Leste in the Pacific EPA, the launch of accession negotiations with **Angola** into the EU-SADC EPA. The draft final SIA report on the accession of Angola to the EU-SADC EPA was published in September 2021²⁹.

The Commission also launched a **sustainable investment initiative** for interested countries in the Southern Neighbourhood and Sub-Saharan Africa that will be rolled out with African partners either in the EPA/DCFTA negotiations or as standalone investment facilitation agreements to improve the investment climate and support sustainable development. The Commission kicked off a first round of negotiations with **Angola** for a Sustainable Investment Facilitation Agreement in June 2021, the second round was held in December 2021 and negotiations may reach a conclusion in 2022. This is the first-ever bilateral agreement on investment facilitation that the EU is negotiating.

As part of the **sustainable cocoa initiative**, launched by DG TRADE and DG INTPA in September 2020, the Commission has engaged in a dialogue with stakeholders to improve sustainability of cocoa supply chain. This initiative supports Ghana and Côte d'Ivoire (with Cameroon associated) in their efforts to ensure a decent living income for farmers, fighting deforestation and eradication of child labour. In 2021, the Commission organised 10 roundtables to discuss, inter alia, income for farmers, standards, traceability requirements, forthcoming due diligence requirements, sustainable cocoa production and development assistance.

The proposal of new bilateral negotiations

The EU remained committed to strengthening the economic partnership with **India**³⁰. On 8 May 2021, the EU-India Leader's meeting agreed to resume negotiations for a balanced, ambitious, comprehensive and mutually beneficial trade agreement, and to launch separate negotiations for a stand-alone investment protection agreement and an agreement on geographical indications. Preparation for the respective resumption and launch are on-going.

In May 2021 **Switzerland** decided to terminate the negotiations on an Institutional Framework Agreement. This meant that the modernisation of the EU-Swiss trade relationship which was linked to the Institutional Framework Agreement in the form of a joined declaration was put on hold. Also, the Mutual Recognition Agreement, Chapter on Medical Devices, could not be updated to reflect legislative developments on both sides.

²⁸ https://ec.europa.eu/international-partnerships/system/files/communication-eu-africa-strategy-join-2020-4-final_en.pdf

²⁹ <https://trade.ec.europa.eu/doclib/html/159909.htm>

³⁰ [EU-India trade](#)

If the political situation allows the Council to adopt the draft negotiating directives submitted by the Commission, negotiations for modernising the Customs Union with **Turkey** could also start.

The recommendation to open negotiations of an Enhanced Partnership and Cooperation Agreement with **Tajikistan** has been prepared with a view to be presented to the Council in the first semester of 2022. Following the adoption of negotiation directives negotiations can be launched.

Effective implementation

DG Trade carefully monitored the behaviour of its trading partners to be able to move quickly to prevent or rectify discriminatory or disproportionate barriers to trade, such as difficulties in obtaining intellectual property rights, restrictions to export agricultural products, authorisations or licences, or where unfair or unjustified practices are identified. Likewise, through its trade instruments it monitored compliance with relevant international standards for labour rights, climate/environmental protection, and human rights. To that effect, the Commission continued using and reinforced its implementation and enforcement tools and actions.

DG Trade pursued the enforcement of the rights stemming from the preferential as well as multilateral trading rules through technical, diplomatic and political contacts, negotiation, regulatory cooperation and dispute settlement, at the WTO or bilaterally. This included work within the technical committees of the WTO, for example, providing comments and follow-up to WTO Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) notifications issued by trading partners.

DG Trade continued to monitor the compliance of WTO members' with their commitments under the WTO and under FTAs.

Bilateral disputes were initiated with Korea, Ukraine, the South African Customs Union (SACU) and Algeria. Of course, with regard to the WTO, the current blockage of the appeal mechanism means that the ability to enforce EU's WTO rights through dispute settlement is undermined, except with respect to those WTO Members that participate in the Multi-party interim appeal arbitration arrangement (MPIA).

In October 2021, the Commission published its first **annual Report on implementation and enforcement of EU trade agreements**³¹ covering the Commission's overall activities in this area.

In 2021, DG Trade continued to work on removing trade barriers through our **Market Access Partnership** with Member States and industry. The removal of barriers in the period 2014 to 2019 created additional export opportunities of more than €5.4 billion in 2020, helping support hundreds of thousands of jobs in the EU – equivalent to the benefits of many of our free trade agreements. In the wake of the rise in protectionism detected in the implementation and enforcement of EU trade agreements report and in order to

³¹ https://trade.ec.europa.eu/doclib/docs/2021/september/tradoc_159794.pdf

contribute in bringing the EU economy back on track as a result of Covid-19 outbreak, DG Trade remained committed to reinforce the Partnership, with enhanced prioritisation of actions to remove barriers, strengthened coordination with stakeholders, and wider communication and outreach. For example, DG Trade continued to work closely with trade experts and industry representatives to identify and overcome the barriers that our companies face in third countries. DG Trade also used its sectorial dialogues with industry to help improve industry input to its implementation and enforcement work, including through ensuring efficient information flow.

In 2021, DG TRADE carried out training on **Access2Markets** and **ROSA** reaching more than 6500 stakeholders (through 51 events), with coverage across the events in almost all EU languages. In June 2021, the Access2Markets portal received a European Ombudsman award for Good Administration.

In 2021, existing functions were improved in response to stakeholder comments, and extended to add new functions. For example, to help European companies identify new market access opportunities that EU FTAs offer in the area of public procurement, DG Trade in 2021 developed a dedicated new **Access2Procurement module**³², a user-friendly step-by-step online tool integrated into the Access2Markets portal that translates the legal procurement provisions contained in EU FTAs in tailor-made, simple answers for EU exporters, notably SMEs.

In December 2021, the **Eastern Partnership Helpdesk**³³ was released. This on-line tool provides, *inter alia*, information about trade flows, trade indicators and export potential data for trade between the Eastern Partnership countries and their trade with the EU. This tool is a complement to the Access2Markets.

More specifically, DG Trade monitored the implementation of the various agreements that have entered into force or are provisionally applied. This included identifying and following-up on implementation issues, managing the institutions created by the agreements and ensuring that meetings of the committees take place on a regular basis and that their outcomes are promptly followed-up.

In December 2021, the Commission published the second **EU-Japan** EPA Progress report³⁴.

DG Trade continued to promote the Agreements with **Mexico, Chile, Colombia/Peru/Ecuador** and **Central America**, to conduct joint activities and projects to support these countries' implementation efforts and to assess their impact in both regions. .

