

BRIEFING

Requested by the INTA committee



# Benefits of EU trade agreements for small and medium-sized enterprises (SMEs)



Policy Department for External Relations  
Directorate General for External Policies of the Union  
PE 653.628 – March 2021

EN

## BRIEFING

# Benefits of EU trade agreements for small and medium-sized enterprises (SMEs)

### ABSTRACT

This briefing discusses how free trade agreements (FTAs) can help small- and medium-sized enterprises (SMEs). It provides an overview of the FTAs that the EU has concluded, along with a classification and a discussion of key provisions on and for SMEs. Several pioneering agreements are studied more closely, including the EU-Japan, EU-Canada, EU-Mercosur and EU-UK agreements. To conclude, the briefing assesses SME awareness of FTA chapters and analyses the related benefits.

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This paper was requested by the European Parliament's Committee on International Trade.

English-language manuscript was completed on 8 March 2021.

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Printed in Belgium.

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ISBN: 978-92-846-7898-3 (pdf)

ISBN: 978-92-846-7899-0 (paper)

doi: 10.2861/813406 (pdf)

doi: 10.2861/390532 (paper)

Catalogue number: QA-02-21-311-EN-N (pdf)

Catalogue number: QA-02-21-311-EN-C (paper)

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## List of abbreviations

CARIFORUM	Caribbean Forum of African, Caribbean and Pacific States
CETA	Comprehensive Economic and Trade Agreement
EPA	Economic Partnership Agreement
EU	European Union
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
IPO	Initial Public Offering
IPR	Intellectual Property Rights
NTB	Non-Tariff Barriers
PUR	Preference Utilization Rate
ROK	Republic of Korea
RoO	Rules of Origin
SME	Small- and Medium-sized Enterprises
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TTIP	Transatlantic Trade and Investment Partnership
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
VAT	Value Added Tax
VOKA	Vlaams netwerk van ondernemingen
WTO	World Trade Organization

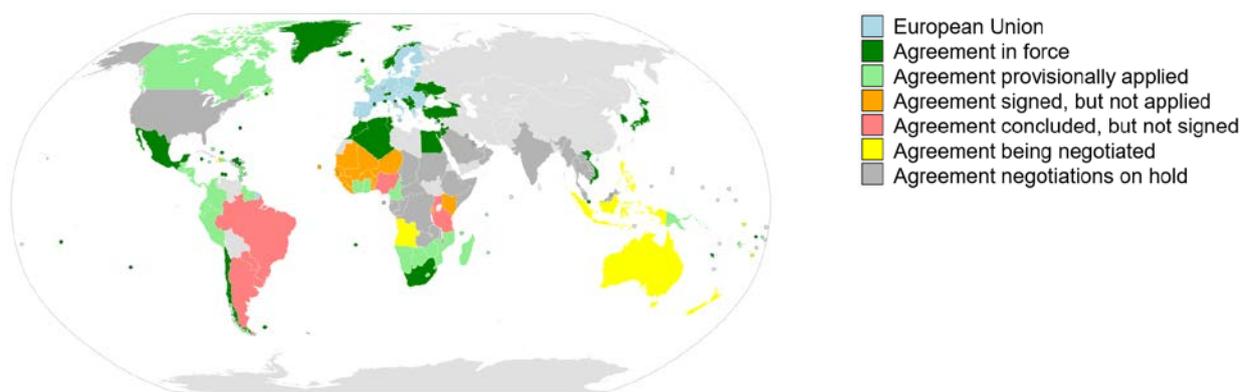
# 1 Provisions concerning SMEs in EU FTAs

## Current status of the EU FTAs<sup>1</sup>

The EU has already concluded a huge network of bilateral and multilateral free trade agreements (FTAs) with countries across the globe (Figure 1). FTAs with 38 partner countries are currently in force, while FTAs with 45 partner countries are provisionally applied, subject to ratification (BDI, 2020). With 25 partner countries the negotiations have been concluded, but the FTAs are still to be signed. Currently, FTA negotiations are ongoing with nine partner countries, while negotiations with 24 partner countries are suspended or on hold.

