

Survey Results Note
Implementation of Free Trade Agreements
Challenges and opportunities for businesses and regions

Key findings

- The attractiveness of EU FTAs has been confirmed through the predominantly positive response of survey participants to the **benefits expected from EU FTAs**. Elements such as tariff abolition, better market access for EU service providers and access to intermediate goods were highlighted as main benefits. Furthermore, it was clearly established that EU FTAs with high attractiveness also generally boast a higher level of familiarity among respondents, highlighting the positive potential that an effective trade promotion can have in boosting the uptake of EU FTAs.
- **Challenges** for FTA implementation need to be better addressed to ensure that businesses and regions can fully benefit from the opportunities of such trade agreements. In particular more practical information on how to use trade agreements and how to access public tenders in foreign markets, reducing the complexity and lack of coherence on rules of origin, as well as the administrative burden relating to customs procedures were identified as key challenges. Particular issues identified were access to information and effective participation in public procurement in the EU-Japan and EU-Canada (CETA) agreements as well as cultural or language barriers with EU-Japan and EU-Korea.
- The complexity of challenges highlights that the **broad involvement of stakeholders** is necessary to improve FTA implementation in the EU with actors at all levels - EU, national, regional - having a clear role to play. In that regard, **the particular role of Chambers of Commerce** was highlighted by most respondents as the most suited to help bring trade to the doorstep of local and regional businesses.
- There is a clear need for **practical guidance** on how SMEs and regions can engage in trade with third countries and for **more informative activities** with the business community at regional and local level (trainings, seminars, workshops, roadshows, etc.) which can help amplify the reach of practical information and provide support to SMEs in all regions.
- **The direct interaction of regional authorities and chambers of commerce with businesses** within their respective area make them a valuable asset for an effective trade implementation strategy: their knowledge on the regional particularities can help policy-makers devise optimized and effective implementation strategies.
- Increasing awareness about EU FTAs through more practical information is critical, but equal attention needs to be paid by policy makers to the fact that businesses and regions need the right conditions and support in order to help them integrate effectively into regional and Global Value Chains. An effective use of all relevant EU programmes (structural funds, research and innovation) would help **create the conditions for more competitive regions and businesses** able to reap the benefits of globalisation.

I. Introduction and background on respondents

From 22 August to 28 October 2019, the European Committee of Regions and EUROCHAMBRES conducted a joint online survey on the **Implementation of Free Trade Agreements**, which was distributed to representatives of regional and local stakeholders, as well as national and regional chambers of commerce in the EU member states.

This survey aimed to identify the challenges and opportunities for businesses and regions across the EU that arise from the new generation of free trade agreements (FTAs) negotiated by the European Union. In particular, participants were invited to share their position on the attractiveness of the market, the benefits and challenges for their regions and businesses, and on what measures they want to see taken up at which level. The key results of the survey are summarized in this note.

The survey received valid responses from 136 respondents. The geographical distribution of participants covers all EU member states. Due to the high level of coverage, the highest concentration of respondents remains at low numbers: Spain (15%), followed by Germany (13%), Bulgaria (11%), Belgium (10%), and Greece (8%).

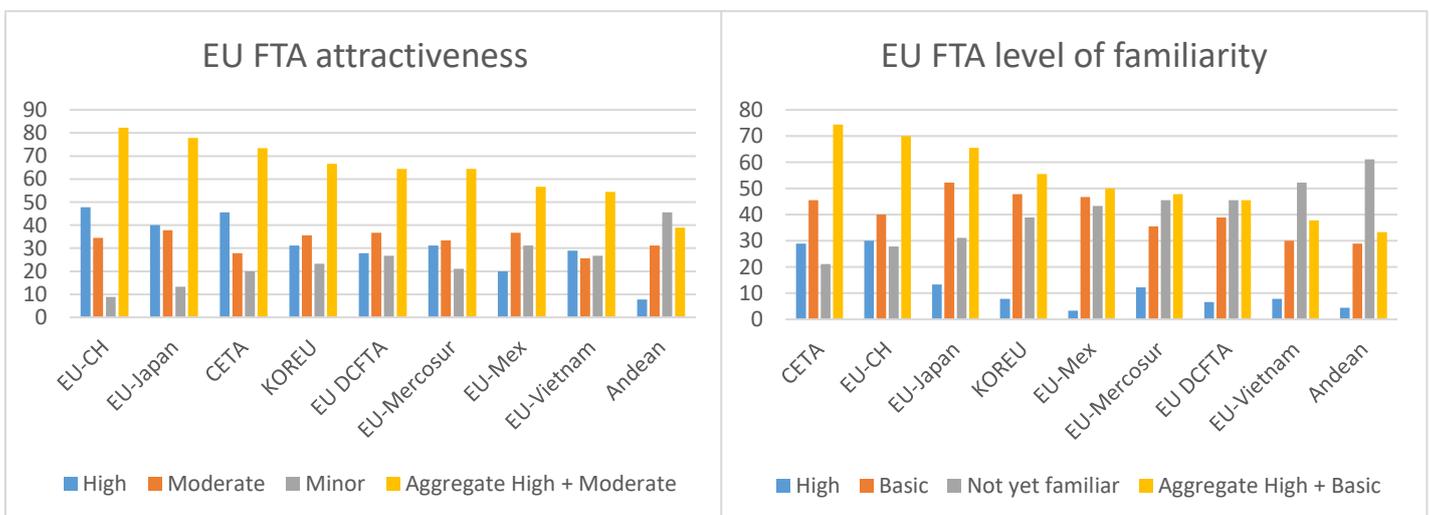
As for the type of organization, 41% of respondents represented regional and national chambers of commerce, followed by local and regional authorities (32%) and private sector business associations or other regional stakeholders (25%).