During 2021, independent experts conducted an **ex-post review of the impact** of the Agreements with Colombia, Peru and Ecuador (Draft Synthesis Report published in October 2021³⁵) and with Central America (Inception Report published in May 2021³⁶). In addition,

³² <https://webgate.ec.europa.eu/procurement/#/step1>

³³ <https://eap.tradehelpdesk.org/en>

³⁴ [Second EU - Japan EPA progress report \(europa.eu\)](https://ec.europa.eu/eap/progress-report)

³⁵ https://trade.ec.europa.eu/doclib/docs/2021/november/tradoc_159893.pdf

DG Trade continued to manage bilateral trade relations with Latin American countries, to develop trade and investment relations with the region and to ensure that WTO trade commitments are respected.

DG Trade also continued to implement the DCFTAs with **Ukraine, Georgia and Moldova**. In 2021, the Annex on Services was updated for the EU-Ukraine DCFTA and the first phase of the Roadmap on Public Procurement under the EU-Georgia DCFTA was completed. Annexes to the DCFTAs on services, Technical Barriers to Trade (TBT), Sanitary and Phytosanitary (SPS), customs and public procurement are regularly updated with relevant EU acquis as the need arises. Under the EU-Ukraine DCFTA either Party may request five years after entry into force, i.e. a review related to “accelerating and broadening the scope of the elimination of customs duties” on bilateral trade was activated in the course of 2021. The Draft Inception Report of the *ex-post* evaluation of the trade pillar of these agreements (DCFTAs) with Georgia and Moldova was published in April 2021³⁷, whereas the final report is expected for the second quarter 2022.

2021 was the first year of implementation of the Trade and Cooperation Agreement (TCA) between the EU and the **UK**. DG Trade performed its active monitoring and enforcement of all of the trade aspects of the agreement, including the level playing field and sustainability chapters. DG Trade also contributed to ensuring that all the mechanisms and instruments necessary for the effective exercise of the EU rights under the agreement were in place. DG Trade also actively participated in the discussions with the UK concerning the implementation of the Protocol on Ireland / Northern Ireland, which entered into application on 1 January 2021.

DG Trade continued to engage with **Turkey** to ensure the full implementation of the existing Customs Union and the removal of existing trade barriers.

With **Southern Mediterranean countries**, DG Trade continued to press these partners 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. Enforcement work resulted in the removal of several market access barriers in the region. DG Trade work also, inter alia, resulted in the extension of liberalisation measures for fisheries and agricultural products from Palestine.

Implementation work on the seven Economic Partnership Agreements with **African, Caribbean and Pacific countries (ACPs)** included ensuring timely implementation of the tariff schedules by the partner countries, putting in place procedures necessary for implementation of the agreements, regular dialogues in the EPA Committees, including on how to remove trade-related barriers. This work also ensured development cooperation and joint activities and dialogues with state and non-state actors, as well as raising awareness on the partnerships.

³⁶ https://trade.ec.europa.eu/doclib/docs/2021/june/tradoc_159595.pdf

³⁷ https://trade.ec.europa.eu/doclib/docs/2021/may/tradoc_159581.pdf

A final report of the *ex-post* evaluation of the impact of the EPA between the European Union and the CARIFORUM states conducted by independent experts was published in February 2021. The evaluation covers the 10-year period since the EPA has been provisionally applied, namely 2008-2018. The results of the Evaluation Study feed into the ongoing Joint EU-CARIFORUM five-year review of the EPA. DG Trade will publish a Staff Working Document in the first quarter of 2022.

DG Trade continued to implement the EU strategy on **China** adopted in June 2016³⁸ with a particular focus on the Comprehensive Investment Agreement (CAI) (mentioned above), and on intensifying bilateral discussions on trade and investment issues covering China's agenda for economic reforms. EU concerns related to overcapacity (particularly on steel), export controls, level-playing field issues, including the subsidisation of the Chinese economy, Chinese investments in the EU, market access, and intellectual property rights remained the key priorities in the EU-China trade and investment-related discussions.

In 2021, DG Trade continued to be involved in implementing the 10 concrete actions included in the strategic outlook published in March 2019, reflecting a more assertive and multi-faceted EU approach to EU-China bilateral relations. Actions included working with the Council and the European Parliament towards adopting the International Procurement Instrument, implementing the recently agreed reforms to the EU's export control regime, implementing the EU Regulation on the screening of foreign investment, intensifying the bilateral investment negotiations, enhancing WTO reform efforts, addressing the distortions generated by foreign subsidies in the internal market.

The implementation of the strategy also included following plurilateral and multilateral discussions at the level of G7, G20, the OECD and the WTO, including on issues such as digital trade, overcapacity as well as the International Working Group on export credits which remain suspended until today. A possible reactivation will be considered by the EU at the end of 2022.

DG Trade continued to address multilaterally and bilaterally a growing number of regulatory barriers faced by EU exporters. For instance, in the WTO Committee on **Technical Barriers to Trade**, DG Trade built on success stories to date and contributed to the withdrawal or modification of trading partners' trade restrictive measures that hampered EU exports. In 2021, the European Commission addressed at the WTO over 30 technical barriers affecting EU exports to Brazil, China, Colombia, Egypt, India, Indonesia, Peru, Qatar, Russia, Saudi Arabia and South Korea. Furthermore, DG Trade ensured proper implementation of **Mutual Recognition Agreements** on conformity assessment that the EU has concluded with a number of trading partners, and which support trade through facilitating testing and certification of industrial products.

DG Trade's activities in the area of **Sanitary and Phytosanitary measures** (SPS) contributed to the lifting of 28 market access barriers. In 2021 the European Commission addressed at the WTO 16 measures in the WTO SPS Committee affecting exports to Argentina, Brazil, China, Indonesia, Philippines, Qatar, Russia, South Africa and South Korea

³⁸[Joint Communication to the European Parliament and the Council - Elements for a New EU Strategy on China](#)

among others, and commented on over 40 draft measures notified by WTO members. The Market Access Working Group contributed to the identification and discussion of SPS measures, and with the further improvement of the SPS sections of the Market Access Database information can be exchanged more efficiently between the Commission services, Member States, EU Delegations, EU and national business organisations and certain third countries. The Commission continued its financial support to international standard setting organisations (Food and Agriculture Organization (FAO)/International Plant Protection Convention (IPPC), World Health Organization (WHO)/Codex Alimentarius Commission and World Organization for Animal Health (OIE)).

