



# Study on the use of Trade Agreements

Final report

Client: Ministry of Foreign Affairs

Rotterdam, 22 June 2018





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# Management samenvatting

## Doel van de studie

In de laatste decennia heeft de EU vele handelsakkoorden afgesloten. Onderzoek toont echter aan dat het hebben van een handelsakkoord niet per se leidt tot het gebruik ervan door exporteurs en importeurs. Er is tot nu toe relatief weinig bekend over de redenen waarom er wel of geen gebruik wordt gemaakt van handelsakkoorden. Het doel van deze studie is dan ook om meer inzicht te krijgen in:

- De bekendheid van Nederlandse bedrijven met EU-handelsakkoorden en de mate waarin Nederlandse bedrijven gebruik maken van deze handelsakkoorden;
- De belemmeringen waarmee Nederlandse bedrijven geconfronteerd worden als ze gebruik willen maken van handelsakkoorden;
- De informatie die Nederlandse bedrijven gebruiken om kennis te verwerven over de handelsakkoorden en de informatie die momenteel nog ontbreekt of lastig te vinden is.

Daarnaast omvat de studie ook een casestudie naar het gebruik van het EU-Zuid Korea handelsakkoord en het effect dat dit akkoord heeft op het Nederlandse bedrijfsleven.

De bevindingen van deze studie bieden verbeterpunten die meegenomen kunnen worden in de onderhandelingen van nieuwe handelsakkoorden en/of in het gebruik van bestaande handelsakkoorden. Dit zal helpen om de handelsakkoorden meer van nut te maken voor bedrijven.

## Methodologie

Voor de uitvoering van deze studie hebben we een aantal methoden toegepast:

- Data-analyse, om meer inzicht te krijgen in het daadwerkelijke gebruik van handelsakkoorden;
- Literatuuronderzoek, om te kijken wat er al bekend is over redenen achter de mate van gebruik van handelsakkoorden en om een beter beeld te krijgen van het EU-Zuid Korea handelsakkoord;
- Consultaties met belanghebbenden d.m.v. een online enquête / rondetafelgesprekken / interviews, om meer inzicht te krijgen in de ervaringen van Nederlandse bedrijven.

## Belangrijkste bevindingen

### Bekendheid met handelsakkoorden

De grote meerderheid van de bedrijven die handelen met landen waarmee de EU een handelsakkoord heeft afgesloten zijn ervan op de hoogte dat er een handelsakkoord is. Consultaties met belanghebbenden hebben aangetoond dat het bestaan van een handelsakkoord maar een kleine rol speelt in de beslissing om met een bepaald land te gaan handelen. Pas nadat die beslissing is genomen, doen bedrijven vaak onderzoek naar specifieke kwesties zoals preferentiële tarieven, licentie procedures, etc. en komen er dan achter dat er een handelsakkoord in werking is met het partnerland. Hoewel dit het geval is voor veel bedrijven, is er ook een aanzienlijk deel van de bedrijven die handelen met een land waarmee de EU een handelsakkoord heeft afgesloten, maar niet op de hoogte zijn van het bestaan van het akkoord (op basis van onze enquête 15 tot 20 procent).

## Gebruik van handelsakkoorden

Er is geen standaardmethode om het gebruik van handelsakkoorden te berekenen. Als we zouden kijken naar de verandering in totale bilaterale handel zou dit leiden tot een overschatting van het gebruik van een handelsakkoord. Tarieven voor een aantal producten zijn ook zonder de aanwezigheid van een handelsakkoord al gelijk aan nul. Daarnaast zijn er ook andere factoren die bijdragen aan een verandering in bilaterale handel. Het gebruik van tariefpreferenties is makkelijker te meten, maar kijkt alleen naar het gebruik van preferentiële tarieven en niet naar het gebruik van andere onderdelen van een handelsakkoord, zoals afspraken op het gebied van dienstenhandel, intellectueel eigendom of andere niet-tarifaire belemmeringen. Er is geen data om het gebruik van deze onderdelen te meten, daarom hebben we voor dit aspect gebruik gemaakt van consultaties met belanghebbenden.

De preference utilisation rates (PURs) – die aangeven welk deel van de preferentiële handel daadwerkelijke gebruik heeft gemaakt van preferentiële tarieven – zijn doorgaans hoog voor Nederlandse import (rond de 90 procent). Over het gebruik van preferentiële tarieven bij export is minder bekend omdat de data aangeleverd moet worden door de douaneautoriteiten van het partnerland. De data die beschikbaar zijn, laten zien dat over het algemeen de PURs lager zijn voor Nederlandse export dan voor Nederlandse import: waar voor import de PUR met 80 procent van de handelspartners 80 procent of hoger is, is dit voor export maar het geval met 44 procent van de handelspartners. De data laat ook zien dat er geen patroon is tussen handelspartners of producten, dat de verschillen in PURs tussen handelsakkoorden zou kunnen verklaren.

We hebben bedrijven gevraagd hoe belangrijk andere onderdelen van een handelsakkoord voor hen zijn en in hoeverre ze er ook gebruik van maken. Er kwam weinig reactie op deze vraag, maar op basis van de response die we hebben ontvangen, lijkt het gebruik en het profijt van de andere onderdelen gering. Hier kunnen meerdere verklaringen voor zijn. Het kan zijn dat bedrijven er niet van op de hoogte zijn dat bepaalde veranderingen het gevolg zijn van een handelsakkoord en dat ze profiteren zonder zich er bewust van zijn. Het is ook mogelijk dat handelsakkoorden deze andere belemmeringen niet aanzienlijk verminderen. Als dit laatste het geval zou zijn, zou dit beeld in de toekomst kunnen veranderen, gezien de groeiende aandacht voor niet-tarifaire belemmeringen in meer recente handelsakkoorden.

## Redenen om geen gebruik te maken van handelsakkoorden

Er zijn gegronde redenen om geen gebruik te maken van tariefpreferenties binnen een handelsakkoord. Om in aanmerking te komen voor de tariefpreferenties, moeten geëxporteerde producten een minimale binnenlandse toegevoegde waarde hebben. Dit is bedoeld om ongewenste doorvoer van producten te voorkomen. Deze criteria worden vastgelegd in de oorsprongsregels binnen een handelsakkoord. Het is dus mogelijk dat tariefpreferenties niet worden gebruikt omdat producten niet voldoen aan de criteria. Met Rotterdam als doorvoerhaven kan dit een zeer valide reden zijn voor Nederland. Het is ook mogelijk dat het verschil tussen het preferentiële tarief en het reguliere tarief zo laag is dat, zeker met kleine volumes, de opbrengsten niet opwegen tegen de administratieve lasten die gepaard gaan met het gebruik van tariefpreferenties.

Naast de bovengenoemde redenen heeft de studie ook nog een aantal belemmeringen geïdentificeerd voor het gebruik van preferentiële tarieven. De meeste belemmeringen hebben betrekking op oorsprongsregels en douaneformaliteiten. Oorsprongsregels zijn zeer complex en variëren per handelsakkoord. Het gebruik hiervan brengt extra kosten met zich mee voor exporteurs en importeurs, die met name voor het MKB als aanzienlijk worden ervaren.



Belanghebbenden hebben ook aangegeven dat naast de complexiteit van oorsprongsegels, het gebruik ervan ook risico's met zich meebrengt. Dit is vooral het geval met het eigen-declaratie systeem dat in de meest recente handelsakkoorden is geïntroduceerd. Met dit systeem zijn exporteurs voor een deel afhankelijk van de informatie aangeleverd door hun toeleveranciers, en fouten in de aangeleverde informatie kunnen financiële gevolgen hebben. Tenslotte, zelfs al vult een bedrijf de documenten correct in, kan de douaneautoriteit van het partnerland nog steeds het gebruik van preferentiële tarieven afwijzen. Dit kan komen door een gebrek aan kennis, maar ook door drijfveren om producten alleen toegang te geven onder reguliere tarieven.

Een andere reden om geen gebruik te maken van handelsakkoorden is een gebrek aan bekendheid. Uit de consultaties met belanghebbenden kwam naar voren dat de documenten vereist om gebruik te maken van tariefpreferenties vaak alleen worden ingevuld als de importeur erom vraagt. Belanghebbende suggereerden dat vooral in ontwikkelingslanden de bekendheid laag was, wat voor een deel kan verklaren waarom de Nederlandse PUR voor import hoger is dan export. Er zijn op dit moment onvoldoende data over de PURs om dit beeld te kunnen bevestigen.

### **Informatie over handelsakkoorden: beschikbaarheid en relevantie**

Ons onderzoek toont aan dat met betrekking tot informatie over handelsakkoorden, Nederlandse bedrijven op de hoogte zijn van de verschillende informatiebronnen. Echter, deze bronnen worden niet altijd beschouwd als goed toegankelijk, bijvoorbeeld omdat het taalgebruik erg juridisch is en/of omdat praktische en doelgerichte informatie ontbreekt (e.g. product specifieke of stapsgewijze informatie), dit is vooral problematisch voor het MKB. Bovendien laten de consultaties zien dat bedrijven niet de neiging hebben om onderzoek te doen als ze zich er niet van bewust zijn dat het voordeel oplevert. Deze bedrijven worden niet bereikt door de huidige informatiebronnen en -kanalen.

