EU TRADE POLICY SEPTEMBER–DECEMBER 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

Mercosur: The European Union and Mercosur have finalised technical negotiations on a revised Partnership Agreement, addressing key concerns about deforestation, climate protection, and labour rights by embedding the Paris Agreement into their relationship, and including enforceable commitments. Provided the Agreement has sufficient domestic support on both sides, it could enter into force in the second half of 2026.

Eastern and Southern African States (ESA5): The European Commission reported that progress has been made in negotiations for an Economic Partnership Agreement with the ESA5 (Comoros, Madagascar, Mauritius, Seychelles, and Zimbabwe). Advances have been made in relation to rules of origin, labour and environmental standards, economic development cooperation, and dispute settlement.

India: Progress in the EU–India Free Trade Agreement negotiations is reported to be slow, with limited advances made on market access, but with some progress on sanitary and phytosanitary (SPS) measures. There are still key challenges in relation to rules of origin and security-related exceptions.

Philippines: In October 2024, the EU and the Philippines began negotiations on a Free Trade Agreement covering areas including sustainable food systems, market access, and trade development. The second round of negotiations is scheduled for February 2025.

KEY POINTS

Trade policy

Ban on products made with forced labour: The EU has published a Regulation banning the import and sale of products made with forced labour. This will be effective from December 2027, and will cover all stages of production including agriculture.

New Trade Commissioner: The European Commission's new Trade Commissioner, Maroš Šefčovič, plans to deepen ties with developing countries. He emphasises the Generalised Scheme of Preferences Plus (GSP+) as a key tool to promote sustainable development and to advance rights. His priorities will include completing the GSP Regulation review, modernising Economic Partnership Agreements, exploring Sustainable Investment Facilitation Agreements in Africa, and evaluating the EU's rules of origin.

EU annual trade policy report: In its September report, the European Commission highlighted the integration of trade and sustainable development policies. This includes greater engagement of civil society, and dialogue on labour and human rights issues.

Steps towards new EU Customs Union: Poland currently holds the rotating Presidency of the Council of the EU. It has made customs reform a priority, aiming to reach an agreement on the European Commission's initial proposal by June 2025. That proposal includes creating a centralised Customs Data Hub to replace national systems, and establishing a European Customs Authority to improve risk analysis and controls.

European Court of Justice ruling on EU–Morocco trade agreement: The ECJ has ruled that the rights of the people of Western Sahara were breached by the conclusion of an EU–Morocco trade agreement. The Court judged that the European Commission had not consulted the people of Western Sahara sufficiently, reaffirming a previous decision by the General Court.

European Court of Justice ruling on use of EU organic production logo on imported products: The ECJ has ruled that only products fully meeting EU organic standards can use the EU organic production logo, including in the context of a trade agreement. Organic products imported on the basis of a trade agreement, but not fully compliant with EU organic requirements, may be labelled with the organic logo permitted in the country of production, but not the EU logo.

Evaluation of EU–SADC Economic Partnership Agreement: The European Commission has published a mixed evaluation of the EPA between the EU and six Southern African Development Community (SADC) countries. It notes positive trade impacts, but also highlights significant weaknesses in governance, and some unresolved issues such as sanitary and phytosanitary (SPS) matters.

EU NEGOTIATIONS WITH LOW- AND MIDDLE-INCOME COUNTRIES

Mercosur

The EU and Mercosur have completed technical negotiations on a new Partnership Agreement, including a revision of import tariffs for agricultural trade. (Mercosur comprises Argentina, Brazil, Paraguay, and Uruguay.)

Although a technical agreement was previously reached in 2019, certain EU Member States and the European Parliament indicated that they would only approve the deal if stronger commitments were given by Mercosur countries towards stopping deforestation, and protecting the climate and labour rights. The revised Agreement addresses these concerns by making the Paris Agreement an essential element of the EU–Mercosur relationship, including concrete commitments to help reduce deforestation, and creating enforceable commitments on labour rights and the management of forest conservation. The Agreement also commits the EU to provide €1.8 billion in support of a fair green and digital transition in Mercosur countries (European Commission 2024a).