Well-functioning **intellectual property** (IP) systems are a key lever to promote investment in innovation and sustainable growth. Intellectual Property Rights (IPR) infringements worldwide cost European firms billions of euros in lost revenue and put thousands of jobs at risk. IPR infringements also 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. It engaged with key trading partners through IP Dialogues and IP Working Groups, as well as through the WTO TRIPS Council, the OECD and other international organisations. In 2021, DG Trade also continued its engagement in 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 April 2021³⁹. The Report identified third countries in which the state of intellectual property protection and enforcement gives rise to the greatest concern and provides an update of the existing Commission's list of priority countries. China remained the top priority country. Other priority countries include India, Russia, Turkey, Ukraine, Argentina, Brazil, Ecuador, Indonesia, Malaysia, Nigeria, Saudi Arabia and Thailand. The Report aims to improve intellectual property rights protection and enforcement worldwide, as well as to inform rights holders, including SMEs, of the potential risks when conducting business in certain countries.

In the area of **public procurement**, DG Trade continued to promote transparency, good governance and improved market access in third countries. In parallel with and in addition to the EU bilateral (FTAs) and plurilateral (WTO GPA) efforts, DG Trade continued to pursue the establishment of an appropriate EU instrument to ensure openness of foreign procurement markets for EU companies, goods and services - the **International Procurement Instrument**. This instrument seeks a level playing field in procurement giving the EU leverage to negotiate better access for EU companies to procurement markets outside the EU. As an ultimate measure, intended to give partner countries an incentive to open their markets, it would allow the EU to restrict access of companies, goods and services to the EU procurement market if they are from a country that is proven to apply restrictive or discriminatory treatment against EU companies. In 2021, both the Council and the European Parliament adopted their respective positions, and trilogue negotiations between the EU institutions started at the end of 2021.

³⁹ https://trade.ec.europa.eu/doclib/docs/2021/april/tradoc_159553.pdf

In the area of export controls, in 2021, the Commission started to work on the implementation of the provisions of the modernized **Export Control Regulation**⁴⁰ on sensitive dual-use goods and technologies to support secured value chains, promote international security, protect human rights, and ensure a level-playing field for EU exporters. This work started in anticipation of its entry into force in September 2021. For example, the Commission started developing a methodology and related IT tools to support enhanced transparency and the publication of information on authorization, denials and prohibition under the Dual Use Regulation. The Commission also adopted the periodic update of the EU Dual-Use Control List to implement updates coming from the Multilateral Regimes in this area.

The Commission continued to develop the EU export control network to ensure an effective implementation of controls, e.g. through the further development of electronic licensing systems in Member States and the finalisation and publication of EU guidelines for the compliance standards addressed to of academia and research institutions. In addition, the Commission supported the global convergence of export controls in cooperation with third countries, e.g. the US under the Trade and Technology Council.

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 (CTEO)** has further increased the efficiency of DG Trade's work on enforcement by streamlining internal processes, strengthening coordination within the Commission and enhancing consistency and identifying leverage to address breaches with trading partners. Through the centralised contact point-Single Entry Point (SEP) on the Access2Markets portal, the EU-based stakeholders and civil society were able to bring their complaints about barriers to market access in non-EU countries or when the latter did not comply with the commitments they made on worker's rights, tackling climate change, or the environment. The SEP is the first point of contact in the new complaint system for anyone who wishes to report a barrier or lack of compliance. This specific objective thus contributes to the Commission's general objective *An economy that works for people*.

At the same time, the CTEO has given a new focus to our work on enforcement and implementation, reporting regularly to the European Parliament, the Council, Member States and stakeholders.

To strengthen the EU's ability to defend itself against coercive measures of others, the Commission adopted in December 2021 a proposal for a new legal instrument **to enable the EU to deter and counteract coercive actions** by trade partners.

⁴⁰ https://ec.europa.eu/commission/presscorner/detail/en/IP_20_2045

DG Trade continued to address **steel excess capacity** internationally, in multilateral fora and its bilateral relations. It has participated and driven the discussions in the G20 mandated Global Forum for Steel Excess Capacity (GFSEC) and in the OECD Steel Committee for tackling trade distorting subsidies and other government support contributing to excess capacity. DG Trade supported the Italian G20 Presidency to promote the GFSEC process within the G20.

The Commission stood firm against unfair trade practices. In line with the WTO rules, the EU has its own system of **Trade Defence Instruments** to combat unfair practices in international trade. In 2021, the EU was an efficient user of anti-dumping and anti-subsidy measures. It also adopted safeguard measures where warranted. These instruments were applied under a number of conditions in addition to WTO rules to ensure their use was measured. In 2020, the European Court of Auditors (ECA) concluded that the Commission successfully enforces Europe's trade defence policy. At the same time, ECA made a number of recommendations to help make certain aspects of trade defence investigations even more robust. In 2021, DG Trade implemented these recommendations including more effective monitoring, stronger support to SMEs and raising awareness among stakeholders of the Trade Defence Instruments (TDI).

DG Trade continued to maintain and improve a transparent, efficient and effective system to combat distortions and unfair trade practices. DG Trade ensured that procedures were followed rigorously and considers all the relevant Union's interests. Open trade is a recognised engine for growth and job-creation but it requires that fair competition, without distortions, is maintained between domestic and foreign producers. DG Trade continued to complete investigations, which are subject to the scrutiny of the European Court of Justice and the WTO's Dispute Settlement Body, within the mandatory deadlines and endeavoured to do so even sooner. 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.

DG Trade intensified its efforts to deal with **level-playing field issues** such as subsidies and the role of State-Owned Enterprises across all sectors, by working closely with other trading partners, as well as in the WTO, the OECD and the G7/G20. 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 for which a Commission proposal was adopted on 5 May 2021.

The Regulation setting up the **screening of foreign direct investment into the EU** ensures that 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. It enables Member States and the European Commission to identify and address security concerns related to specific investments from outside the EU. This becomes all the more important in the economic context flowing from the COVID-19 pandemic, where there is a growing need for investment including in sectors which could give rise to security concerns. In 2021, DG Trade oversaw the cooperation mechanism between all Member States and the Commission on FDI transactions that might pose a risk to security or public order in the EU and analysed notifications relating to FDI transactions received from Member States

pursuant to the FDI Screening Regulation 2019/452. This work was done with the network of contact points in all relevant DGs which provide expertise from a legal, sector and/or specific policy perspective. DG trade was responsible for proposing decisions on all cases, taking into account the views expressed in the inter-service consultations.