While the survey does not intend to be a statistically representative sample, it nevertheless provides valuable insight on trends in the priorities and challenges of free trade agreements affecting regions in each member state. For this reason, the views collected in this survey have been used to extract policy recommendations to improve the overall trade agreement implementation success rate, and bring the benefits of FTAs to local and regional businesses.

II. Respondents view of the implementation of FTAs

Attractiveness and expected benefits from free trade agreements

The survey confirms the successful track record of the EU's trade policy as attractive to both regions and businesses. A majority of respondents ascribed moderate to high attractiveness to EU FTAs, attaching particular attractiveness to new generation trade agreements such as the ones that have recently entered into force, such as Japan and CETA.



It is also interesting to note that, next to the recent EU-Japan and CETA trade agreements, the FTA that is deemed to have the most potential is the one with Switzerland, which is supported by the fact that Switzerland is by far the EUs largest FTA trading partner¹. As regards the difference between responses provided by chambers of commerce and of regions it is interesting to note that chambers in general see more potential in FTAs than regions. For instance, 46 % of the chambers see a high potential in CETA, whereas the corresponding number for regions is half, 23%.

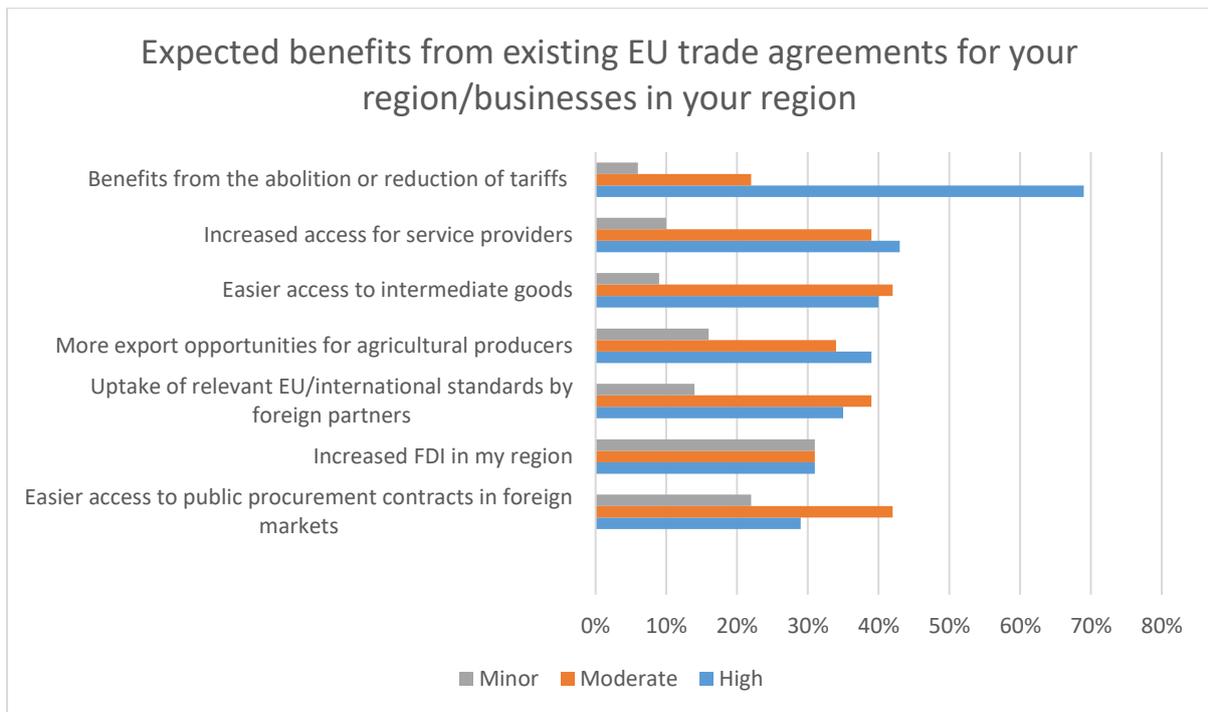
At the same time the survey equally highlights that more work needs to be done to increase familiarity among regions and businesses with EU FTAs. Based mainly on direct company interaction, the majority of participants indicated that only some familiarity is given within the region for the targeted EU FTAs, especially with regards to freshly concluded negotiations such as with Vietnam but also older existing ones such as the one with Colombia and Peru, which makes the case for efforts in overall trade promotion and awareness raising to be intensified. To underline this point, the survey found a clear correlation between those trade agreements that are being perceived with a high attractiveness and those FTAs which have high levels of familiarity, such as the EU-Japan Economic Partnership Agreement, CETA, or the EU-Switzerland agreement. As in the case of estimating the potential benefits of FTAs there is a difference between the perceived business familiarity of FTAs between chambers and regions. For instance, chambers estimate that 87% of the business have a high or basic familiarity of CETA whereas the corresponding figure for regions is 57%.