The Agreement includes significant market concessions for agricultural products in the form of tariff reductions, and tariff rate quotas for more sensitive products. These include a 99,000 tonne tariff rate quota for fresh and frozen beef, and a poultry quota of 180,000 tonnes, both to be phased in over 5 years. For further information on all market access concessions, see EU–Mercosur Partnership Agreement.

Although a political agreement has been reached between the EU and Mercosur, a number of significant steps need to be taken before new trading conditions apply. The agreed text needs to be checked by lawyers, translated into different languages, and checked by both sides (a process that takes around 6 months). The text needs the approval of the Council of the EU (Member States) and the European Parliament (also a 6-month process), as well as the approval of Mercosur. However, a number of Member States and stakeholders (including European producers) have expressed significant hostility towards the Agreement. If the Agreement receives the necessary support, it could enter into force in the second half of 2026.

Eastern and Southern African States

The European Commission has reported good progress in trade and investment negotiations with five Eastern and Southern African States (ESA5): Comoros, Madagascar, Mauritius, Seychelles, and Zimbabwe. These negotiations aim to deepen the Economic Partnership Agreement established in 2012. The latest round of talks took place in late September and October.

Good progress was reported in relation to the chapter on rules of origin, with specific rules adopted for many products, but with further negotiations required in relation to cumulation of origin. Both sides managed to reach agreement on several provisions related to labour and environmental standards, although the ESA5 emphasise the need for adequate support in order to implement legally binding commitments related to sustainable development. The EU has underlined the importance of ambitious commitments by the ESA5 in this area.

Further discussions are still required in relation to geographical indications, although discussions were reported to be constructive. Advances were also made in relation to economic development cooperation and dispute settlement. One remaining area of contention is the role that can be played by civil society in monitoring the implementation of the Agreement, given that structures for consulting non-state actors may not be in place in all countries (European Commission 2024b).

India

The 9th round of negotiations on the EU–India Free Trade Agreement took place in New Delhi in September 2024, focusing on a few core chapters of the Agreement, such as market access. Although discussions on trade in goods provided clarity on certain areas of sensitivity, "very limited progress was achieved" in terms of concluding the market access chapter. Better progress was reported in relation to SPS measures, with significant discussions on procedures for listing of establishments, transparency, and equivalence. Other more problematic areas of negotiation included rules of origin, and establishing general exceptions that could be invoked to deviate from commitments, for example in relation to security issues (European Commission 2024c).

The next round of negotiations is expected in the first quarter of 2025.

Philippines

In October 2024, the EU held a first round of negotiations with the Philippines on a Free Trade Agreement (European Commission 2024d). Discussions were held in 19 negotiating groups on a wide range of areas, including sustainable food systems, SPS measures, market access for goods and trade, and sustainable development. The EU has submitted proposals as a basis for discussion (European Commission 2024e). The second round of discussions will take place in the Philippines in February 2025.

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

EU publishes regulation banning forced labour

In December 2024, the EU published a new Regulation prohibiting the sale of products made with forced labour, including agricultural products. The new rules will apply from 14 December 2027.

The new Regulation prohibits the import and sale (including online) of products made with forced labour, including forced child labour. This covers all stages including production, harvest, and processing of agricultural products.

The new Regulation establishes information systems and organisational structures to investigate suspected cases of forced labour. It also specifies and the steps the EU may take to prohibit and remove from the market products associated with forced labour. It does not create specific new obligations ("due diligence") for businesses to ensure that they do not put such products on the market. However, if there is a suspicion that forced labour has been used in a product's production, businesses that can demonstrate they have made efforts to adopt practices to identify, prevent, mitigate, end the use of forced labour will be at a lower risk of investigation.

The Commission must publish guidelines within 18 months that will help businesses to manage the new requirements.

For further information, see Prohibition of products made with forced labour.

New EU Trade Commissioner sets out priorities for trade with developing countries

Following elections in June, a new team of European Commissioners will serve from 2024 to 2029. The new Trade Commissioner is Maroš Šefčovič, a Slovak diplomat who has been a member of the Commission since 2009, and since 2023 has served as the Executive Vice-President of the European Commission for the European Green Deal.

