

EU trade policy digest: June–August 2023

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Recent developments in EU trade policy

European Commission: [Negotiations and agreements](#)

Update

Recent progress in EU trade negotiations with low- and middle-income countries, and key developments in trade policy.

What is changing?

Ongoing EU trade negotiations with low- and middle-income countries

Indonesia

In July 2023, the EU and Indonesia held their 15th round of trade negotiations since talks were launched in 2016. Negotiations are making progress, although they are [reported](#) to be complicated by Indonesia's concerns about the new [EU Deforestation Regulation](#). Talks have intensified in 2023, as both sides want to complete negotiations ahead of the Indonesian elections in 2024.

India

Initially intended to be completed before the end of 2023, talks on trade, investment protection and geographical indications (GIs) between the EU and India were relaunched in 2022 after a 10-year pause. India's concerns about the EU's new [Carbon Border Adjustment Mechanism](#) (CBAM) are reported to have complicated talks ([Politico 2023](#)). EU demands on data protection and digital information flows are another source of friction ([Euractiv 2023](#)). The latest round of negotiations was scheduled for the end of August, in conjunction with the G20 Trade and Investment Ministerial Meeting at Jaipur on 24–25 August.

Kenya

In June the EU agreed an Economic Partnership Agreement (EPA) with Kenya ([European Commission 2023](#)). The EPA is a follow-up to EU negotiations with the broader East African Community (EAC). Although agreement on a regional EPA was reached in 2014, the other members of the EAC – all of them “Everything But Arms” (EBA) countries that already benefit from zero duties – did not agree to ratify the agreement. These other EAC members allowed Kenya to continue its own negotiations with the EU, on condition that they are permitted to sign up to the EPA in the future.

The EPA ensures zero-duty import tariffs on all Kenyan products, including agricultural products exported to the EU market. Kenya will first liberalise the equivalent of 64% of existing trade, rising to 82% after 7 years. It will retain import tariffs (25% duty) on a wide variety of agricultural produce considered to be “sensitive products” (products that are particularly sensitive to competition from imports from other country suppliers).

The [text of the agreement](#) now needs to be verified before being sent to the Council of the EU for signature and to the European Parliament for consent.

Mercosur

At a summit in July, the EU and Brazil continued to seek a conclusion of talks on a trade agreement between the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay) and the EU. Talks were intended to have completed by the end of 2023. An [agreement between the two blocs](#) was provisionally reached in 2019. But since then, EU concerns about deforestation have led to a request that Mercosur should sign up to [additional commitments](#) on stopping deforestation and protecting labour rights. EU Member States and the European Parliament will approve the deal only with such guarantees.

A further possible obstacle to a final deal emerged during the July talks when Brazilian president Lula da Silva demanded a change to the previously agreed rules that oblige Mercosur countries to open up tenders for government contracts to competition from EU companies ([Reuters 2023b](#)). Finalisation of talks this year now looks unlikely.

Mexico

The EU–Mexico Economic Partnership, Political Coordination and Cooperation Agreement was signed in 2000. In April 2018, the EU reached an “agreement in principle” on a new trade deal, and talks to finalise the deal have continued since then. The [draft agreement](#) eliminates tariffs on a range of agricultural exports, including orange juice, tuna, asparagus, honey, egg white albumin, and some meat products. The Commission proposes separating the trade and investment parts of the text (as was done in negotiations with Chile). While a trade deal can be approved by the European Parliament, new investment protection rules must be ratified by EU Member State national governments. Splitting the texts into two agreements would avoid delays such as those faced by the EU–Canada Comprehensive Economic and Trade Agreement (signed in 2016 but not yet ratified by all Member States).

In July 2023, European Commission President Ursula von der Leyen expressed confidence that talks could be completed within months ([Reuters 2023c](#)). Once finalised, the legal text of the agreement will be sent to the Council of the EU and the European Parliament for adoption.

EU trade policy

Extension of current GSP rules

The existing Generalised Scheme of Preferences (GSP) that provides certain low- and middle-income countries with preferential access to the EU is due to expire on 31 December 2023. The European Commission's proposal for a renewed GSP intends to create a system that is aligned to EU sustainability goals and is more responsive to the needs of developing countries. The Council and European Parliament are currently negotiating this proposal, but discussions have been complicated on certain issues, notably the introduction of a link between GSP status and the willingness of countries to accept the return of nationals when deported from the EU ([European Parliament 2023](#)). To provide sufficient time for the new GSP to be agreed, the Commission has proposed to extend the existing [GSP rules](#) until 2027.

Continued trade benefits for Ukraine

In June 2023, the EU extended for another year the autonomous trade measures that suspend import duties, quotas and trade defence measures on Ukrainian exports. [Temporary measures](#), which were adopted in May 2023 to manage logistical bottlenecks relating to increased imports of wheat, maize, rape seed and sunflower seed from Ukraine, are due to be phased out by 15 September.

Forced labour proposal

In September 2022, the Commission proposed to [prohibit products associated with forced labour](#). This proposal gives new powers to EU Member States to investigate potential labour abuses on the basis of risk analysis. It requires EU businesses to perform due diligence to ensure products they sell are not produced using forced labour. The Commission's proposal is currently being negotiated by the Council of the EU and the European Parliament. The Parliament's International Trade Committee, responsible for examining the Commission proposal, has focused on whether SMEs should be excluded from the legislation; and on whether EU Member States would have sufficient resources to enforce the legislation or a centralised European enforcement body would be needed. There is also debate about whether businesses or authorities should bear the burden of proving the use of forced labour, and whether the Regulation should include provisions for compensating victims of abusive labour practices. The International Trade Committee is due to vote on its negotiating position in September 2023, which will then be put to the Parliament for adoption. EU Member States have also considered the proposal in the Council of the EU, but have not yet reached a common position. Their work will continue in September.

Deforestation Regulation and FAQs

On 9 June 2023, the European Commission published the Regulation on deforestation and forest degradation that was agreed by EU institutions in December 2022. The new rules have significant implications for operators in the cattle, cocoa, coffee, palm oil and soya value chains in low- and middle-income countries (see [Deforestation-free commodities and products](#)). In response to questions from various stakeholders about the Regulation, the Commission has issued a [Frequently Asked Questions](#) document to support operators and traders, in particular SMEs.

The new rules respond to the alarming rate of deforestation resulting from the expansion of agricultural land to produce certain commodities. As European consumption of these commodities and related products contributes indirectly to deforestation, the EU aims to curb this practice to reduce the associated greenhouse gas emissions and biodiversity loss.

Resources

EU-Mercosur [Joint Instrument](#). Version of February 2023.

Euractiv (2023) [EU, India kick off digital cooperation with underlying frictions on data](#), 17 May.

European Commission (2023) [EU and Kenya conclude negotiations for an ambitious Economic Partnership Agreement with strong sustainability provisions](#).

European Parliament (2023) [MEPs pause GSP negotiations as Council hijacks scheme for migration agenda](#), 27 June.

Politico (2023) [Trade tensions simmer ahead of EU-India summit](#), 15 May.

Reuters (2023a) [Indonesia accuses EU of 'regulatory imperialism' with deforestation law](#), 8 June.

Reuters (2023b) [Brazil's Lula calls for 'common sense' negotiations on EU-Mercosur trade pact](#), 24 June.

Reuters (2023c) [Von der Leyen 'confident' EU-Mexico trade talks will conclude soon](#), 18 July.

Sources

European Commission: [Negotiations and agreements](#)

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