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 2021, EU trade policy continued to contribute to the Treaty objective of **sustainable development in its economic, social and environmental dimensions** both in Europe and in our partner countries, and to boost inclusive and sustainable growth and reduce poverty in developing countries. This specific objective has thus contributed to the Commission's general objectives *A stronger Europe in the world* and *An economy that works for people*.

The EU continued to be a leading player in supporting sustainable development and promoted the respect of international environmental standards and core labour standards, including through EU trade policy. The EU and its Member States were fully committed to implementing Agenda 2030 and its Sustainable Development Goals through EU policies.

DG Trade used trade tools to **support sustainable development**. DG Trade continued to work with FTA partners to ensure the effective implementation and enforcement of relevant Trade and Sustainable Development as well as Energy and Raw Materials chapters, thereby supporting decent work, sustainable management of the environment and the promotion of renewable energy and prohibiting dual pricing. This reflects the central role of sustainable energy and raw materials (e.g. for batteries and generators) to meet the broader European Green Deal objective.

Joint monitoring actions with other trade partners continued in 2021. Building on the successful pre-implementation initiative for new FTAs, such as with Vietnam and Japan, the Commission pursued such efforts for upcoming ones, to foster the objectives of the trade and sustainable development chapters at entry into force. The Commission raised EU concerns regarding partner countries' respect of international labour and environmental standards, including through the trade and sustainable development mechanisms of the respective agreements (e.g., with partners in Central America, Georgia, the Andean Community, Singapore or Ukraine). The Commission also paid close attention to core labour standards and in particular to the elimination of child labour in its trading partner

countries⁴¹ in line with the zero-tolerance approach outlined the political guidelines of President Ursula von der Leyen and as part of an overall effort pulling together the different policy areas.

The Commission adopted on 22 September 2021 a proposal for a new regulation **reforming the Generalised Scheme of Preferences (GSP)**, expected to be adopted by the Council and the EP in 2022. This initiative was included in the Commission Work Programme 2021. As from 1 January 2024 the new regulation will replace the existing one that expires at the end of 2023. In addition, in 2021 DG Trade monitored the implementation of the current scheme.

With regard to the current scheme, this includes the **GSP+** arrangement, which offers additional preferences to developing countries that commit themselves to implementing 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 missions and high level dialogue, DG Trade continued its enhanced monitoring of a number of GSP+ and EBA countries in 2021. For example, a GSP+ monitoring mission to Sri Lanka in September-October 2021, the first since the start of the Covid-19 pandemic, saw high level and technical meetings with the Government of Sri Lanka and civil society covering issues of human and labour rights, the protection of the environment and good governance. The Enhanced Engagement process with Bangladesh continued through a series of bilateral technical meetings and led to the publication of Bangladesh's National Action Plan on the Labour Sector detailing actions to be implemented by specific deadlines. In 2021, the Commission updated the list of beneficiaries and graduated partners as planned in the GSP Regulation.

As announced in the Trade Policy Review Communication of 18 February 2021, DG Trade launched the review of the 2018 *15-Point Trade and Sustainable Development Action Plan*⁴² to make the **implementation of Trade and Sustainable Development chapters in trade agreements** more effective and to improve their enforcement. As part of this review process, DG Trade commissioned a comparative study looking at how selected trade partners approach the implementation and enforcement of trade and sustainable development provisions in trade agreements. The inception report was published in September 2021⁴³ and the interim report on 5 November 2021⁴⁴. The Commission also conducted an open public consultation to gather input on key aspects of the review.

The trade and sustainable development implementation efforts continued to be guided by the priorities established for each partner and relied on an enhanced partnership with Member States, the European Parliament, international organisations and civil society. Since

⁴¹ Africa component of the Trade for Decent Work project focused on activities towards the elimination of child labour in Côte d'Ivoire, Ghana, Madagascar, Mozambique and Cabo Verde in 2021.

⁴² <https://trade.ec.europa.eu/doclib/html/156618.htm>

⁴³ https://trade.ec.europa.eu/doclib/docs/2021/september/tradoc_159810.pdf

⁴⁴ https://trade.ec.europa.eu/doclib/docs/2021/november/tradoc_159899.pdf

November 2018, a €3 million Partnership Instrument-funded project supports civil society involvement in the implementation and monitoring of EU trade agreements.

The Commission pursued a stronger link between trade policy instruments (e.g. Generalised Scheme of Preferences, sustainable development chapters in FTAs) and cooperation with the aim of promoting labour rights and environmental protection, including actions on climate. Under the *Trade For Decent Work* project, dedicated funding continued to be provided to the International Labour Organization for capacity building on labour rights in eleven trading partners, across Asia, Africa and South America.

The EU continued to promote sustainable and responsible value chains through contributing to the preparation of a proposal on mandatory, horizontal human rights and environmental **due-diligence**.

The EU continued to promote pro-actively responsible business conduct (RBC) in both internal and external policy. For its trade and investment agreements, the EU is negotiating dedicated Corporate Social Responsibility (CSR)/Responsible Business Conduct (RBC) provisions as well as provisions on fundamental labour rights as recognised by the International Labour Organization (ILO). Where FTAs are in force, the implementation of these provisions are amongst the EU priorities for nearly every FTA. DG Trade has also been working very closely with the OECD and the International Labour Organization on promoting the development and use of international due diligence guidelines. In July 2021, the Commission and the EEAS published a *Guidance on due diligence to help EU companies address the risk of forced labour in their operations and supply chains*, in line with international standards. DG Trade's priority for 2021 continued to be the implementation of FTA provisions and these guidelines.

The Commission actively promoted gender equality through its trade policy in 2021. It continued its active engagement on the issue in the WTO, including on the implementation of the Buenos Aires Declaration on Trade and Women's Economic Empowerment. It gathered gender-disaggregated data to ensure that trade-related aspects of gender equality are adequately addressed in trade agreements and considered gender impact in trade initiatives.

In 2021, DG Trade also continued its bilateral work with key trade partners on the negotiation and implementation of trade and gender equality provisions (e.g., technical conclusion of negotiations of trade and gender equality provisions under the modernised EU-Chile Association Agreement; implementing the work plan for 2020-2021 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 was covered in multilateral work in key international bodies and fora.

In 2017, the EU adopted a Regulation to ensure responsible **sourcing of tin, tantalum, tungsten and gold** ('3TG', sometimes referred to as 'conflict minerals') 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

requirements on EU importers apply as of 1 January 2021. In the course of 2021, DG Trade focused on the implementation of the 3TG initiative.