Since the mid-2000s, the European Union has played a key role in promoting FTAs. Currently, more than a third of the trade between the EU and the rest of the world is covered by preferential provisions of an FTA and this share is expected to increase significantly over the coming years, with the onset of several FTAs that have been concluded or will be concluded in 2021 (Fondation Robert Schuman, 2020). Indeed, the current strategy of the EU is to strengthen its presence in Asia, which explains why negotiations with most Asian countries are ongoing (European Commission, 2016). The status of the FTAs with African countries varies, since the EU is deepening and modernising the existing FTAs with some countries, while negotiations with others are being restarted. The EU has concluded negotiations on an FTA as part of a broader Association Agreement with the four founding members of Mercosur (Argentina, Brazil, Paraguay and Uruguay) but the agreement is still to be signed (European Commission, WEB b). The negotiations of the FTA between the EU and the USA (Transatlantic Trade and Investment Partnership – TTIP) were halted by President Donald Trump, but they are expected to be resumed under the presidency of Joe Biden (Politico, 2020). Negotiations with India have been suspended with agreement still to be reached on labour standards, intellectual property rights (IPR), agricultural subsidies and the transparency of the negotiations (Wouter, 2013).

**Figure 1:** World map with the current status of the different EU FTAs (2021)



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## Importance of SMEs to EU trade

EU FTAs create value via the elimination of non-tariff barriers, the liberalisation of trade flows in services and goods, the creation of competitive regulations, the establishment of investment policies and the

<sup>1</sup> In this briefing, the term 'FTA' encompasses different categories of trade agreements which go beyond an FTA stricto sensu, such as Association Agreements, Stabilisation Agreements, (Deep and Comprehensive) Free Trade Agreements and Economic Partnership Agreements, and Partnership and Cooperation Agreements

promotion of labour and environmental protection (Connect Americas, WEB). Small- and medium-sized enterprises (SMEs) are the backbone of the European Union and the engines of innovation, economic growth and job creation, creating competitiveness and prosperity (European Commission, 2017). SMEs represent 99 % of all businesses in the EU and half of its GDP, employing around 100 million people (European Commission, WEB d and European Commission, WEB a). Small companies are officially defined as companies having a headcount lower than 50 people, and a turnover below EUR 10m or a balance sheet total below EUR 10m, while medium-sized companies are defined as companies having a headcount lower than 250 people, and a turnover below EUR 50m or a balance sheet total below EUR43m (European Commission, WEB d).

The European Commission has developed a comprehensive strategy (*'An SME Strategy for a sustainable and digital Europe'*) to foster sustainable growth of European SMEs, creating opportunities in a continuously changing business environment. Specific action points are grouped according to the three pillars of the strategy, which include capacity building for the transition to sustainability and digitalisation, reducing regulatory burden and improving access to financing (European Commission, 2020b). The Commission enabled better access to new technologies and market intelligence via Digital Innovation Hubs. In addition to these hubs, courses will be established to train SME employees in the latest digital trends, such as Artificial Intelligence, cybersecurity and blockchain technology. Furthermore, sustainability consultants will advise SMEs to tackle sustainability challenges and the green transition. Improved access to finance will be empowered by an SME IPO fund (European Commission, WEB e). Given their importance for economic activity and employment, the EU has also included specific provisions concerning SMEs in their FTAs. The content of these provisions is discussed below.