Positive expectations from the concluded EU FTAs are perceived first and foremost from the abolition or reduction of tariffs, the increased access for service providers, as well as the facilitated access to intermediate goods. This goes to show the importance of imports to regional economies and the European economic production base as a whole.

The benefits stemming from the reduction or abolition of tariffs were deemed as high by a large majority of respondents. Improved market access for service providers or easier access to intermediate goods was considered to afford moderate or high benefits by the majority of respondents. Respondents were evenly divided on the positive impact resulting from increased FDI in their region from trade agreements, with almost a third considering benefits high, a third considering them moderate, and a third minor. This could be explained by the variation of scope of the EU trade agreements surveyed.

Respondents also expect more export opportunities for agricultural producers through EU trade agreements, which points to the fact that EU trade policy is able to benefit industry and agricultural producers alike.

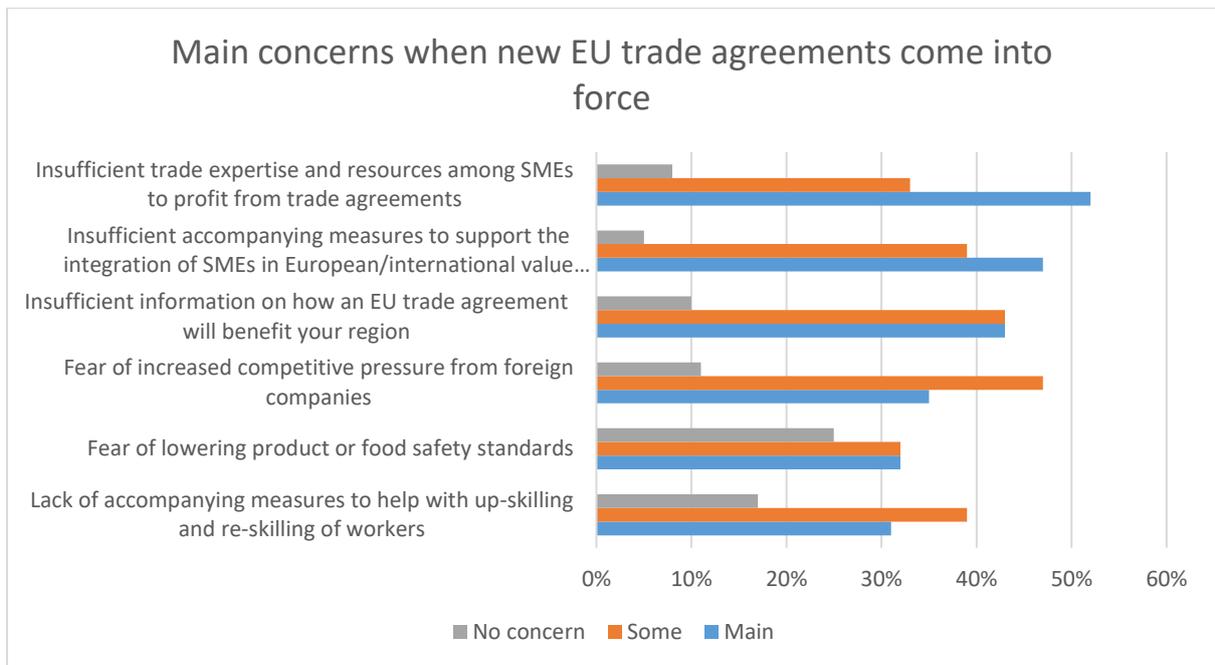
¹ EC FTA implementation report, page 7.