In terms of the **European Green Deal initiatives** and trade, the Commission deployed measures and actions to ensure that all relevant EU policies, including its trade policies, should live up to a green commitment to 'do no harm'. DG Trade contributed to deliver 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. At the same time, the Commission ensured that all Green Deal initiatives were compatible with the EU's international obligations, including WTO rules, and that they achieved their objectives in the most effective and least burdensome and trade distortive way. In ongoing and any future negotiations of bilateral trade agreements, the EU has been proposing a Chapter on Sustainable Food Systems, in view of fostering cooperation on, notably, animal welfare, the use of pesticides and the fight against antimicrobial resistance.

DG Trade contributed to international climate and environment actions by promoting ratification and implementation of relevant international conventions through its FTAs and GSP instrument. As to autonomous EU climate measures, DG Trade contributed to the design of the **Carbon Border Adjustment Mechanism (CBAM)** to ensure that it will fulfil its objective to prevent the risk of carbon leakage in a manner that fully complies with WTO rules and other international obligations of the EU. DG Trade also supported cooperation and collaboration with third countries whose trade with the EU could be affected by the mechanism.

In the area of **deforestation**, the Commission adopted in November 2021 a proposal for a Regulation to prohibit the placing on the EU market of products associated with deforestation or forest degradation. DG Trade worked to ensure that any measure proposed will be compatible with the international obligations of the EU, including WTO rules. Bilaterally, the Commission continued to prioritise the implementation of TSD sustainable forest management measures with key FTA partners such as Ukraine.

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.

To enhance legitimacy and public trust, DG Trade continued with its commitment to ensuring trade policy is transparent and inclusive. This specific objective has thus contributed to the Commission's general objectives *A stronger Europe in the world* and *An economy that works for people*.

DG Trade maintained the highest levels of transparency and communication with the European Parliament, the Council, stakeholders and the public. DG Trade published up-to-date information about trade policy on its website in easy-to-understand language, published press releases, news items and factsheets, and engaged actively on Twitter, where it has almost 60,000 followers. DG Trade reached out to stakeholders and civil society based in Member States but stakeholders based in Brussels were more active and

present in the debate than those based in the Member States, as confirmed by a study assessing DG Trade's Civil Society Dialogue completed in 2021. DG Trade continued holding regular meetings of its Civil Society Dialogue on a range of trade policy issues, including through online meetings, which allowed a wider participation than in physical meetings, including from beyond Brussels, and with a smaller environmental footprint.

DG Trade's communication work continued to put a key focus on the implementation, enforcement and legislative aspects of EU trade policy, reflecting the growing importance of these elements. Particular emphasis was also placed on informing stakeholders of the details of how the 2021 Communication on EU Trade Policy had been implemented, including on key issues such as WTO reform, trade policy's role in the post-pandemic recovery plan and the green and digital transformations.

As regards the EU's trade agreements, DG Trade systematically provided information throughout the negotiating life-cycle, through the publication on its website of documents and easy-to-understand information as well as through direct engagement with civil society and stakeholders.

In 2021, DG Trade finalised the review of its Civil Society Dialogue process to assess whether its strategy and purposes remain adequate. DG Trade took forward a number of the recommendations identified by the study to ensure the Civil Society Dialogue is better prepared and more effective, and outreach to civil society in Member States is improved.

These measures have further strengthened EU global leadership position in relation to shaping a transparent and inclusive trade and investment policy.

2. MODERN AND EFFICIENT ADMINISTRATION AND INTERNAL CONTROL

2.1. Financial management and internal control

Assurance is provided on the basis of an objective examination of evidence of the effectiveness of risk management, control and governance processes.

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

These reports result from a systematic analysis of the available evidence. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete 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 2.1.1 Control results, 2.1.2 Audit observations and recommendations, 2.1.3 Effectiveness of internal control systems, and resulting in 2.1.4 Conclusions on the assurance.

2.1.1. Control results

This section reports and assesses the elements identified by management which support the assurance on the achievement of the internal control objectives (ICO)⁴⁵. The DG's

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

assurance building and materiality criteria are outlined in AAR Annex 5. The AAR Annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

DG Trade is a policy DG with a relatively small budget. The majority of its budget is implemented through direct management, while part of the contributions to international organisations are implemented through contribution agreements, i.e. indirect management. DG Trade's budget was implemented in 2021 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 DG FPI)	Total Expenditure
Procurement activities		11.00		1.19	12.19
Contributions to International Organisations	0.30		1.80		2.10
Administrative expenditure (excl. external staff)		0.94			0.94
Totals (coverage)	2%	78%	12%	8%	100%
Links to AAR Annex 3	Overall total (m EUR); see Table 2 – payments made			Overall total (m EUR)	15.23⁴⁶

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

Due to the COVID-19 crisis, DG Trade returned more than 80% of its administrative budget (EUR 3.18 million out of EUR 3.97 million) so that it could be used for corporate needs. The use pattern of the remaining administrative budget was different than before the COVID-19 crisis. Usually more than 70% 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. And missions usually represent more than 85% of all DG Trade's overall administrative budget. However in 2021, due to

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.

⁴⁶ On top of the amount, DG Trade has co-delegated to other DGs (DGT, TAXUD, PMO, HR, DGT, FISMA, OP and BUDG) EUR 1.81 million in commitments and EUR 1.12 million in payments.

the continued travelling restrictions, missions only accounted for around 15% of all DG Trade's overall administrative budget, which also correspond to the share actually paid by PMO.

- Contributions to international organisations

Overall, the value of the payments linked to contributions to international organisations represented about 14% of the total budget expenditure in 2021. DG Trade awarded contribution agreements and one direct grant 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 80% (including the co-delegation received from other DGs) of the total budget expenditure in 2021. DG Trade mainly acquired services for economic 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 [of grants] pursuant to Article 193 FR" (new Financial Regulation Article 193.2): No such cases for the DG.

1. Effectiveness of controls

a) Legality and regularity of the transactions

DG Trade uses internal control processes to ensure 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.

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 (using PAGODA template agreement) with the beneficiary. Each agreement requires that international organisations have successfully passed the pillar assessments. A verification check is normally done only in cases when there are indications of possible incorrect spending of EU funds. As there have been no such indications in 2021, 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.

In 2021, there was no non-compliance event discovered as control weaknesses. At the same time, there were three exceptions recorded. None of these events had an impact on the legality and regularity of the transactions. All three exceptions concerned events related to formal compliance issues, which do not have a negative impact on the budget.