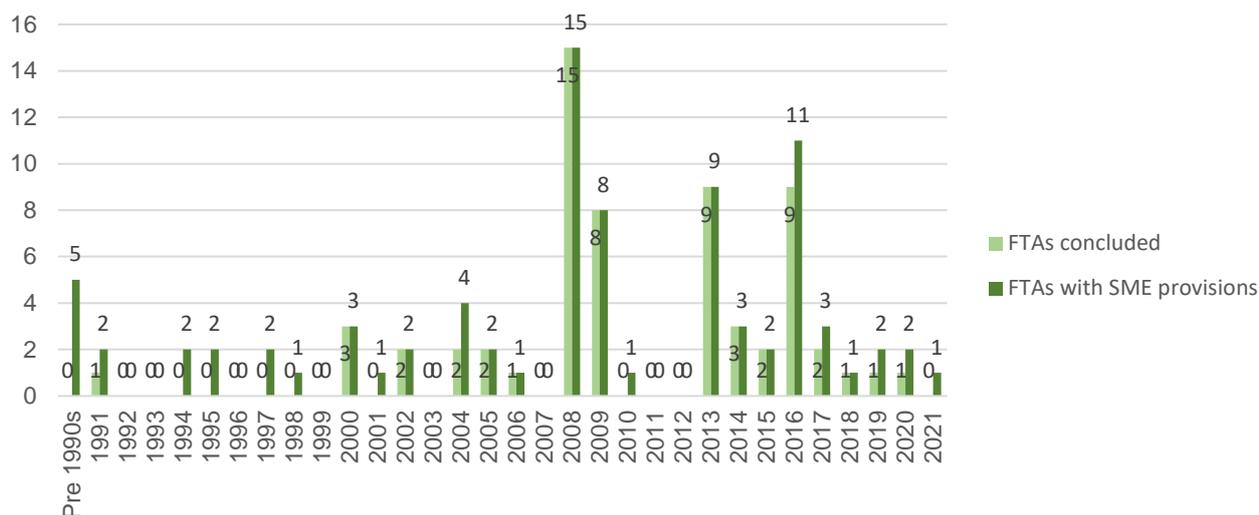
### General description of the SME provisions in EU FTAs

Provisions on SMEs can be characterised in different ways, including specification, content, structure, location in the agreement and the degree of enforcement (Monteiro, 2016). Table 1 shows a typology of SME provisions in EU FTAs based on these criteria.

**Table 1:** Five-part typology of the SME provisions in EU FTAs

Specification	Content	Structure	Location	Commitment
General	Cooperation	Footnote	Main text	Recognition
Specific	E-commerce	Within article	Annex	Encouragement
	IPR	Sub-article		Recommendation
	Trade facilitation	Specific article		Obligation
	Procurement	Specific chapter		
	Investment			
	Trade in services			

In general, provisions concerning SMEs in the FTAs can be general or specific. General provisions are applicable to SMEs but also to other economic operators, while specific provisions are solely applicable to SMEs. Consequently, general provisions do not only benefit SMEs and start-ups but also larger companies and multinationals, while the specific provisions explicitly mention SMEs and the specific advantages for SMEs. As observed in Figure 2, over recent years the share of bilateral EU FTAs that explicitly mention SME provisions has increased. As of the second decade of the 21<sup>st</sup> Century, all new EU FTAs include SME specific provisions. This clearly indicates the awareness of negotiating parties that SMEs play a crucial role in global trade (World Trade Organization, WEB).

**Figure 2:** Absolute figures of EU FTAs and EU FTAs with provisions for SMEs

Source: World Trade Organization, WEB A.

The content of the SME provisions is manifold and differs between the FTAs, but it can roughly be subdivided into seven categories: cooperation, e-commerce, Intellectual Property Rights, trade facilitation, procurement, investment and trade in services (FSB, WEB). The SME provisions can be mentioned in a footnote, within an article of the text or within a sub-article. Also, a separate article or even a separate chapter can be dedicated to SME provisions. These footnotes, sub-articles, articles or chapters can be found in the main text or in its annexes, characterising the location of the provision. The final criterion is the commitment of the provision, which can be an encouragement, a recommendation or an obligation to execute a certain action. The provision can also be a recognition of SMEs, emphasising their importance without imposing a specific action.

First, the cooperation-related provisions include the details on sharing of information. Sharing information enhances the cooperation between the parties and is an important tool for ensuring compliance with the regulations of the other party.

Second, provisions are found on e-commerce, which has rapidly developed over the past few years, allowing companies to attract more customers globally and to gain access to new markets. The main topics of these provisions are a moratorium on customs duties on electronic transmissions, transparency intensification and cooperation improvements. Other subjects include regulatory barriers, electronic authentications, GDPR and online consumer protection (Herman, 2010). These provisions are especially helpful for SMEs seeking to expand their businesses.

