

**EU TRADE POLICY
JANUARY–MARCH 2024**

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: There has been some progress in negotiating three agreements – on trade, investment, and geographical indications – in relation to intellectual property rights, and sanitary and phytosanitary (SPS) measures. However, there is still disagreement on other key issues, including trade and sustainable development. The next round of negotiations will be after the Indian elections in May and June.

Indonesia: “Very good progress” has been reported at talks held in February, with 11 of the 20 chapters of the proposed Indonesia–EU Comprehensive Economic Partnership Agreement (CEPA) completed. However, there is still disagreement on several issues, including trade and sustainable development, and import/export restrictions. The aim is to complete these talks by the end of 2024.

Kenya: The European Parliament has approved the EU and Kenya Economic Partnership Arrangement (EPA) signed in 2023. The EPA 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. The agreement now just needs the formal approval of the Council of the EU (Member States) before entering into force.

Philippines: In March 2024, the EU and the Philippines officially resumed talks on a Free Trade Agreement, which have been on hold since 2017. The EU is aiming for a comprehensive agreement that includes improved market access for agri-food products, more efficient SPS procedures, sustainable food systems, and protected geographical indications for agricultural products. The first round of negotiations is due to take place later this year.

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. Further discussions were expected in February, but a visit to Brazil by EU Commission Vice-President Dombrovskis was cancelled. The proposed deal with Mercosur has been one of the primary criticisms by farmers who have been protesting across Europe in January to March. Some Member States, notably France, are also outspoken critics of the deal. No further progress in talks is expected before the European elections in June 2024.



KEY POINTS

Trade policy

EU fails to agree new GSP rules: The EU institutions have failed to reach agreement on a European Commission proposal for new rules for managing the Generalised Scheme of Preferences (GSP) that establishes reduced tariffs for lower- and lower-middle-income countries. Agreement has not been possible due to some EU Member States' demands to link developing countries' advantageous access to the EU market with those countries' commitments on the readmission of migrants. There was also disagreement on mechanisms proposed by the European Parliament to limit imports of rice. The new European Parliament, to be elected in June 2024, will have to decide how to proceed with the Commission's proposal.

EU reaches agreement on prohibition of products made with forced labour: EU has reached an agreement on new rules to prohibit the sale of products made with forced labour, including agricultural products. The new Regulation will establish information, investigation, and enforcement systems to prevent these products entering the EU market. The new rules will apply from 2027.

European Commission sets out EU's agricultural trade vision: In February, Vice President Dombrovskis presented the Commission's view on the impact of trade on EU agriculture to the European Parliament. Europe's farmers are highly critical of trade deals and increased imports, but trade deals offer them significant benefits in terms of increased exports and lower cost inputs. He highlighted the role the EU could play through trade in enhancing environmental standards around the world, but emphasised the importance of following WTO rules, rather than introducing EU regulations in response to fears that EU agriculture cannot compete with trading partners.

"Graduation" of Bhutan from special EBA status: The Commission has announced that from January 2028 Bhutan, due to its economic development, will no longer benefit from the Everything But Arms (EBA) special arrangement that currently provides duty-free and quota-free market access to the EU market. Bhutan will still benefit from the general preferential tariff arrangement under the GSP.

EU supports WTO initiative to improve special and differential treatment: The EU supported initiatives agreed at the World Trade Organization (WTO) Ministerial Conference in February–March 2024 to improve the capacity of developing-country WTO members to comply with technical regulations affecting agri-food trade, including better training and technical assistance, and improved information on notification of new measures.

Commission report highlights benefits of trade agreements for agri-food trade: a recent study analysing trade agreements that have been negotiated but not yet implemented (with Australia, Chile, India, Indonesia, Malaysia, Mercosur, Mexico, New Zealand, the Philippines, and Thailand) shows that these deals would increase both imports and exports of agri-food products by €3–4 billion by 2032, compared to if these agreements are not implemented. Trading partners would benefit most in the beef and veal, poultry, rice, and sugar sectors, with growth also in exports of cheese, pig meat, and sheep meat.



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. At the latest negotiations in February 2024, the EU reported progress on intellectual property rights, but divergence on other key issues ([European Commission 2024a](#)). Agreement was reached in relation to several aspects of the sanitary and phytosanitary (SPS) chapter, including agreement on processes regarding emergency measures, import checks, and listing of establishments. Agreement has also been reported in relation to the chapter on sustainable food systems. Discussions on trade and sustainable development are more complex, with significant divergences on many issues. The next round of negotiations will be held in Brussels after the Indian elections in May and June.

