

Worldtrade Management Services

Preferential Trade Agreements with the EU

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Introduction

The European Union has signed a large number of bilateral and multilateral agreements, with various countries or groups of countries around the world. They cover a wide array of issues in international relations. However, they are generally focused on the trade area. In that respect they take various forms, such as customs unions, association agreements, free trade agreements, cooperation agreements etc.

It is important, when your markets are in the EU, to understand what benefits you can enjoy if your products are manufactured in a country which enjoys preferential trade arrangements and that competitive advantages may be gained by sourcing goods and materials in the countries covered by the agreements.

The various agreements specify how goods from certain countries will be treated preferentially when imported into the EU or when exported to those countries. Preferential treatment includes such matters as customs duty (reduced or nil rates), quota restrictions (higher or no quotas), cumulation of origin and other aspects of preferential market access.

The agreements mostly intend to aid the economies of lesser developed economies or to improve the relations between the EU and countries which are geographically near or economically of special importance to the EU. Generally, the less developed the partner country, the less likely it is to give preference to EU exports and it is important to note that the preference is not always reciprocal.

The following gives a general overview of the main trade agreements currently in place. Trade agreements are being developed and amended all the time, depending on the international trade policy of the EU, and as much as possible we have made every effort to ensure this information is up to date.

Qualification rules

In order to benefit from the preferential treatment given to goods traded between the EU and the countries covered by the various agreements, certain conditions need to be satisfied. Although the details of these may vary from agreement to agreement, in general they stipulate a particular minimum level of production and/or added value that needs to take place in the EU and partner territories. In essence, this means that the products must obtain originating status in those territories.

Preferential origin rules usually require that for goods to acquire originating status, they have to comprise at least a certain percentage of materials originating in the EU or its partner country, for example, this is typically 60% of the ex-works price. Materials originating elsewhere are not included in the calculation.

The products when transported between the EU and the preference country must be accompanied by documentary evidence of origin such as a Movement Certificate EUR1 (these are available on request from any Custom House) or an invoice declaration.

Further information on origin rules can be found in our separate trade briefing on the matter.

Agreements currently in place

The following is a list of the countries with which the EU has signed preferential trade agreements:

Albania, Algeria, Bosnia-Herzegovina, Bulgaria, Canary Islands, Ceuta, Chile, Croatia, Egypt, Faroe Islands, Iceland, Israel, Jordan, Lebanon, Macedonia (FYR), Melilla, Mexico, Morocco, Norway, Romania, Serbia-Montenegro, South Africa, Switzerland, Syria, Territories of the West Bank and Gaza Strip, (Palestinian National Authority), Tunisia, Turkey.

As indicated below, many developing and least developed countries also benefit from preferential trade access to the EU under non-reciprocal arrangements agreed by the EU.

Type of agreements in place

Europe Agreements

Europe agreements intend to align the economies of countries geographically close to the EU with that of the EU. They are bilateral, and provide for a defined period of convergence on various trade and non-trade issues. They are intended to lead to the EU accession of the third countries concerned.

The EU currently has in place Customs Union agreements with San Marino, Andorra and Turkey.

Europe Economic Area (EEA) Agreements

The EEA agreements are similar but rates of duty and external trade regimes are not aligned to those of the EU. At the moment they cover the EU as well as Norway, Iceland and Liechtenstein. They cover free movement of originating goods, rights of establishment, trading standards and other elements.

Free Trade Agreements

A free trade agreement basically creates a free trade zone for all the territories it covers, but does not go much beyond this. Currently there are free trade agreements involving the EU with Switzerland, Israel, Tunisia, South Africa and Mexico. Switzerland is the only country of the former EFTA countries not to join the EEA, but still trades under the appropriate free trade agreements with its former members.

Customs Unions

A Customs Union is an advanced stage of bilateral trade agreement. In essence, it means that goods in free circulation in the EU can be moved without any restriction into the countries covered by the Customs Union, and vice versa. Rates of customs duty in the partner country are generally aligned to those of the EU, as is their external trade regime, although certain border controls between the two will still exist. In addition there are provisions regarding rights of establishment, trading standards and non-tariff barriers.

Cotonou Agreement

Applies to a large number of the countries in Africa, the Caribbean and the Pacific (ACP). Under the Cotonou Agreement signed in 2002, unilateral preferential import treatment is given to 77 African, Caribbean and Pacific states.

Western Balkans

Albania, Bosnia-Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro from what is often referred to the "Western Balkans". There are two type of agreement with the Western Balkan countries:

- Albania, Bosnia-Herzegovina, and Serbia and Montenegro benefit from European Trade Measures
- Croatia and the former Yugoslav Republic of Macedonia are part of the Stabilisation and Association process.

Generalised System of Preferences (GSP)

There is a separate trade briefing available on this system.

Briefly GSP provides, unilaterally, for preferential access to qualifying goods from well over 100 developing countries worldwide. The level of preference depends on the precise products and countries.

Overseas countries and Territories (OCT)

Preferential treatment is given to certain countries who retain imperial links to Denmark, France, the Netherlands and the United Kingdom. These are also governed by the Lomé Convention.

How we can help

Our Worldtrade Management Services team of Customs and Trade law consultants has wide and deep experience of dealing with international trade agreements and can advice on the best structure of your supply chain to obtain the most benefit from the preferential trade rules.

In addition to providing assistance on EU customs and trade matters, we can also assist with global trade matters through our network of specialists in over 100 countries.

If you have any further queries relating to any of the items referred to in this document, please contact:



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