## **Aanbevelingen**

Op basis van de bovenstaande bevindingen bieden we de volgende aanbevelingen aan het op het gebied van onderhandelingen, uitvoering en gebruik.

- ✓ *Aanbevelingen voor het onderhandelen van handelsakkoorden:*
  - Verbeter de duidelijkheid omtrent oorsprongsregels en gerelateerde procedures.
  - Verhoog de inspanningen om oorsprongsregels gelijk te trekken tussen handelsakkoorden.
  
- ✓ *Aanbevelingen voor de uitvoering handelsakkoorden:*
  - Verzeker een sterke samenwerking tussen de EU en de handelspartner, en de uitvoerende autoriteiten (e.g. douaneautoriteiten) zodat mogelijke problemen vroegtijdig worden geïdentificeerd en opgelost.
  - In het geval van ontwikkelingslanden moet capaciteitsopbouw en technische assistentie aan uitvoerende autoriteiten in overweging worden genomen.
  
- ✓ *Aanbevelingen om bedrijven te helpen gebruik te maken van handelsakkoorden:*
  - Verbeter de beschikbare informatie over handelsakkoorden door de informatie praktischer en doelgerichter te maken, zodat het voor bedrijven makkelijker te begrijpen is wat ze moeten doen om er gebruik van te maken.
  - Verbeter de toegang tot informatie, zodat bedrijven voor wie de informatie relevant is maar die er niet op zoek naar zijn, zich er toch bewust van worden.



# Executive summary

## Objective of the study

Over the past decades, the EU has concluded many trade agreements. Having a trade agreement in place does not automatically imply that it is utilised by exporters or importers, as existing research shows. There is limited research on the underlying reasons for not making use of the trade agreements. Therefore, the objective of this study is to gain more insights into:

- The familiarity of Dutch companies with EU trade agreements and the extent to which these companies use trade agreements;
- The barriers that Dutch companies face when they want to take advantage of trade agreements;
- The information sources used by businesses to obtain information about trade agreements and the information that businesses feel is currently lacking/difficult to find.

In addition, the study includes a case study on the implementation of the EU-South Korea Free Trade Agreement (FTA) and how this affects and impacts Dutch business.

The findings of this study should provide lessons learnt, which can be taken into account in the negotiations of new trade agreements and/or the implementation of existing agreements, and overall, will assist with making trade agreements more relevant for business.

## Methodology

In the implementation of this study, we used a variety of methods:

1. Data analysis, to gain more insights into the actual use of trade agreements;
2. Literature review, to find out what is already known about the underlying reasons for not using trade agreements, as well as on the implementation of the EU-South Korea FTA; and
3. Stakeholder consultations, consisting of an online survey, roundtables and interviews, in order to obtain more insights from the Dutch business perspective.

## Main findings

### Awareness of FTAs

The large majority of companies that imports from or exports to EU FTA partner countries is aware of the trade agreement in place. Our stakeholder consultation revealed that trade agreements play only a limited role in the initial decision to trade with a specific country. After this decision has been made, companies typically research specific issues such as preferential tariffs, licensing procedures, etc. and then become aware of the trade agreement in place. Although this seems to be the case for most companies, we note that still a significant share of business trading with an EU FTA partner country is not aware at all about the agreement (based on the survey 15-20 percent) in place.

### Use of trade agreements

There is no straightforward way to measure the use of trade agreements. Taking total bilateral trade as an indicator would overestimate the use of a trade agreement, as not all trade is taking

advantage of the trade agreement (e.g. as tariffs on certain products are zero also without the trade agreement), and since other factors can also contribute to an increase in trade. The use of tariff preferences is easier to measure, but only analyses the use of tariff preferences, not how other parts of the agreement, such as provisions on services, intellectual property rights, or other non-tariff barriers, are used. There is no data to measure the use of these other parts, and we have therefore addressed this through stakeholder consultations.

In focussing on the preference utilisation rates (PURs), which indicate which percentage of trade actually makes use of the preferential tariffs, we note that these are generally high for imports into the Netherlands (around 90 percent). On the export side, less information is available, as data has to be provided by the customs authorities from the FTA partner countries. The available data shows that, in general, the PURs are lower on the export side than on the import side: while on the import side the PUR is 80 percent or higher for 80 percent of the FTA partner countries, on the export side, this is the case for only 44 percent of the FTA partner countries. The data also shows that there is no consistent pattern across trade agreements or products, which could help explain some of the variance in the utilisation rates of trade agreements.

We have also asked companies how important elements of trade agreements other than tariff preferences are, and to what extent they take advantage of these. We have received limited feedback on this, however based on the feedback we did receive, the benefits of these other elements of trade agreements seem limited. There could be several explanations for this result. It could be that companies do not know the changes brought about by the agreement and that they benefit without being aware of it. Another reason could be that trade agreements in general do not significantly reduce these barriers. In case of the latter, the stronger focus of recent EU trade agreements on these barriers would likely change this finding in the future.

### **Reasons for not making use of trade agreements**

It should be noted that there can be good reasons for not using tariff preferences available under a trade agreement. To be eligible for the tariff preferences, products must have a minimum level of domestic value added in the product exported in order to avoid unwanted transshipment. These criteria are laid down in the Rules of Origin (RoO) of a trade agreement. Therefore, it could be that preferences are not used because the products do not comply with these criteria. With Rotterdam as important transshipment point, this may be a relatively important reason for the Netherlands. It could also be that the difference between the preferential tariff and the regular tariff is so small that, especially when export volumes are small, the benefits would not outweigh the administrative costs associated with obtaining the tariff preferences.

Next to these reasons, our study has also identified barriers that limit the use of tariff preferences. The main barriers to the use of trade agreements are related to rules of origin requirements and custom formalities. Rules of origin are complex and vary across trade agreements. Given that this imposes significant fixed costs on exporters and importers, it is especially an issue for SMEs. Next to the complexity, stakeholders have also pointed to perceived risks when making use of the preferences. Especially with the system of self-declaration, which has been introduced in more recent trade agreements, exporters partly depend on the information provided by their suppliers, and mistakes in this information can have financial implications. Finally, even if a company is able to fill out the documentation correctly, the customs authority of the FTA partner country can still decline the use of the preferences. This can be due to a lack of knowledge, or because of incentives that do not allow products to be imported under a preferential tariff rate.

Another reason for not making use of the preferences is lack of awareness. Based on our stakeholder consultations, we found that the documents required to make use of preferences are often only filled in if the importers ask for this. Stakeholders suggested that especially in developing countries, this awareness may be lower, which could partly explain why the use of preferences is lower for exports than for imports. At this stage, there is not sufficient data available to confirm this view.

### Information on trade agreements: availability and relevance

With respect to the information available about trade agreements, our findings suggest that Dutch companies are aware of relevant information sources. However, they perceive these sources not to be always easily accessible, e.g. as they rely excessively on technical jargon and/or because they lack practical and targeted information (e.g. product-specific, step-wise instructions), which is especially a problem for SMEs. In addition, the consultations showed that companies do not tend to search for information if they do not know that they need it or could benefit from it. These companies are thus not always reached by the existing information sources and channels.

## Recommendations

Based on the above findings, we can provide the following recommendations on the negotiations, implementation and utilisation of FTAs.

- ✓ *Recommendation for the negotiations of FTAs:*
  - Improve the clarity of rules of origin and related procedures,
  - Increase efforts to harmonise rules of origin across trade agreements..
  
- ✓ *Recommendations for the implementation of FTAs:*
  - Ensure close co-operation between the EU and the partner country, and their implementing authorities (e.g. customs authorities) to ensure that potential issues are identified and addressed at an early stage.
  - In the case of developing country partners, capacity building and other technical assistance might also be required.
  
- ✓ *Recommendations for helping companies to make use of the FTAs:*
  - Improve the information available on trade agreements, by making the information more practical and targeted, so companies can easily understand what they need to do;
  - Improve the accessibility of information, to ensure that also companies not looking for the information are still made aware.



# 1 Context and background of the study

## 1.1 Scope and objectives of the study

Over the past decades, the EU has concluded many Free Trade Agreements (FTAs). Previous research in the EU and its Member States has shown that business is often not very familiar with these FTAs.<sup>1</sup> Having a free trade agreement in place does not automatically imply that it is utilised by exporters or importers. Based on data available, the degree of utilisation is lower for Dutch exporters and importers compared to other EU Member States. The objective of this study would be to get more insights in:

- The familiarity of Dutch companies with EU FTAs and the extent to which Dutch companies use trade agreements;
- The barriers that Dutch companies face when they want to take advantage of the FTA;
- The information sources used by business to obtain information about FTAs and the information that business feel is currently lacking/difficult to find;
- The development in the implementation of the EU-South Korea FTA and how this affects Dutch business.

The results of this study should provide lessons learnt about the use of FTAs by business and the barriers encountered in the use of these FTAs. These lessons can be taken into account in negotiations and ongoing implementation, to make existing and future FTAs more relevant for business.

