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WORKING DOCUMENT

From:	MT Delegation
To:	Trade Policy Committee (Deputies)
Subject:	EU trade agreements – How can we improve benefits for EU firms and citizens? – Comments by Malta

February 2020

INCORPORATES THE POSITION OF THE MALTESE GOVERNMENT

A background paper by the Presidency

PUBLIC

EU trade agreements – How can we improve benefits for EU firms and citizens?

In January 2020, EU applied trade agreements account for more than 35 per cent of total EU external trade. This is more than the share of EU trade with its two largest trade partners, the United States and China, combined. If the agreements with Vietnam and Mercosur are added, preferential partners will represent more than 40 per cent of EU external trade.

In terms of implementing EU trade agreements, two of the main challenges are:

(1) Ensuring that EU exports and imports can benefit from the agreements. This means ensuring that tariff preferences and quotas for industrial and agricultural products are used to their full potential. Equally important is ensuring that companies benefit from other parts of the agreements, such as the opportunities provided by commitments in trade in services and public procurement, among others.

(2) Improving the perception of trade agreements by EU citizens.

With regard to tariff preferences, which are the easiest benefits to quantify, aggregated data on preference utilisation rates for EU exports show that some Member States make better use of preferences than others, and that some have made good progress over the last three years (see annex I).

In terms of public perception, the recent Eurobarometer on international trade concludes that six out of ten Europeans believe they benefit from international trade. However, the study also shows that a significant minority of European citizens (33%) still feel that they do not benefit from international trade (see annex II). In three Member States, a majority of citizens say they do not benefit from trade agreements. At the same time, in other Member States more than 50 per cent of citizens feel they benefit from trade agreements.

Since 2018, the issue of FTA implementation has been the subject of specific discussions with Member States' experts at technical level. During five meetings, experts had the opportunity to share their national experiences and best practices on activities carried out on the ground to promote the use of EU trade agreements and to support their uptake by EU companies, notably small and medium sized enterprises. These discussions have shown that the level of activities on the ground can be uneven across the EU and that an adequate prioritisation by Member States of their efforts regarding FTA implementation is important.

Following the Foreign Affairs Council (Trade) on 21 November 2019, the Trade Policy Committee is invited to advance the debate on the implementation of EU trade agreements. To prepare this discussion Member States are invited to submit possible written contributions on the below issues.

1. A short overview of the main steps your government has taken in 2019 to promote EU trade agreements domestically (e.g. events with stakeholders, information material targeting domestic constituencies, web-tools, other) and how these activities respond to, and are embedded in, any possible national foreign trade and economic strategy.

During 2019, work on the implementation of Free Trade Agreements (FTAs) focused on meetings with business stakeholders to inform and update them on ongoing negotiations and to present the content and benefits of concluded Free Trade Agreements prior to their implementation. The objectives of the meetings were to ensure knowledge sharing and feedback from the organisation on the new FTAs and those agreements that are still in the negotiating process. Engagement included meetings with key business stakeholders organised within the Ministry for Finance, the Enterprise Consultative Council within the Ministry for Economy, Investment and Small Businesses and a Joint Stakeholders Working Committee within the Ministry of Foreign Affairs.

The government has also engaged business organisations and key government entities on the use of preferential tariff rates in FTAs with the aim of understanding better the poor performance by Maltese exporters in Preference Utilisation Rates indicated in the Commission's analysis. The process of engaging these entities has helped in raising a certain level of awareness and knowledge on the importance of using the available benefits in the agreements with Maltese business organisations and also public entities with specific and related responsibilities. Apart from the direct communication with the other public entities within the government, the Malta-EU Steering and Action Committee (MEUSAC) was important for organising information sessions with the external stakeholders.

2. Information on any analytical work you have undertaken to assess the main opportunities EU trade agreements provide for sectors and regions in your country (e.g. studies, surveys) as well as the main challenges faced by business.

As part of an effort to better understand why Maltese businesses have fared poorly in the take up of opportunities present in EU Free Trade Agreements, as has been highlighted in recent EU reports on the utilisation of FTA preferences, a survey on the use of preferences in FTAs was prepared and circulated through an online survey platform to Maltese businesses. This survey was carried out during the months of October and November and preliminary results were also presented to the Trade Economists Network. While work is still ongoing to finalise the survey on the basis of complementary interviews with businesses, there is an indication that there is a lack of awareness of smaller businesses on how to use the benefits of said trade agreements. Some other challenges relate to complicated administrative procedures, particularly when it comes to prove the origin of their products.

3. Any specific areas related to FTA implementation, which could benefit from an exchange of good practices between the Member States among each other and between the Member States and the Commission, with a view to achieving synergies and improving outcomes.

While sharing good practices is important, Malta would suggest specific targeted approaches that would include sharing of ideas and best practices between Member States facing

challenges in implementing free trade agreements. Given that resources constrain the action possible at national level, consideration should be given on how to maximize the efforts at the wider EU level and how to replicate successful outcomes in different Member States. The Commission could consider taking on the role of engaging the Member States and coordinating such action. Action could take the form of technical assistance that includes periodic reviews, assessments and exchanges with Member States on the FTA implementation progress. Enterprise Europe Network can be an important instrument that can be used to illustrate the value-added of FTAs for SMEs particularly micro enterprises.

