



European
Commission

Annual Activity Report 2020

Directorate-General for Trade

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THE DG IN BRIEF

DG Trade is in charge of developing and implementing the common commercial policy of the European Union in accordance with the objectives set out in Article 207 of the Treaty on the Functioning of the EU. DG Trade supports the EU's Trade Commissioner in shaping a trade environment that benefits European citizens and European business of all sizes, while helping to support sustainable development around the world.

DG Trade negotiates bilateral, plurilateral and multilateral trade agreements, ensures that the rules agreed are effectively applied, and works closely with the World Trade Organization (WTO) and other multilateral institutions. DG Trade also develops and enforces EU legislation, such as the General Scheme of Preferences, rules on dual-use goods and legislation for taking trade defence measures. Trade negotiations cover a wide range of areas such as goods, services, intellectual property, investment, government procurement, access to energy and raw materials, customs and trade facilitation, competition (including subsidies and State Owned Enterprises), trade and sustainable development, investment and regulatory co-operation. DG Trade stands up for European interests and ensures that businesses can operate fairly in the EU and across the world. It makes full use of its powers to tackle unfair competition, dumping and subsidisation. Success in Europe is inextricably bound up with the success of the EU's trading partners, both in the developed and developing world. For this reason, sustainable development and development policy are central to the overall approach.

While DG Trade does not have direct responsibility for any specific spending programme, in 2020 it managed a budget of €26.6 million (€25.3 million in its operational budget and €1.3 million in its administrative budget). This budget was used to support the negotiation and effective implementation of trade and investment policies and agreements, including in the field of trade and sustainable development. This budget has remained stable over recent years. At the same time, trade-related objectives are also embedded in the different financial programmes managed by other Commission departments, mainly under the heading of the Multiannual Financial Framework covering the EU as a global player (Heading 4). Capacity building and technical assistance is therefore foreseen under the development cooperation instrument, the neighbourhood instrument and last but not least, the partnership instrument.

As the EU's trade negotiator and guardian of an effectively implemented EU trade policy, DG Trade's mission depends on close working relations with its partners, both inside and outside the Commission. In playing its role in trade policy, DG Trade works very closely with the European Parliament and the Council of the European Union and with other international organisations, such as the WTO and the Organisation for Economic Co-operation and Development (OECD), as well as with civil society. Its success draws strongly

on its close partnership with the European External Action Service (EEAS) and other Commission services.

In order to fulfil its mission DG Trade has two related, but distinct, operational activities: trade policy and trade defence; and is organised into eight directorates. The Director-General is supported in managing operations by the Deputy Directors-General. Around a quarter of DG Trade staff are posted in EU Delegations and in two Commission representations in EU Member States.

As reflected in its key performance indicators set out in section b) below, DG Trade is well-managed and works efficiently.

ACRONYMS

ACP	African, Caribbean and Pacific
AfCFTA	African Continental Free Trade Agreement
CABs	Conformity Assessment Bodies
CAI	Comprehensive Agreement on Investment
CBAM	Carbon Border Adjustment Mechanism
CEPA	Comprehensive and Enhanced Partnership Agreement
CSR	Corporate Social Responsibility
DAGs	Domestic Advisory Groups
DCFTA	Deep and Comprehensive FTAs
EBA	Everything But Arms
ECA	European Court of Auditors
ECT	Energy Charter Treaty
EEAS	European External Action Service
EPA	Economic Partnership Agreements
EPCA	Enhanced Partnership and Cooperation Agreement
ESA	Eastern and Southern African
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GPA	Government Procurement Agreement
GSP	Generalised Scheme of Preferences
HLD	High Level Dialogue
ILO	International Labour Organization
IP	Intellectual Property
IPPC	International Plant Protection Convention
IPR	Intellectual Property Rights
ITA	Information Technology Agreement
LDCs	Least Developed Countries
MADB	Market Access Database
MIC	Multilateral Investment Court
MPIA	Multi-party interim appeal arbitration arrangement
MRAs	Mutual Recognition Agreements
OACP	Organisation of African, Caribbean and Pacific States
OECD	Organisation for Economic Co-operation and Development

OHCHR	United Nations Office of the High Commissioner for Human Rights
OIE	World Organization for Animal Health
PPE	personal protective equipment
RBC	Responsible Business Conduct
ROSA	Rules of Origin Self Assessment Tool
SACU	South African Customs Union
SADC	Southern African Development Community
SEP	Single Entry Point
SMEs	Small and Medium Enterprises
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TCA	Trade and Cooperation Agreement
TDIs	Trade Defence Instruments
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TRQs	Tariff-rate Quotas
TSD	Trade and Sustainable Development
UNCITRAL	United Nations Commission on International Trade Law
UNECE	United Nations Economic Commission for Europe
WHO	World Health Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

This Annual Activity Report is a management report of the Director-General of DG Trade to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties¹.

A. Key results and progress towards the achievement of the Commission's general objectives and DG's specific objectives (executive summary of section 1)

The specific objectives of DG Trade have contributed to the Commission's general objectives *A stronger Europe in the world* and *An economy that works for people*.

2020 was marked by the **COVID-19 crisis** which had, and is still having, a devastating impact on our economies. In the area of trade policy the pandemic has reinforced some pre-existing trends that were already affecting the international context in which trade policy operates. This international context in which trade policy is operating was particularly challenging, as it is affected by several trends such as the rise of geo-strategic rivalries between the United States and China, the increasing resort to unilateral measures and economic nationalism, and the crisis of the multilateral trading system and in particular of the World Trade Organization (WTO). These trends, already apparent in the recent past, have further been exacerbated by the COVID-19 crisis.

These changes made it necessary to conduct a review of EU's trade and investment policy. This is why the Commission launched in June 2020 the **Trade Policy Review**, concluded on 18 February 2021, building a consensus around an overall framework for EU trade and investment policy, responding to a variety of new global challenges and taking into account the lessons learned from the COVID-19 crisis.

Leading the reform of the WTO was a top priority for DG Trade in 2020, notably on the issues of subsidies, forced transfer of technologies and dispute settlement. DG Trade focused on three key areas: updating the rule book on international trade to capture today's global economic challenges including sustainability and digitisation; strengthening the monitoring role of the WTO; and overcoming deadlock in the WTO dispute settlement system.

The Commission **strengthened EU's trade instruments** with the EU's Enforcement Regulation, which entered into force on 13 February 2021, that enables sanctions in cases of illegal measures of third countries and simultaneous blockage of dispute settlement under the WTO Agreement or in relation to other EU international trade agreements.

¹ Article 17(1) of the Treaty on European Union

On the multilateral and plurilateral agenda, DG Trade gave special impetus on WTO negotiations on **e-commerce** and **domestic regulation in services**.

On the bilateral and regional front, on 24 December 2020 the **EU and the UK** concluded negotiations on the Trade and Cooperation Agreement (TCA), which was applied provisionally as of 1 January 2021. The **EU-Vietnam** Free Trade Agreement (FTA) entered into force on 1 August 2020. Negotiations with **China** on the stand-alone, bilateral Comprehensive Agreement on Investment (CAI) have been concluded in principle in December 2020.



DG Trade reinforced the importance of the implementation and enforcement of trade and investment agreements. This was reflected in the appointment by the Commission of a **Chief Trade Enforcement Officer** in summer 2020, who is responsible for driving forward both implementation and enforcement work related to trade agreements and trade rules, together with other institutions, Member States and stakeholders.

DG Trade continued to work on removing trade barriers through our **Market Access Partnership** with Member States and industry, which creates additional export opportunities of more than € 8 billion each year.

DG Trade continued to use **Trade Defence Instruments (TDIs)** to combat unfair trade practices in international trade to ensure a level playing field re-establishing a competitive environment for the EU industry when harmed by unfair imports.

To make sure the EU remains one of the world's most open investment environments and thereby a source of growth and jobs while protecting its essential interests, the regulation on the screening of **foreign direct investment (FDI)** into the EU entered in force in

October 2020. It enables Member States and the European Commission to identify and address security concerns related to specific investments from outside the EU.

In 2020, EU trade policy continued to contribute to the EU Treaty objective of **sustainable development in its economic, social and environmental dimensions** both in Europe and in our partner countries. In particular, every new trade agreement concluded continued to have a dedicated chapter on trade and sustainable development (TSD) to help promote respect of **labour rights** and protect the **environment and climate** in line with the international commitments.

In 2020, DG Trade further strengthened the EU global leadership position in relation to shaping a transparent and inclusive trade and investment policy to enhance legitimacy and public trust.

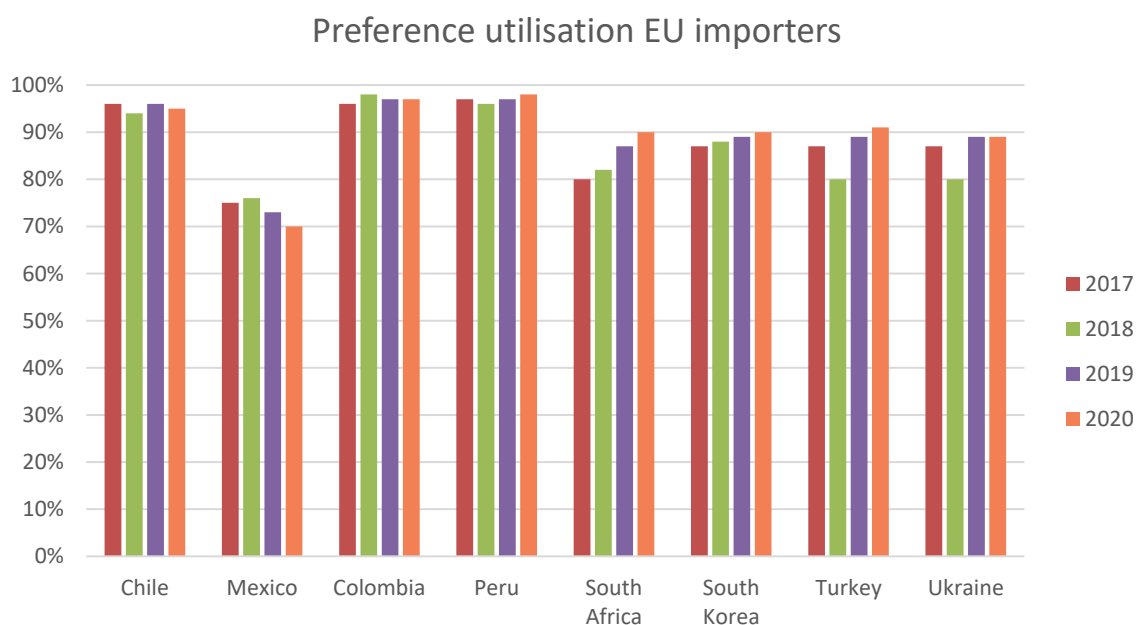
B. Key Performance Indicators (KPIs)

This section presents the three Key Performance Indicators identified in the DG Trade 2020-2024 Strategic Plan.

KPI 1: Preference utilisation rates of EU preferential trade arrangements² for the EU and partners' side

Explanation: This indicator will show the extent to which businesses will be making use of the EU preferential arrangements. It will give an indication how well these agreements are formulated and how the uptake is handled in the EU Member States and the partner countries

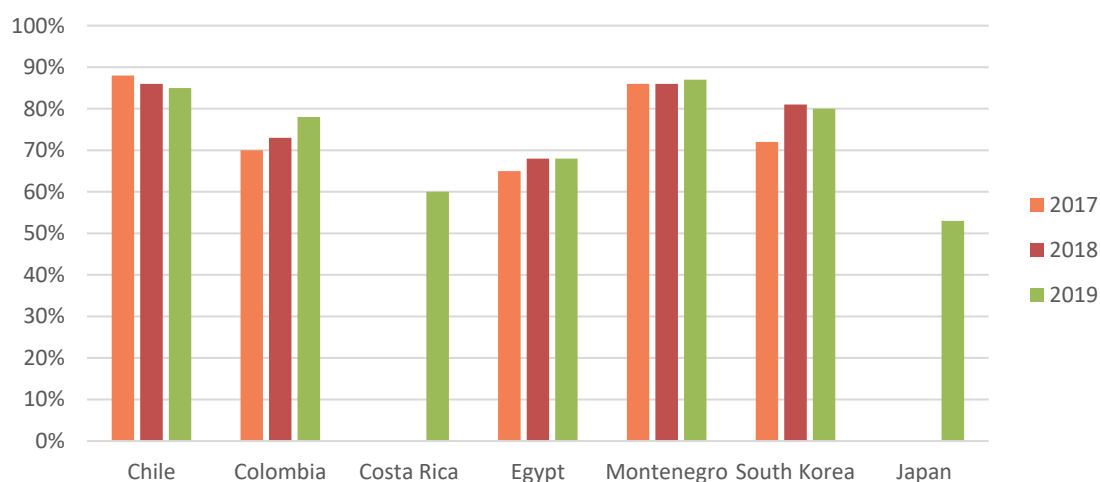
Source of data: Eurostat and national customs registrations³



² A selection of countries is shown, where agreements have been in place for a certain time. This might be complemented in due course with more recently concluded agreements.

³ Data for preference utilisation EU exporters for 2020 will be available in November 2021.

Preference utilisation EU exporters



KPI 2: Percentage of trade covered by applied bi-lateral and regional agreements⁴

Explanation: This indicator will show the extent of the EU trade covered by EU's applied preferential trade and investment agreements and the evolution of this coverage.