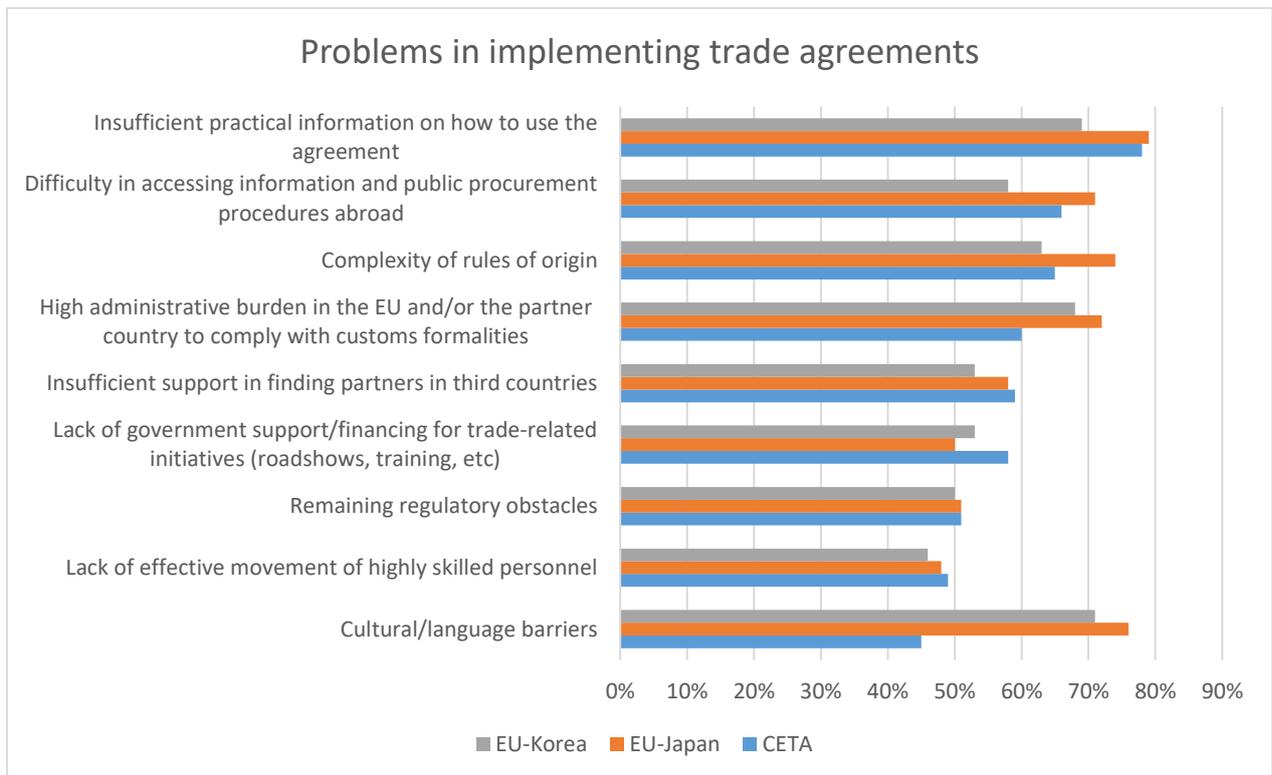
Assessing challenges of free trade agreements

A main concern both for regions and chambers of commerce when a new EU trade agreement comes into force is that there is a lack of trade expertise and of resources among SMEs to profit from these agreements as well as insufficient accompanying measures to support the integration of SMEs in European/international value chains. Regions attach equal importance to the lack of information on how an EU trade agreement will benefit their region. Surprisingly few of the respondents, however, state that they have main concerns with the possibility of FTAs leading to lowering of product standards or food safety standards (32%). As regards the concern for lack of measures for up-skilling workers, it is also worth to note that regions are more than twice as likely to see that as a main concern as chambers (48 % and 21% respectively).