Indonesia

The EU and Indonesia are reported to be making “very good progress” in negotiations of an Indonesia-EU Comprehensive Economic Partnership Agreement (CEPA) ([European Commission 2024b](#)). Talks in February 2024 reached provisional agreement on three chapters including sustainable food systems, bringing the total of agreed chapters to 11 out of 20 ([Jakarta Globe 2024](#)). Discussions on trade and sustainable development have advanced, but there is disagreement on the scope and purpose of this chapter. Outstanding disagreements on import and export restrictions are also complicating the finalisation of agreement on market access. Nevertheless, there is optimism that these trade talks can be completed by the end of 2024 ([ANTARA 2024](#)).

Kenya

In February 2024, the European Parliament approved the EU-Kenya Economic Partnership Agreement (EPA) signed in December 2023. The new agreement ([European Commission 2023a](#), [2023b](#)) can enter into force upon approval by the Council of the EU (Member States).

Once the EPA is in force, Kenya will be able to export all goods to the EU free of import tariffs. For most goods exported from the EU to Kenya (83% of current imports in value terms), import tariffs will be phased out gradually over the coming 15–25 years, except for 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 EPA supports Kenya’s diversification of agricultural exports and the development of value-added agricultural products. It foresees the establishment of a Kenya–EU Agriculture Dialogue aimed at raising farm incomes, improving 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) that aims to increase scrutiny of labour standards, gender equality, good environmental governance, and action on climate change/biodiversity. A domestic advisory group bringing together stakeholders (such as NGOs, business organisations, and trade unions) should advise on the implementation of the EPA. The European Commission describes this agreement 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” ([European Commission 2023c](#)).



An earlier agreement previously agreed in 2016 between the EU and the East African Community (EAC) could not be implemented as not all EAC partner countries signed and ratified it. The EAC therefore allowed Kenya to move forward separately with a bilateral trade deal.

Philippines

In March 2024, the EU and the Philippines announced the official resumption of negotiations for a Free Trade Agreement ([European Commission 2024c](#)). Talks had been on hold since 2017 due to concerns about human rights under former Philippine president Rodrigo Duterte. The EU is the Philippines fourth largest trade partner, while the Philippines is the EU's seventh most important trading partner in the Indo-Pacific region. The Philippines is of particular interest to the EU due to major reserves of raw materials, including nickel, copper, and chromite, that are particularly relevant to green technologies.

The Philippines also has a pressing interest in securing a deal. Due to strong economic growth, the country is expected to soon be reclassified as an upper-middle-income country, meaning it would no longer be eligible for preferential access to the EU market under the EU's General Scheme of Preferences ([Euractiv 2023](#)), potentially from 2028. The EU is aiming for a comprehensive Free Trade Agreement which, in addition to improved market access for agri-food products, includes discussions on more efficient SPS procedures, sustainable food systems, and protected geographical indications for agricultural products. The first round of negotiations is due to take place later this year.

Mercosur

The trade deal with Mercosur countries (Argentina, Brazil, Paraguay, and Uruguay) is one of the primary concerns raised by farmers protesting in Brussels over the past few months ([Euractiv 2024a](#)), and there has been little prospect of finalising the deal negotiated in 2019. No agreement has been reached yet 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.

Further discussions were expected in February, but a visit to Brazil by European Commission Vice President Valdis Dombrovskis was cancelled. The French president, Emmanuel Macron, has been particularly outspoken against the negotiated deal, calling for an "in-depth review of the European logic and approach" ([Euractiv 2024b](#)). No further progress in talks is expected before the European elections in June 2024.

See European Commission: [Negotiations and agreements](#) for "Overview of ongoing bilateral and regional negotiations" and "Map showing the state of play of EU trade agreements with third countries" (direct downloads, end of "In Focus" section).



