

**EU TRADE POLICY
SEPTEMBER–
DECEMBER 2023**

QUARTERLY TRADE DIGEST





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AGRINFO summary of progress in EU trade negotiations with low- and middle-income countries, and key developments in trade policy

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AGRINFO prepares quarterly briefings on the latest developments in EU trade policy and trade negotiations that concern low- and middle-income countries. These are designed to highlight the topics of current interest, in particular for policymakers and public authorities. Links are given to resources where more detailed information can be found, including the official EU website on trade [Negotiations and agreements](#).

KEY POINTS

EU negotiations with low- and middle-income countries

India: Some progress has been reported in the negotiation of three agreements on trade, investment, and GIs. But there are still major hurdles in relation to dispute settlement, sustainable development, and intellectual property rights. Progress on GIs has been slow due to changes in Chief Negotiators.

Kenya: Finalisation of the EU–Kenya Economic Partnership Agreement (EPA) moves closer, with both sides signing in December 2023. The Agreement will remove import tariffs on all goods exported from Kenya to the EU. Kenya will remove import tariffs on the majority of goods over the coming 15–25 years – but, notably, agricultural products will be excluded.

Mexico: Although the EU and Mexico hoped to finalise talks in 2023 on a new modernised agreement to replace the existing one signed in 2000, differences in relation to energy and the structure of the agreement mean that talks will continue in 2024.

Mercosur: Since provisional agreement was reached in 2019, the EU has asked Mercosur countries for additional guarantees that they will stop deforestation and protect labour rights. This is viewed to have become less likely with the election of environment sceptic Javier Milei as Argentinian President. Both sides have announced the continuation of negotiations in 2024.

Thailand: Talks with Thailand were relaunched in September 2023, following the suspension of talks since 2014 due to the military takeover in Thailand. A second round of discussions will be held in January 2024.



KEY POINTS

Trade policy

New EU–OACPS Samoa Partnership Agreement: The EU and ACP countries have agreed a new legal framework for their relations, which replaces the Cotonou Agreement. It sets out the commitments of both sides to address global challenges, including economic growth and sustainable development, human rights and democracy, peace, and security. The Agreement is not a trade deal, so does not reduce import duties or introduce quotas.

EU extends GSP rules: The EU has extended the current generalised scheme of tariff preferences (GSP) until 31 December 2027. The scheme was due to be revised by the end of 2023, but the EU has not yet agreed on these revisions. The extension will provide more time for discussion on a new scheme.

European Parliament critical of EU–South African Development Community (SADC) Agreement: A draft International Trade Committee report, due to be adopted in January 2024, is critical of the implementation of the EU–SADC Agreement in application since 2016. While some growth in trade has been established, the Committee monitoring the Agreement found no substantial improvements in food sovereignty or poverty reduction.

Commission report shows limited benefits of preferential trade agreements for agri-food products: The Commission’s review of trade in 2022 found that general growth in trade is greater between the EU and countries that have a preferential trade agreement with the EU, compared to countries that do not have such an agreement. In contrast, growth in trade specifically in agri-food products was greater for those countries *without* a preferential trade agreement.



EU NEGOTIATIONS WITH LOW- AND MIDDLE-INCOME COUNTRIES

India

The EU and India are negotiating three separate agreements related to trade, investment, and the protection of geographical indications (GIs). In relation to trade, a third round of negotiations was held in October, with some progress reported. However, the positions of the two sides continued to diverge in relation to dispute settlement, trade, sustainable development, and intellectual property rights, with India reluctant to agree commitments beyond those required by World Trade Organization law.

Four rounds of talks have taken place on GIs, with some delays in further negotiations due to changes in the Chief Negotiators. The EU is reviewing its own GI system to include non-agricultural products (see [Revision of the EU geographical indications scheme](#)). This is expected to facilitate negotiations on GIs with India regarding protecting GIs for handicrafts ([Commission 2023d](#)).

Kenya

The EU–Kenya Economic Partnership Agreement (EPA) moved one stage closer to finalisation with its signing by both parties in December 2023. The [new agreement](#) will come into force once Kenya and the EU have completed their respective legal processes, including securing the consent of the European Parliament (currently expected in February 2024).

Once it enters into force, Kenya will be able to export all goods to the EU free of import tariffs. Import tariffs on the majority of goods exported from the EU to Kenya (equivalent to 83% of current imports in value terms) will be phased out gradually over the coming 15–25 years. However, there is a list of agricultural products (including specific meat, fish, dairy products, fruit, vegetables, spices, rice, flours, and oils) for which there will be no reduction in tariffs (Annex II (d)).

The Agreement has a chapter on agriculture, which includes the aim to support Kenya’s diversification of agricultural exports and the development of value-added agricultural products. It foresees the establishment of a Kenyan-EU Agriculture Dialogue, a forum aimed at addressing issues including raising farm incomes, food security, sustainable use of resources, and rural development/economic growth (Art. 60)

The Agreement also includes a chapter on sustainable agricultural development (Annex V), described by the European Commission as the “the most ambitious EU trade deal with a developing country when it comes to sustainability provisions such as climate and environmental protection and labour rights” ([Commission 2023a](#)). This chapter aims to increase scrutiny of labour standards, gender equality, good environmental governance, and action on climate change and biodiversity. It promotes greater involvement of a domestic advisory group bringing together stakeholders (such as NGOs, business organisations, and trade unions) to advise on the Agreement's implementation.