With respect to the scope of the study, the focus of the study is on Dutch companies and their use of FTAs. It does not compare this to the use of FTAs of companies in other EU Member States. In terms of FTAs, we cover the FTAs concluded by the EU that are listed in the Regional Trade Agreement database of the WTO.

### **The use of trade agreements: what does it mean?**

Before focussing on the analysis, it is also important to consider what the use of an FTA actually means. If there is trade with the FTA partner country, should that automatically be considered as actual use of the FTA? If the trade does not make use of/benefits from any of the specific provisions of the FTA (e.g. because tariffs on certain products are zero also without the trade agreement)<sup>2</sup>, this is difficult to say. What is possible to measure, is the use of tariff preferences of an FTA (the Preference Utilisation Rates, or PURs, which is the ratio of the value imports (exports) that makes use of a trade agreement's preferences over the value of all imports (exports) that are eligible for the trade agreement's preferences). Companies have to complete specific forms for customs to prove they are eligible for these preferences.

It could also be that companies make use of an FTA, without being aware of it. FTAs can, for example, lead to changes in national legislation or procedures that lead to more market access or less costs for business, without companies being aware that this change is brought about by an FTA. If this would be the case, the PURs are likely to be an underestimation of the use of an FTA. Ideally, you would compare a situation with and without an FTA and look at the impact of specific elements of an FTA. However, this is not easy to establish, as the size of trade flows is influenced by many factors, such as market demand, technological innovation, exchange rates, etc. In

<sup>1</sup> See for example Atradius and EVO-Fenedex (2017)

<sup>2</sup> Without an FTA, MFN tariffs (i.e. normal non-discriminatory tariff charged on imports) apply, and a significant part of MFN tariffs are zero.

addition, there is not sufficiently detailed data available on trade costs reductions brought about by an FTA.

In this study, we do not aim to solve the challenge of measuring the actual use of FTAs, but instead use a combination of methodologies to gain an overall picture of the use of trade agreement and the barriers that companies face in making use of the agreement.

## 1.2 Methodology

In order to achieve the objectives of the study, we use different and complementary methodologies. They can be grouped in three broad categories: data collection and analysis, literature review, and stakeholder consultations. These different methods are explained in more detail in the next sections.

### 1.2.1 Data collection and analysis

In relation to the data analysis, we make use of Eurostat data. Specifically, we use data on goods trade (Comext database – EU trade based on the Harmonized system classification system, at the two digit or four digit level), services trade (Balance of Payments (BoP) international trade in services) and investment (BoP EU direct investments). In addition, on the import side they also have data to calculate the use of tariff preferences (PURs) (Comext database – Adjusted extra-EU imports by tariff regime). With respect to the PURs, the most accurate data is typically reported by the importing country, as they do the thorough check on the applications for tariff preferences. It goes beyond the scope of this study to collect this data from all FTA partner countries. However, DG Trade has collected this data for a selection of FTA partners, and this will also be presented in this report, to the extent publicly available.

### 1.2.2 Literature review

During the inception phase, we conducted a preliminary literature review to obtain more insights in the reasons for the (non-) use of trade preferences, as well in the type of survey questions best used for this research. This helped to formulate and refine questions in the survey or during interviews, thereby improving the quality of the outcomes.

In the implementation phase, we conducted additional analysis of literature, with specific focus on the implementation of the EU-Korea FTA and other countries' experiences in the stimulating their private sector to take advantage of FTAs.

A full list of the literature used is included in Annex B.

### 1.2.3 Stakeholder consultations

We have used several methods for stakeholder consultations: a survey, roundtables and additional interviews. We note that it was quite difficult to get in touch with companies involved in trade with FTA partner countries. In terms of companies that did participate, we note that these are mainly companies involved in goods trade (either as a producer or facilitating goods trade (e.g. transport, wholesalers) while there was much less interest from the service sectors. Also, SMEs were much



harder to reach. Although we made additional efforts to reach these companies<sup>3</sup>, this did not lead to much more response from these groups.

In terms of the individuals that participated, they were often involved in handling the trade process, notably with customs. On the one hand, this may create a slight bias in the results obtained, and on the other hand, it may also be an indication of the relevance of FTAs (or specific elements thereof) for these groups. We will take this into account when presenting the results.

## Survey

The survey is a key element of our approach, as it allows us to obtain the feedback from many companies. With a relatively short set of questions, it helps to gain insights into the main barriers that companies experience, and also allows to see how it differs by sector, size of company and trade partner.

Initially, we planned both an online survey and a telephone survey. We explicitly included the telephone survey, since the response rate for these surveys is usually much higher than for online surveys. One challenge is that a telephone survey requires contact details of companies that are involved in international trade, and only a small share of companies in the Netherlands trades (outside of the EU, see box below). Initially a database set up by EVO-Fenedex was identified which contained details of Dutch companies involved in international trade with details on the countries that these companies cover, however we learned in the start-up phase of the project that the database was taken offline as it was outdated. We have not been able to find any comparable databases.

### Box 1.1: Dutch companies involved in international trade - that target group

While there are over 1 million companies in the Netherlands that do not trade at all, there are about 76,000 companies that import, around 18,000 that export and around 45,000 that are involved in two-way trade.<sup>4</sup> However, these figures also cover intra-EU Trade, while for this research, we are only interested in those companies that trade with countries outside the EU and which are partner to an EU FTA. This makes the target group for this study much smaller. The number of companies involved in trade with a specific FTA trade partner is not known.

Therefore, we could only organise an online survey, but stepped up our efforts to increase the response to this survey. Many organisations have helped us to spread the survey. The announcement was spread through the following channels:

- News item on the Ecorys website and an announcement through the Ecorys Trade twitter account (@EcorysTrade);
- A Tweet of the Ministry of Foreign Affairs Trade Policy account (@NLwereldhandel);
- Website and newsletter of EVO-Fenedex;
- Website and newsletter of VNO-NCW;
- A letter of the Chamber of Commerce (KvK) to 1.600 of its members;
- Newsletter of Customs Knowledge (more than 3,500 recipients);
- Newsletter of SDU on import and export news;
- Mailing lists established from previous surveys;
- With the help of RVO a message was posted in the message box of the Internationaal Ondernemen website;
- A contact list of RVO for companies interested/active in trade with South Korea;
- We announced it personally in the trade council of EVO- Fenedex;

<sup>3</sup> E.g. mailings to services associations, contacts with intermediary organisations to mobilise members from these specific categories.

<sup>4</sup> Source: CBS, Kerncijfers globalisering 2018.

- We contacted 22 associations that cover specific sectors;
- Various stakeholders shared the link to the survey via LinkedIn.

Although several thousands of companies have been made aware of the survey, the response of the survey is still low. In total, 114 companies completed the survey, but only 63 reached the end. Results of the survey are used throughout the report. Annex C presents the full survey results.

### **Workshops and roundtables**

We organised three roundtables on specific issues of particular relevance to this study. These workshops were organised at the Ministry of Foreign Affairs in The Hague. The participants were mainly companies with hands-on experience in trading with FTA partners, as well as some intermediary organisations (e.g. EVO-Fenedex and KvK, or commercial companies that help companies comply with export documentation requirements). The three topics discussed were rules of origin, the experience with the EU-South Korea FTA, and specific challenges for small and medium enterprises (SMEs). These Roundtables had approximately 15 participants.

Next to organising our own roundtable meetings, we also were invited to the Trade Council of EVO-Fenedex, to give a presentation and have a discussion with respect to this study. This event was attended by about 25 companies. We also attended an event organised by the Chamber of Commerce (KvK) on rules of Origin, where we did not have an active role but had informal talks with participants in between the sessions.

Finally, we organised a validation workshop, to discuss the preliminary findings and discuss the implications in terms of conclusions and recommendations. This workshop was mainly attended by the intermediary organisations that have played a supporting role throughout the study.

### **Interviews**

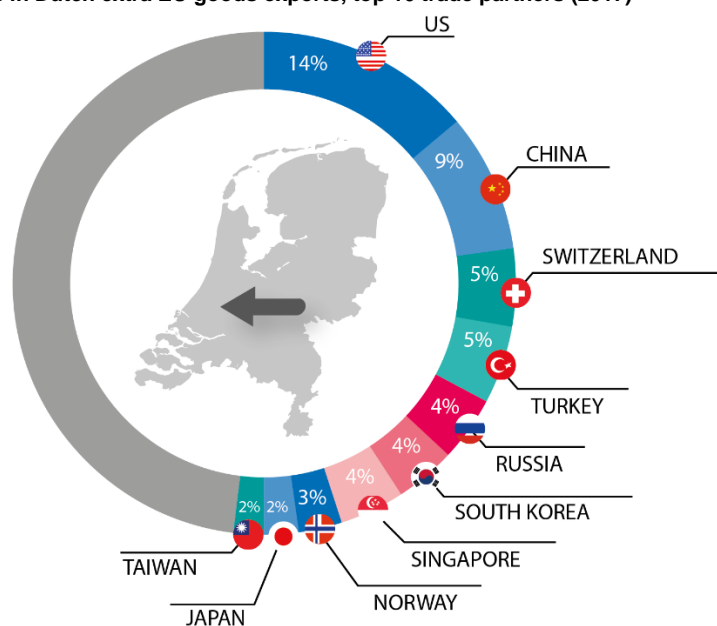
In addition to the surveys, we have held several interviews. At the start of the project, we organised scoping interviews with relevant organisations in international trade (customs, EVO-Fenedex, Chamber of Commerce, VNO-NCW, European Commission (DG Trade)). In the implementation phase, we organised additional interviews to get more detailed insights. For example, we interviewed the embassy of South Korea and held several follow-up interviews with companies participating in the survey to get more detailed insights.