His appointment follows a hearing with the European Parliament, including written responses to questions (European Parliament 2024). In his statement, Šefčovič emphasised the Commission's intention to "continue to deepen ties with developing countries", ensuring that EU trade relations will continue to contribute to the delivery of the Sustainable Development Goals (SDGs). In particular, he highlighted the importance of the Generalised Scheme of Preferences Plus (GSP+), which involves granting more significant access to the EU market provided partners agree to relevant SDGs. Šefčovič sees the GSP+ scheme as an important tool that can help in "securing a space for civil society and businesses to push for changes on the ground, and paying particular attention to advancing the rights of women and children, the fight against torture and ill-treatment and the eradication of child labour and forced labour". Completing the review of the GSP Regulation, currently the subject of disagreement between the European Parliament and Council (see **Review of generalised scheme of tariff preferences**), is one of his priorities.

Another of the new Commission's priorities is the implementation of Economic Partnership Agreements, and in particular the process of modernising the existing agreement with Eastern and Southern African states. Šefčovič also intends to explore Sustainable Investment Facilitation Agreements with Ghana, Côte d'Ivoire, and Cameroon; and Trade and Investment Dialogues with South Africa and Nigeria. He also expressed a commitment to evaluating the EU's rules of origin and to "engage in a reflection on their possible modernisation".

EU Annual Report on Trade Policy

In September, the European Commission published its 2023 report on the implementation and enforcement of EU trade policy (European Commission 2024f). This report provides an overview of the use of preferential trade agreements by trading partners, and highlights other developments in trade policy.

The Commission reports that at the end of 2023 the EU had 42 preferential trade agreements with 74 partners, covering approximately €2.3 trillion of trade, 45.8% of total EU external trade. The largest low- and middle-income country beneficiary of preferential trade is Türkiye, which accounted for 8.9% of the total in 2023. While the value of total EU trade declined by 9% in 2023, the value of trade with preferential partners decreased less (–4.5%) than trade with non-preferential partners (–12.5%).

Advancing its Trade and Sustainable Development (TSD) policy has been a key part of negotiations in recent EU trade talks, and TSD provisions are included in 12 trade agreements in place in 2023. The EU has sought to involve civil society more closely in the implementation of trade agreements. As a result, a first TSD complaint was filed by an NGO defending labour rights of the mining sector in Peru and Colombia, which led to discussions on domestic labour reform and labour inspection systems in both countries. The establishment of TSD Joint Committees under EU trade agreements has delivered positive results, with bilateral discussions leading to improvements in domestic legal frameworks for labour in Ecuador, and upgraded systems for labour and the environment in Georgia and Moldova. Domestic Advisory Groups established under trade agreements have the role of monitoring the situation on the ground in partner countries, and have raised issues related to trade union registration in the banana sector in Ecuador, and drawn attention to the rights of environmental activists and union representatives in Vietnam.

EU to move forward with customs reform in 2025

Poland takes over the rotating presidency of the Council of the EU between January and June 2025. It has set customs reform as one of its major priorities (Polish Presidency 2024). The European Commission first proposed reform in June 2023, and this proposal has been subject to considerable discussion in the Council. Poland expects to reach an agreement among Member States in the first 6 months of 2025.

The Commission has proposed the creation of a single centralised Customs Data Hub that will gradually replace the current 27 EU Member States' customs systems. A new European Customs Authority is foreseen that will undertake EU-wide risk analysis of data collected in the Data Hub and to recommend more harmonised and targeted controls.

The transition towards the new system is intended to start in 2028, and to be completed by 2037. These reforms will simplify customs procedures and reduce costs for traders. The information that importers have to provide to customs will not change under the new system. For further background on the Commission's proposal, see Proposal to reform the EU Customs Union.

European Court of Justice rules that EU–Morocco trade agreement failed to respect the rights of the people of Western Sahara

The European Court of Justice (ECJ) has ruled that the European Commission breached the rights of the people of Western Sahara in concluding a trade agreement with Morocco that did not sufficiently consult them (InfoCuria 2024a). The ruling supports a previous finding by the General Court, in a case brought by the NGO Front Polisario, which sought the annulment of the trade agreement.