With regards to public procurement, the majority of respondents attributed notable benefits under trade agreements in general. Regional representatives were even more positive about the potential opportunities offered by government procurement under trade agreements. At the same time, more efforts are needed to increase the availability of information and facilitate the participation of businesses in public tenders abroad, given many respondents identified this as an important challenge. Whilst CETA offers many new opportunities for EU business especially in the area of procurement, it is interesting to note that the majority of respondents felt that businesses in their region face difficulties in accessing information and participating in tenders in Canada. This might be linked to the fact that, public procurement largely takes place at the level of provinces in Canada, which could be a complicating factor for European bidders. The challenge in procurement was seen even slightly higher for the EU-Japan EPA, but lower for the more long-standing EU-South Korea FTA, suggesting time could play a role in better using opportunities under FTAs. Overall, better provision of information regarding the participation in public tenders is critical to increase opportunities for European businesses to participate in such procedures. The perceived obstacles to accessing information on public tenders for public procurement for two of the most recent trade agreements, the EU-Japan EPA and CETA, highlight a need to intensify outreach if new procurement opportunities are to be fully utilized.



Moreover, for the targeted EU FTAs the issue of the complexity and lack of consistency of the rules of origin as well as the high administrative burden to comply with customs procedures and formalities have been highlighted as top challenges to fully using the EU's FTAs. Interesting to note was that cultural and language barriers remain challenging for SMEs and regional actors in particular with Asian countries such as Korea and Japan.

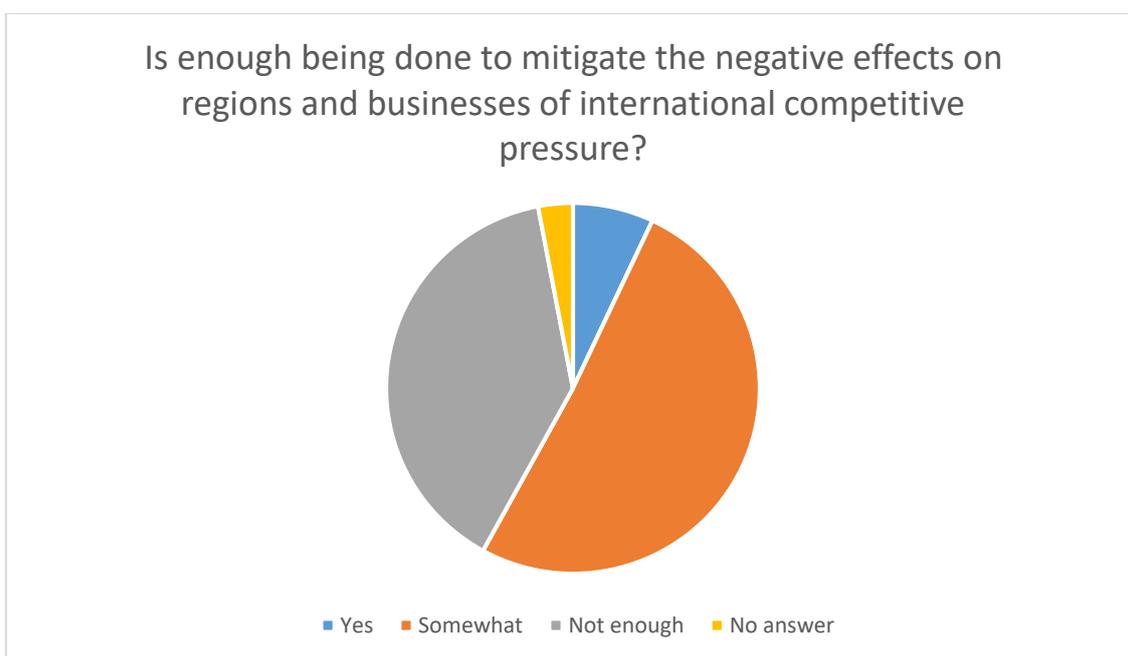


It also transpires that regions are more worried than chambers with regard to the increased pressure from foreign companies. This is also reflected in the replies to the question on whether enough is being done to mitigate negative effects on regions and businesses of international competitive pressure where the majority of regions think that not enough is being done while the majority of chambers responded that the negative effects were addressed at least to some extent.

Those concerned with competition feel in particular that issues are related to environmental and social legislation as well as to subsidies to businesses in third countries and the resulting competitive disadvantage for EU business.

Moreover, it is noted that there are a number of national and European programmes to support internationalisation, research and innovation, but it is necessary to create the conditions for businesses, in particular SMEs, to make best use of the wealth of opportunities available through free-trade agreements and the emergence of new markets by providing funding tools that help companies to become more competitive and exploit the potential of globalisation.

It is also argued that it is essential how the trade agreements are drafted. If they are well balanced, there is less need for additional measures behind the border, which points at the need to sensibly consider the potential negative impact on EU economic sectors at the stage of the negotiations.