Third, regulations are formulated on the topic of Intellectual Property Rights (IPRs). Since innovation is of paramount importance for companies, IPRs must be protected to avoid abuse. In 1994, the WTO published the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which sets out the minimum standards for IPR. The provisions in the subsequent FTAs go further, predominantly deepening the legislation on trademarks, copyrights and patents (Valdes, 2014).

Fourth, the FTAs stipulate regulations on trade facilitation. An important issue for SMEs is that exports come at a high fixed cost and countless customs formalities. Specific regulations are foreseen for SMEs, which make customs procedures more efficient. These provisions differ on the level of commitment, but the key message in these provisions is to reduce administrative costs.

Fifth, the provisions on government procurement have increasingly been included over recent years. These paragraphs state rules on non-discrimination, reciprocity, transparency and the liberalisation of procurement markets (Anderson, 2011).

Finally, investments are promoted and facilitated in certain articles. These provisions contain rules about business partnerships, joint ventures, alliances, technology transfer and access to finance.

## 2 Case studies of several EU FTAs

This section dives deeper into the SME provisions of several important agreements, including the EU-Japan Economic Partnership Agreement (EPA), the EU-Canada FTA (CETA), the EU-Mercosur FTA, the EU-South Africa FTA and the recent EU-UK Trade Agreement.

### **The EU-Japan Economic Partnership Agreement (EPA)**

The EU-Japan EPA, which entered into force in 2019, was a milestone in the history of FTAs and has played a pioneering role for future European FTAs. One of the explicit goals of the EPA was to facilitate export and import for both parties and to enhance cooperation on matters of relevance to SMEs, which is why a separate chapter (Chapter 20) was dedicated to SMEs.

The SME chapter obliges both parties to provide information on market access via a publicly accessible website, the content of which is part of the agreement. This content consists of customs legislation and procedures, IPR laws, conformity assessment procedures, sanitary and phytosanitary measures, information on government procurement, business registration procedures and tax details. Moreover, the websites also contain a link to a database that is electronically searchable by tariff nomenclature code, providing information about customs duty rates, tariff measures, rules of origin, duty drawback, deferral or other types of relief that reduce, refund or exempt customs duties, and criteria for customs valuation. The EPA also requires the designation of an 'SME Contact Point', who is entrusted with the task of cooperating at government level to ensure that the EPA benefits SMEs.

### **The EU-Canada Comprehensive Economic Trade Agreement (CETA)**

The inclusion of SME provisions in CETA was a priority for both the Canadian and European Commission (European Commission, WEB c). CETA eliminates or lowers tariffs (98 %) and export related costs, creating a level playing field for SMEs. The technical regulations for exports and imports have been made more compatible. A transparent and simplified procedure for the rules of origin and the testing of products has been adopted. Both signing parties acknowledge the importance of e-commerce, but they do not stipulate binding actions. Access to procurement opportunities in the territory of the other party is enhanced via coordinated activities. The chapter on investment outlines that the cost for engaging in investment disputes is lowered, allowing easier access for SMEs to dispute resolutions (European Commission, 2019).

In September 2018, the CETA Joint Committee formulated a recommendation on information sharing. It encourages both parties to maintain a publicly accessible website containing information about the agreement, including the full text, a database of codes and requirements, tariff schedules and product-specific rules of origin (CETA Committee, 2018). It is also recommended that a summary of the agreement is published, along with website links to the government authorities and other relevant entities. Finally, each party should appoint a 'SME Contact Point', who should exchange information on SMEs, update the website and report regularly. An important remark is that all previously mentioned provisions are recommendations and not compulsory actions, making this agreement different from, for instance, the more stringent EU-Japan EPA.

### **The EU-Mercosur Trade Agreement**

In 2019, the EU concluded an FTA as part of a broader Association Agreement, with the four founding countries of the Mercosur bloc: Argentina, Brazil, Paraguay and Uruguay. The agreement has still some way to go before it is applied, since it has not yet been signed by all parties and some legal work is still to be done. The full text of the agreement has not been fully published, but some promising paragraphs about SMEs have already been drafted.