## 2 What does the data tell us: the use of Free Trade Agreements

### 2.1 Understanding the data and indicators

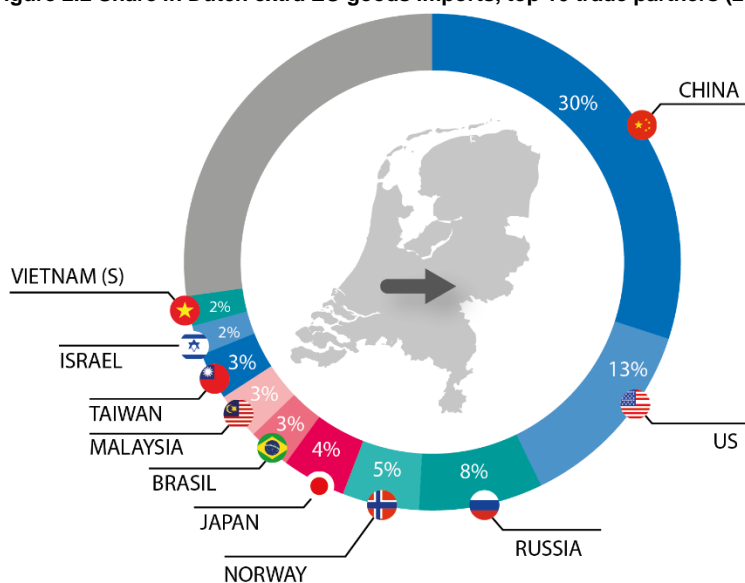
Not all countries which the Netherlands trades with are partner of one of the EU FTAs. The top ten trading partners of the Netherlands in goods trade make up 50% of Dutch extra-EU exports and 70% of extra-EU imports (see Figure 2.1 and Figure 2.2). Less than half of them have an agreement with a trade component in place. For goods exports, there is currently an agreement in place with four countries (Norway, South Korea, Turkey, and Switzerland), for goods imports this is only the case for two countries (Israel and Norway).

**Figure 2.1 Share in Dutch extra EU goods exports, top 10 trade partners (2017)**



Source: Eurostat Comext EU trade since 1998 by HS2-HS4, author's calculations.

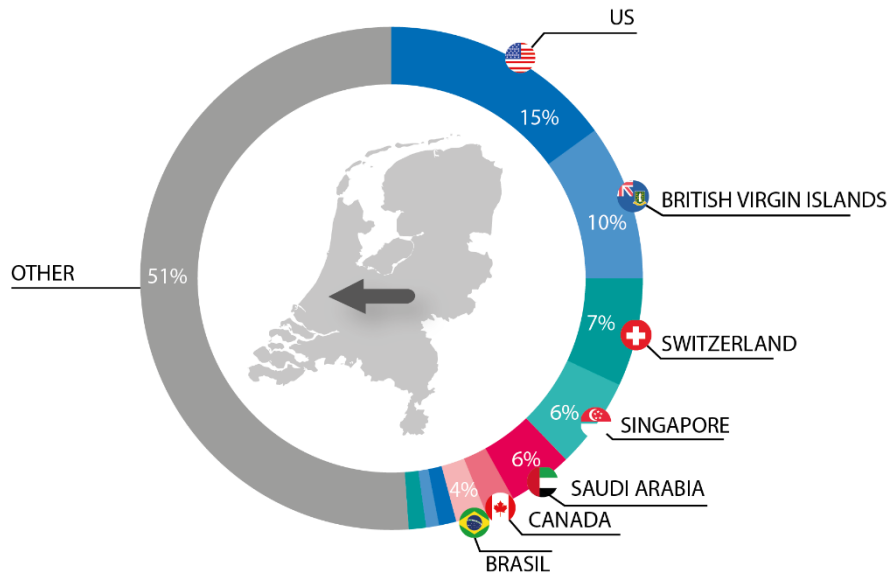
**Figure 2.2 Share in Dutch extra EU goods imports, top 10 trade partners (2017)**



Source: Eurostat Comext EU trade since 1998 by HS2-HS4, author's calculations.

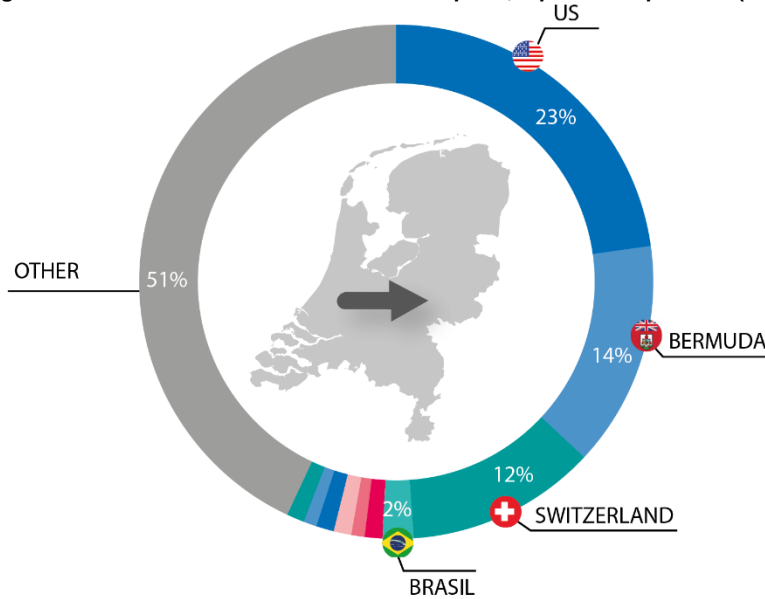
For services, the top ten trading partners make up slightly less than 50% of extra EU exports and imports (see Figure 2.3 and Figure 2.4).<sup>5</sup> However, an agreement is in place with only three countries (Switzerland, Canada, and Turkey).

**Figure 2.3 Share in Dutch extra EU services exports, top 10 trade partners (2015)**



Source: UN Comtrade services data, author's calculations

**Figure 2.4 Share in Dutch extra EU services imports, top 10 trade partners (2015)**



Source: UN Comtrade services data, author's calculations

In addition, half of the survey participants indicated that their number one trading partner is not a country with whom there is currently a trade agreement in place.<sup>6</sup> Trade negotiations with the US

<sup>5</sup> Whereas all trade data is sourced from Eurostat, the data for the share in Dutch services trade is sourced from UN Comtrade in order to have more up to date data. Eurostat and Comtrade use a different method of calculating/collecting services data (inclusion of mode 3 services is limited in the Eurostat database), this can result in differences in the shares and countries reported in the top 10. The UN Comtrade database does however not include China, which is one of the top 10 trade partners of the Netherlands.

<sup>6</sup> 44 out of 87 respondents indicated this. The trade partners most frequently mentioned include Australia, China, India, Japan, Malaysia Russia, Taiwan and the US.

were in place but have put on hold and it is uncertain when they will continue. However, the negotiations on agreements with Japan, Singapore and Vietnam are far progressed or even awaiting ratification by the Member States.<sup>7</sup> In May, the European Commission has also received green light to commence negotiations with Australia and New Zealand.<sup>8</sup>

In this section, we will focus on the agreements that are in place – when they entered into force and how comprehensive they are – and how one can calculate the use of preferences that are part of the agreement.

### 2.1.1 Diversity of the trade agreements

The EU currently has over 60 agreements in place that include a trade component, the first ones being concluded in the seventies. It is important to note that each agreement is unique in terms of the number of years it is in place, the number of countries included, the number and type of sectors included, the number of tariffs reduced and the period over which they are reduced, and other trade related provisions included.<sup>9</sup> These factors influence the growth in trade and the use of the FTA and are therefore important to keep mind when analysing the data. For example, an agreement that reduces tariffs to 0% from day one will lead to a larger trade increase in the first years than an agreement that gradually reduces tariffs to 0% over a 3 year period or even after 3 years. In the case of the latter two, it will thus take a longer period before we will see significant<sup>10</sup> changes in trade figures. Also, an agreement that covers both tariff reduction and a reduction of non-tariff measures is likely to have a larger effect than an agreement that only covers tariffs reduction. For example, if tariffs are removed on motor vehicle parts, but double testing and other product requirements are still needed when exporting to the partner country, the increase in trade is likely to be smaller than if these barriers would also be reduced.