The correction of detected erroneous invoicing related to unduly invoiced amounts, resulted in 6 credit notes for a total amount of €34,105, 1 recovery order for €456 and 1 case of claiming an ineligible amount totalling €360. Please refer to table 8 in Annex 3 for details. Apart from one minor recovery order of €456 (resulting from partial non-delivery of prepaid subscription), all errors and irregularities have been discovered before the actual payment. No other elements were brought to the attention of the AOD, which could give rise to a financial correction or an ex-post recovery.

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

INDICATOR	TARGET	2021	2020	2019	2018	2017	2016
No of financial exceptions	Keep stable/ reduce	3	2	3	None	None	1
No of non-compliance events	Keep stable/ reduce	0	0	1	2	4	7
No of decisions overriding controls	None	None	None	None	None	None	None
No of legal cases following complaints in procurement procedures	None	None	None	None	None	None	None
ASSESSMENT							
There were no non-compliance events discovered in 2021, demonstrating the robustness and well functioning of the control system.							
At the same time, three exceptions have been authorised in 2021, compared to two exceptions in 2020. The exceptions have been properly analysed and evaluated. As the events were fully justified and did not have any significant impact on the legality and regularity of the underlying transactions, they were authorized.							
Legal cases: In 2021, there were no legal cases, nor complaints, about a procurement procedure.							

DG Trade's relevant expenditure, its estimated overall risk at payment, estimated future corrections and risk at closure are set out in Table X: Estimated risk at payment and at closure.

The estimated overall risk at payment for 2021 expenditure amounts to €0.08 million, representing 0.5 % of the DG's total relevant expenditure for 2021. 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. Given that there is no ex-post control function setup⁴⁷, no future corrective capacity after the payments have been made is being considered.

As a result, the estimated overall amount at risk at payment is considered to be the same as the estimated overall risk at closure for 2021, i.e. €0.08 million.

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

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.

⁴⁷ 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 potential level of risk.

DG Trade	Relevant expenditure	Estimated risk (error rate %) at payment		Estimated future corrections and deductions		Estimated risk (error rate %) at closure	
(1)	(2)	(3)		(4)		(5)	
	m EUR	m EUR	%	m EUR	%	m EUR	%
Procurement	12.19	0.06	0.50%	0.00	0.0%	0.06	0.50%
Contributions to International organizations	0.30	0.00	0.50%	0.00	0.0%	0.00	0.50%
Contributions to International organizations	3.21	0.02	0.50%	0.00	0.0%	0.02	0.50%
Administrative expenditures	0.94	0.00	0.50%	0.00	0.0%	0,00	0.50%
DG total	16.64	0.08	0.5%	0.00	0.0%	0.08	0.50%

b) Fraud prevention, detection and correction

DG Trade has developed and implemented its own anti-fraud strategy since 2013, on the basis of the methodology provided by Anti-fraud Office (OLAF). It is updated every three years. It was last updated in 2020. Its implementation is being monitored and reported to the management annually. All necessary actions foreseen in the Action Plan have been implemented. Awareness raising actions on anti-fraud matters took place in 2021 with the campaign to participate in the second OLAF Anti-Corruption Conference.

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.

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)⁴⁸ aimed at the prevention, detection and correction⁴⁹ of fraud

Main outputs in 2021:

Output	Indicator	Target	Latest known results
Raising awareness about fraud and	Events to inform about the financial rules and potential areas of fraud	At least once per year	1 raising awareness action

⁴⁸ 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'.

⁴⁹ Correction of fraud is an umbrella term, which notably refers to the recovery of amounts unduly spent and to administrative sanctions.

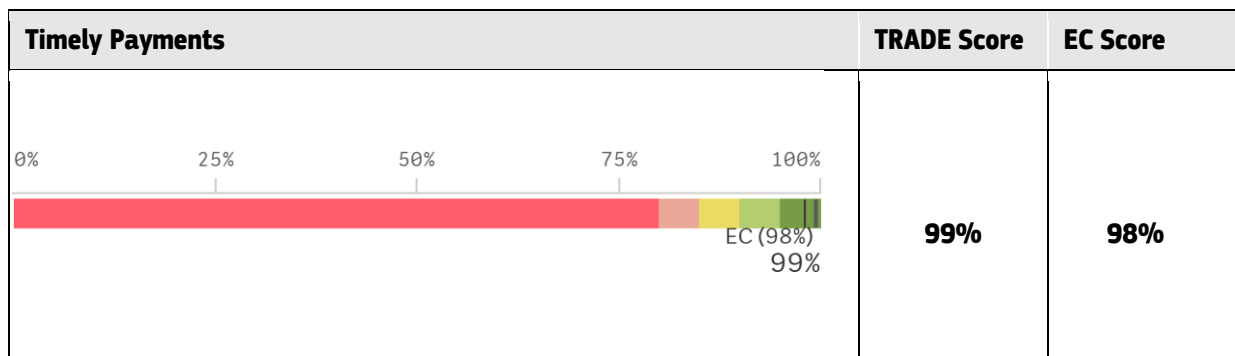
internal procedures	In TDI context: Organise regular training courses, in particular for newcomers, exchange of experience and best practices	At least once per year	There were regular meetings, exchanges of information and at least one training on fraud awareness.
Integrity and compliance	Internal communication and training on ethics, with and special emphasis on conflict of interest, relations with lobbyist, duty of discretion and whistleblowing	At least once per year	3 trainings organised at central level followed by DG Trade's staff
Implementation of the anti-fraud strategy as planned for 2021	% of implementation of actions planned for 2021 in the anti-fraud strategy	100%	100% implemented

DG Trade also contributed to the Commission anti-fraud strategy. Moreover, and 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 2021, there was a follow-up of open recommendations in this area.

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

2. Efficiency of controls

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



During 2021, DG Trade made a total of 389 payments amounting to €15.23 million. Thanks to very effective and efficient working processes, 99% of the amount was paid in time, compared to 98% of EC average. The average net payment time was 19.35 days.

Example – streamlining financial management

DG Trade continued to follow-up closely the development of the eProcurement project and pursued the deployment of the ensuing applications as the main driver of efficiency gains in financial management. Already in 2020, in direct response to Covid-19 situation, DG Trade introduced a fully electronic circuit for all payment files and this way of working

continued in 2021. Moreover in 2021, DG Trade started to use, for the first contracts, the Qualified Electronic Signature (QES), which can replace the physical ‘blue ink’ signature for the contracts and contribution agreements. The plan for coming years, whenever legally and technically possible, is to progressively replace ‘blue ink’ signature by QES for contractual documents.