The agreement will remove 91 % of duties on goods that the EU exports to Mercosur. Markets will be opened in the services and public procurement sector. These aspects are of vital importance to EU SMEs, since the Mercosur bloc currently has no comprehensive agreement with other parties in the world. Tariffs have been reduced or removed on goods such as machinery, chemicals, clothing, chocolates, wines, spirits, soft drinks and dairy products (SME Trade Junction).

Another benefit of the EU-Mercosur agreement is regulatory cooperation. The agreement streamlines the different technical rules that are in place in both blocs. The convergence of these rules makes it easier for both parties to trade. Similar to previous FTAs, the EU-Mercosur FTA also promotes information sharing on trade regulations such as tariff rates, trade procedures and rules of origin. Moreover, an ‘SME Coordinator’ will be appointed for both parties, who will identify additional ways to make the agreement advantageous for SMEs (SME Trade Junction).

### **The EU-UK Trade and Cooperation Agreement**

The EU-UK Trade and Cooperation Agreement was concluded on 24 December 2020 and has been applied provisionally since 1 January 2021. Currently, the agreement is being ratified by both parties. It contains a chapter on SMEs, with content similar to other FTAs: the SMEs must have access to online information about the agreement, such as customs procedures, intellectual property rights and public procurement. Additionally, an online database is provided with a list of the classification of goods along with their corresponding tax rate, customs duty rate and origin rules (UK Government, 2020). To facilitate trade, quotas and tariffs are abolished for a wide range of products, lowering the cost of exporting. However, value added tax (VAT) will be collected at the point of sale (i.e. in the UK) instead of the point of importation, which increases the export costs for EU SMEs (EliteBusiness, 2021).

Furthermore, several questions remain unanswered. One of the biggest hurdles is the adaptation of the rules of origin, which further negotiations must clarify. The *smart border system* that is currently in force requires additional administrative procedures at EU and UK borders that delay the process (European Commission, 2021). It will be necessary for employees to have visa or work permits if they stay for longer than 90 days, while employers will have to apply for a license.

## **3 Matrix of EU FTAs**

Table 2 displays a matrix summarizing the EU FTAs with an overview of SME specific provisions. The first column lists the partner countries of the EU FTAs, along with the current status of the FTA (i.e. 2021). As discussed in paragraph 1, the status can range from ‘concluded’, ‘provisionally applied’ and ‘negotiations concluded but not signed’, to ‘negotiations ongoing’ and ‘negotiations on hold’. For the FTAs that are provisionally applied, the degree of ratification is given, reflecting the share of chapters that are ratified by both parties. Only the ratified chapters are discussed in this briefing. For the concluded agreements, the year shown is the year in which the agreement came into force. For the provisionally applied FTAs, the starting year of the provisional application of the agreement is shown. The ‘negotiations concluded, but not signed’ countries are accompanied by the year in which the negotiations came to an end. The ‘negotiations ongoing’ status and the ‘negotiations on hold’ status both display the year in which the negotiations were launched.

The countries with either a ‘concluded’ status or a ‘provisionally applied’ status are coloured in green, denoting that the texts of these agreements are publicly accessible, allowing for a targeted analysis. For the countries coloured in red, it is challenging to come to solid conclusions. For these countries negotiations are on hold, ongoing or the agreement isn’t signed yet. This complicates the process of making concrete, meaningful conclusions. The seven main topics of the SME provisions are listed (cooperation, e-commerce, intellectual property rights, trade facilitation, procurement, investment and trade in services), each with two columns (content and location). The content column outlines the content of the respective SME provisions, while the location column gives the chapter number and the article number of the

provisions. The label 'NA' stands for 'not applicable', meaning that no reference is made to SMEs in that agreement to the specific topic. The content of the matrix is based on the website of the WTO (World Trade Organization, WEB).

Table 2 summarises the main SME provisions of several FTAs that the EU has concluded with various partner countries that are currently either in force or being provisionally applied. This table is summarising the whole matrix and focuses on the countries where SME specific provisions are included in the FTAs. As well as the countries (the first column), the seven main topics of the matrix (cooperation, e-commerce, intellectual property rights, trade facilitation, procurement, investment and trade in services) of SME-specific provisions are listed in the first row. The 'x' in the rows indicates which provisions that are SME related and can be found back in the text of the FTA.