It is outside of the scope of this study to analyse and compare all trade agreements on their depth and coverage. However, in Table 2.1 we provide a summary overview of the depth of the agreement, and whether the agreement is already fully in force or only provisionally applied. Based on the World Trade Organisation (WTO) Regional Trade Agreement database, we have indicated whether the agreement only includes goods or both goods and services.<sup>11</sup> Slightly less than half of the agreements cover both goods and services. The majority of these agreements are agreements which were negotiated in the last decade. The last column indicates the depth of the agreement based on the Design of Trade Agreements (DESTA) database.<sup>12</sup> The database focuses on seven elements that could be included in a trade agreement: reduction of all tariffs to zero (with limited exceptions), standards, investments, services trade, public procurement, competition, and intellectual property rights. For each element included, the agreements receives one point, up to a maximum of seven. When an agreement receives four points, this means that four out of the seven elements are included. We can therefore not state anything about the specific elements included per agreement without going into detail in the underlying data sets. About 30% of agreements have the highest level of depth. With the exception of the CARIFORUM agreement, these are all agreements that have been negotiated quite recently. These findings reflect the European Commission's ambition to broaden the coverage of the agreements.

<sup>7</sup> Ministerie van Buitenlandse Zaken (2018)

<sup>8</sup> <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1843>

<sup>9</sup> For example rules of origin, non-tariff measures, SME chapter, (public) procurement, investment protection, etc.

<sup>10</sup> Assuming that the trade agreement is effective.

<sup>11</sup> At this moment, the EU does not have any agreements in place that solely include services. The EU takes part in plurilateral negotiations over the Trade in Services Agreement (TiSA), but negotiations have been put on hold.

<sup>12</sup> <https://www.designoftradeagreements.org/downloads/>

Table 2.1 EU agreements in force or provisionally applied.

Partner country	Date	Type of agreement <sup>13</sup>	Goods and/or services	DESTA score
<b>In force</b>				
Georgia	2016	Association Agreement	Goods and services	7
Moldova	2016	Association Agreement	Goods and services	7
South Korea	2016	Free Trade Agreement	Goods and services	7
Bosnia and Herzegovina (Western Balkan)	2015	Stabilisation and Association Agreement	Goods and services	3
Serbia (Western Balkan)	2013	Stabilisation and Association Agreement	Goods and services	5
Montenegro (Western Balkan)	2010	Stabilisation and Association Agreement	Goods and services	4
Albania (Western Balkan)	2009	Stabilisation and Association Agreement	Goods and services	4
Lebanon	2006	Association Agreement	Goods	3
Algeria	2005	Association Agreement	Goods	3
Chile	2005	Association Agreement and additional protocol	Goods and services	6
Egypt	2004	Association Agreement	Goods	4
Macedonia (Western Balkan)	2004	Stabilisation and Association Agreement	Goods and services	5
Jordan	2002	Association Agreement	Goods	3
San Marino	2002	Customs Union	Goods	1
Israel	2000	Association Agreement	Goods	5
Mexico	2000	Global Agreement	Goods and services	3
Morocco	2000	Association Agreement	Goods	4
Tunisia	1998	Association Agreement	Goods	4
Faroe Islands	1997	Agreement	Goods	2
Palestinian Authority	1997	Interim Association Agreement	Goods	Not available
Turkey	1995	Customs Union	Goods	3
Iceland	1994	Economic Area Agreement	Goods and services	2
Norway	1994	Economic Area Agreement	Goods and services	2
Andorra	1991	Customs Union	Goods	1
Syria	1977	Co-operation Agreement	Goods	Not available
Switzerland	1973	Agreement	Goods	5

<sup>13</sup> Explanation on the type of agreement can be found in Annex A

Partner country	Date	Type of agreement <sup>13</sup>	Goods and/or services	DESTA score
<b>Provisionally applied</b>				
<b>Canada</b>	2017	Comprehensive Economic and Trade Agreement	Goods and services	7
<b>West Africa*</b>	2016	Economic Partnership Agreement	Goods	2
<b>Southern African Development Community*</b>	2016	Economic Partnership Agreement	Goods	Not available
<b>South Africa</b>	2016	Economic Partnership Agreement	Goods	4
<b>Ukraine</b>	2016	Deep and Comprehensive Free Trade Agreement	Goods and services	7
<b>Cameroon</b>	2014	Interim Economic Partnership Agreement	Goods	Not available
<b>Central America *</b>	2013	Association Agreement with a strong trade component	Goods and services	7
<b>Colombia</b>	2013	Trade Agreement	Goods and services	7
<b>Ecuador</b>	2013	Trade Agreement	Goods and services	Not available
<b>Peru</b>	2013	Trade Agreement	Goods and services	7
<b>Eastern and South Africa*</b>	2012	Economic Partnership Agreement	Not available	Not available
<b>CARIFORUM*</b>	2008	Economic Partnership Agreement	Goods and services	7

West Africa: Côte d'Ivoire, and Ghana.

Southern African Development Community: Botswana, Lesotho, Mozambique, Namibia and Swaziland.

Central America: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

Eastern and South Africa: Madagascar, Mauritius, Seychelles and Zimbabwe.

CARIFORUM: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

Source: DG TRADE [negotiations and agreements](#), WTO [Regional Trade Agreements Information System](#), and DESTA [depth database](#).

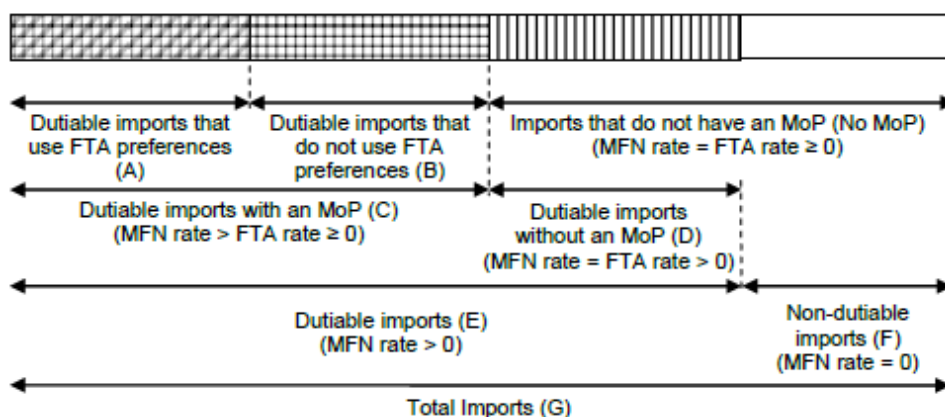
## 2.1.2 Different ways of looking at the use of trade agreements

The literature outlines several options to analyse the implementation of trade agreements and the use of tariff preferences, although there is no ideal way to measure the exact use of the overall FTA, as explained in chapter 1. The first option is to look at developments in bilateral trade (see section 2.2). The second option is to focus on the use of tariff preferences under the FTA. Each of these options require different trade data and answer different questions, and these are described briefly below. The breakdown of trade data required to calculate the different options, is presented in Box 2.1. Since the indicators are based on tariff data, they can only be calculated for goods. The indicators can be calculated for both exports and imports, however for the sake of clarity, we will only show imports below.

### Box 2.1: Breakdown of trade data

In order to calculate the different indicators the trade data needs to be broken down, this is illustrated in Figure 2.5. To start with, the total imports need to be split in two groups, non-dutiable imports where the Most Favoured Nation (MFN) tariff rate is already zero (F), and dutiable imports where the MFN tariff rate is larger than zero (E). When a trade agreement comes in place, the dutiable imports can be split in two groups as well. Dutiable imports for which the tariff rate agreed upon in the agreement is lower than the MFN tariff rate (C), in this case there is a margin of preference (MoP), and dutiable imports for which the tariff rate agreed upon in the agreement equals the MFN rate and both are larger than zero, in this case there is no MoP (D). The last step is to split the dutiable imports with a MoP into imports that have made use of the existing preferences (A) and dutiable imports that have not made use of the existing preferences (B).<sup>14</sup>

Figure 2.5 Indicators for the use of trade agreements



Source: Shintaro Hamanaka, 2013. On the use of FTA: a review of research methodologies.

The first option is called the **utilisation rate**. Two data points are required for this calculation; 1) value of goods imported that could make use of trade preferences according to the agreement and did make use of these preferences, and 2) total goods imported. In order to get the utilisation rate, one divides the first one by the second one. The utilisation rate provides a good view of the share of goods imported that have made use of trade preferences offered by the agreement. However it does not give a good view of the use of the preferences offered by the trade agreement. The denominator also includes goods for which the tariff rate is already zero without the agreement, and goods for which the tariff rate agreed upon in the agreement equals the most favoured nation (MFN) tariff rate that is already in place. In the first case, the importer does not need to make use of preferences offered by the agreement because there are no tariffs, in the second case, the importer will not make use of the preferences offered by the agreement because they equal the MFN rate and the importer can just continue normal routine.

<sup>14</sup> Shintaro Hamanaka (2013).



The **utility rate** already partly solves this problem. The value of goods imported that could make use of trade preferences according to the agreement and did that make use of these preferences is divided by total value of dutiable imports. The goods for which the tariffs are already zero are excluded from this calculation. The goods for which the MNF tariff rate equals the tariff rate agreed upon in the agreement are still included.<sup>15</sup>

This last part is also excluded when calculating the **usage rate**. Again, the value of goods imported that could make use of trade preferences according to the agreement and did that make use of these preferences is the numerator. This time the denominator is the value of goods eligible for trade preferences (i.e. goods for which the tariff rate agreed upon in the agreement is lower than the MFN tariff rate or set at zero).<sup>16</sup>

Similar to the usage rate, although termed differently in other studies is the **preference utilisation rate** (PUR). Also, here the value of goods imported that made use of trade preferences as part of the agreement are divided by the total value of imports that are eligible for preferences.<sup>17</sup> More details about the data collection and calculation of the PUR can be found in Annex A.