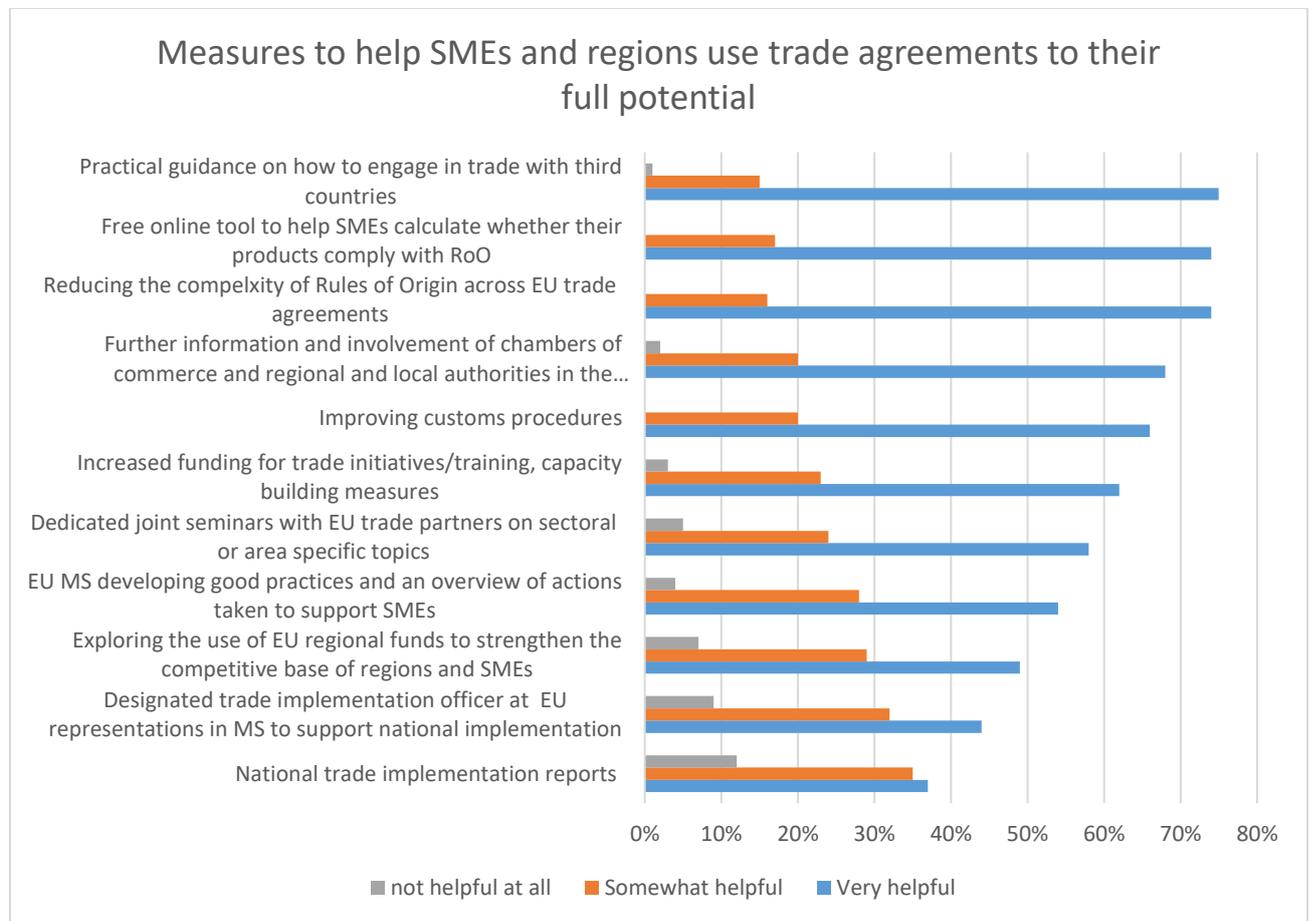
On the question whether enough support is being provided, the survey unveiled that particularly more effective support should be provided by national or federal governments. While much is being done by some actors, the support overall still lags behind expectations and needs to be improved to boost the uptake of trade agreements across the EU.

III. Supporting regions and businesses with the right measures on all levels and finding the best way to improve implementation

The variety of issues demonstrates that hurdles need to be addressed at the right levels and may require strategies tailored to the specificities of each free trade agreement. Elements such as addressing the knowledge gap among economic operators, which was identified as a critical issue across the different responses in the survey, should be addressed through sufficient practical information on the benefits of FTAs to SMEs and regions, as well as through concrete guidance on how to use them in practice, paired with sufficient accompanying measures to support the integration of SMEs in value chains.