**Table 2:** Summary of matrix – SME-specific provisions included in FTAs per topic per partner country

Country	Cooperation	E-commerce	IPR	Trade facilitation	Procurement	Investment	Trade in services
Albania	x						
Algeria	x						
Bosnia-Herzegovina	x						
Botswana	x			x			
Cameroon	x			x			
Canada		x			x	x	
CARIFORUM states	x		x			x	x
Chile	x						
Colombia	x	x		x			
Comoros	x						
Costa Rica	x		x		x		
Côte d'Ivoire				x			
Egypt							
El Salvador	x		x		x		
Fiji				x			
Georgia	x						
Guatemala	x		x		x		
Honduras	x		x		x		
Israel	x						
Japan	x	x	x	x			
Jordan	x						
Kosovo							
Lebanon	x						
Lesotho	x			x			
Madagascar	x						
Mauritius	x						
Mexico	x						
Moldova	x			x			
Montenegro							

Morocco	x						
Mozambique	x			x			
Namibia	x			x			
Nicaragua	x		x		x		
North Macedonia	x						
Panama	x		x		x		
Papua New Guinea					x		
Peru	x	x		x			
San Marino	x						
Serbia	x						
Seychelles	x						
South Africa	x			x			
South Korea	x				x		
Swaziland	x			x			
Ukraine	x			x			
Zambia	x						
Zimbabwe	x						

## 4 Assessment of SME awareness of FTA chapters and analysis of the related benefits potentially available

### SME awareness of FTA

The European Union has completed an increasing number of FTAs with several countries worldwide, and it is important to ensure that European companies, especially SMEs, are aware of these agreements. A lack of awareness may lead to SMEs refraining from internationalising their operations, which could hinder their performance (Mudambi and Zahra, 2007). Indeed, one of the key benefits of internationalisation is the access to international markets which allows companies to lower volatility through geographical diversification (Contractor, 2007).

A recent study of Dutch companies has shown that a majority of companies that import from or export to a partner country covered by an FTA is aware of existing FTAs (Ecorys, 2018). However, around 15-20 % of companies that trade with FTA partner countries are unaware of existing FTAs (Ecorys, 2018). This is particularly true for the first years of the implementation of the FTA, as it has been shown that their utilisation usually increases over time (Ecorys, 2018). For example, this trend was observed for the EU-ROK FTA where the preference utilisation rate (PUR) improved from 68 % in 2016 to 81 % in 2018 (National Board of Trade Sweden and UNCTAD, 2018).

A study of Dutch companies also found that FTAs only play a very limited role in companies' decisions to start trading internationally. Indeed, the companies become aware of the FTAs only when they have already taken the decision to start trading internationally, as a result of internal research on the potential barriers that they may face (Ecorys, 2018). The study found that SMEs have a lower level of awareness of FTAs than larger companies that usually have at their disposal experience and the capacity to look for and understand the information that is available. Moreover, larger Dutch companies are aware of the existence of different information sources, and they tend to use them all (Ecorys, 2018). SMEs, on the other hand, are

confronted with time and resource constraints. A consequence of the different capacity to gather information is that SMEs must rely to a larger extent on information provided by their trade partners abroad (Ecorys, 2018). While this may not be negative per se, it clearly limits the overall amount of information available to SMEs.

Given their time and resource constraints, SMEs need to actively invest in researching the information on the FTAs and their related benefits. Data indicate that they do so only if they are seriously considering starting to trade internationally, and if they do not plan to do so, they may very well remain completely unaware of the FTAs and their benefits (Ecorys, 2018). In the EU, there are 25 million SMEs and yet only 600,000 export goods to third countries (European Commission, 2020). As mentioned above, companies in general only become aware of the FTAs and their benefits when they decide to trade internationally, which means that the number of SMEs that are unaware of FTAs might be extremely high. This suggests that most of the European SMEs are unaware of the FTAs that the EU has completed, and they are therefore not taking, or even considering taking, advantage of these agreements.