## 2.2 Developments in trade after concluding FTAs

As the aim of trade agreements is to stimulate trade, comparing trade flows before and after the agreement is a good starting point to get a first impression of the use of trade agreements. We will analyse the trade data in two ways:

1. Share of the trade partner's trade flows with the Netherlands;
2. Trade flows with the trade partner five years before and after the agreement.

The first indicator will be analysed for all agreements for which the data is available, indicator two will be analysed for all agreements for which sufficient data is available before and after the date of provisional application or entrance into force. Since the different elements of an agreement are often implemented gradually and it takes time for companies to understand how to make use of it, we will compare a time period of five years before the agreement with the period of five years after the agreement.

Preferably, one would also analyse the development of FDI, as some FTA contain investment-related provisions. Unfortunately, the FDI data in Eurostat is only available for the years 2008-2012 and only for three countries with whom a trade agreement is in place. Other databases such as the International Trade Centre (ITC), Centraal Bureau voor Statistiek (CBS), and De Nederlandse Bank (DNB) also have data on Dutch FDI, but again the number of partner countries or the time span for which the data is available is too limited for the analysis. The data from the DNB is most complete and has been added to Annex A for reference.

### 2.2.1 Goods

The data availability for goods trade is very good. The Eurostat Comext database<sup>18</sup> provides data from 1988 until 2016 and includes all the countries with whom an agreement with a trade component is in place. Comparing the trade flows before and after the agreement was provisionally

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<sup>15</sup> Shintaro Hamanak (2013).

<sup>16</sup> Shintaro Hamanak (2013).

<sup>17</sup> European Commission (2017a), European Commission (2017b), Albert and Nilsson (2016), Nilsson (2015).

<sup>18</sup> <http://epp.eurostat.ec.europa.eu/newxtweb/>.

applied or entered in to force is however not possible for all countries. Some agreements (such as the ones with Switzerland or Syria) entered into force several years before data was available, whereas others (such as the ones with Canada, Georgia, South Africa) only entered into force or were provisionally applied very recently and trade data is only available for one or two years. The agreements for which the trade flows can be analysed are marked orange in Table 2.2.

**Table 2.2 Availability of Eurostat goods trade data**

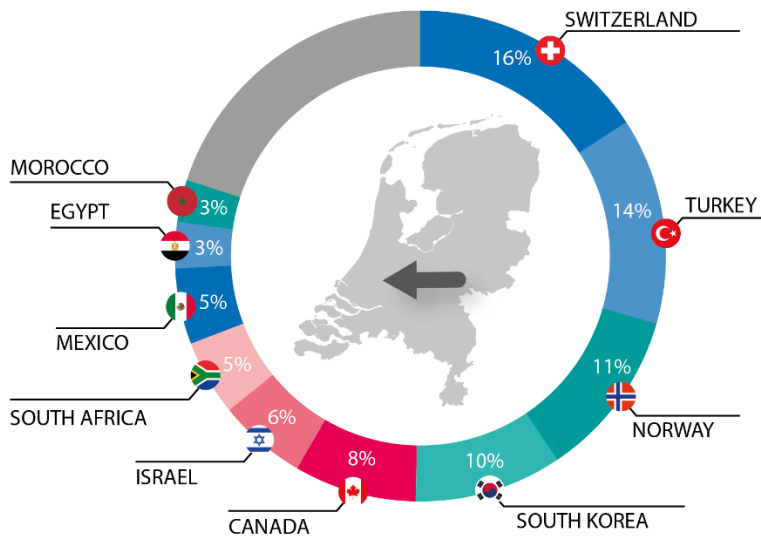
Country	Year entry into force/ provisional application	Years data available	Country	Year entry into force/ provisional application	Years data available
Andorra	1991	1988-2016	<b>Norway</b>	1994	1988-2016
<b>Canada</b>	2017	1988-2016	<b>Peru</b>	2013	1988-2016
<b>Cameroon</b>	2014	1988-2016	Palestinian Territory	1997	2001-2016
<b>Switzerland</b>	1973	1988-2016	<b>San Marino</b>	2002	1994-2016
Chile	2005	1988-2016	<b>Tunisia</b>	1998	1988-2016
Colombia	2013	1988-2016	<b>Turkey</b>	1995	1988-2016
Algeria	2005	1988-2016	Ukraine	2016	1992-2016
Ecuador	2013	1988-2016	Syria	1977	1988-2016
Egypt	2004	1988-2016	Moldova	2016	1992-2016
Faroe Islands	1997	1988-2016	South Korea	2016	1988-2016
<b>Georgia</b>	2016	1992-2016	South Africa	2016	1988-2016
Israel	2000	1988-2016	Western Balkan	2009, 2015, 2004, 2010, 2013	1988-2016
Iceland	1994	1988-2016	West Africa	2016	1988-2016
Jordan	2002	1988-2016	<b>Eastern and South Africa</b>	2012	1988-2016
Lebanon	2006	1988-2016	Southern African Development Community	2016	1988-2016
Morocco	2004	1988-2016	<b>Central America</b>	2013	1988-2016
Mexico	2000	1988-2016	<b>CARIFORUM</b>	2008	1988-2016

The share in trade with the Netherlands of each trade partner is presented in Figure 2.6 and Figure 2.7. The trade flows of each partner are compared to the total trade flows with all partners with whom a trade agreement is in place, not with the total trade of the Netherlands. These figures do not tell us anything about the use of these trade agreements by Dutch firms, however they provide us with a first impression of the importance of trade with these partner countries and the agreement that is in place for the Netherlands.

With respect to Dutch exports, four destination countries have a share of ten percent or higher, they include Switzerland (16%), Norway (14%), Turkey (11%), and South Korea (10%). Other destination countries that also have a relatively high share in exports are Canada, Israel, South Africa, and Mexico. Regarding the imports, we note that the share of Dutch imports sourced from Norway is significantly higher than for the other trade partners (23%), though it has declined by more than ten percentage points in three years' time.<sup>19</sup> Other countries with relatively large shares are the same as for exports, although in a slightly different order. Israel is now the second most important country, whereas Switzerland dropped to the fifth place.

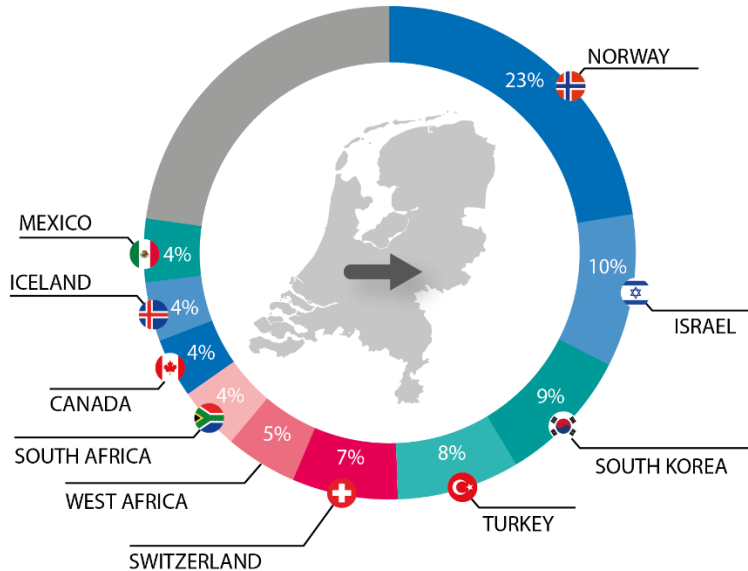
<sup>19</sup> The shares for all countries for the years 2014-2016 can be found in Annex A.

**Figure 2.6 Share in Dutch goods exports with FTA trade partners, 2016**



Source: Eurostat Comext EU trade since 1998 by HS2-HS4, author's calculations.

**Figure 2.7 Share in Dutch goods imports with FTA trade partners, 2016**



Source: Eurostat Comext EU trade since 1998 by HS2-HS4, author's calculations.

Table 2.3 presents the total Dutch export values five years before the agreement and five years after the agreement, as well as the growth in exports. With the exception of Andorra (-18%) and Switzerland (-9%), the value of exports is larger in the period after the agreement was provisionally applied or entered into force than before. For the majority of the countries, exports increased by more than 50%. For a few countries trade even more than doubled: San Marino (297%), Faroe Islands (179%), Turkey (148%), Ecuador (140%), Mexico (130%). For these five countries as well as for the others it is important to keep in mind that the existence of the trade agreement is not the only factor influencing the growth rates. One of the factors is the baseline value exports. In absolute values, the growth in exports to San Marino is one of the lowest, however due to the very small value of exports before the agreement, the percentage changes are large. Another factor is that trade in general has grown. In the period 2000-2016, world exports increased with 148%, with a yearly average of 7%.<sup>20</sup> Dutch exports can also increase due to additional demand from the partner country for reasons not related to the trade agreement, such as a rise in population or an increase in disposable income.