Source of data: DG Trade / Eurostat

Baseline	Interim Milestone	Target	Latest known results
Goods (2017-2019) and services (2016-2018) average FTA status 31/12/2019	(2022)	(2024)	Goods (2018-2020) and services (2016-2018) average FTA status 31/12/2020

Percentage of trade in goods and services

Imp.	Exports	Total	Imports	Exports	Total	Imp.	Exports	Total	Imports	Exports	Total
29%	32%	30%	33%	36%	34%	34%	38%	36%	30%	33%	31%

KPI 3: Preferential imports from GSP beneficiary countries

Explanation: This indicator illustrates the extent of EU's contribution to increased exports from GSP beneficiaries which is conducive to economic growth and jobs, specifically in the poorest (least developed countries and other vulnerable lower income) countries.

Source of data: Eurostat, DG Trade

	Baseline			Interim Milestone	Target	Latest known results
	2017	2018	2019	2022	2024	Latest data available 2019 ⁵ .
Imports (M EUR)						Imports (M EUR)
All GSP	65,630	69,249	74,117			All GSP
GSP EBA	22,682	24,810	26,923			GSP EBA
GSP Standard	34,039	35,361	37,189	Increase	Increase	GSP Standard
GSP Plus	8,908	9,076	10,005			GSP Plus
Average/country	797	912	1,035			Average/country
Utilisation	83.4%	83.5%	84.2%		Over 85%	Utilisation

⁴ This indicator does not cover multilateral WTO nor the plurilateral sectoral negotiations and agreements

⁵ Aggregated data for preference imports from GSP beneficiary countries for 2020 will be available in April 2021.

C. Key conclusions on Financial management and Internal control (executive summary of section 2.1)

In accordance with the governance arrangements of the European Commission, the staff of DG Trade conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

To ensure the achievement of policy and management objectives, the Commission has adopted a set of internal control principles, based on international good practice. The financial regulation requires that the organisational structure and the internal control systems used to implement the budget be set up in accordance with these principles. DG Trade has assessed its internal control systems during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall. Please refer to AAR section 2.1.3 for further details.

Indicator: Time to pay

Explanation: This indicator shows the efficiency of DG Trade's internal control processes managing payments to contractors and international organisations (time-to-pay).

Source of data: DG Trade



In addition, DG Trade has systematically examined the available control results and indicators, including those for supervising entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by the internal auditor and the European Court of Auditors. These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives. Please refer to Section 2.1 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

D. Provision of information to the Executive Vice-President

In the context of the regular meetings during the year between the DG and the Executive Vice-President on management matters, the main elements of this report and assurance declaration, have been brought to the attention of the Executive Vice-President Dombrovskis, responsible for Trade.

E. Specific actions on COVID-19

In 2020, Europe was strongly impacted by the COVID-19 pandemic. The Commission has proposed a strong and coordinated response to the health crisis as well as to the impact on Europe's economy and society. COVID-19 has also posed challenges as regards performance, control, audit and assurance in relation to the 2020 EU budget. In an exercise coordinated at corporate level, all Commission services have promoted the consistent and rigorous protection of the EU budget ensuring that appropriate mitigating measures were put in place.

Trade policy has played a role in managing the immediate health crisis and notably ensuring that supply chains are maintained to ramp up production. DG Trade reinforced its efforts to encourage other WTO Members to join the WTO Agreement on Trade in Pharmaceutical Products ('Pharma Agreement'), with the COVID-19 crisis having shown the importance of affordable access to healthcare products on a predictable and lasting basis. It also actively explored the possibilities for a broader international agreement to facilitate trade in healthcare products under a so-called Trade and Health Initiative. Furthermore, DG Trade helped with the identification of potential suppliers of critical medical equipment needed to fight the virus, save lives and overcome the public health crisis in the European Union. Finally, DG Trade supported the work of the COVID-19 Clearing House through the monitoring of trade disruptions in third country markets and by supporting EU engagement with trade partners, as appropriate.

DG Trade also contributed to sharing experience on trade facilitating measures adopted in response to COVID-19, including streamlining conformity assessment procedures for essential products and international regulatory cooperation. DG Trade closely monitored the introduction by trading partners of Sanitary and Phytosanitary trade facilitating and trade restricting measures on grounds of COVID-19 and intervened as appropriate to seek the removal of unjustified measures.

The adoption of the screening of foreign direct investment into the EU, in force since October 2020, enables Member States and the European Commission to identify and address security concerns related to specific investments from outside the EU. This becomes all the more important in the economic context flowing from the COVID-19 crisis, where there is a growing need for investment including in sectors which could give rise to security concerns.

The COVID-19 crisis did not have any major impact on the internal controls in place in DG Trade. Nevertheless, in response to Covid-19 situation, in 2020 DG Trade introduced a fully electronic circuit for all payment files.

1. Key results and progress towards the achievement of the Commission's general objectives and DG's specific objectives



2020 was marked by the COVID-19 crisis which had, and is still having, a devastating impact on our economies. In the area of trade policy the pandemic has reinforced some pre-existing trends that were already affecting the international context in which trade policy operates. Tensions among major global economies have increased with the rise of unilateralism, economic nationalism, and the use of trade policy for other geo-strategic objectives. More fundamentally the weakening of the multilateral rules-based order and of global governance structures persisted and showcased the need for a renewed effort to reform the World Trade Organization (WTO).

These changes made it necessary to conduct a review of EU's trade and investment policy. This is why the Commission launched in June 2020 the Trade Policy Review, with the objective of building a consensus around a fresh medium-term overall framework for EU trade and investment policy, responding to a variety of new global challenges and taking into account the lessons learned from the COVID-19 crisis. The consultation process concluded in November 2020 with over 400 submissions received from all across the EU with strong support being expressed for the continued openness of the EU's economy, orienting trade policy toward supporting the green and digital transformation, strengthening multilateralism and more assertive action to defend the EU's interests and enforce its rights. The Trade Policy Review was concluded by the adoption by the College of a new Commission communication on trade and investment policy on 18 February 2021.

Specific objective 1: Lead the reform of the World Trade Organization to preserve rules-based trade

Upholding a stable and predictable trading environment, and pursuing the reform and strengthening of the World Trade Organization

As foreseen in the adjusted Commission Work Programme 2020 (Trade Policy Review, including WTO reform initiative), the Commission led international efforts and worked with partners to reform the WTO, strengthening the call for rules that are fair, effective, and enforceable, that create a level playing field for all trading parties and that reflect the trade realities of the 21st century. Consequently, every effort was made to reform the WTO and re-establish it as an effective forum to develop new and appropriate trade rules, ensure their implementation and help to settle disputes. This specific objective has thus contributed to the Commission's general objective *A stronger Europe in the world*.

Leading the reform of the WTO was a top priority for DG Trade in 2020, notably on the issues of subsidies, forced transfer of technologies and dispute settlement. DG Trade focused on three key areas: updating the rule book on international trade to capture today's global economic challenges including sustainability and digitisation; strengthening the monitoring role of the WTO; and overcoming the deadlock in the WTO dispute settlement system. The appointment of the new Director-General of the WTO and the publication of the EU's WTO reform agenda will allow DG Trade to launch a broad reform initiative in 2021.

On 14 January 2020, the Trade Ministers of the EU, US and Japan met in Washington DC to discuss the matter of **industrial subsidies**. The joint statement they issues summarised in

a detailed manner the progress achieved and confirmed the agreement reached with regard to increased transparency and types of subsidies to be prohibited. The statement forms a basis for outreach in view of building a wide coalition of WTO Members in support of a plurilateral initiative at WTO.

The postponement of the 12th WTO Ministerial Conference, due to take place in June 2020, to the end of 2021 because of the COVID-19 crisis, created delays and uncertainty as to how and when outcomes can be delivered and certain reform proposals presented.

Faced with a blockage on appointments to the WTO Appellate Body that, as of December 2019, left that body unable to function, DG Trade continued its efforts in 2020 to find, as a matter of priority, a lasting and multilateral solution to this situation. For the EU, such a solution must preserve the core features of **WTO dispute settlement**, in particular binding, two-tier and independent adjudication.

The EU led the efforts to put in place contingency measures to guarantee the continued availability of a fully-functioning WTO dispute settlement system. This has resulted in the **Multi-party interim appeal arbitration arrangement**, known as the MPIA, which became effective on 30 April 2020. The MPIA is based on existing WTO rules. It preserves, among its participants, a right to appeal in the WTO, as well as the right to binding and independent adjudication of trade disputes, as long as the Appellate Body is not able to function fully. The MPIA is open to any WTO Member. As of January 2021, the MPIA covered over 50 WTO Members (23 WTO Members in addition to the EU and its Member States), including major WTO dispute settlement users, and representing around 50% of the world's GDP. The MPIA has been implemented in several pending disputes through the signature of appeal arbitration agreements. In July 2020, the participating Members established a pool of 10 standing appeal arbitrators that would hear any appeals arising under the MPIA. Overall, the MPIA contributes to the stability and to the preservation of rules-based trade.

The Commission **strengthened EU's trade instruments**. In October 2020, the European Commission, the European Parliament and the Council reached a political agreement on reinforcing the EU's Enforcement Regulation, which entered into force on 13 February 2021. This Regulation enables sanctions in cases of illegal measures of third countries and simultaneous blockage of dispute settlement under the WTO Agreement or in relation to other EU international trade agreements.

Executive Vice-President **Dombrovskis**, said: *"This agreement sends a strong political signal that the European Union will take action to defend and protect our companies, workers and consumers whenever our partners do not play by the rules. This is a key commitment of our European trade agenda, on which we are now delivering. The agreement expands the EU's ability to defend its interests when a trade dispute is blocked under the WTO or one of our bilateral trade agreements. In addition, it permits countermeasures not just on goods but also on services and certain aspects of Intellectual Property Rights. Our overarching priority to tackle these issues remains a reformed and well-functioning multilateral rulebook with a two stage Dispute Settlement System at its core, but we cannot afford being defenceless in the meantime."*

Specific objective 2: Creating opportunities for European businesses through new and existing negotiations and an additional effort to monitor and improve the implementation and compliance of existing trade agreements

Opening markets and creating opportunities for EU companies by implementing existing agreements, assertively pursuing our values and interests, enforcing our rights, and negotiating new deals when the conditions are right

Trade and investment agreements with countries outside the Union are creating opportunities for exporting and importing, including for Small and Medium Enterprises (SMEs). This specific objective has thus contributed to the Commission's general objective *An economy that works for people*.

The multilateral and plurilateral agenda

The postponement of the 12th WTO Ministerial Conference had an impact on delivering results in this area. Nonetheless, in 2020 DG Trade worked to advance the EU's objectives as much as possible.

DG Trade gave special impetus to WTO negotiations on **e-commerce** to harness the full potential of digital trade, address barriers and enhance consumer and business trust. The negotiations cover both goods and services and their aim is to agree on global rules on digital trade. So far 86 WTO Members have formally joined the talks. In 2020, the negotiations took place mostly online, in small groups and at plenary sessions. The final plenary took place on 10 December 2020.

DG Trade made progress in the plurilateral negotiations on **domestic regulation in services** which aim at improving transparency and streamlining authorisation procedures for service suppliers. The negotiations are well advanced and supported by 63 WTO members. The last round of negotiations took place on 10 December 2020.

Following the Council's adoption in October 2019 of the negotiation directives for an **investment facilitation** multilateral framework, DG Trade continued its efforts in 2020 to achieve this objective. The aim of the initiative is to establish rules that would ensure a more transparent, efficient, and investment-friendly business climate. This would help companies in all sectors, and in particular SMEs, to reduce the transaction costs for investments, such as costs of information, costs of delay and administrative procedure, costs of uncertainty and risk, costs of adaptation to change of policies and costs of settling disagreements by preventing them. In 2020 DG Trade presented a comprehensive EU text proposal. The negotiations accelerated during the second half of 2020 and were supported by 106 WTO members. The last round of the year took place in December 2020.

Work on the **WTO negotiations on fisheries subsidies** continued in 2020. The EU pushed hard to comply with the mandate to conclude the negotiations by 2020. This means prohibiting subsidies which actually contribute to overcapacity and overfishing, as well as eliminating any subsidies to vessels engaged in illegal, unreported and unregulated fishing. The negotiations should have been concluded by the end of 2020. The negotiations will

continue in 2021, and the EU's goal is to reach an ambitious agreement as soon as possible.

DG Trade contributed to efforts to effectively implement the **WTO Government Procurement Agreement (GPA)**, as well as to expand its membership to countries such as China, Russia and Brazil. This Agreement sets rules that ensure transparency, predictability and non-discriminatory treatment to suppliers, supplies and services originating in GPA Parties in procurement procedures.

With the now finalized expansion of the **Information Technology Agreement (ITA)** on tariffs, which provides duty-free access to IT products, the focus in 2020 was on encouraging other WTO Members to join the ITA Expansion (**ITA-2**), ensuring the effective implementation of the agreement by other parties. This work will continue in 2021.

DG Trade reinforced its efforts to encourage other WTO Members to join **the WTO Agreement on Trade in Pharmaceutical Products** ('Pharma Agreement'), with the COVID-19 crisis having shown the importance of affordable access to healthcare products on a predictable and lasting basis. It also actively explored the possibilities for a broader international agreement to facilitate trade in healthcare products under a so-called **Trade and Health Initiative**, put forward by the Ottawa Group⁶ to the WTO and led by the EU. Based on its foresight analytics and firm-level databases (notably under the International Public Procurement Initiative), DG Trade has also helped DG Sante and the COVID-19 Clearing House with the identification of several hundreds potential suppliers of critical medical equipment needed to fight the virus, save lives and overcome the public health crisis in the European Union. DG Trade also supported the work of the COVID-19 Clearing House through the monitoring of trade disruptions in third country markets and by supporting EU engagement with trade partners, as appropriate.

Due to the **United Kingdom's withdrawal from the EU**, the EU had to apportion its WTO tariff-rate quotas (TRQs) between the EU27 and the UK. The Council adopted the negotiating directives for the Commission to negotiate with the relevant WTO Members the adjustment of these TRQs.