The European Commission was found to have carried out a consultation process that involved inhabitants currently living in Western Sahara, but the ECJ judged that it was not sufficient to conclude that the people of Western Sahara had consented to the agreement. Consent was considered necessary as the benefit of the agreement to the people was not "specific, tangible, substantial and verifiable" (InfoCuria 2024a). Specifically, the people received no financial contribution for exploitation of their territory's natural resources or waters. This judgement rejected appeals made by the European Commission and Council of the EU.

The Court also ruled that labelling of melons and tomatoes from the region must indicate Western Sahara as the country of origin of those goods, and must not include reference to Morocco, to avoid misleading consumers about the true origin of those goods.

The ECJ ruled that the EU–Morocco agreement may continue to apply until October 2025. Despite this ruling, EU leaders have continued to stress the importance of strong cooperation with Morocco (Faouzi 2024).

European Court of Justice brings into question the marketability of organic foods produced in accordance with equivalence agreement

With the introduction of the EU Organic Regulation, the EU has moved towards a system that requires organic produce from non-EU countries to comply with EU organic rules (see New EU Organic Regulation explained). Under the EU Organic Regulation (2018/848) there are two possible systems for importing organic products from outside the EU. Imports can be according to trade agreements, whereby another country's organic rules can be recognised by the EU as equivalent in the context of a trade agreement. In the absence of a trade agreement for a given country, a list of recognised EU and non-EU control bodies/authorities must be authorised to carry out inspections and certifications.

The general understanding of the EU Organic Regulation was that in the case of trade agreements, products could be labelled as organic, and could make use of the EU organic production logo.

This view has now been challenged by a German company, Herbaria Kräuterparadies, the producer of an organic food supplement containing added vitamins and iron. German authorities had ruled that the supplement in question could not be labelled with an organic logo as the EU Organic Regulation does not allow the addition of vitamins and minerals. The company argued that the same product manufactured in the USA could display the EU organic label as US organic production rules permit the addition of vitamins and minerals, and would be recognised as equivalent under an EU–US equivalency agreement. The company argued that this constituted unfair treatment.

The ECJ ruling (InfoCuria 2024b) supports the view of the German company, finding that the EU organic logo and references to organic production can only be used on products that fully comply with all EU requirements. Products considered to meet *equivalent* production measurements, but not fully complying with EU production rules, are only permitted to label the product with the organic production logo of the country in which the product is produced. The implications of this ruling for imported organic products are not yet fully clear. The European Commission aims to provide further guidance in early 2025 (IFOAM 2024).

EU publishes evaluation of EU–SADC Agreement

In September 2024, the European Commission (2024g) published its final report evaluating the Economic Partnership Agreement (EPA) between the European Union and the six parties of the Southern African Development Community (SADC): Botswana, Eswatini, Lesotho, Mozambique, Namibia, and South Africa. The EPA has been in application since February 2018.

The report provides a mixed picture regarding the effectiveness of the EPA. Tariff liberalisation has led to more trade in goods, and certain operational aspects such as customs and trade facilitation have functioned well. The economic and social impacts have been positive, but are relatively limited. The report also identifies the following weaknesses.

- Institutions: the highest political body under the EPA, the Joint Council, has met only once since 2016, rather than every 2 years as foreseen in the Agreement. There are no specific bodies established to deal with difficult areas such as SPS issues, and there has been no formal involvement of non-state actors in monitoring the EPA.
- Trade and sustainable development: although there is a specific chapter in the EPA on TSD, no proper monitoring or discussion has taken place, and there has been no effective engagement with civil society.

Trading partners have disagreed regarding SPS issues, the management of tariff rate quotas, and rules of origin, but these problems have generally not been resolved, partly due to the lack of a body to address such topics.

The report recommends strengthening the EPA institutions, and turning existing bodies into problem-solving forums rather than simply information exchanges. Specific structures should be created for problematic topics such as SPS and TSD. Participation of non-state actors should be improved to support follow-up monitoring of EPAs.

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