An EPA was first agreed in 2016 between the EU and the East African Community (EAC). However, this EPA could not be implemented as not all EAC partner countries signed and ratified the agreement. The EAC subsequently allowed Kenya to move forward separately with a bilateral trade deal.

For further information, see the Commission webpage [The EU–Kenya agreement explained](#).



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 in negotiations with Chile). A trade deal can be approved by the European Parliament, whereas 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 2023](#)). However, by the end of 2023 no deal had been reached due to divergent views on energy and the overall structure of the agreement ([Gijs 2023](#)).

Mercosur

Following a summit in July, EU and Brazilian officials had expressed hopes that talks on a trade agreement between the Mercosur countries (Argentina, Brazil, Paraguay, and Uruguay) and the EU would be completed by the end of 2023. However, no agreement could be reached on a protocol setting out additional commitments on stopping deforestation and protecting labour rights. EU Member States and the European Parliament have indicated that they will only approve the deal if stronger guarantees in these areas are given. Some Members of the European Parliament supportive of a new protocol have expressed doubts that sufficient guarantees can be provided by Mercosur following the election of Javier Milei as president of Argentina in November 2023 ([Schieder et al. 2023](#)). Milei questioned the scientific basis of climate change throughout his presidential campaign ([El País 2023](#)). In a December joint press statement ([European Commission 2023c](#)), both sides referred to the “considerable progress ... made in the past months” and the intention to continue negotiations with the “hope to promptly achieve an agreement which corresponds to the strategic nature of the ties binding both parties and the crucial contribution they can offer to address the global challenges in areas such as sustainable development, reduction of inequality and multilateralism”.

Thailand

A first round of relaunched negotiations towards a new free trade agreement (FTA) between the EU and Thailand took place in September 2023. Earlier negotiations were suspended in 2014 following a military takeover in Thailand. The FTA will address a wide range of issues affecting trade, including import tariffs, the effective management of sanitary and phytosanitary rules, and GIs, with sustainability forming a central part of discussions ([Commission 2023b](#)). A second round of discussions will be held in January 2024.

See the EU webpage [Negotiations and agreements](#): scroll down to download Overviews and a Map summarising the state of play of EU trade agreements.



EU TRADE POLICY

New EU–ACP Samoa Partnership Agreement applies from 1 January

The “Samoa” Partnership Agreement between the EU and Members of the Organisation of African, Caribbean and Pacific States (OACPS), which establishes a legal framework for relations between the EU and ACP countries, applies from 1 January 2024. The Agreement replaces the previous Cotonou Agreement. It sets out the commitments of both sides to address global challenges, including economic growth and sustainable development. It focuses on human rights and democracy, peace and security, human/social development, sustainable economic growth, climate change, and migration. The Samoa Agreement is not a trade deal, so does not include trade arrangements such as import duties and quotas. However, it does set out basic principles for trade cooperation. See [EU–ACP Samoa Partnership Agreement](#).

EU extends current generalised scheme of tariff preferences rules

The EU has extended the current generalised scheme of tariff preferences (GSP) until 31 December 2027. An extension is needed because the GSP scheme was set to expire at the end of 2023, and the EU has not yet agreed how the rules should be revised. The extension provides more time for the EU to conclude internal negotiations. See [Extension of scheme of generalised tariff preferences \(GSP\)](#).

European Parliament report critical of EU–South African Development Community (SADC) Agreement

The EU EPA with six southern African countries (Botswana, Eswatini, Lesotho, Mozambique, Namibia, South Africa) is the first between the EU and the Africa region, and has applied since 2016. Following two missions to monitor implementation of this EPA, the European Parliament's International Trade Committee has drafted a report reviewing its progress. The Committee is due to adopt the report in January 2024.

The Committee welcomes the expansion in trade relations, and the fact that the SADC EPA States have achieved a trade surplus, but notes that, with the exception of South Africa, these exports are largely unprocessed agricultural products. Despite advances in trade, the Committee concludes that the EPA has not “substantially contributed to the promotion of food sovereignty and poverty reduction in the SADC EPA States”. It calls on the Commission and EU Member States to increase technical assistance and expand its communication and cooperation with SADC EPA States. The European Parliament has published a background study on the implementation of this EPA ([EPRS 2023](#)).

European Commission report demonstrates limited benefits of FTAs for agri-food products

On 15 November 2023, the European Commission published its [3rd Annual Report on the Implementation and Enforcement of EU Trade Policy](#) pointing to a greater growth in trade in 2022 between the EU and those partners that have preferential trade arrangements with the EU. The EU has 42 preferential trade agreements involving 74 countries. Growth in trade (excluding energy products) grew by 21.2% in value with preferential partners, compared to 18.9% with trading partners without an agreement. Among low- and middle-income preferential trading partners, Turkey is the largest with 8.1% of this trade, followed by Mexico (3.2%), Vietnam (2.6%), and Ukraine (2.4%).



However, while trade agreements were generally relatively good for trade, this was not the case for the agri-food sector. Agri-food trade with preferential partners grew by 21.2% compared to 23.3% with non-trade agreement partners. The EU is the largest trader in agri-food products, with €171 billion of imports and €229 billion of exports. The volumes of agri-food products traded in 2022 generally did not decrease in spite of global price increases.

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