With respect to the content of FTAs, large companies together with SMEs seem to be more aware of the benefits arising from tariff preferences, while awareness of other benefits provided by FTAs, such as provisions on services, intellectual property rights or other non-tariff barriers, seems to be lower (Business Europe, 2020). For example, provisions on services in FTAs appear to be less understood compared to the benefits arising from tariffs reductions (Business Europe, 2020). For SMEs in particular, the benefits of FTAs need to be clear and understandable, otherwise SMEs might not be able to profit from them given the lower amount of resources and expertise they can dedicate to the collection of the necessary information (Ecorys, 2018).

For example, the Flemish network of enterprises (VOKA) in Belgium hosts several 'business clubs for customs' in the different Flemish provinces. During these business clubs, SMEs are invited to discuss with customs experts new legislation or potential obstacles and how to deal with them. These events, which are specifically targeted at SMEs (multinationals or other enterprises are not invited), cover all relevant trade and customs topics, with SMEs even exchanging tips between themselves. Some SMEs have shared their experience of using FTAs in their specific business. Also, specific trainings on customs and trade topics are organised to create awareness around the potential use of FTAs and their benefits. An important topic addressed by these trainings is how to implement a correct and efficient use of FTAs. Therefore, the trainings are highly practical and facilitated by experts with a background in trade (VOKA, WEB).

### **How are SMEs currently benefitting from FTAs?**

Even when an SME becomes aware of the existence of an FTA, the SME may still lack the knowledge required to take full advantage of it. According to the results of a survey conducted by the European Committee of Regions and EUROCHAMBRES, a main concern for SMEs is that a lack of trade expertise and resources may result in SMEs being unable to fully profit from FTAs (European Committee of the Regions and EUROCHAMBRES, 2019). This concern is also supported by the study among Dutch companies (Ecorys, 2018). Having more limited resources, SMEs often find themselves in a position that prevents them from taking full advantage of FTAs.

Of the range of benefits of FTAs, tariff preferences are still perceived as the most important ones. The results of the survey conducted by the European Committee of Regions and EUROCHAMBRES clearly showed that lower tariffs are considered the greatest benefit of FTAs, followed by easier access for service providers and easier access to intermediate goods (2019). SMEs primarily benefit from preferential tariffs when importing goods into the EU, which can be seen by the preference utilisation rate. PUR is generally higher for imports than for exports. For example, the PUR for imports was 87 % in 2018, but for EU exports the PUR was 80 % or higher for only 44 % of FTA partner countries (Business Europe, 2020; Ecorys, 2018). This is because importing SMEs have a direct economic incentive to utilise the FTA (Business Europe, 2020). SMEs that need

to import intermediate goods from partner countries can therefore greatly benefit from the increasing number of FTAs completed by the EU. On the other hand, exporting SMEs benefit comparatively less well from FTAs. For example, in 2016 only 48 % of EU exports of machinery to South Korea received the zero tariff. Of the remaining 52 %, several products that fulfil the requirements received the full tariff rate due to their being exported by SMEs, (European SME Assembly, 2018). There are two explanations for this occurring. Firstly, some exporting SMEs are unaware of the FTA in place and therefore do not apply for the preferential tariffs. Secondly, some SMEs, which are aware of the FTA, find the rules too complicated to be understood so they choose not to apply for the preferential tariff (European SME Assembly, 2018). Overall, the negative economic impact is very high as the lack of use of the preferential tariffs costs billions of euros in undue duties.

The survey of Dutch companies also identified a lack of use of related provisions on services contained in FTAs. As indicated by a Business Europe study (2020), service chapters are difficult to read for non-experts. SMEs have less time, resources and expertise than larger companies to fully read and understand these provisions, and those operating in the service sector are at a disadvantage to these particular benefits of FTAs.