In November 2020, the EU and 10 other like-minded countries (in particular Brazil, Canada, Japan, Korea and the US) suspended the technical negotiations in the **International Working Group on Export Credits**. This happened against the backdrop of eight years of negotiations during which the EU along with its partners were not able to convince China to engage constructively in defining the multilateral rules that would ensure a global level playing field in export finance. In this context, the Commission's Trade Policy Review included, as one of the actions critical to achieving the EU's medium-term objectives, the Commission's commitment to explore options for an EU strategy for export credits, including an EU export credit facility and enhanced coordination of EU financial tools, as well as the phase out of fossil fuel financing. The goal is to increase the competitiveness of the EU in the global export finance and to promote the Commission climate goals defined in the European Green Deal. An external aspect of the strategy for export credits is the EU-

⁶ Ottawa Group, a group of 13 like-minded WTO partners, including the EU.

sponsored modernisation of the Arrangement on Officially Supported Export Credits which was launched in 2020. The objective of the modernisation is to update the Arrangement rules that do not reflect the current market reality which also hampers the Arrangement Participants (10 OECD Members) in competition with China.

On 20 March 2018, the Council adopted the Commission's recommendation to open negotiations to set up a **Multilateral Investment Court** (MIC) to set up a permanent body to decide investment disputes. This Court would replace the Investment Court System (ICS) currently contained in the EU's bilateral agreements and the Investor-State Dispute Settlement (ISDS) arrangements that exist in around 1200 current bilateral investment treaties to which EU Member States are party. In 2020, discussions continued in the United Nations Commission on International Trade Law (UNCITRAL).

In 2019, the Commission played an active part in setting the agenda for the modernisation process of the **Energy Charter Treaty** (ECT), a multilateral agreement covering several policy areas related to energy. The modernisation negotiations started in December 2019. In 2020, three formal negotiating rounds took place between the ECT's 50 plus Contracting Parties. A more intensive negotiating schedule has been agreed for 2021, with 5 negotiating rounds as well as the possibility for intersessional talks.

Finalising concluded bilateral and regional negotiations

On the bilateral and regional front, on 24 December 2020 the EU and the **UK** concluded negotiations on the Trade and Cooperation Agreement (TCA), which is applied provisionally as of 1 January 2021 pending the consent of the European Parliament. The Agreement is unprecedented as it is the first time that the EU negotiates a Trade Agreement with a former EU Member state.

The EU and **Vietnam** signed the Free Trade Agreement (FTA) and the Investment Protection Agreement in June 2019. It is the most ambitious free trade deal between the EU and an emerging economy to date. The European Parliament gave its consent to both Agreements in February 2020. The Council adopted the decision to conclude the FTA on 30 March 2020. The Vietnamese National Assembly ratified the FTA and Investment Protection Agreement on 8 June 2020. The FTA entered into force on 1 August 2020, while the Investment Protection Agreement still needs to be ratified by all EU Member States before entering into force (as of 31 December 2020, 6 Member States have ratified).

As for the **Economic Partnership Agreements** (EPA) with the Africa, Caribbean and Pacific (ACP) partners, in 2020, the accession process of Solomon Islands to the EU-Pacific EPA was completed in May 2020.

Trade relations with **Mexico** are strong and currently governed by the Global Agreement (1997). An agreement in principle was reached on 21 April 2018, and supplemented with the agreement on public procurement (sub-central) reached on 28 April 2020, on the negotiations to update the bilateral trade and investment framework and bring it in line with the most ambitious and progressive EU agreements, including comprehensive provisions on labour and environmental protection, climate change, and civil society

involvement. An independent sustainability impact assessment was published in January 2020⁷. The modernised Agreement will create new opportunities for sustainable growth and for the first time provisions include to prevent and combat corruption in trade and investment. The texts of the trade part of the agreement have been published. The Commission will subsequently translate the Agreement into all official EU languages and submit it to EU Member States and the European Parliament for approval.

In 2019, the European Union and **Mercosur states** – Argentina, Brazil, Paraguay and Uruguay – reached a political agreement on the negotiations for an ambitious, balanced and comprehensive trade agreement⁸. Current EU bilateral trade with Mercosur already totals €88 billion a year for goods and €34 billion for services. Under this new trade framework, EU companies will benefit from privileged access to a market of over 260 million consumers. EU exporters will gain from progressive tariff cuts that over time will bring European companies yearly savings of more than €4 billion. The agreement will create significant opportunities for sustainable growth in both regions, while promoting high labour and environmental standards and preserving the interests of EU consumers and sensitive economic sectors. The trade and sustainable development chapter is amongst the most progressive in any of the trade deals and contains explicit commitments on deforestation and implementation of the Paris Agreement on Climate Change. Given the concerns over deforestation and the environment, the Commission is seeking meaningful engagement by Mercosur on the Paris Agreement and deforestation as we move towards ratification of the Agreement. At the EU27-LAC Ministerial of 14 December 2020, Executive Vice-President Dombrovskis and Mercosur Ministers agreed to intensify contacts with a view to enhancing the exchange of information in these areas, increasing policy dialogue and identifying areas of cooperation. In the meantime, the EU and Mercosur are carrying out the legal revision of the text. The Commission will subsequently translate the Agreement into all official EU languages, before its transmission to EU Member States and the European Parliament for approval.

Negotiations with **China**⁹ on the stand-alone, bilateral Comprehensive Agreement on Investment (CAI) were concluded in principle in December 2020. The Agreement will improve the market access of European investors in China and rebalance the current situation in this respect. The EU has traditionally been much more open than China to foreign investment. This is true as regards foreign investment in general. China now commits to take important market access commitments to the EU in a number of key sectors. In addition, CAI includes rules against forced transfer of technology and specific obligations on the behaviour of state-owned enterprises as well as comprehensive transparency rules on state subsidies.

President of the European Commission, **Ursula von der Leyen** said: *“Today’s agreement is an important landmark in our relationship with China and for our values-based trade agenda. It will provide unprecedented access to the Chinese market for European investors, enabling our businesses to grow and create jobs. It will also commit China to ambitious*

⁷ [Sustainability Impact Assessments](#)

⁸ [EU-Mercosur Agreement](#)

⁹ [EU-China trade](#)

principles on sustainability, transparency and non-discrimination. The agreement will rebalance our economic relationship with China”.

On-going negotiations

Following the adoption by the Council on 13 November 2017 of the negotiation directives¹⁰, the EU launched negotiations with Chile to modernise the scope of the existing Association Agreement (2002)¹¹, including ambitious, comprehensive and progressive trade provisions. The EU has held eight rounds of negotiations with **Chile**, two in 2020 (the last one in September). The independent report on the sustainability impact assessment and the Commission position paper were published in June 2020.

In May 2018, the Council authorised opening negotiations for FTAs between the EU and **Australia** and between the EU and **New Zealand**. As of December 2020, nine rounds had been held with Australia and nine with New Zealand.

The Commission had also launched negotiations for FTAs with **Indonesia**¹², **Malaysia**, the **Philippines**¹³ and **Thailand**. Only negotiations with Indonesia were actively pursued during 2020; the other negotiations are paused or suspended for political reasons or divergence in ambition. A sustainability impact assessment for the negotiations with Indonesia was published in June 2020.

In the EU's immediate neighbourhood, negotiations with **Tunisia**¹⁴ and **Morocco** for Deep and Comprehensive FTAs (DCFTA) are expected to restart in 2021. In 2020, DG Trade continued to work with them and with other partners in the Southern Mediterranean region to build on the existing network of FTAs.

In 2020, DG Trade continued working towards the conclusion of negotiations on the Enhanced Partnership and Cooperation Agreement (EPCA) with **Uzbekistan**¹⁵ and on the new agreement with **Azerbaijan**.

In addition, bilateral and plurilateral negotiation rounds continued in 2020 towards a new framework agreement with **Andorra**, **San Marino** and **Monaco**, ensuring, along with the Customs Union established with Andorra and San Marino, their integration in the single market and their alignment with the EU's trade policy. The last round of negotiations took place in June and October 2020.

The EU remained committed to strengthening the economic partnership with **India**¹⁶ and to a comprehensive and mutually beneficial India-EU FTA once there is sufficient mutual understanding on the scope and level of ambition. At the 15th EU-India Summit in July 2020, both sides agreed to establish a High Level Dialogue (HLD) on Trade and Investment

¹⁰ [EU-Chile - Negotiation Directives for Modernisation of the Agreement](#)

¹¹ [EU-Chile trade](#)

¹² [EU-Indonesia trade](#)

¹³ [EU-Philippines trade](#)

¹⁴ [EU-Tunisia trade](#)

¹⁵ [EU-Uzbekistan trade](#)

¹⁶ [EU-India trade](#)

at ministerial level to provide guidance on the way forward (the first meeting is to be held on 5 February 2021). The preparation for HLD was initiated during the meeting of the EU-India Sub-Commission on Trade which took place on 19 November 2020.

In December 2019, the Council adopted **updated negotiating directives** for the negotiations of EPAs with **African, Caribbean and Pacific (ACP)** countries and regions. These updated negotiating directives will make it possible to deepen these agreements in the coming years to cover also services, investment, trade and sustainable development, intellectual property rights, competition policy and public procurement, among other issues, where not yet covered in the existing agreements.

Economic Partnership Agreements continued to be the corner stone of Africa-EU trade relations and contribute to the on-going African integration projects, including the African Continental Free Trade Agreement (AfCFTA). Upgrading and expanding existing partnerships thematically was part of this priority. Negotiations to deepen the existing EPA with five **Eastern and Southern African** countries (Comoros, Madagascar, Mauritius, Seychelles and Zimbabwe), launched in 2019, continued in 2020 with two rounds of negotiations by videoconference due to the COVID-19 crisis. A sustainability impact assessment on these negotiations is being carried out, the inception report was published in October 2020. By deepening the current trade relations, the EU also seeks to support regional integration within the continent and preparations for making the African Continental Free Trade Area (AfCFTA) operational.

The expansion of Economic Partnership Agreements geographically continued in 2020, with on-going negotiations for the accession of **Tonga** in the EU-Pacific EPA. Furthermore, in 2020, exploratory technical talks took place with **Angola** regarding the country's accession to the EPA between the EU and the Southern African Development Community (SADC). Negotiations should in principle start in early 2021. In December 2020, the **post-Cotonou negotiations** for a new framework agreement between the EU and the Organisation of African, Caribbean and Pacific States (OACP) were successfully concluded. Investment and trade are at the centre of the new partnership, in which the Economic Partnership Agreements remain firmly embedded.

The Commission continued to also explore an initiative on **sustainable investments in Africa**, including possible future negotiations for investment agreements with African partners either within existing EPAs/Association Agreements or separately. Angola signaled interest in 2020 and scoping discussions at technical level also took place. A scoping paper for an Investment Facilitation agreement was agreed with Angola in December 2020. Negotiations could start in 2021. Africa-EU trade and investment relations are an integral part of the work of the Inter-Service Task Force on AfCFTA launched in 2020 (led by DG Trade and DG Intra) aiming at sharing the EU's integration experience with Africa.

The Commission continued its efforts to ensure a positive, balanced and mutually beneficial trade partnership with the **United States** and identified opportunities to facilitate transatlantic trade between the EU and the US in its communication *EU-US: A new transatlantic agenda for global change*, adopted on 2 December 2020. DG Trade engaged actively with the US to find a balanced and negotiated solution to the bilateral trade irritants that continue to be an obstacle to a clear path forward on our trading relationship

(e.g. civil aircraft disputes, Section 232 measures on steel and aluminium, etc.), to lead in the reform of the multilateral trading system encapsulated in the WTO, to establish a new high-level EU-US Trade and Technology Council, to facilitate trade in essential medical goods and healthcare products (incl. by calling on the US to join the Trade and Health Initiative under the WTO), and to work together for a green, circular, competitive and inclusive economy. The recent tariff reduction package by which the EU eliminates tariffs on certain types of lobster and the US reduces tariffs on a number of consumer and industrial products, is an example of the mutual benefits and facilitation of trade that constructive EU-US engagement can bring. The package entered into force on 18 December 2020 (with the publication of EU Regulation 2020/2131) and applies on a Most Favoured Nation basis retroactively as of 1 August 2020.

Effective implementation

The Commission attaches particular importance to proper implementation and enforcement of trade and investment agreements. This was reflected in the appointment by Commission of a Chief Trade Enforcement Officer in summer 2020, who is responsible for driving forward both implementation and enforcement work related to trade agreements and trade rules, together with other institutions, Member States and stakeholders. (See specific objective 3 below for more detail). It carefully monitored the behaviour of its trading partners to be able to move quickly to prevent or rectify discriminatory or disproportionate barriers to trade, such as excessively onerous regulatory or compliance requirements, difficulties in protecting and enforcing intellectual property rights, authorisations or licences, or where unfair or unjustified practices were identified. Likewise, through its trade instruments it monitored compliance with relevant international standards for labour rights, climate/environmental protection, and human rights. To that effect, the Commission continued using and reinforce its implementation and enforcement tools and actions.

DG Trade continued to focus on maximising the benefits of our trade instruments through effective implementation and enforcement of our trade and investment rights and building on the findings of the evaluation of FTAs already in place. In addition, the Commission continued to focus on the implementation and enforcement of Trade and Sustainable Development Chapters in FTAs, in line with specific objective 4.

Enforcement of the rights stemming from the preferential as well as multilateral trading rules may be achieved through technical, diplomatic and political contacts, negotiation, regulatory cooperation or dispute settlement, at the WTO or bilaterally. This includes requesting trading partners at the WTO Committees on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) Measures to withdraw, modify or adapt the implementation of trade restrictive measures.

The enforcement of the EU's multilateral and bilateral rights and obligations is done through dispute settlement in the WTO or through bilateral dispute settlement mechanisms. DG Trade will continue to monitor the compliance of our trading partners with their international commitments towards the EU.