<sup>20</sup> [https://www.wto.org/english/res\\_e/statis\\_e/merch\\_trade\\_stat\\_e.htm](https://www.wto.org/english/res_e/statis_e/merch_trade_stat_e.htm).

**Table 2.3 NL goods exports, million €**

Trade partner	Exports before the agreement – 5 year period	Exports after the agreement – 5 year period	Growth €	Growth %
Andorra <sup>1</sup>	48	39	- 9	-18%
Chile	979	1,696	717	73%
Colombia <sup>1</sup>	992	1,462	470	47%
Algeria	1,119	1,839	720	64%
Ecuador <sup>1</sup>	376	903	527	140%
Egypt	2,071	4,027	1,957	94%
Faroe Islands	8	21	14	179%
Israel	2,917	5,300	2,383	82%
Iceland	601	554	- 57	-9%
Jordan	481	815	334	69%
Lebanon	794	1,213	419	53%
Morocco	1,019	1,862	843	83%
Mexico	1,321	3,041	1,720	130%
Norway	4,626	6,797	2,171	47%
Peru <sup>1</sup>	536	848	313	58%
San Marino	68	268	201	297%
Tunisia	717	1,033	316	44%
Turkey	3,022	7,509	4,487	148%
CARIFORUM	1,804	2,485	681	38%
Central America <sup>1</sup>	1081	1,139	58	5%
Eastern and South Africa <sup>2</sup>	350	387	37	10%

1: Period before and after the agreement covers only three years.

2: Period before and after the agreement covers only four years.

Source: Eurostat Comext EU trade since 1998 by HS2-HS4, author's calculations.

The same analysis has been done for Dutch imports, and these outcomes are presented in Table 2.4. With the exception of Colombia (-15%), the value of imports has increased after the agreement. The imports from four countries increased by more than 100 percent, namely: Iceland (516%), Chile (202%), San Marino (141%), CARIFORUM (116%) and Mexico (106%). Similarly to the exports, there are other factors here also that influence the growth figures. Similar to export, the baseline value of the imports is a factor to take into account, as well as the fact that imports can also increase due to other reasons. In the period 2000-2016, world imports increased with 142% with a yearly average of 6%.<sup>21</sup>

<sup>21</sup> [https://www.wto.org/english/res\\_e/statis\\_e/merch\\_trade\\_stat\\_e.htm](https://www.wto.org/english/res_e/statis_e/merch_trade_stat_e.htm).

Table 2.4 NL goods imports, million €

Trade partner	Imports before the agreement – 5 year period	Imports after the agreement – 5 year period	Growth €	Growth %
Andorra <sup>1</sup>	2	2	0	14%
Chile	3,591	10,854	7,263	202%
Colombia <sup>1</sup>	5,435	4,640	- 795	-15%
Algeria	6,186	10,552	4,367	71%
Ecuador <sup>1</sup>	979	1,344	365	37%
Egypt	1,090	1,682	593	54%
Faroe Islands	86	149	63	73%
Israel	3,703	5,094	1,391	38%
Iceland	128	788	660	516%
Jordan	172	252	80	47%
Lebanon	66	126	60	90%
Morocco	811	1,190	379	47%
Mexico	1,542	3,179	1,637	106%
Norway	8,733	13,979	5,247	60%
Peru <sup>1</sup>	1,702	2,278	576	34%
San Marino	5	11	7	141%
Tunisia	625	895	270	43%
Turkey	2,324	4,571	2,247	97%
CARIFORUM	1,593	3,443	1,850	116%
Central America <sup>1</sup>	2,044	3,670	1,625	80%
Eastern and South Africa <sup>2</sup>	618	995	377	61%

1: Period before and after the agreement covers only three years.

2: Period before and after the agreement covers only four years.

Source: Eurostat Comext EU trade since 1998 by HS2-HS4, author's calculations.

### 2.2.2 Services

Contrary to goods trade, availability of data on services trade is much more limited. The Eurostat international trade in services database has data for 18 trade partners of the Netherlands for which an FTA is in place. As noted in Table 2.5, the years for which data is available differ per country and goes only until 2012. With the year 2000 as a cut-off point for the agreements and keeping a five year interval before and after the agreement, this leaves only five countries for the analysis of services trade flows.

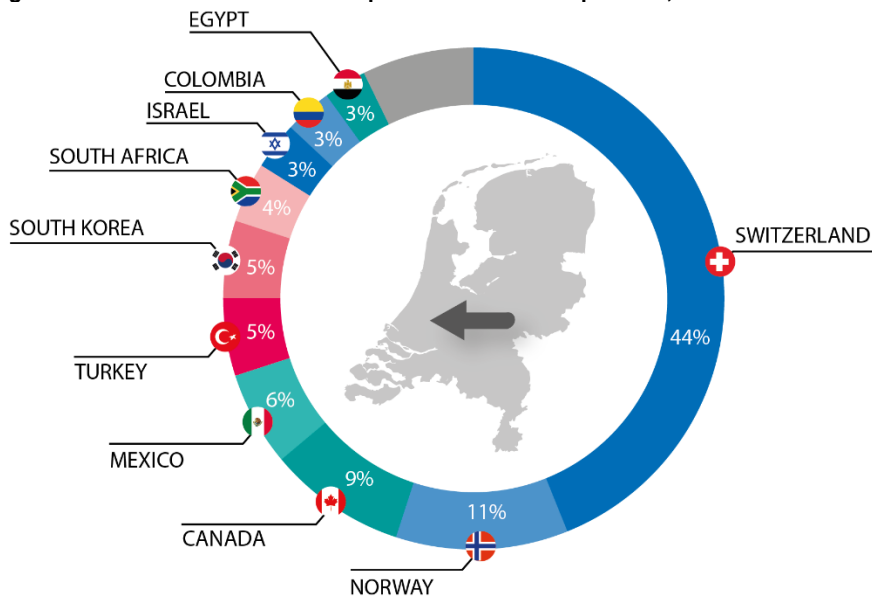
Table 2.5 Availability of Eurostat services trade data

Trade partner	Year entry into force/ provisional application	Years data available
Iceland	1994	2001 – 2012
Norway	1994	1997 – 2012
Switzerland	1973	1997 – 2013
Montenegro	2010	2008 – 2012
Macedonia	2004	2010 – 2012
Serbia	2013	2007 – 2012
Turkey	1995	1995 – 2012
<b>Albania</b>	<b>2009</b>	<b>2003 – 2012</b>
Ukraine	2016	2001 – 2012

<b>Egypt</b>	2004	2000 – 2012
<b>Morocco</b>	2004	1995 – 2012
South Africa	2016	2000 – 2012
Canada	2017	1995 – 2013
<b>Mexico</b>	2000	1995 – 2012
<b>Chile</b>	2005	2000 – 2012
Colombia	2013	2000 – 2012
South Korea	2016	2000 – 2012
Israel	2000	2000 – 2012

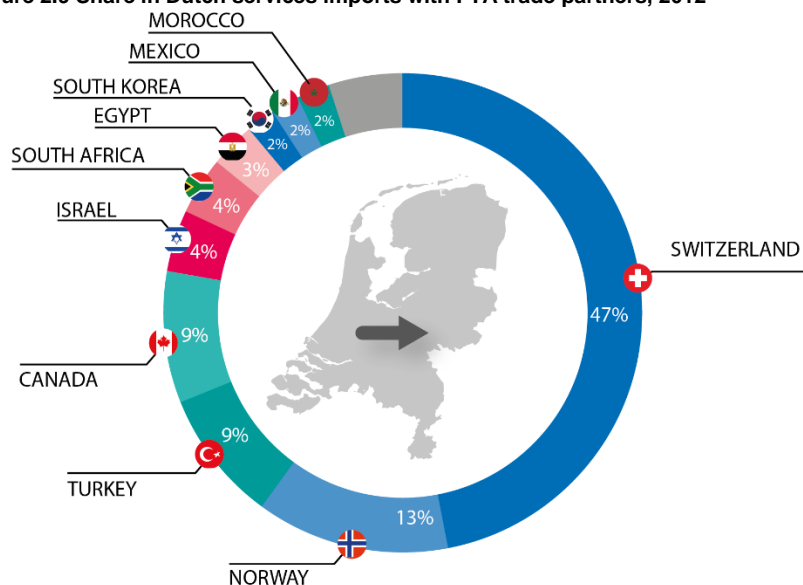
In focussing on the share in services trade with the Netherlands, Switzerland really stands out with shares close to 50%. Also, Norway takes up a share over 10%. The other countries that are most important in services trade with the Netherlands are Canada, Turkey and South Africa. Similarly with goods trade, the trade flows of each partner are compared to the total trade flows with all partners with whom a trade agreement is in place, not with the total trade of the Netherlands. The shares outlined in Figure 2.8 and Figure 2.9, however, might not give a correct picture. Since half of the trade partners with whom a trade agreement is in place are not included in the table (no data available), the size of the shares might be different. Nevertheless, the top five countries are still likely to have the highest services trade shares since they are the main trading partners of the Netherlands.

**Figure 2.8 Share in Dutch services exports with FTA trade partners, 2012**



Source: Eurostat, international trade in services, author's calculations.