Similarly, SMEs also lack the required resources to benefit from the FTA provisions regarding access to public procurement abroad. Tenders regarding government procurement generally lack transparency. Therefore, taking advantage of these provisions can prove to be very costly, which is especially problematic for SMEs because of their more limited resources. For example, while the EU-ROK FTA covers public procurement by granting easier access to overseas tenders, Korean tenders are mainly published in Korean which requires companies to either dedicate time and resources to fully understand the tender or partner up with a local company. Both strategies require investments, and while large companies may be able to sustain the extra costs, for SMEs these costs may be unsustainable and force them to stay out of the market.

### **Brief overview of the impact of recent FTAs on SMEs**

A recent study by the European Parliament's Committee on International Trade (2018) evaluated the benefits of a range of FTAs that the EU has completed or will complete for different economic actors. The study also examines the benefits of FTAs for SMEs, although the lack of data has made the estimate of these benefits difficult for many FTAs<sup>2</sup>. Nonetheless, evidence that FTAs have encouraged SMEs to export has been found for the EU-ROK FTA. For example, SMEs in both Belgium and Spain have been helped by the reduction of trade costs. In addition, the range of goods traded between the EU and Korea has increased, indicating that at least SMEs have not been pushed out of the market (Civic Consulting, 2017). Unfortunately, the available evidence suggests that Korean SMEs have continued their under-utilisation of preferences in line with their approach to other FTAs (European Parliament's Committee on International Trade, 2018). Overall, it appears that EU SMEs have benefited from the FTA, while Korean SMEs are still unable to take full advantage of the agreement. For the EU-Canada Comprehensive Economic and Trade Agreement, the study by the European Parliament's Committee on International Trade (2018) has highlighted the importance of reducing cross-border trade costs as they represent a significant impediment for SMEs. At the same time, a study from DG Trade (2017) has found that the agreement has reduced the costs associated with non-trade barriers and with intellectual property rights protection, thus having a positive impact on SMEs in both Canada and EU. Likewise, SMEs are expected to benefit from the reduction of NTBs following the EU-Japan Economic Partnership Agreement (European Parliament's Committee on International Trade, 2018).

However, the EU-Vietnam FTA has been shown to have a mixed impact. Indeed, negative effects are expected for some of the least-efficient SMEs in the EU, especially those specialising in leather products,

<sup>2</sup> For the Peru-Colombia FTA and for the Association Agreement with Central America, an evaluation of the impact on SMEs cannot be done due to lack of data.

due to increased competition from Vietnamese companies employing local and often cheaper labour (Ecorys, 2009). On the other hand, the EU-Vietnam FTA is expected to create new opportunities for SMEs, especially in services (European Parliament's Committee on International Trade, 2018).

The study by the European Parliament's Committee on International Trade (2018) also analyses potential benefits for SMEs of FTAs currently under negotiation or just recently concluded: the EU-Indonesia Comprehensive Economic Partnership Agreement, the EU-Mexico FTA and the EU-Mercosur FTA. For the EU-Indonesia Comprehensive Economic Partnership Agreement, new opportunities are expected for SMEs in the EU as well as in Indonesia. However, on the Indonesia side higher competition from established EU firms is likely to push out of the market the least efficient SMEs operating in import-competing sectors (Ecorys, 2009). Moreover, as indicated by a study by Vision Group (2011), the agreement is likely to have another potential negative impact on Indonesian SMEs in the agricultural sector, namely an increase in the costs associated with the need to harmonise food safety measures. For the EU-Mexico FTA, a recent study from LSE (2018) also underlined the importance of harmonising standards, technical regulations and conformity assessment procedures to reduce the impact of non-tariff barriers. Indeed, these still represent a major obstacle for the creation of new trade opportunities for SMEs both in the EU and in Mexico. Finally, for the EU-Mercosur FTA, no quantitative assessment of the FTA on SMEs has been provided yet, although concerns have been raised on the impact of the FTA on agriculture associated with the development of commercial farming for smaller farmers (European Parliament's Committee on International Trade, 2018).

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PE 653.628  
EP/EXPO/INTA/FWC/2019-01/LOT5/3/C/07

Print ISBN 978-92-846-7899-0 | doi: 10.2861/390532 | QA-02-21-311-EN-C  
PDF ISBN 978-92-846-7898-3 | doi: 10.2861/813406 | QA-02-21-311-EN-N