EU TRADE POLICY

EU fails to agree new GSP rules

The EU institutions have failed to reach agreement on a Commission proposal for new rules for managing the Generalised Scheme of Preferences (GSP), which establishes reduced tariffs for lower- and lower-middle-income countries. Negotiations collapsed in June 2023. The Council of the EU (Member States) attempted to agree new rules before the upcoming European elections in June 2024, but disagreements continued about linking less-developed countries' access to the EU market to commitments on the readmission of migrants, and about mechanisms to limit imports of rice. See [Extension of scheme of generalised tariff preferences \(GSP\)](#). As a result, the new European Parliament, to be elected in June 2024, will have to decide how to proceed with the Commission's proposal.

EU reaches agreement on prohibition of products made with forced labour

The European Parliament and the Council of the EU have now reached an agreement on new rules to prohibit the sale of products (including agricultural products) made with forced labour. The new Regulation will establish information, investigation, and enforcement systems to prevent these products entering the EU market. The Regulation is expected in the second quarter of 2024. The new rules will apply from 2027. For further information, see [Prohibition of products made with forced labour](#).

European Commission sets out EU's agricultural trade vision

Amid farmer protests continuing in Brussels throughout January to March ([Euractiv 2024a](#)), and increasing calls by members of the European Parliament to ensure that imported products are produced in conditions that "mirror" those in the EU, European Commission Vice President Valdis Dombrovskis appeared before the European Parliament's Agriculture Committee in February to discuss the impact of trade on EU agriculture. Criticism of alleged low-standard imports and trade deals negotiated by the European Commission are among the issues raised by protesting farmers.

In his speech ([European Commission 2024d](#)), Dombrovskis set out the Commission's vision on agricultural trade:

- growth in EU agri-food exports and access to lower-cost inputs such as animal feed show that agricultural trade is good for Europe
- Europe's farmers benefit from trade agreements such as the Comprehensive Economic and Trade Agreement (CETA) with Canada, which has led to EU pig meat and beef exports more than doubling
- including environmental conditions in trade agreements (e.g., liberalising trade of eggs with Mercosur if animal welfare is respected) or demanding certain production standards (as under the new EU Deforestation Regulation) can positively contribute to sustainable production
- all measures must be compliant with international commitments in the World Trade Organization (WTO) and "must be justified by global environmental reasons or ethical concerns, never by competitiveness concerns or level playing field considerations".



“Graduation” of Bhutan from special EBA status

Bhutan benefits from the special arrangement for least-developed countries known as “Everything But Arms” (EBA) that provides duty-free and quota-free access to the EU market for all products except arms. Since December 2023, according to UN criteria Bhutan is no longer a least-developed country. This means that Bhutan no longer qualifies for EBA status under EU law.

Bhutan has 3 years to adjust to new trading relations with the EU. From 1 January 2028, the country will no longer benefit from the special arrangement, but it will still benefit from the Generalised Scheme of Preferences (GSP). A [proposed Regulation](#) formalising this change has been put to the European Parliament and Council of the EU for approval.

EU supports WTO initiative to improve special and differential treatment

At the World Trade Organization (WTO) Ministerial Conference in February–March 2024, members agreed to the following initiatives to improve the capacity of WTO members that are developing countries to manage technical regulations that complicate trade in products, including agri-food products ([WTO 2024](#)).

- Improved training and technical assistance provided under the WTO Technical Assistance and Training Plan.
- Improved information on comment periods for notifications of new Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) measures.
- Enhanced implementation of special and differential treatment for developing-country WTO members in the SPS and TBT agreements.

These initiatives are supported by the EU (Decision [2024/998](#)).

Commission report points to benefits of trade agreements for agri-food trade

A recent study by the European Commission’s Joint Research Centre ([Ferrari et al. 2024](#)) highlights benefits of free-trade agreements for both importers and exporters. It focuses on agreements that have been negotiated, but not yet implemented, with Australia, Chile, India, Indonesia, Malaysia, Mercosur (Argentina, Brazil, Paraguay, and Uruguay), Mexico, New Zealand, the Philippines, and Thailand. The study (summarised in [European Commission 2024e](#)) anticipates that implementation of these agreements would lead to an additional €3–4 billion of exports to the EU (an increase between 11 and 15%) for the countries concerned by 2032, compared with if these agreements are not implemented. The greatest growth in exports would be from Mercosur countries, with beef and veal, poultry, rice, and sugar sectors benefiting the most, and growth also in exports of cheese, pig meat, and sheep meat. Implementation would lead to a comparable increase in exports of EU agri-food products to those countries, meaning that the overall trade balance between the EU and the 10 trading partners would remain largely unaffected.



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