3. Economy of controls

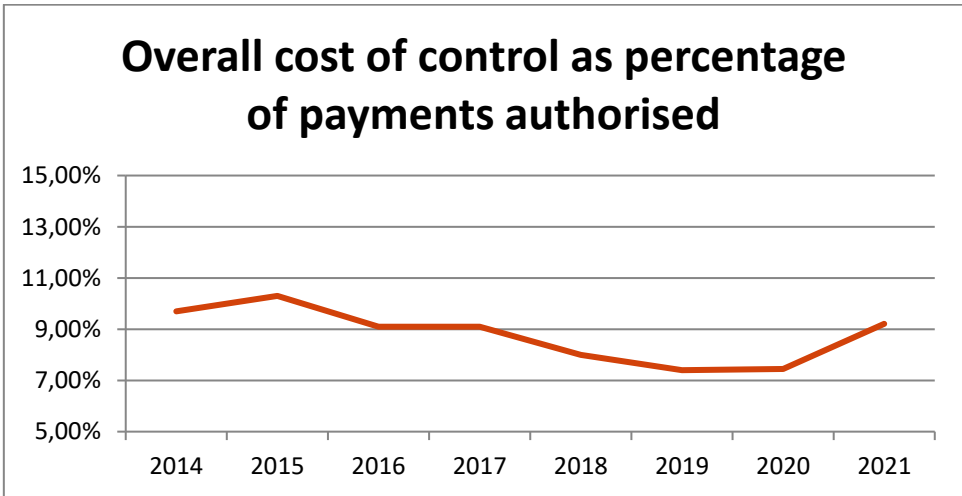
DG Trade quantifies the costs for carrying out the controls described in Annex 6 on the basis of the human resources required for these controls and estimates their benefits, in so far as possible, in terms of the amount of errors and irregularities prevented, detected and corrected by these controls (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 €1.402 million⁵⁰.

Apart from the above mentioned Commission’s own cost of control, there are fees paid to international organizations for their overall administration/management which are, however, broader and cover much more than control operations. In the case of DG Trade this fee represents a 7% flat-rate of the final amount of the direct eligible costs actually incurred, representing a total amount of €0.147 million for the year 2021.

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 and grants. 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 Direct and Indirect Management modes, DG Trade retained a single overall cost of control indicator:



⁵⁰ This corresponds to 10.8 FTE, representing the estimated combined effort of actors in the financial and operational units involved in the execution and verification of financial transactions in DG Trade.

The percentage of cost of controls (see the chart above) reflects the fact that while the overall cost of control remained in 2021 stable compared to previous year, the level of authorised payments decreased by about €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 (€15.23 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 and examines whether it is possible to make it even more cost-effective and efficient.

4. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, DG Trade has assessed the effectiveness, efficiency and economy of 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 to its profile of low spending DG and is the best suited to fulfil the intended control objectives efficiently and at a reasonable cost. The focus is on ensuring an adequate balance between low error rates, timely payments and low costs of controls.

2.1.2. 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 completed audits and on-going audits

The IAS finalised an audit on Human Resources management in DG Trade in January 2020. The audit concluded that DG Trade's internal control system for its human resources management processes is adequately designed and effectively implemented to support the achievement of its operational objectives. The auditors did not find any critical or very important issues but found room for improvement in the following areas: preparation of the new local HR strategy, development of a workload assessment system and revision of the definition and procedures of flexible project teams. Many of the recommendations have been implemented. However, some of them are related to corporate developments which are not yet in place, for example the update of the local HR strategy has been delayed since the Commission's HR strategy is not finalised yet.

The IAS launched an audit in March 2020 on evaluation activities in DG Trade. The IAS published the final report in January 2021, which included one very important recommendation to improve the planning and monitoring of the evaluations. Additionally, the auditors recommended improvements on the internal guidance and learning and development activities and on the communication of evaluation results. DG Trade has put in place the actions agreed with the auditors following these recommendations. The IAS is currently reviewing the implementation of the action plan.

The IAS launched an audit in October 2021 on monitoring of implementation of trade agreements in DG Trade. The IAS started the preliminary work in December 2021 with the objective to finalise the audit report during the fourth quarter of 2022.

In its contribution to the 2021 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 2019-2021 and taking into account the actions plans adopted to implement 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. It followed procedures properly during the investigations and made sure that the parties concerned received equal treatment. However, the ECA recommended some improvements in the following areas: to document the confidentiality assessment, to raise awareness about trade defence instruments, to improve guidance on competition aspects, to improve monitoring of the measures, to fully use the ex officio procedures, and to prioritise the EU's response to third country measures. The measures taken to implement the recommendations that were expected to be completed at the end of 2021 will be finalised during the first quarter of 2022.

The ECA launched in July 2020 a performance audit on EU support to Small and Medium Enterprises Internationalisation. The audit is covering several services: DG GROW (main coordinator), RTD, CONNECT, REGIO, TRADE, DEVCO, COMP, FPI, EU Delegations and EASME and it is still on-going.

In December 2021, the European Data Protection Supervisor (EDPS) published the report following an audit of Internal Rules Restricting Data Subject's Rights under Article 25 of Regulation (EU)1725/2018 covering all European Union Institutions, including Internal Rules related to trade defence instruments and foreign direct investment screening. There were no major findings. Nevertheless, EDPS recommended to review Internal Rules periodically and when necessary, and to involve the Data Protection Officer in the procedure.

All ongoing recommendations are detailed in Annex 7.

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

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

The 2021 assessment of the internal control systems was launched in November 2021 and completed in March 2022 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 2018 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 Declaration);
- The register of exceptions and non-compliance events;
- The IAS opinion on the state of control.

Following this assessment, DG Trade has concluded that its internal control system is effective and the components and principles are present and functioning well overall, but some improvements are needed as minor deficiencies were identified related to: ICP 4 "attract, develop and retain staff" and ICP 12 "control procedures".

The improvements and remedial measures already taken in 2022 were:

- ✓ Implementation of the Action Plan following the recommendations made by the IAS on the audit on the management of evaluations in DG TRADE, notably on improvements in the monitoring of the evaluations, update of the SIA guidance and improvement of the communication guidance (IPC 12).

The improvements and remedial measures envisaged are:

- ✓ Following up on the recommendations by the IAS on the audits on human resources management and management of evaluations in DG Trade, notably on improvements in the preparation of the next DG Trade Human Resources Strategy, improvements in the workload assessment and assessment of flexible project teams (IPC 4);
- ✓ Mitigating actions to improve the controls on staff costs declared by international organizations (IPC 12);
- ✓ 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 organizations working with DG Trade (ICP12).

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

In 2021, DG Trade updated its Risk Register in order 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, the impact of Brexit on trade policy.