The **Report on Trade and Investment Barriers** adopted in June 2020 presented the overall stock of obstacles affecting EU exports, as well as the main developments in 2019

concerning new and resolved barriers, providing an overview of the status of protectionism worldwide and the EU's efforts to tackle it.

The **FTA Implementation Report** adopted in November 2020 reported on the implementation of the most significant FTAs in 2019, giving in-depth ex-post analysis of the effectiveness of EU trade agreements, looking at sectors and Member States, and the impact on the economies of partner countries in selected cases.

The 2020 **Counterfeit and Piracy Watch List** was published in December and reported on marketplaces (online and physical) and service providers outside the EU that are reported to engage in, facilitate or benefit from substantial counterfeiting and piracy.

In February 2020, the Commission published the third edition of the **biennial Generalised Scheme of Preferences** (GSP) Report. The Report shows how EU trade preferences support developing countries integrate into the global economy, creates jobs for their citizens and pursue sustainable development. GSP is especially important for the Least Developed Countries (LDCs), which enjoyed an increase of 15.3% in their exports to the EU under preferential conditions. During the next monitoring cycle in 2020-2021, the Commission will follow-up in particular with each GSP+ beneficiary on the conclusions and priority actions stated in the GSP Report.

In 2020, DG Trade continued to focus on awareness-raising, regular structured exchanges on FTA related activities, on market access and on the sustainable development side, and SME internationalisation. With regard to trade promotion activities, DG Trade encouraged Member States to strengthen their actions, share best practice and prioritise countries where we have recently concluded agreements or anticipate doing so in the next 12 to 18 months.

In October 2020, the Commission launched the **new web portal called Access2Markets**¹⁷. It merged the two existing information sources – the Market Access Database (MADB) and the Trade Helpdesk – and became the one-stop-shop, in all EU languages, to help SMEs navigate the world of international trade. To facilitate implementation of FTAs the new portal has a newly developed Rules of Origin Self Assessment Tool (ROSA). ROSA is an innovative and dynamic tool that helps companies to assess whether their products qualify for tariff preferences under EU Trade Agreements.

Executive Vice-President **Dombrovskis** said: *“We need to help our companies, in particular our SMEs, to derive maximum benefit from our trade agreements. This is why we have created this new portal to help our smaller companies navigate the world of international trade. This one-stop-shop will help European firms to make the most of the EU’s network of trade agreements and get the best access to the markets, products and inputs they need to grow and to stay competitive.”*

In 2020, the Commission continued to focus on ensuring the smooth and effective implementation of the various EU Trade Agreements with third countries.

¹⁷ <https://trade.ec.europa.eu/access-to-markets/en/content>

Regarding the FTAs with **South Korea, Canada, Japan, Singapore** and also **Vietnam** (the latter entered into force on 1 August 2020), DG Trade's work included identifying and following-up on implementation issues, ensuring that committees meetings take place on a regular basis and that their outcomes are promptly followed-up. The Commission continued to develop new and improved tools that provide practical information for European exporters to make full use of the potential of the agreements and to continue to reach out to stakeholders and the wider public to promote their use.

As to the EU-Japan EPA, beyond following up on implementation issues in areas such as trade in agricultural products and rules of origin, intensive work focused on expanding the list of Geographical Indications protected under the Agreement, as well as of the vehicle regulations harmonised by the United Nations Economic Commission for Europe (UNECE) and incorporated in the Agreement. Such work is deemed to be finalised by early 2021.

Concerning the Agreements with **Mexico, Chile, Colombia/Peru/Ecuador** and **Central America**, DG Trade continued to monitor and ensure compliance of these countries of all their trade obligations, whether of a bilateral or multilateral nature, including through the management of the respective Association or Trade Committee and specialised committees which all met last year despite the COVID-19 situation. DG Trade also continued to promote the agreements, and plan joint activities and projects to support their effective implementation. With regard to effective implementation of the public procurement chapter, Colombia agreed to extend coverage to six agencies, which were formerly under a central authority. This extended coverage will be implemented through a Decision of the Trade Committee in 2021.

In addition, DG Trade continued to manage bilateral trade relations with Latin American countries, including with those where there is no bilateral FTA in place to develop trade and investment relations and to ensure that WTO trade commitments were respected. Under the auspices of the economic cooperation agreement with Argentina, a Trade Committee meeting took place to discuss issues of bilateral concern.

DG Trade also continued to monitor the implementation of the DCFTAs with **Ukraine, Georgia and Moldova**. For each Deep and Comprehensive Free Trade Area (DCFTA), the overarching Association Agreements with these countries provide a dedicated Association Committee in Trade Configuration to discuss trade issues and four specialised sub-committees. The ex-post evaluation of the DCFTAs as pillars of the Association Agreements with Georgia and Moldova were launched in 2020. The efforts and results of the implementation work and evaluation were reflected in the general report on FTA implementation. Implementation work of the Comprehensive and Enhanced Partnership Agreement (CEPA) with **Armenia** continued in 2020.

With **Southern Mediterranean countries**, efforts were made to improve the efficiency of Sub-Committees under the Association Agreement and ensure annual Trade Sub-Committee meetings effectively tackle all trade-related issues. DG Trade continued to press these partners to remove trade-related barriers, while also aiming to help them taking better advantage of the existing preferential market access, in particular through trade-related assistance and capacity building.

An ongoing evaluation of the trade pillar of six EU Association Agreements with South Mediterranean countries (Tunisia, Morocco, Egypt, Jordan, Algeria and Lebanon) is expected to be finalised during the first quarter of 2021. This exercise will help DG Trade to better understand the strengths and weaknesses of these first generation agreements and provide useful guidance on improving the effectiveness of their implementation, as well as feed into possible future DCFTAs with partner countries in the region.

Implementation work on the seven Economic Partnership Agreements (EPAs) with African, Caribbean and Pacific countries (**ACPs**) continued in 2020, namely EPAs with the Eastern and Southern African (ESA) group, the Southern African Development Community (SADC) EPA group, Cameroon, Ghana, Cote d'Ivoire, Cariforum and EU-Pacific EPA countries. This included management of the relevant joint institutions, ensuring compliance with EPA commitments, as well as monitoring and evaluation, awareness raising, development cooperation and joint activities and dialogues with state and non-state actors on various aspects of the agreements, including trade and sustainable development, as well as raising awareness of the partnerships. Despite the COVID-19 situation, EPA Committee meetings took place with the ESA group, the SADC group and with Cameroon in 2020.

EU concerns related to overcapacity (particularly on steel), export controls, level-playing field issues, including the subsidisation of the Chinese economy, Chinese investments in the EU, market access, and intellectual property rights, remained the key priorities in the EU-China trade and investment-related discussions. The EU-China High level Economic and Trade Dialogue took place in July 2020 and trade concerns were also raised with the Chinese leadership during the EU-China Summit in June 2020 and the Leaders' Summit in September 2020.

In addition the Joint Communication of the Commission and the High Representative '*EU-China – A strategic outlook*'¹⁸, published in March 2019, proposed 10 concrete actions, reflecting a more assertive and multi-faceted EU approach to **EU-China** bilateral relations. In 2020, DG Trade continued to be involved in implementing the various actions (e.g. working with the Council and the European Parliament towards adopting the International Procurement Instrument, modernising the EU's export control regime, implementing the EU Regulation on the screening of foreign investment, intensifying the bilateral investment negotiations, enhancing WTO reform efforts, addressing the distortions generated by foreign subsidies in the internal market, etc.).

Implementation of the strategy also entailed participating in plurilateral and multilateral discussions at the level of G7, G20, the Organisation for Economic Co-operation and Development (OECD) and the WTO, including on issues such as overcapacity as well as the International Working Group on export credits.

Building on the new momentum created by the appointment of the Chief Trade Enforcement Officer, DG Trade – and the Commission as a whole – increasingly focused on implementation and enforcement of the EU's trade agreements (bilateral and multilateral),

¹⁸ [EU-China – A strategic outlook](#)

on breaches of both market access and on trade and sustainable development commitments.

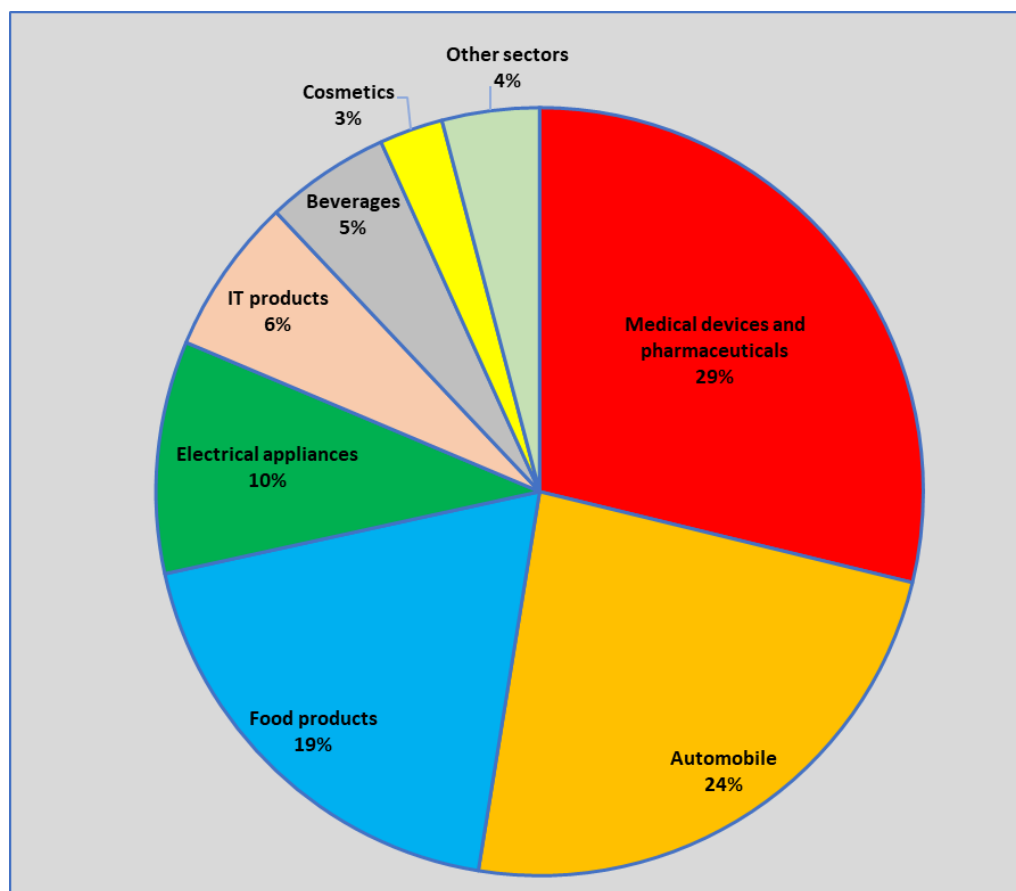
DG Trade continued to work on removing trade barriers through our **Market Access Partnership** with Member States and industry, which creates additional export opportunities of more than € 8 billion each year – equivalent to the benefits of many of our FTAs. In the wake of the rise in protectionism detected in the latest Report on Trade and Investment Barriers and in order to contribute in bringing EU economy back on track as a result of COVID-19 outbreak, DG Trade remained committed to reinforce the Partnership, with enhanced prioritisation of actions to remove barriers, strengthened coordination with stakeholders, and wider communication and outreach. DG Trade also continued to address a series of sector specific market barriers across industry sectors, including through dedicated Working Groups in key sectors.

DG Trade continued to address multilaterally and bilaterally a significant amount of regulatory barriers faced by EU exporters. For instance, in the WTO Committee on **Technical Barriers to Trade** (TBT), DG Trade built on success stories to date and contributed to the withdrawal or modification of trading partners' trade restrictive measures that hampered EU exports. The TBTs that were successfully addressed by the European Commission over time in the TBT Committee facilitated over EUR 80 billion worth of exports (based on latest 2019 trade statistics), with EUR 3 billion worth of exports from the successful interventions in 2020 alone. DG Trade also contributed to sharing experience in the Committee on trade facilitating measures adopted in response to COVID-19, including streamlining conformity assessment procedures for essential products and international regulatory cooperation.

Facilitating market access through reduced time and costs associated with mandatory product certification, DG Trade developed EU's policy on Mutual Recognition Agreements (MRAs), and ensured effective implementation of MRAs with Japan, the US and Switzerland. This included the preparation of Joint Committee decisions for the designation of Conformity Assessment Bodies (CABs) and the amendment of sectoral annexes.

The proper enforcement and implementation of the TBT Agreement is of utmost importance nowadays, to improve compliance and enforcement of trade rules. The EU is one of the most active promoters of transparency and direct engagements with other WTO members in Geneva to avoid unnecessary technical barriers to trade, increasing the costs faced by EU exporters and importers.

Distribution of EU exports that benefitted from successful interventions in removing TBT concerns in the WTO context



Source: DG Trade estimates

DG Trade's activities in this area also included its work to address **Sanitary and Phytosanitary** (SPS) measures, when they act as barriers to trade. Specifically in 2020, DG Trade closely monitored the introduction by trading partners of SPS trade facilitating and trade restricting measures on grounds of COVID-19 and intervened as appropriate to seek the removal of unjustified measures. Despite the COVID-19 situation, regular meetings of the SPS Market Access Working Group, bringing the Commission, Member States, EU Delegations and industry representatives together, were held in a virtual format in 2020, contributing to the work of DG Trade on identifying and implementing a mid- to long-term strategy to prevent and tackle SPS barriers. DG Trade also continued to provide financial support to international standard setting organisations (Food and Agriculture Organization (FAO)/International Plant Protection Convention (IPPC), World Health Organization (WHO)/Codex Alimentarius Commission and World Organization for Animal Health (OIE)).