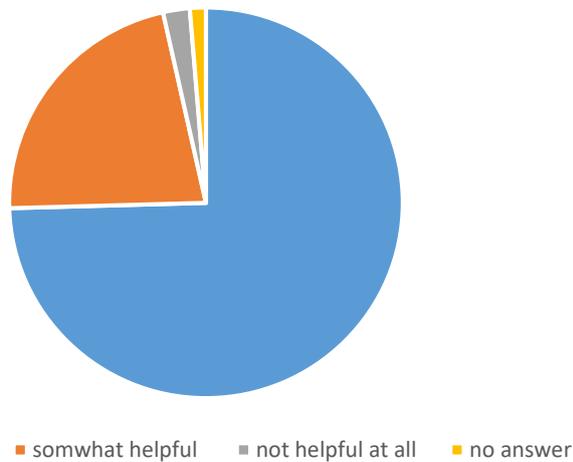
In addition, creating new supportive tools at the EU level, such as a free of charge online rules of origin calculator to help SMEs navigate the complexity of the rules of origin and support them in assessing whether their products can comply with a given EU FTA, have been identified as vital by respondents.

Given the fact that respondents regard rules of origin and complicated customs procedures as a key challenge in relation to an effective implementation of trade agreements, it is not surprising that respondents also strongly regard the reduction of the complexity of those rules as a critical point to secure better uptake existing trade agreements among SMEs.



The survey thus clearly underlines that all actors need to work more closely together on the European, national, and regional level to ensure comprehensive and concerted action is taken so that support will be delivered and improved on all fronts. It is important to strengthen the dialogue and partnership between the private sector such as Chamber of Commerce, local, regional and national stakeholders in order to identify what kind of measures are the most effective in each member state and articulate those needs concisely.

How helpful would further information and involvement of chambers of commerce, as well as local and regional authorities, be in the implementation process of EU FTAs



Respondents also reacted positively to the suggestion of having EU member states develop good practices and an overview of actions taken to support SMEs to improve FTA implementation. An exchange of best practices will facilitate the identification and exchange of initiatives with high success rates.

Increased funding on a national level for informative initiatives with the business community at regional and local level such as seminars, trainings, roadshows, have been identified as crucial by respondents as they can help amplify the reach of practical information and provide support to SMEs in all regions. One added value to such seminars could be the active collaboration with third country authorities that provide insight on sectoral or area-specific topics such as customs and rules of origin.

About half of the respondents also agreed that the use of EU regional funds to strengthen the competitive base of EU regions and SMEs could contribute to helping regions and SMEs use trade agreements to their full potential. Furthermore, another measure that could provide added value and was perceived as helpful by the respondents is the appointment of a designated trade agreement implementation offices at EU representations in EU member states. This initiative could ensure that stakeholders will have a direct point of contact from the EU that is familiar with the particular issues encountered at member state and regional level and that can work constructively in conjunction with national and regional actors, the business community and Chambers.

Some respondents argued that establishing a paperless digital customs procedure environment with trade partners would be of key importance. This requires further improvement of the internal market and an effort to simplify customs rules so that SME's can acquire Authorized Economic Operator (AEO) status² much more easily.

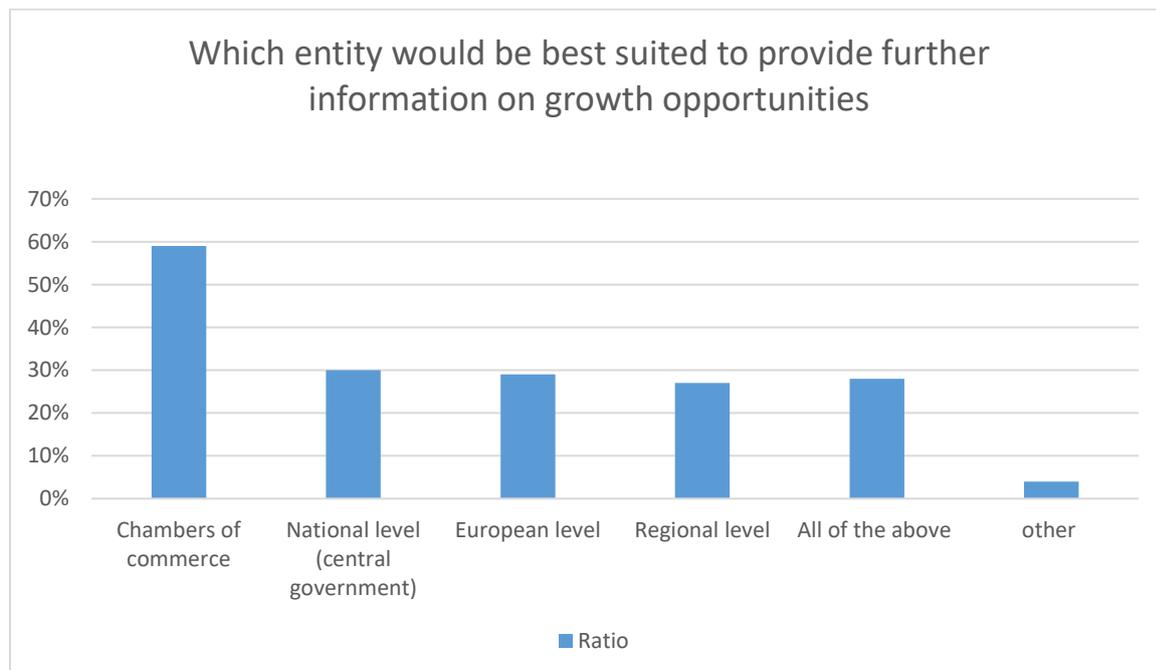
Additional efforts are also required to improve both the functionality and awareness of existing EU information tools, such as the Market Access Database (MADB), the DG TRADE website or the newly established SME sections therein for recent FTAs. Respondents indicated that while effective, both the website, MADB and the SME section for newly concluded FTAs are not easy to use and could be designed with a more practical view towards the end user.