Albeit it is the ultimate responsibility of the Member States to implement FTAs within their domestic jurisdiction, the Commission could assist the Member States in their implementation effort through technical support. This technical support could be targeted at ushering ways to improve assistance and to reduce administrative red tape, while building on awareness raising campaigns with the general public and the business community, with a greater focus on SMEs.

In line with what has already been proposed by the Netherlands and Denmark, Malta would also consider it beneficial for the EU enterprises to have more information on practical value-based information on the non-tariff commitments included in EU trade agreements, such as in the areas of trade in services and public procurement.

There also is an interest in knowing more about how Member States and the Commission are using the various tools available, including user friendly webtools and written material that include practical information and examples. In relation to the use of webinars to share information with businesses, an efficient approach would be to have a centralised effort organised by the Commission to deliver such events that would cover more all the Member States at any one time. Nevertheless, in doing this consideration should be given to language barriers and specificities of the individual Member States.

Please send your comments by 16 March 2020 at the latest.

It is the intention of the Presidency that your replies will serve to prepare a discussion at a subsequent TPC FM meeting.

Annex: I

2015 – 2018 Evolution of Preference Utilisation Rates for exports[1] per Member States and at EU level (% of eligible exports)

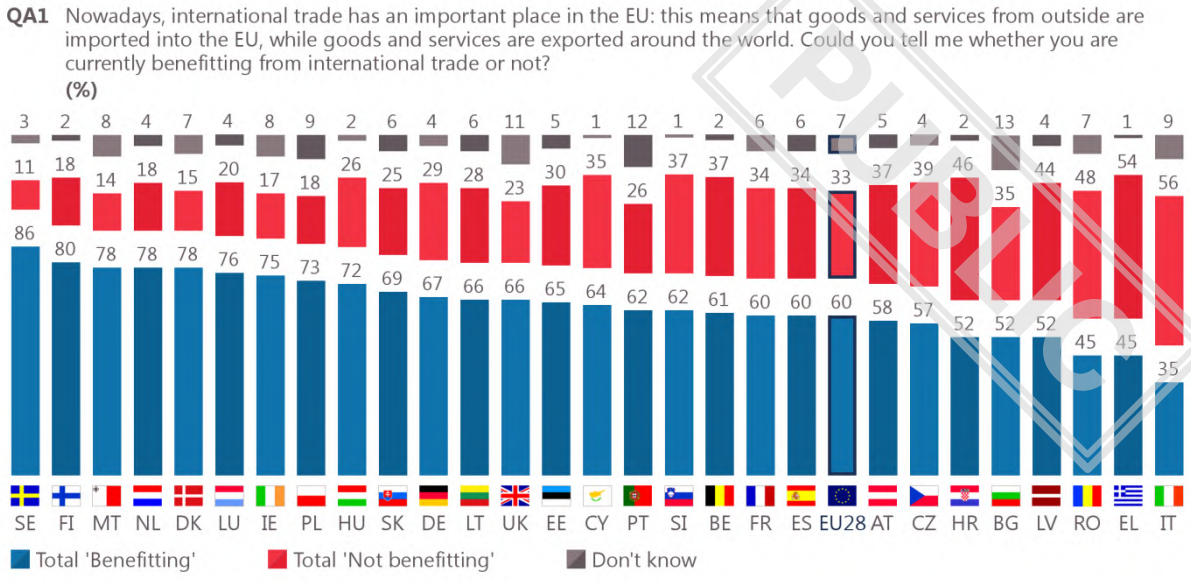
	2015	2016	2017	2018
EU	72%	80%	79%	77%
Austria	86%	89%	89%	88%
Belgium	64%	81%	81%	77%
Bulgaria	79%	91%	87%	75%
Croatia	76%	93%	95%	93%
Cyprus	81%	47%	84%	55%
Czechia	72%	87%	86%	84%
Denmark	71%	82%	83%	85%
Estonia	52%	64%	70%	69%
Finland	60%	77%	92%	85%
France	73%	79%	72%	78%
Germany	73%	78%	76%	75%
Greece	77%	92%	77%	55%
Hungary	79%	84%	84%	81%
Ireland	73%	75%	86%	85%
Italy	74%	83%	83%	80%
Latvia	74%	77%	69%	59%
Lithuania	75%	79%	64%	65%
Luxembourg	55%	81%	88%	86%
Malta	78%	48%	73%	47%
Netherlands	67%	75%	82%	76%
Poland	72%	87%	87%	78%
Portugal	79%	87%	86%	81%
Romania	76%	83%	79%	75%
Slovakia	64%	82%	81%	69%
Slovenia	87%	89%	90%	89%
Spain	71%	84%	83%	83%
Sweden	68%	81%	84%	81%

(source: European Commission DG TRADE)

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[1] The preference utilisation rate reflects the share of imports or exports entering under trade preferences as a share of the total value of imports or exports *eligible* for preferences by partner country, i.e. imports or exports that actually entered under the preference scheme divided by the imports or exports eligible for use of preferences. Preference-eligible imports exist if the applied preferential tariff is lower than the applied most favoured nation (MFN) tariff. As a consequence, MFN-duty-free trade is not included in the calculations.

Annex II – How do citizens feel they benefit from international trade or not



Source: Eurobarometer Survey 491 "International Trade".