Well-functioning **intellectual property** (IP) systems are a key lever to promote investment in innovation and sustainable growth. Intellectual Property Rights (IPR) infringements worldwide cost European firms billions of euros in lost revenue and put thousands of jobs at risk. IPR infringements also endanger consumers, public health and the environment and contribute to organised crime. DG Trade continued to use a range of bilateral and

multilateral trade tools to promote solid intellectual property laws and effective enforcement worldwide. It engaged with key trading partners through IP Dialogues and IP Working Groups, as well as through the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) Council, the OECD and other organisations. Following the publication of the Report on the protection and enforcement of intellectual property rights in third countries in December 2019, DG Trade published the second edition of the biennial Counterfeit and Piracy Watch List in December 2020. It also continued its engagement in various technical assistance programmes such as the IP Key cooperation programmes with China, Southeast Asia and Latin America or the four-year cooperation programme for Africa.

In the area of **public procurement**, DG Trade continued to promote transparency, good governance and reciprocal openness to public procurement markets by negotiating robust procurement chapters in bilateral trade agreements and through the effective implementation of the WTO Government Procurement Agreement. In addition, DG Trade continued to pursue the establishment of an appropriate EU legal instrument to support the opening of foreign procurement markets for EU companies, goods and services (the **International Procurement Instrument**). This instrument seeks to give the EU leverage to negotiate better access for EU companies to procurement markets outside the EU.

In the area of **export controls**, in 2020 the Commission prepared the export controls annual report, that was adopted in February 2021. The Commission actively participated in negotiations with the European Parliament and the Council on its 2016 proposal¹⁹ for modernising EU export controls which came to a conclusion with political agreement on a new Export Control Regulation in November 2020.

The Commission continued to develop the EU export control network to ensure an effective implementation of controls, e.g. through the development of electronic licensing systems in Member States and the preparation of EU guidelines for dual-use research

In 2020, DG Trade continued to enforce the EU's multilateral and bilateral rights through the **WTO's dispute settlement mechanism as well as through bilateral dispute settlement mechanisms**. Bilateral dispute settlement procedures have already been initiated with Korea, Ukraine, the South African Customs Union (SACU) and Algeria. In the bilateral dispute with Ukraine on the wood export ban an arbitration panel under the bilateral Association agreement was established on 28 January 2020. Following the legal submissions of the parties to the dispute and a hearing on 22 and 23 September 2020, the Final Ruling of the arbitration panel was issued on 11 December 2020. Ukraine will have to indicate until 11 January 2021 how and by when it will comply with the ruling.

DG Trade continued the focus on maximising the benefits of our trade instruments through proper implementation and enforcement of the trade and investment obligations of our partners and building on the findings of the evaluation of FTAs already in place.

Specific objective 3: Protecting EU companies and citizens from unfair trade and investment by making full use of existing Trade Defence Instruments, developing new tools and focusing on enforcement of existing commitments at an EU or international level

¹⁹ [Proposal for a Regulation on Dual-Use Goods](#)

The **Chief Trade Enforcement Officer** has further increased the efficiency of DG Trade's work on enforcement by streamlining internal processes, strengthening coordination within the Commission and enhancing consistency and identifying leverage to address breaches with trading partners. Stakeholders and civil society can bring their complaints concerning market access, trade and sustainable development or Generalised Scheme of Preferences directly to the new-established Single Entry Point (SEP). The SEP is the first point of contact in the new complaint system for anyone who wishes to report a barrier or lack of compliance. This specific objective thus contributes to the Commission's general objective *An economy that works for people*. At the same time, the Chief Trade Enforcement Officer is the public face of enforcement and implementation, reporting regularly to the European Parliament, the Council, Member States and stakeholders.

In line with WTO rules, the EU has its own system of Trade Defence Instruments (TDIs) to combat unfair trade practices in international trade. The EU is an efficient user of these instruments and applies a number of conditions additional to the WTO rules to ensure their use is measured. The instruments are carefully designed to ensure a level playing field and reintroduce balance in place of distortion. The EU uses TDIs to re-establish a competitive environment for the EU industry when harmed by unfair imports. In 2020, the European Court of Auditors (ECA) concluded that the Commission successfully enforces Europe's trade defence policy. At the same time, the ECA made a number of recommendations to further improve certain aspects of trade defence investigations. In 2021, DG Trade will focus on implementing these recommendations including those on support to SMEs and raising awareness among stakeholders.

The Commission stands firm against unfair trade practices through anti-dumping and anti-subsidy measures. The Commission also adopted safeguard measures where justified. This is necessary to uphold the EU's commitment for a Union that protects, empowers and defends. In March 2020 the Commission introduced an export authorization regime for personal protective equipment (PPE) to ensuring that these essential products in the fight against the COVID-19 are available there where they are most needed. Furthermore, in July 2020 the Commission made an in-depth review of the existing safeguard on imports of certain steel products to enhance their effectiveness and adapt their functioning to market developments, and later in December 2020 to adjust the tariff-rate quotas made available under this measure following the exit of the UK from the EU's internal market.

DG Trade continued to maintain and improve a transparent, efficient and effective system to combat distortions and unfair trade practices. DG Trade ensured that procedures were followed rigorously and considered all the relevant Union's interests. Open trade is a recognised engine for growth and job-creation but it requires that fair competition, without distortions, is maintained between domestic and foreign producers. DG Trade continued to complete investigations, which are subject to the scrutiny of the European Court of Justice and the WTO's Dispute Settlement Body, within the mandatory deadlines and endeavoured to do so even sooner. DG Trade also actively participated in trade defence investigations by

non-EU countries against EU Member States with the aim of minimising the cost for EU exporters.

DG Trade also intensified its efforts to deal with level-playing field issues such as subsidies and the role of State-Owned Enterprises across all sectors, by working closely with other trading partners, as well as in the WTO, the OECD and the G7/G20.

To make sure the EU remains one of the world's most open investment environments and thereby a source of growth and jobs while protecting its essential interests, the EU adopted the screening of foreign direct investment into the EU, in force since October 2020. It enables Member States and the European Commission to identify and address security concerns related to specific investments from outside the EU. This becomes all the more important in the economic context flowing from the COVID-19 crisis, where there is a growing need for investment including in sectors which could give rise to security concerns. DG Trade is responsible for both (1) overseeing the cooperation mechanism between all Member States and the Commission on FDI transactions that may pose a risk to security or public order in the EU and (2) analysing notifications relating to FDI transactions received from Member States pursuant to the FDI Screening Regulation 2019/452. This work is done with the new network of contact points in all relevant DGs which provide expertise from a legal, sector and/or specific policy perspective.

DG Trade continued contributing to the work led by the Executive Vice-President for a Europe fit for the Digital Age to design a new instrument to address the distortive effects of foreign subsidies in the internal market.

Specific objective 4: Ensuring trade policy is sustainable by effectively contributing to a wider set of EU policy goals, such as the Green Deal, adherence to international commitments on labour and the environment, gender and sustainable supply chains

Deploying trade measures to contribute to sustainability, including the achievement of Sustainable Development Goals (SDGs) by 2030, the fight against climate change, biodiversity loss, deforestation and other relevant global environmental priorities outlined in the Commission's European Green Deal as well promoting internationally agreed labour standards and human rights.

In 2020, EU trade policy continued to contribute to the EU Treaty objective of **sustainable development in its economic, social and environmental dimensions** both in Europe and in our partner countries, and to boost inclusive and sustainable growth and reduce poverty in developing countries. This specific objective was thus contributing to the Commission's general objectives *A stronger Europe in the world* and *An economy that works for people*.

Actions reflected the impact of COVID-19, and adjustments to working methods as well as the sustainable elements or accompanying actions key for the recovery.

EU trade policy aims to ensure that economic development goes hand in hand with social justice, respect for human rights, high labour standards, and high environmental standards.

The EU and its Member States are fully committed to implementing Agenda 2030 and its Sustainable Development Goals into EU policies.

DG Trade used the trade tools to **support sustainable development**. Every new trade agreement concluded continued to have a dedicated chapter on trade and sustainable development (TSD) to help promote respect of **labour rights** and protect the **environment and climate** in line with the international commitments. DG Trade continued to work with the FTA partners to ensure the effective implementation and enforcement of relevant TSD provisions, thereby supporting decent work and the conservation and sustainable management of the environment, and organised subcommittee meetings under 10 FTAs (covering 17 countries) in 2020.

DG Trade continued to develop actions that promote the uptake of these provisions. On the enforcement side, 2020 saw the hearing of the first ever dispute settlement procedure on labour issues, which was launched in 2018 against South Korea under the TSD Chapter of the EU-South Korea Trade Agreement, with the subsequent request for the establishment of a panel of experts. The hearing was held in October in a virtual setting given the travel restrictions due to COVID-19. The Panel report was issued early 2021. The Panel agreed with the EU that a number of provisions in the Korean legislation were not consistent with the International Labour Organization (ILO) principles concerning freedom of association and right to collective bargaining. The Panel also found that Korea has made continued and sustained efforts over the last years to ratify three of the outstanding four fundamental ILO Conventions in question. Nevertheless, it recognized that Korea's efforts were not optimal and indicated that it expected Korea to expeditiously ratify all outstanding fundamental ILO Conventions.

DG Trade also continued to pursue work on improving access to sustainable energy and to raw materials necessary for the green transition in the negotiations of the Energy and Raw Materials chapters in all ongoing FTA negotiations.

Joint monitoring actions with other trade partners continued. Building on the successful pre-implementation initiative for new FTAs, such as Vietnam, Singapore and Japan, the Commission continued such efforts for upcoming ones, to ensure a promising start of the TSD chapter at entry into force. Vietnam ratified the ILO Convention on Right to Organise and Collective Bargaining (C98) in June 2019 and the Convention on Forced Labour (C105) in June 2020. In addition, Vietnam has provided a timetable to ratify Convention on Freedom of Association (C87) by 2023. There are other examples of partners having made improvements in respecting labour rights and standards. Georgia adopted a new Labour Code in September 2020, and established a fully functioning labour inspectorate system.

The Commission also continued to pay close attention to core labour standards and in particular to the elimination of child labour in its trading partner countries in line with the zero-tolerance approach outlined the political guidelines of the Commission's President Ursula von der Leyen and as part of an overall effort pulling together the different policy areas. Activity also intensified in respect of forced labour.

After a debate involving EU institutions, EU Member States and civil society organisations, in February 2018 the Commission services published a *15-Point TSD Action Plan*²⁰ to make the implementation of trade and sustainable development chapters more effective and to improve their enforcement. In 2020, DG Trade continued to push ahead with implementing the *Action Plan*. Executive Vice-President Dombrovskis announced in October 2020 that in order to expand the policy reflection on TSD, the Commission will advance the review of the *15-point TSD Action Plan* from 2023 to 2021, to be accompanied also by a comparative study on how other countries implement and enforce the TSD commitments in their trade agreements.

Since November 2018, a €3 million Partnership Instrument-funded project is available for three years to support civil society involvement in the implementation and monitoring of EU trade agreements.

The Commission also pursued a stronger link between trade policy instruments (e.g. Generalised Scheme of Preferences, sustainable development chapters in FTAs) and cooperation with the aim of promoting labour rights and environmental protection, including actions on climate. Under the *Trade For Decent Work* project dedicated funding continued to be provided to the ILO for capacity building on labour rights in key trading partners, including Bangladesh, Myanmar and Vietnam.

The Commission regularly reviews the implementation of the Generalised Scheme of Preferences (GSP) Regulation. EU GSP preferences helps vulnerable, developing countries alleviate poverty and create jobs, while at the same time abiding by international values and principles. This includes the GSP+ arrangement, which offers additional preferences to developing countries that commit to effectively implementing core international conventions on human rights, labour rights, environmental protection and good governance. It also includes the Everything But Arms (EBA) arrangement, which provides duty and quota free access for all goods from Least Developed Countries (LDCs) except arms and ammunition. In this context, in February 2020 DG Trade published its third biennial Report on GSP to the European Parliament and Council, highlighting the effectiveness of the EU's scheme and providing country assessments. Through missions and high level dialogue, DG Trade continued its enhanced monitoring of a number of EBA countries in 2020, especially Myanmar and Bangladesh. As regards Cambodia, in February 2020 the Commission concluded the procedure of temporary withdrawal of tariff preferences on selected products, which took effect on 12 August 2020.

In 2020, the Commission updated the list of beneficiaries and graduated partners as foreseen in the GSP Regulation. DG Trade also started implementing some of the findings of the GSP mid-term evaluation that was finalised in 2018. A project to this end started in 2020 including increasing engagement, awareness and analysis of GSP related issues. Building on the findings of the evaluation, DG Trade launched an ex-ante impact assessment in 2020 with a view to starting preparatory work on the future GSP Regulation,

²⁰ [Non-Paper on improving implementation and enforcement of Trade and Sustainable Development chapters in FTAs](#)

given that the current one is ending in 2023. A public consultation (March-July) was also launched to support that process.

The EU continued to promote due-diligence practices for responsible global value chains. DG Trade proactively contributed to the various strands of work within the EU, including the study concerning due diligence issued in February 2020 under the leadership of DG Justice and the review of the 2014 Non-Financial Disclosure Directive led by DG Fisma that is under preparation. The Directive requires listed companies with more than 500 employees to disclose information on policies, results and risks concerning environmental aspects, social and employee-related matters, respect for human rights, anti-corruption and bribery issues.

When it comes to trade policy, the EU is negotiating dedicated Corporate Social Responsibility (CSR)/Responsible Business Conduct (RBC) provisions in EU trade and investment agreements. Where FTAs are in force, the implementation of these provisions are amongst the EU priorities. DG Trade is also working very closely with the OECD and the ILO, as well as trading partners and stakeholders, on the implementation of international due diligence guidelines. DG Trade's priority for 2020 continued to be the implementation of FTA provisions and these guidelines.