Finally, in 2021 there were no non-compliance events discovered, demonstrating the robustness and well functioning of the control system. At the same time, three exceptions have been authorized in 2021, compared to two exceptions from 2020.

DG Trade has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall, but some improvements are needed as minor deficiencies were identified related to principles 4 and 12, as described above.

2.1.4. 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 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 his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

2.1.5. Declaration of Assurance

Declaration of Assurance

I, the undersigned,

Director-General of DG Trade

In my capacity as authorising officer by delegation:

Declare that the information contained in this report gives a true and fair view⁵¹.

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

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

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

Brussels, 31 March 2022

(e-signed)

Sabine WEYAND

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

2.2. Modern and efficient administration – other aspects

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. In 2021, the COVID-19 crisis continued to present particular challenges to the way in which DG Trade operated.

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.

2.2.1. Human resource management

The delivery of DG Trade's mission and objectives are closely linked to the resources available and therefore requires strategic forward looking planning. This is why, in addition to our continuous monitoring and analysis, DG Trade revised in 2021 its local HR strategy, bringing together a number of forward looking elements drawing from the policy perspective.

DG Trade has a highly engaged pool of staff, which was confirmed both in the latest internal DG Trade staff satisfaction survey June 2021 at 77% and in the 2021 Commission Staff Survey at 76%. While, in early 2021 we noted, in the corporate Pulse survey, a decline in the staff engagement index in DG Trade. DG Trade took these results very seriously since they were related not only to the exceptional situation in a Covid-19 context, but most importantly to the very high workload in DG Trade and the political sensitivity of DG Trade's agenda, which put additional pressure on DG Trade's staff. Further actions seeking to improve work-life balance, health and well-being continued to be a priority in 2021 and will remain so in 2022.

Furthermore, DG Trade continued to support its commitment to promote gender equality. While we have fulfilled our target of first appointments of female middle management, we increased further the number of first female appointments and continued our efforts to ensure a balanced pool of AD staff in 2021 worked towards our new target set for end of 2023.

DG Trade continuously analysed and planned how efficiently and effectively it manages its human resources through close collaboration and continuous discussions with senior and middle managers to optimise allocation of human resources for the implementation of DG Trade's policy objectives.

At the same time, we continued to ensure staff engagement through learning and development, well-being and diversity actions in line with the Commission's talent management, diversity and fit@work policy.

Finally, in 2021, DG Trade finalised the preparation of a new Human Resources Strategy 2021-2024, taking into consideration the revision of the DG's priorities and specific objectives as set out in its new Strategic Plan 2020-2024. DG Trade will start implementing

the action plan in 2022 and revise it in accordance with the needs stemming from the results of the 2021 Commission's Staff Survey.

Example of economy and efficiency - HR management

DG Trade, in its efforts to respond to the external economic and geopolitical challenges, with limited human resources coupled with increased workload, has as part of its restructuring which entered into force in July 2020 introduced new flexible ways of working by creating cross-DG project teams. A recent example of a successful project implementation is the project team set up for the implementation of the review of the General System of Preferences Regulation which ensured swift coordination across the DG of a highly complex file and allowed for a high quality output and a timely implementation. Additional project teams covering core trade policy matters were set up in 2021 in a further attempt to address the high workload and sensitive political environment in which DG Trade is operating, for example on WTO reform and China. At the same time, the set up of project teams will also assist in maintaining a high level of staff engagement as it responds to concerns expressed by staff in the latest staff survey.

2.2.2. Digital transformation and information management

DG Trade's specific objective in the area of data protection is based on the Commission's action plan and on the accountability principle. To raise awareness on data protection, the DG Trade Data Protection Coordinator (DPC) continued to provide hands-on specific trainings to staff, with a special attention to all delegated controllers and record editors. This also included awareness raising on the implications of possible restrictions of data subjects rights and of international data transfers, as well as a dedicated information session for DG Trade senior and middle managers. Finally, data protection continued to be part of DG Trade's newcomer 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.

Moreover, the invalidation of the EU-U.S. Privacy Shield (the Schrems II judgement) poses concrete challenges for services transferring personal data to third countries or using international cloud services. DG Trade will continue to assess its processing activities in light of the requirements of the Schrems II ruling and will coordinate with relevant Commission services and IT governance bodies, as well as the Data Protection Officer, to be able to draw from horizontal approaches to similar situations. DG Trade as well as the other Commission services, coordinated by the Data Protection Officer, replied to a request from the European Data Protection Supervisor (EDPS) to all EU institutions to identify and map their international transfers and to report certain categories of transfers and are awaiting the EDPS' reaction. The goal is to minimise the risks linked to ongoing and future international transfers of personal data, notably by informing all data subjects of the legal

situation in which such transfers take place, in order for operations undertaken by the Commission services to comply with EU data protection law.

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).

Digital Transformation: Information is a major asset for DG Trade. There is a need to move away from managing documents in a registry-like fashion to managing the whole lifecycle of information. For that purpose, we have supported collaboration with efficient tools. DG Trade extended the use of corporate tools for information and knowledge management, taking into account its specific security needs. DG Trade therefore developed a more strategic approach to encourage knowledge sharing and collaborative working, in line with the corporate framework, such as developing a share-by-default approach combined with a need-to-know confidentiality scheme. The objective was, among others, to identify the information assets of corporate interest that could be shared with other services, notably for transparency obligations.

DG Trade contributed with four fiches on the below topics to the Digital Transformation initiative, which is part of the European Commission Digital Strategy (ECDS):

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.

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 based on an analysis of the established document management practices for financial files.

The integration of TRADE 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) 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.

2.2.3. 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. Compared to the previous years, 2020 and 2021 were deeply affected by the COVID-19 crisis. The measures imposed to prevent the spread of the virus significantly changed the working arrangements and daily routines of staff. This had a direct impact on the typical elements that create an overall footprint on the environment.

Given this unique situation, DG Trade reviewed its day-to-day activities in order to identify critical areas. Radical restrictions on travels and compulsory teleworking significantly reduced the negative impact of the administration on the environment. On the contrary, an increase of digital waste must be expected due to the virtual working methods that massively replaced personal contacts. No activity was identified as having a critical impact on the environment.

DG Trade promoted the EMAS corporate campaigns at local level to support the Commission to reach its environmental targets in line with the EMAS Global Action Plan 2020⁵². 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 developments⁵³. The actions were limited to electronic communication as all events with physical participation were cancelled for the most of the year.

⁵² Approved by the EMAS Steering Committee on 31/01/2020.

⁵³ All 2021 outputs are detailed in Annex 10.