² The Authorized Economic Operator scheme has derived by the Union Customs Code. By satisfying certain criteria a company is considered to be reliable in their customs related operations throughout the European Union for goods imported into or exported from the EU.

Furthermore, the survey establishes that both tools are not yet sufficiently well known among the respondents, especially what concerns the new websites for SMEs. Respondents also highlighted the need to improve the user friendliness of these EU tools for them to be fully effective.

As for who would be the best equipped to help with providing further information and how to best use EU trade agreements, the survey has clearly established that while all stakeholders on the EU, national and regional level are recognized by one third of the respondents as important actors to bring altogether FTA benefits to regions and businesses, Chambers of Commerce are regarded as the most suitable stakeholders to do so.

When looking only at the replies from regions, it transpires that regions equally rank chambers and regions as those best suited to provide further information. Chambers of commerce are already organizing multiple activities such as trainings and information days that help businesses on a daily basis to go global and form a crucial link between businesses and policy makers. Member states and regional authorities should therefore seek stronger cooperation with local Chambers to capitalize on their experience. The direct interaction of regional authorities and chambers of commerce with businesses within their respective area make them a valuable asset for an effective trade implementation strategy: Their knowledge on the regional particularities can help policy-makers devise optimized and effective implementation strategies.



IV. Recommendations

- It is important to **improve the dialogue and partnership** between the business community, such as Chambers of Commerce, and local, regional and national policy makers to identify what kind of measures are the most effective in each member state and articulate those needs concisely, such as through FTA **implementation action plans** that can accompany major EU FTAs.
- To that end, member states should step up their support to business and regional actors and **develop good practices** and create an overview of actions taken to support SMEs when implementing FTAs – a measure favoured by respondents. An exchange of best practices will facilitate the identification and exchange of initiatives with high success rates. These initiatives should be built on local needs and existing structures and initiatives.
- An effective trade implementation also requires **addressing the knowledge gap surrounding EU FTAs**, which was identified as a critical issue throughout the survey by providing practical information how SMEs can make use of a given FTA in practice. Additionally, the **user-friendliness of available free tools** aimed at supporting businesses and SMEs as well as the public awareness of their existence need to be improved considerably. Equally more efforts need to be undertaken to **address the complexity and lack of coherence of the rules of origin and customs procedures**. A free of charge online rules of origin calculator should be implemented swiftly as an additional first line of support for EU SMEs in navigating the complexities of these rules in EU trade agreements.
- **A designated trade agreement implementation officer** at EU representations in EU member states could ensure that stakeholders will have a direct point of contact from the EU that is familiar with the particular issues encountered at member state and regional level and that can work constructively in conjunction with national and regional actors.
- **Chambers of commerce** are already organizing multiple activities such as trainings and information days that help businesses on a daily basis to go global and form a crucial link between businesses and political stakeholders. Member states and regional authorities should therefore seek stronger cooperation with national and regional Chambers to capitalize on their experience. Increased funding on a national level for informative activities on FTA implementation will help amplify the reach of practical information and provide support to SMEs in all regions.
- Increasing FTA awareness needs to be paired with other policy solutions in order to boost FTA uptake as a series of other parameters also define the **competitiveness of regions and SMEs** and the extent of their integration into GVCs. Respondents underlined that there are a number of national and European programmes to support internationalisation, research and innovation, but it is necessary to **create the conditions** for businesses, in particular SMEs, to make best use of the wealth of opportunities available through free-trade agreements and the emergence of new markets by providing funding tools that help companies and regions to become more competitive and exploit the potential of globalisation.