In addition, in cooperation with the OECD, the ILO and the United Nations Office of the High Commissioner for Human Rights (OHCHR), the Commission has developed capacity-building and outreach programmes to help countries address sustainability challenges, notably with on-going projects under the Partnership Instrument on responsible supply chains in Asia and Latin America.

In these actions, particular attention was given to the relevance of due diligence and responsible business conduct in the context of resilience of supply chains, against the backdrop of the COVID crisis.

The Commission continued actively to promote gender equality through its trade policy, including through its engagement on the issue in the WTO and negotiations and implementation of gender provisions. It continued to gather gender-disaggregated data to ensure that trade-related aspects of gender are adequately addressed in trade agreements and to consider gender impact in trade initiatives.

DG Trade also ensured that trade and sustainable development is covered in multilateral work in key international bodies and fora, notably in the WTO – the Committee on Trade and Environment, the Committee on Trade and Development, and through Aid for Trade. DG Trade has also engaged with partners to promote the uptake of trade and sustainable development in the works of the 12th WTO Ministerial Conference. This has included co-sponsoring an initiative to structure discussions on trade and environment with like-minded partners in the WTO, and the launch of an initiative to take up climate action in the WTO. DG Trade also provided support and inputs to the UN, notably involving the ILO and UNCTAD, the OECD, the World Bank, the G20, etc.

In 2017, the EU adopted a Regulation to ensure responsible **sourcing of tin, tantalum, tungsten and gold** to ensure that EU imports do not indirectly contribute to violent

conflict and associated human rights abuses along the supply chain, but rather the livelihood of local communities. The requirements on EU importers will apply as of 1 January 2021. In the course of 2020, DG Trade focused on supporting EU importers and EU Member States in ensuring proper implementation of the Regulation based on all the preparatory and supporting initiatives rolled out since 2017, Additional support tools were made available in 2020.

In terms of the **European Green Deal initiatives** and trade, the Commission deployed measures and actions to ensure that all relevant EU policies, including its trade policies, should live up to a green oath to 'do no harm'. At the same time, the Commission ensured that all Green Deal initiatives are compatible with the EU's international obligations, including WTO rules, and that they achieve their objectives in the most effective and least burdensome way. Under the Farm to Fork Strategy and in support of the global transition to sustainable agri-food systems, the Commission worked on addressing animal welfare, the use of pesticides and the fight against antimicrobial resistance in trade relations with third countries.

DG Trade contributed to international climate and environment actions through its FTAs and GSP instrument. In respect of internal climate measures, DG Trade contributed to the design of the **Carbon Border Adjustment Mechanism (CBAM)** to ensure that it will be fully in compliance with WTO rules.

In the area of **deforestation**, DG Trade is contributing to a proposal for regulatory measures to avoid or minimise the placing on the EU market of products associated with deforestation or forest degradation. Any measure proposed will also aim to facilitate imports of products and the operation of value chains that are 'forest-friendly'. Bilaterally, the Commission continued to prioritise the implementation of TSD sustainable forest management measures with key FTA partners such as Ukraine.

DG Trade contributed to horizontal and sector-specific **industrial policy initiatives**. The **objective was** to properly reflect the external dimension of such initiatives and the important role of trade policy in ensuring the security of supplies and sustained demand for EU industrial output.

At the sectoral level, DG Trade together with DG INTPA launched the **Sustainable Cocoa Initiative** which seeks to strengthen the EU's engagement on ensuring sustainability of the cocoa sector with a focus on the key trading partners Ghana and Ivory Coast. Under the initiative, a multi-stakeholder dialogue on sustainable cocoa was launched on 22 September in the presence of three Commissioners. The multi-stakeholder dialogue brings together key EU stakeholders from civil society, private sector, EU institutions, Member States and also from Ghana and Ivory Coast in order to find common ground on how to address issues of child labour, deforestation and living wages in the cocoa sector from a demand perspective – building on local initiatives already launched by the two countries (such as the living income differential, a top-up on global wholesale prices for cocoa from the two countries).

Specific objective 5: Improve the acceptance and understanding of EU trade policy, in particular, by ensuring that it is pursued in an open, inclusive and transparent manner

More engagement and better communication with the European Parliament, the Council and civil society ensuring that trade policy responds to citizen's concerns.

To enhance legitimacy and public trust, DG Trade maintains its commitment to ensuring trade policy is transparent and inclusive. This specific objective was thus contributing to the Commission's general objectives *A stronger Europe in the world* and *An economy that works for people*.

DG Trade ensured the highest levels of transparency and communication with the European Parliament, the Council, stakeholders and the public. It published up-to-date information about trade policy on its website in easy-to-understand language, press releases, news items and factsheets, and engaged actively on Twitter where it has well over 50,000 followers. DG Trade has continued holding regular meetings of its Civil Society Dialogue on a range of trade policy issues, and has launched a study looking at how its current Dialogue operates and how it can support better civil society debate around trade in Member States. The results of this study are expected in the course of 2021.

As regards trade negotiations, DG Trade provided regular briefings to the European Parliament, engaged with civil society and stakeholders, and published documents at the different stages of the negotiations (i.e. before the launch of a negotiation, during the negotiations and after finalising the negotiations).

During 2020, DG Trade also continued to engage with civil society on the monitoring and operation of trade agreements. For this, mechanisms for institutionalised dialogue have for example been set up in the modernised agreement with Mexico and the agreement with Mercosur. Domestic Advisory Groups (DAGs) are being set up for each agreement entering into force. The Commission publishes an open call for expression of interest seeking members from EU civil society organisations to advise Parties on the implementation of the Trade and Sustainable development chapter or the full trade part of an agreement.

In addition, in 2020, DG Trade implemented additional commitments that included the publication of:

- the Commission's decisions authorising Member States to conduct bilateral investment negotiations;
- summary records from the meetings of the Trade Defence Instruments Committee (while excluding business-sensitive information).

These additional measures have further strengthened EU global leadership position in relation to shaping a transparent and inclusive trade and investment policy. In 2020, DG Trade started publishing detailed statistics on GSP²¹, including on important benchmarks such as vulnerability and utilisation for the countries concerned.

²¹https://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/index_en.htm

2. Modern and efficient administration and internal control

2.1 Financial management and internal control

Assurance is provided on the basis of an objective examination of evidence of the effectiveness of risk management, control and governance processes.

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. The results are explicitly documented and reported to the Director-General. The following reports have been considered:

- the reports from Authorising Officers by Subdelegation (AOSDs);
- the reports from Authorising Officers in other DGs managing budget appropriations in cross-delegation;
- the reports on control results from entrusted entities in indirect management, as well as the results of the DG's supervisory controls on the activities of these bodies;
- the contribution by the Director in charge of Risk Management and Internal Control, including the results of internal control monitoring at DG level;
- the reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions' (Art 92.3 FR);
- the limited conclusion of the Internal Auditor on the state of internal control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Director-General of DG Trade.

This section covers the control results and other relevant elements that support management's assurance. It is structured into (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of internal control systems, and resulting in (d) Conclusions on the assurance.

2.1.1 Control results

This section reports and assesses the elements identified by management which support the assurance on the achievement of the internal control objectives²². The DG's assurance

²² 1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.

building and materiality criteria are outlined in AAR Annex 5. Annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

The 2018 Financial Regulation introduced some additional AAR reporting requirements (FR art 92.3, art 125.3, art 130.4, art 181.6 and art 193.2). DG Trade had no such cases in 2020.

DG Trade is a policy DG with a relatively small budget. The majority of its budget is implemented through direct management, while part of the contributions to international organisations are implemented through contribution agreements, i.e. indirect management. DG Trade's budget was implemented in 2020 as follows:

Total expenditure	Commitments in million EUR	Payments in million EUR
Administrative expenditure (excl. external staff)	1.27	0.37
Contributions to International Organisations	4.65	5.54
<i>Co-delegated from other DGs</i>	-	1.00
Procurement activities	18.84	12.45
<i>Co-delegated from other DGs</i>	6.00	0.80
Total (as presented in Annex 3)	24.76	18.36
Co-delegation to other DGs	1.80	2.55
Total expenditure	26.56	20.90

The expenditure managed by DG Trade falls into the following categories:

- Administrative expenditure

Due to the COVID-19 crisis, DG Trade gave back part of its administrative budget so that it could be used for corporate needs and the use of the remaining administrative budget was slightly different than in previous years. More than 72% of the administrative budget (missions expenses, meetings of committees and expert groups, training, conferences and other miscellaneous expenditure) managed by DG Trade was actually paid by PMO. Missions usually represent more than 85% of all DG Trade's administrative budget. However, due to the travelling restrictions in 2020, missions only accounted for around 66%.

- Contributions to international organisations

Overall, the value of the payments linked to contributions to international organisations represented about 30% (including the co-delegation received from other DGs) of the total budget expenditure in 2020. DG Trade awarded contribution agreements and one direct grant to international organisations with a view to implement multilateral programmes and initiatives, notably to strengthen the capacity of developing countries to participate effectively in the multilateral trading system and regional trading arrangements, and to improve their trade and investment performance, as well as to promote labour rights and environmental protection.

- Procurement activities (contracts)

Overall, the value of payments linked to signed contracts represented about 68% (including the co-delegation received from other DGs) of the total budget expenditure in 2020. DG Trade mainly acquired services for economic and impact assessment studies, organising conferences and negotiation rounds, IT support including IT infrastructure for the implementation of the FDI screening regulation, legal and other services. These services are generally provided by specialised consultants or service providers through public procurement.

1. Effectiveness = the control results and benefits

- Legality and regularity of the transactions

DG Trade is using internal control processes to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions it is responsible for, taking into account the multiannual character of programmes and the nature of the payments concerned.

DG Trade continues to operate a combination of a fully centralised financial circuit and a decentralised financial circuit with counter-weight. All transactions are therefore subject to an independent ex-ante financial verification (100% of transactions). No ex-post function is set up. In addition, a combination of preventive, detective and corrective controls are embedded into the programming and planning, verification, execution and monitoring, management and reporting, and communication processes so as to ensure an effective mitigation of any financial management risks.

In addition, for all contributions to international organisations, the disbursement of funds takes place after the conclusion of a Pillar Assessed Grant or Contribution Agreement (using PAGODA template agreement) with the beneficiary. Each agreement requires that international organisations have successfully passed the pillar assessments. A verification check is normally done only in cases when there are indications of possible incorrect spending of EU funds. As there have been no such indications in 2020, no verification mission nor audit was initiated during last year.

The control objective is to ensure that the DG has reasonable assurance that the amount of financial operations authorised during the reporting year and which would not be in conformity with the applicable contractual or regulatory provisions remains below 2%.

In DG Trade, the 2% threshold applies to any transaction that has been registered as an exception or a non-compliance event and which has a quantifiable impact on the legality and regularity of the underlying transaction.

In 2020, there was no non-compliance event discovered as control weaknesses. At the same time, there were two exceptions recorded. None of these events had an impact on the legality and regularity of the transactions. Both exceptions concerned events related to formal compliance issues, which do not have a negative impact on the budget.

The correction of detected erroneous invoicing related to unduly invoiced amounts, resulted in 37 credit notes for a total amount of €59,098 and three cases of claiming an ineligible amount totalling €16,571. Please refer to table 8 in Annex 3 for details. All errors and irregularities have been discovered before the actual payment. No other elements were brought to the attention of the AOD, which could give rise to a financial correction or an ex-post recovery.

The legality and regularity is demonstrated by the following key indicators:

INDICATOR	TARGET	2020	2019	2018	2017	2016	2015
No of financial exceptions	Keep stable/ reduce	2	3	None	None	1	2
No of non-compliance events	Keep stable/ reduce	0	1	2	4	7	10
No of decisions overriding controls	None	None	None	None	None	None	None
No of legal cases following complaints in procurement procedures	None	None	None	None	None	None	None
ASSESSMENT							
<p>There were no non-compliance events discovered in 2020, demonstrating the robustness and well functioning of the control system.</p> <p>At the same time, two exceptions have been authorised in 2020, compared to three exceptions in 2019. The exceptions have been properly analysed and evaluated. As the events were fully justified and did not have any significant impact on the legality and regularity of the underlying transactions, they were authorized.</p> <p>Legal cases: In 2020, there were no legal cases, nor complaints, about a procurement procedure.</p>							

DG Trade's relevant expenditure, estimated overall risk at payment, estimated future corrections and risk at closure are disclosed in Table X.

The estimated overall risk at payment for 2020 expenditure amounts to €0.092 million, representing 0.5 % of the DG's total relevant expenditure for 2020. This is the AOD's best, conservative estimation of the amount of relevant expenditure during the year not in conformity with the contractual and regulatory provisions applicable at the time the payment was made.

The internal control strategy foresees the implementation of an ex-ante control of 100% of the expenditure authorised. Given that there is no ex-post control function setup²³, no future corrective capacity after the payments have been made is being considered.

As a result, the estimated overall amount at risk at payment is considered to be the same as the estimated overall risk at closure for 2020, i.e. €0.092 million.

In the context of the protection of the EU budget, the DGs' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated at Commission level in the AMPR.

²³ No ex-post control is put in place in DG Trade because it would be a disproportionate burden and cost given the amounts involved and potential level of risk.

Table X - Estimated risk at closure

DG Trade	"payments made" (FY; m€)	<i>minus</i> new prefinancing [<i>plus</i> retentions made*] (in FY; m€)	<i>plus</i> cleared prefinancing [<i>minus</i> retentions released* and deductions of expenditure made by MS] (in FY; m€)	= "relevant expenditure" (for the FY; m€)	Average Error Rate (<i>weighted</i> AER; %)	estimated risk at payment (FY; m€)	Average Recoveries and Corrections (<i>adjusted</i> ARC; %)	estimated future corrections [and deductions] (for FY; m€)	estimated risk at closure (FY; m€)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Programme, Budget Line(s), or other relevant level	as per AAR annex 3, table 2	as per ABAC DWH BO report on prefinancing	as per ABAC DWH BO report on prefinancing	= (2) +/- (3) +/- (4)	Detected error rates, or equivalent estimates	= (5) x (6)	H-ARC (as per ABAC DWH BO report on corrective capacity), <u>but adjusted</u>	= (5) x (8)	= (7) - (9)
Procurement	12.453	0.000	0.000	12.453	0.5%	0.062	0.0%	0.000	0.062
Contributions to International organizations	5.540	5.029	4.979	5.490	0.5%	0.027	0.0%	0.000	0.027
Administrative expenditures	0.370	0.000	0.000	0.370	0.5%	0.002	0.0%	0.000	0.002
DG total	18.363 mEUR	5.029 mEUR	4.979 mEUR	18.313 mEUR	0.5%	= 0.092 mEUR; and 0.5% of (5)	0.0%	= 0.00 mEUR; and 0.0% of (5)	= 0.092 mEUR; and 0.5% of (5)

Notes to the table X

(1) differentiated for the relevant portfolio segments at a level which is lower than the DG total

(2) Payments made or equivalent, e.g. expenditure registered in the Commission's accounting system, accepted expenditure or cleared pre-financing. In any case, this means after the preventive (ex-ante) control measures have already been implemented earlier in the cycle.

In all cases of Co-Delegations (Internal Rules Article 3), "payments made" are covered by the Delegated DGs. For Cross-SubDelegations (Internal Rules Article 12), they remain with the Delegating DGs.

(3) New pre-financing actually paid by out the department itself during the financial year (i.e. excluding any pre-financing received as a transfer from another department). "Pre-financing" is covered as in the context of note 2.5.1 to the Commission annual accounts (i.e. excluding "Other advances to Member States" (note 2.5.2) which is covered on a purely payment-made basis). "Pre-financing paid/cleared" are always covered by the Delegated DGs, even for Cross-SubDelegations.

(4) Pre-financing actually cleared during the financial year (i.e. their 'delta' in the Financial Year 'actuals', not their 'cut-off' based estimated 'consumption').

(5) For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to legality & regularity errors (*see the ECA's Annual Report methodological Annex 1.1*), our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out [*& adds the retentions made*], and adds the previous pre-financing actually cleared [*& subtracts the retentions released; and any deductions of expenditure made by MS*] during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

(6) In order to calculate the weighted Average Error Rate (AER) for the total relevant expenditure in the reporting year, the detected error rates have been used – or an equivalent.

For low-risk types of expenditure, where there are indications that the equivalent error rate might be close to 'zero' (*e.g. administrative expenditure, operating subsidies to agencies*), it is nevertheless recommended that 0.5% be used as a conservative estimate.

(8) Even though to some extent based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD *has adjusted* this historic average *from 1.4% to 0%* given that all transactions are subject to an independent ex-ante financial verification (100% of transactions) and that no ex-post function is set up.

- **Fraud prevention, detection and correction**

DG Trade has developed and implemented its own anti-fraud strategy since 2013, on the basis of the methodology provided by OLAF. It is updated every three years. It was last updated in December 2019, following the publication of the Commission Anti-fraud Strategy (CAFS). Its implementation is being monitored and reported to the management annually. All necessary actions are foreseen in the Action Plan²⁴. Awareness raising actions on anti-fraud matters took place in 2020 with the campaign to participate in the first OLAF Anti-Corruption Conference: "WORKING TOGETHER AGAINST CORRUPTION".

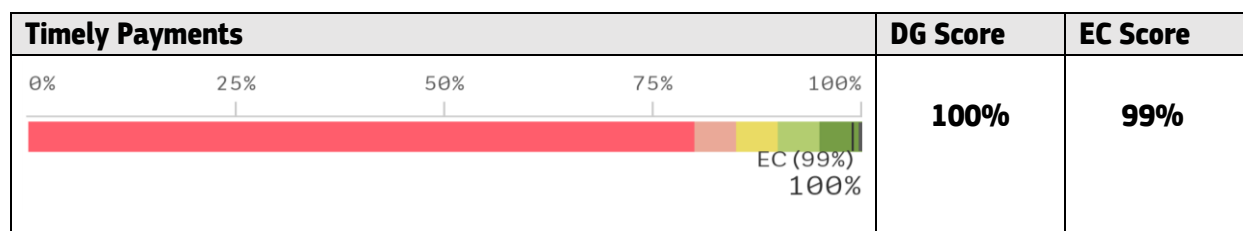
Despite its small budget, DG Trade has put in place various control levels to minimise the risk of fraud in financial transactions. Furthermore, clear procedures and guidelines on how to detect and report potential fraudulent cases, including whistleblowing, have been put in place and shared with staff.

DG Trade also contributed to the Commission anti-fraud strategy. Moreover, and to DG Trade's knowledge, there are no cases linked to financial procedures or staff matters currently being investigated by OLAF. Cooperation with OLAF continues to work well in the area of fraud linked to trade defence investigations. DG Trade did not have any financial recommendation from OLAF.

On the basis of the available information, DG Trade has reasonable assurance that the anti-fraud measures in place are effective.

2. Efficiency = the Time-to-... indicators and other efficiency indicators

The efficiency of DG Trade's internal control processes is measured by the "timely payments" indicator.



During 2020, DG Trade made a total of 403 payments amounting to €18,36 million. When rounded, then 100% of the amount was paid in time, with an average net payment time of 16 days.

In 2020, DG Trade continued to follow up closely the development of the eProcurement project and pursued the deployment of the ensuing applications as the main driver of efficiency gains in financial management. In response to the COVID-19 crisis, DG Trade introduced a fully electronic circuit for all payment files from March 2020.

3. Economy = the estimated cost of controls

DG Trade quantifies the costs for carrying out the controls described in Annex 6 on the basis of the human resources required for these controls and estimates their benefits, in so

²⁴ The monitoring of the implementation of the action plan is done at least once a year.

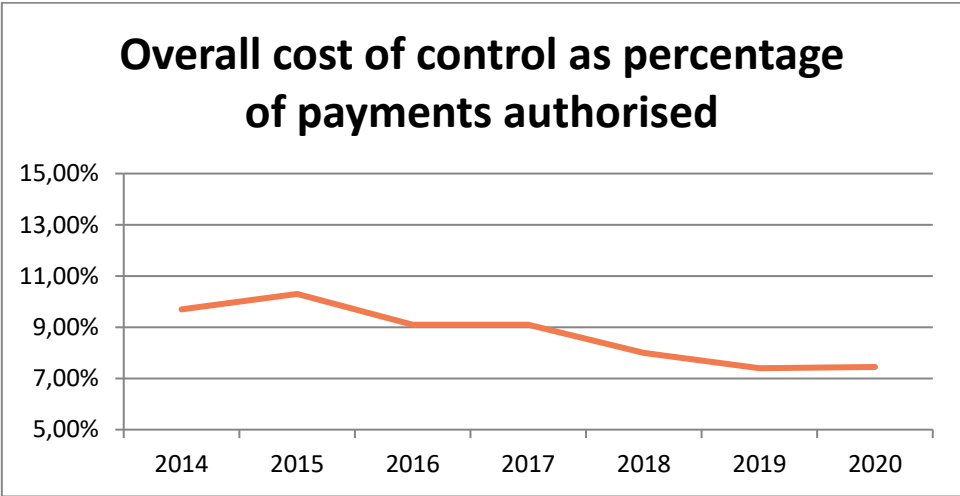
far as possible, in terms of the amount of errors and irregularities prevented, detected and corrected by these controls (as shown in Annex 3, table 8). However, most benefits are non-quantifiable since they include non-financial gains such as compliance with regulatory provisions, deterrent effects, system improvements and protection from reputational damage.

DG Trade has produced an estimation of the costs of its main control processes (as shown in Annex 7, table Y). DG Trade estimates the overall cost of control at €1.369 million²⁵.

Apart from the above mentioned Commission’s own cost of control, there are fees paid to international organizations for their overall administration/management which are, however, broader and cover much more than control operations. In the case of DG Trade this fee represents a 7% flat-rate of the final amount of the direct eligible costs actually incurred, representing a total amount of €0.318 million for the year 2020.

DG Trade applies a 100% ex ante verification to all transactions and procedures. This verification includes mainly procurement procedures and direct awards of contribution agreements and grants. To a large extent, both are governed by a regulatory framework which cannot be curtailed. No ex-post control function is established.

Given that DG Trade is a small-spending DG, which cannot split the cost of controls between Direct and Indirect Management modes, DG Trade retained a single overall cost of control indicator:



The percentage of cost of controls (see the chart above) reflects the fact that both the overall cost of control and level of authorised payments remained in 2020 stable compared to previous year. DG Trade considers that these controls are strictly necessary in order to ensure compliance with regulatory requirements. As demonstrated in Annex 6, a substantial part of the appropriations could be at risk if these controls were not in place. For these reasons, the overall cost of control has to be seen in relation to DG Trade's relatively small amount of payments (€18.363 million).

²⁵ This corresponds to 10.8 FTE, representing the estimated combined effort of actors in the financial and operational units involved in the execution and verification of financial transactions in DG Trade.

Taking into account the obligations resulting from the regulatory framework, the total costs of controls and both the quantifiable and non-quantifiable benefits, DG Trade considers that the controls performed today are cost-effective, efficient and necessary. DG Trade continues to assess its control model and examines whether it is possible to make it even more cost-effective and efficient.

4. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, DG Trade has assessed the effectiveness, efficiency and economy of its control system and reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible.

DG Trade's control environment and strategy remained stable during the reporting year and also compared to the previous years. DG Trade considers that its control strategy fits very well to its profile of low spending DG and is the best suited to fulfil the intended control objectives efficiently and at a reasonable cost. The focus is on ensuring an adequate balance between low error rates, timely payments and low costs of controls.

2.1.2 Audit observations and recommendations

This section sets out the observations, opinions and conclusions reported by auditors – including the limited conclusion of the Internal Auditor on the state of internal control. Summaries of the management measures taken in response to the audit recommendations are also included, together with an assessment of the likely material impact of the findings on the achievement of the internal control objectives, and therefore on management's assurance.

Audits completed in 2020

The IAS launched in March 2020 an audit on evaluation activities in DG Trade. The IAS sent the final report on 28th January 2021. The auditors issued three recommendations addressing potential improvements on the planning and monitoring of evaluations and the human resources involved, on improvements to the internal guidance and learning and development activities and on improvements on the communications of evaluation results.

The recommendation on planning and monitoring of evaluations has been considered as very important by the IAS. The auditors recommended to improve DG Trade's planning and monitoring of all types of evaluations. DG Trade sent the final action plan agreed with the IAS in March 2021.

In its contribution to the 2020 AAR exercise, the IAS concluded that the internal control systems in place for the audited processes are effective, except for the observation giving rise to the 'very important' recommendation indicated above. This recommendation will be addressed by the submission and implementation of an agreed action plan. This conclusion is based on all work undertaken by the IAS in the period 2018-2020 and taking into account the actions plans adopted to implement recommendations made by the IAS in 2018-2020.

The ECA launched in March 2019 a performance audit on the enforcement of trade defence

policy. The ECA published the final report in July 2020. The audit concluded that the Commission was successful as an enforcer of trade defence policy. It followed procedures properly during the investigations and made sure that the parties concerned received equal treatment. However, the ECA recommended some improvements in the following areas: to document the confidentiality assessment, to raise awareness about TDI, to improve guidance on competition aspects, to improve monitoring of the measures, to fully use the ex officio procedures, and to prioritise the EU's response to third country measures

All ongoing recommendations are detailed in Annex 7.

As a result of the assessment of the risks underlying the auditors' observations together with the management measures taken in response, the management of DG Trade believes that the recommendations issued do not raise any concerns towards the assurance. These recommendations are being implemented as part of on-going and continuous efforts by DG Trade to seek further improvement and efficiency in the way it operates.

2.1.3 Assessment of the effectiveness of internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, to ensure the achievement of its policy and management objectives. Compliance with the internal control framework is a compulsory requirement.

DG Trade uses the organisational structure and the internal control systems suited to achieving its policy and internal control objectives in accordance with the internal control principles and has due regard to the risks associated with the environment in which it operates. Within the DG, Unit R.1 is responsible for advising, monitoring, assessing and reporting on the internal control systems in DG Trade. Unit R.1 assists DG Trade's Director responsible for Risk Management and Internal Control (RMIC).

The present assessment relates exclusively to the implementation of internal control systems for which DG Trade is responsible and, therefore, does not include reporting on internal control arrangements in EU Delegations.

Assessment of the internal control systems

Management assesses on a continuous basis the effectiveness of the internal control systems, in order to determine whether they work as intended and ensuring that any control weaknesses in the system are detected, analysed and considered for improvement. In addition, management performs specific assessments to ascertain whether the internal control systems and their components are present and functioning. The purpose of these management assessments is to provide reasonable assurance that the internal control principles (ICPs) adopted by the Commission are implemented and functioning in the DG, that the assessment findings are evaluated and that any deficiencies are communicated and corrected in a timely manner, with serious matters reported as appropriate.

The 2020 assessment of the internal control systems was launched in December 2020 and completed in February 2021 following the methodology established in the "Implementation Guide of the Internal Control Framework of the Commission". The report was sent to the Director responsible for Risk Management and Internal Control. The following elements

have been taken into account in order to build reasonable assurance on the functioning of the entire internal control systems in DG Trade:

- Analysis of the internal control monitoring criteria;
- Qualitative assessment of the follow-up actions linked to DG Trade's results in the 2018 staff survey;
- Desk review of information collected throughout the year for internal control matters, in particular records from management meetings, trainings and meetings covering specific internal control issues (e.g. security, access to documents, ethics, etc.);
- Results of the latest risk assessment exercise;
- Audit/control information (IAS, ECA, OLAF) and DG Trade's actions undertaken in response to it, exception reports and relations with central services.
- The reports by the Authorising Officers by Subdelegation (AOSD Declaration);
- The register of exceptions and non-compliance events;
- The IAS opinion on the state of control;
- Audit/control information (IAS, ECA, OLAF, IDOC) and DG Trade's actions undertaken in response to it, exception reports, and relations with central services.

DG Trade has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall, although some improvements are needed as minor deficiencies were identified related to ICP 3 "structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives", ICP 4 "attract, develop and retain staff", ICP 12 "control procedures" and ICP 14 "internal communication to support the functioning of internal control".

The improvements and remedial measures already taken in 2021 were:

- ✓ Updated working arrangements between Executive Vice-President Dombrovskis, his Cabinet and DG TRADE (ICP 3);
- ✓ Updated whistleblowing guidance available in TRADEnet (ICP 14).

The improvements and remedial measures envisaged are:

- ✓ Following up on the recommendations by the IAS on the audits on human resources management and management of evaluations in DG Trade, notably on improvements in the preparation of the next DG Trade Human Resources Strategy, improvements in the workload assessment, setting up of flexible project teams, enhancing the importance of planning and monitoring of Human Resources involved in evaluations and ensuring that the learning offer includes trainings on evaluations (IPC 4);
- ✓ Mitigating actions to improve the controls on staff costs declared by international organizations (ICP 12);
- ✓ Following up on the recommendations by the IAS on the audit on evaluations management in DG Trade, notably on improvements in the monitoring of the

evaluations, update of the SIA guidance and improvement of the communication guidance (IPC 12).

DG Trade has put in place all the necessary mitigating measures to improve the effectiveness of its internal control system.

In 2020, DG Trade updated its Risk Register in order to ensure that all the foreseeable political risks have been included and are being adequately mitigated. There is no indication of any critical risks affecting DG Trade's activities. Nonetheless, DG Trade is facing and will continue to face some important risks in the coming months, notably in relation to the COVID-19 crisis, the situation of the multilateral trading system, trade relations with the US and China and last but not least, the impact of Brexit on trade policy.

Finally, in 2020 there were no non-compliance events discovered, demonstrating robustness and well functioning of the control system. At the same time, two exceptions have been authorized in 2020, compared to three exceptions from 2019.

DG Trade has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall, but some improvements are needed as minor deficiencies were identified related to principles 3, 4, 12 and 14, as described above.

2.1.4 Conclusions on the assurance

This section reviews the assessment of the elements already reported above (in Sections 2.1.1, 2.1.2 and 2.1.3), and the sub-conclusions already reached. It draws an overall conclusion to support the declaration of assurance and whether it should be qualified with reservations.

Review of the elements supporting assurance

While DG Trade has a relatively small budget to manage, the key controls implemented in DG Trade operate appropriately as confirmed by the different audits conducted and the assessment of the internal control system. The outcome of all the audits, the regular and comprehensive follow-up of the related audit recommendations and the results of the internal control assessment constitute important components of assurance in this respect.

The information reported in Section 2.1 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. Taking into account the conclusions of the review of the elements supporting assurance, DG Trade considers that the information presented above gives a full and fair presentation of the systems in place to ensure that resources assigned to the DG have been used for their intended purposes and in accordance with the principles of sound financial management and those of legality and regularity.

It is therefore possible to conclude that the internal control systems implemented by DG Trade provide sufficient assurance appropriately to manage the risks relating to the legality and regularity of the underlying transactions. Furthermore, it is also possible to conclude that the internal control systems provide sufficient assurance with regards to the achievement of the other internal control objectives. This approach provides sufficient

guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director-General of DG Trade.

Overall Conclusion

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

2.1.5 Declaration of Assurance

Declaration of Assurance

I, the undersigned,

Director-General of DG Trade

In my capacity as authorising officer by delegation, declare that the information contained in this report gives a true and fair view²⁶.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, the work of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution.

Brussels, 31 March 2021

(e-signed)

Sabine WEYAND

²⁶True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

2.2 Modern and efficient administration – other aspects

The internal control framework supported sound management and decision-making. It ensured that risks to the achievement of objectives were taken into account and reduced to acceptable levels through cost-effective controls. In 2020, the COVID-19 crisis presented particular challenges to the way in which DG Trade operated.

DG Trade has established an internal control system tailored to its particular characteristics and circumstances. The effective functioning of the service's internal control system was assessed on an ongoing basis throughout the year and was subject to a specific annual assessment covering all internal control principles.

2.2.1 Human resource management

The delivery of DG Trade's mission and objectives are closely linked to the resources available and therefore strategic human resources planning is imperative. This is why, in addition to our continuous monitoring and analysis, a multiannual DG Trade Human Resources strategy was drawn up for 2018-2020, bringing together a number of forward looking elements drawing from the policy perspective.

DG Trade's Human Resources strategy aims at maintaining a knowledgeable, motivated and healthy workforce and therefore offers opportunities to all categories of staff, in different grades and functions at different stages in their career and both in Headquarters and in EU Delegations.

DG Trade has a highly engaged pool of staff, which was confirmed in the latest staff satisfaction survey 2018 at 74%, well above the Commission's average. However, in the two Pulse surveys undertaken in end 2020/early 2021 we noted a decline of 10 percentage points in the staff engagement in DG Trade, although it should be noted that DG Trade's participation rate in those surveys was significantly lower than the usual one in normal staff satisfaction surveys. DG Trade is taking this result very seriously since this reflects the exceptional situation in a Covid-19 context, but most importantly the very high workload in DG Trade and the political sensitivity of DG Trade's agenda. Further actions seeking to improve work-life balance, health and well-being continued to be a priority in 2020 and will remain so in 2021, even if DG Trade has slightly improved its score on well-being in the above mentioned Pulse Surveys.

Furthermore, DG Trade continued to support its commitment to promote gender equality. While we have fulfilled our target of first appointments of female middle management, we continued our efforts to ensure a balanced pool of AD staff in 2020 and worked towards our new target set for end of 2023.

DG Trade continuously analysed and planned how efficiently and effectively it manages its human resources. Each year, DG Trade holds a spring and autumn review, where, together with senior management, the human resources and mobility situation in the DG are assessed and planned for the coming months as well as for the longer term.

Close collaboration and continuous discussions with senior and middle managers enabled forward planning and optimisation of human resources needed for implementing DG

Trade's policy objectives while at the same time ensuring staff engagement through learning and development, well-being and diversity actions in line with the Commission's talent management, diversity and fit@work policy. In 2020, and in addition to organising trade policy related training events, special focus was placed on training on management development and well-being which was supported by appropriate internal communication actions through our Intranet and other tools. This allowed a smooth implementation of the reorganisation of the DG that took effect on 16 July 2020.

The impact of the COVID-19 crisis on the way we work and the shift to teleworking for a long period highlighted even further the need for effective and innovative internal coordination at all levels with the DG, reflected for example, in a regular blog shared with all staff by our Director General.

We also followed up on specific actions to the 2018 staff opinion survey in the form of dedicated working groups in the area of communication and collaboration and career development.

Finally, in 2020, DG Trade started to prepare a new Human Resources Strategy 2021-2024, taking into consideration the revision of the DG's priorities and specific objectives as set out in its new Strategic Plan 2020-2024.

2.2.2 Digital transformation and information management

DG Trade's specific objective in the area of data protection is based on the Commission's action plan and on the accountability principle. To raise awareness on data protection, the DG Trade Data Protection Coordinator (DPC) continued to provide hands-on specific trainings to staff, with a special attention to all delegated controllers and record editors. This also included awareness raising on the implications of possible restrictions of data subjects rights and of international data transfers. Finally, data protection continued to be part of DG Trade's newcomer trainings. DG Trade continued to ensure that all the IT tools and systems developed in-house incorporate all applicable data protection rules and principles, such as privacy by design and privacy by default and security obligations. Full compliance with data protection rules and principles has also been included in DG Trade's legislative proposals which might lead to the potential processing of personal data.

The current data protection legislation allows international transfers of personal data in principle if the EU standards for the protection of the rights and freedoms of the data subject are guaranteed also after the transfer.

Moreover, the invalidation of the EU-U.S. Privacy Shield (the Schrems II judgement) poses concrete challenges for services transferring personal data to third countries or using international cloud services. DG Trade will continue to assess its processing activities in light of the requirements of the Schrems II ruling and will coordinate with relevant Commission services and IT governance bodies, as well as the Data Protection Officer, to be able to draw from horizontal approaches to similar situations. DG Trade as well as the other Commission services, coordinated by the Data Protection Officer, replied to a request from the European Data Protection Supervisor (EDPS) to all EU institutions to identify and map their international transfers and to report certain categories of transfers and are

awaiting the EDPS’ reaction. The goal is to minimise the risks linked to ongoing and future international transfers of personal data, notably by informing all data subjects of the legal situation in which such transfers take place, in order for operations undertaken by the Commission services to comply with EU data protection law.

In the absence of adequacy decisions and other appropriate safeguards (standard data protection clauses adopted by the Commission or EDPS), DG Trade (likewise the other DGs working in the field of external relations) transfers personal data to third countries on the basis of derogations, namely the case of “important reason of public interest” (Article 50(1) (d) of Regulation 2018/1725) and “for the conclusion or performance of a contract concluded in the interest of the data subject” (Article 50(1) (b) of Regulation 2018/1725).

Digital Transformation: Information is a major asset for DG Trade. There is a need to move away from managing documents in a registry-like fashion to managing the whole lifecycle of information. For that purpose, we have supported collaboration with efficient tools. DG Trade extended the use of corporate tools for information and knowledge management, taking into account its specific security needs. DG Trade therefore developed a more strategic approach to encourage knowledge sharing and collaborative working, in line with the corporate framework, such as developing a share-by-default approach combined with a need-to-know confidentiality scheme. The objective was, among others, to identify the information assets of corporate interest that could be shared with other services, notably for transparency obligations.

DG Trade has contributed with four fiches on the below topics to the Digital Transformation initiative, which is part of the European Commission Digital Strategy (ECDS):

1	Access2Markets implementation	FTA	Communication and knowledge management
2	Case Management Sherlock Sherpa GSP monitoring	TRON	Electronic workflows and communication between the Commission and businesses
3	eLicensing platform		Paperless and cross-border cooperation
4	FDI screening		Electronic transmission and management of classified information

The fiches and the associated projects aim to contribute to modernising the Commission and DG Trade. They comply with the EC Digital Strategy principles that include Digital by Default, ensuring security and privacy, guaranteeing Openness, Transparency and Interoperability, while being user centric and data driven

Document Management: Concerning document management, systematic filing of documents in ARES is a prerequisite for the effective and efficient sharing and reuse of the information managed in Hermes-Ares-NomCom (HAN). It is also important for ensuring a transparent approach to policy making. DG Trade pursued its strategy of awareness raising and promoting the active use of Ares by all staff and management, together with a systematic monitoring of the use made by all DG Trade departments. A particular focus

was placed on increasing the registration of financial documents within Ares based on an analysis of the established document management practices for financial files.

The integration of TRADE IT systems with HAN was another essential area to achieve efficient sharing and reuse of information. After the Briefings And Speeches Information System (BASIS, corporate briefing tool) and the Events Management Tool (EMT, recording and reporting meetings with external stakeholders), other applications such as the Public Procurement Management Tool (PPMT) followed the same scheme.

These initiatives generated efficiency gains, made processes faster and facilitated a more comprehensive use of the HAN suite.

2.2.3 Sound environmental management

DG Trade took full account of its environmental impact in all its actions and actively promoted measures to reduce the related day-to-day impact of the administration and its work. Compared to the previous year, 2020 was deeply affected by the COVID-19 crisis. The measures imposed to prevent the spread of the virus significantly changed the working arrangements and daily routines of the staff. This had a direct impact on the typical elements that create an overall footprint on the environment.

Given this unique situation, DG Trade reviewed its day-to day activities in order to identify critical areas. Radical restrictions on travels and compulsory teleworking significantly reduced the negative impact of the administration on the environment. On the contrary, an increase of digital waste must be expected due to the virtual working methods that massively replaced personal contacts. No activity was identified as having critical impact on the environment.

DG Trade promoted the EMAS corporate campaigns at local level to support the Commission to reach its environmental targets in line with the EMAS Global Action Plan 2020²⁷. This included the promotion of campaigns focused on the efficient use of resources, the field of smart mobility and the waste management, including digital waste as a reflection of the recent developments. The actions were limited to electronic communication as all events with physical participation were cancelled for the most of the year.

2.2.4 Examples of initiatives to improve economy and efficiency of financial and non-financial activities

DG Trade is continuously fine-tuning its internal arrangements in order to improve the efficiency and economy of its operations. The following two initiatives show how these principles were implemented in DG Trade in 2020:

Example 1 - HR management

²⁷ Approved by the EMAS Steering Committee on 31/01/2020

DG Trade, in its efforts to respond to the external economic and geopolitical challenges, with limited human resources coupled with increased workload, has as part of its restructuring entering into force in July 2020 introduced new flexible ways of working by creating cross DG project teams. An example during 2020 is the project team set up in response to the Covid-19 situation where DG Trade, among other services, had to react rapidly with cross DG competences.

Example 2 – streamlining financial management

In 2020, DG Trade continued to follow-up closely the development of the eProcurement project and pursues the deployment of the ensuing applications as the main driver of efficiency gains in financial management. In response to Covid-19 situation, DG Trade introduced a fully electronic circuit for all payment files.