**Figure 2.9 Share in Dutch services imports with FTA trade partners, 2012**



Source: Eurostat, international trade in services, author's calculations.

The level of services exports and imports before and after the agreement and the respective growth are presented in Table 2.6 and Table 2.7 for the countries for which data are available. Both Mexico and Chile show a substantial increase in services trade after the agreement, for both export and imports. Only Albania shows a decrease in export of 9% after the agreement entered into force.

Similarly with goods, we cannot attribute all growth to the agreement; factors that were mentioned earlier also contribute to services trade.

**Table 2.6 NL services exports, in billion €**

Trade partner	Total exports before the agreement – 5 year period	Total exports after the agreement – 5 year period	Growth €	Growth %
Albania	32	29	- 3	-9%
Egypt	441	1,281	840	190%
Morocco	148	490	342	231%
Mexico	530	1,453	923	174%
Chile	291	486	195	67%

Source: Eurostat, international trade in services, author's calculations.

**Table 2.7 NL services imports, in billion €**

Trade partner	Total import before the agreement – 5 year period	Total imports after the agreement – 5 year period	Growth €	Growth %
Albania	15	22	7	46%
Egypt	654	990	336	61%
Morocco	247	385	138	56%
Mexico	189	645	456	241%
Chile	404	597	193	48%

Source: Eurostat, international trade in services, author's calculations.

## 2.3 Utilisation of Free Trade Agreements

The comparison of the trade values before and after the entry into force of the agreements showed that Dutch imports from and exports to its trade partners increased after the agreement entered into force or was provisionally applied. As indicated, it is not known how much of this increase is a result of the trade agreement. By focussing on the preference utilisation rate (PUR) for both imports and exports, we gain an overview of how much of the preferences provided by the agreement are actually used. The difference in data sources for the import and export PUR and the consequences for the calculations are discussed in Annex A. In this section we will only discuss the data, additional explanation or 'reasons why' are presented Chapter 3.

Please note that South Korea is not included in this analysis, but rather discussed separately and in more detail in Chapter 4.

We have requested the survey respondents to indicate for their top three trading partners to what extent they make use of preferential tariffs. The numbers are rather high, with 83% indicating that they do make use of preferential tariffs. For 8% of the respondents, 25-50% of their exports/imports took place under a preferential tariff rate. For the other three quartiles<sup>22</sup>, the number of respondents ranges between 20-30%. A total of 17% of the respondents indicated that they did not make use of preferential tariffs. Not everyone provided an explanation, however the explanations that were given can be divided in three groups: 1) they trade with a country with whom no trade agreement is in place, 2) they were not aware of the fact they could make use of preferential tariffs or were not sure whether they were eligible, and 3) their products were already free of any tariffs.

### 2.3.1 Imports

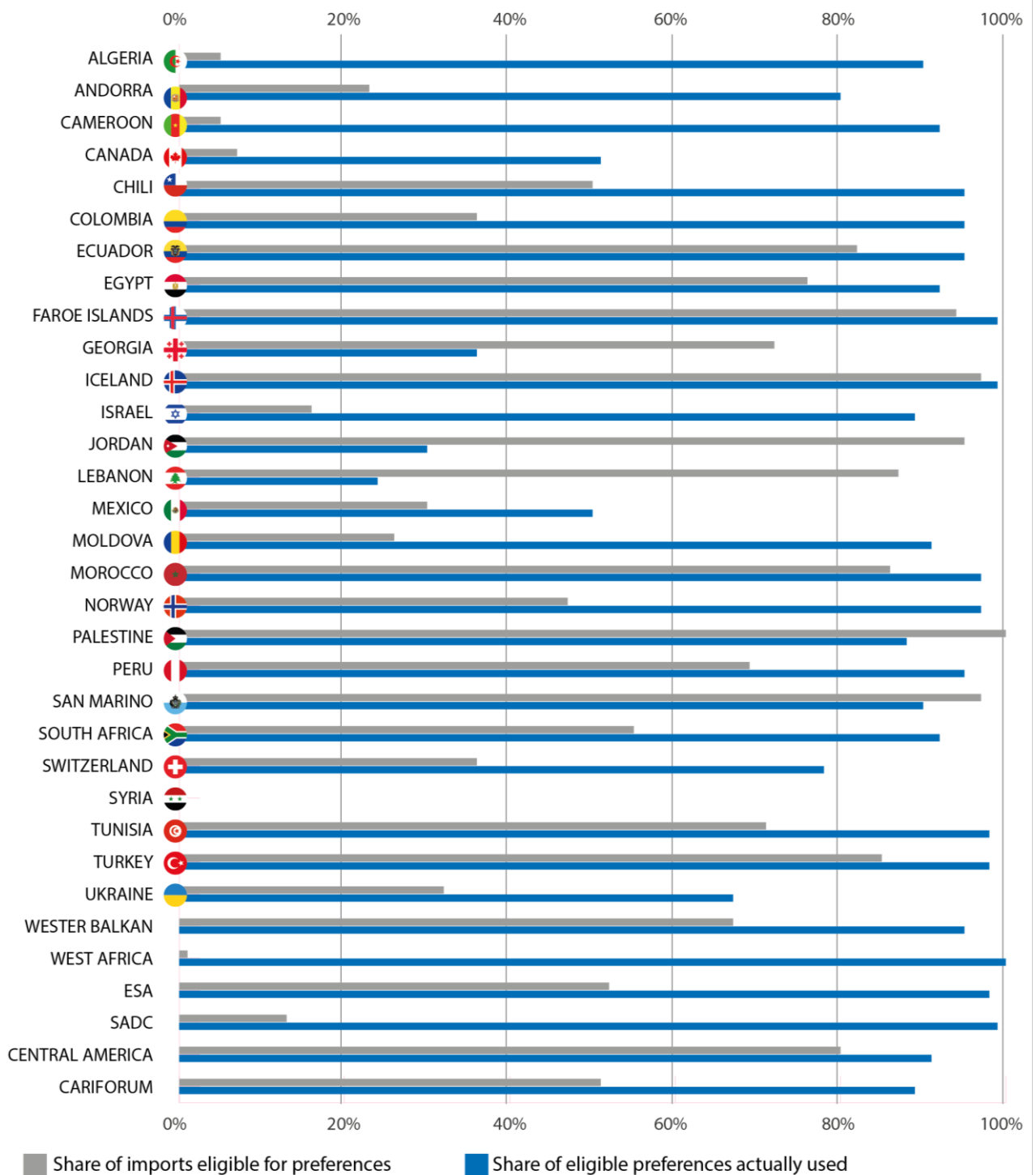
Based on the Eurostat data, we have calculated the share of imports that is eligible for trade preferences and the share of the eligible imports that have actually made use of those preferences (PUR). Figure 2.10 presents a snapshot of these two shares in 2017 for all trade partners. Both the share of eligible imports and the PUR differ significantly between countries, and ranges between 0% and 100%. There appears to be no clear relation between the share of eligible imports and the PUR. For some countries they are both high, for others one of the two is very high whereas the other very low, and again for others, one of the two is very high whereas the other is in the middle section. On a positive note for the majority of trade partners, the PUR is quite high: a PUR of 90% or higher occurs with 65% of the countries, and a PUR of 80% or higher appears with 80% of the countries.

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<sup>22</sup> 0-25% of exports/imports, 50-75% of exports/imports, and 75-100% of exports/imports.



Figure 2.10 PUR – Dutch imports 2017



Source: Eurostat Easy Comext - Adjusted EU-EXTRA imports tariff regime by HS2-HS4, author's calculations.

In Annex A, we have included the share of imports eligible for trade preferences and the PUR for all countries from the moment the agreement was provisionally applied or entered into force. When looking in more detail at *the share of imports eligible* for trade preferences, we observe the following:

- There are significant differences between countries. For some countries, the shares are around 10% or even lower. For Syria, the shares – when rounded – are even equal to zero. For the Faroe Islands and Iceland, the shares are 90% or higher and for Turkey 80% or higher;
- For several countries, the shares fluctuate continuously. For example, for Andorra the shares go from 89% to 92% - 75% - 53% - 55% - 21% back to 63% and 73%, and drop again to 38%. Also

in The Palestinian Territories, it goes from 96% to 84% - 75% and drops to 2% before it goes back to 64% and 99%. For Tunisia, it even switches several times between 0% and 40% or higher;

- A third observation is that for a few countries (Ecuador, Jordan, Lebanon, Morocco, Peru, and Central America), the share of imports eligible for preferences is very small in the first years, and then suddenly increases from e.g. 10% to 80%, and remains at the 80% level.

There are several explanations for these observations. On the one hand, it is an indication of the coverage of the agreement. As explained earlier, each FTA is unique, resulting in differences in the type of products and number of products that can be traded with preferences under the agreement. If with country A tariff reductions are agreed upon for 50 products and with country B for 200 products, it is likely that the shares for country B are larger than for country A. Nevertheless, this is not necessarily the case. It also depends on the type of products that are imported. If the Netherlands would mainly import products for which no tariff reduction was agreed the shares will be lower than when the Netherlands would mainly import products for which tariff reductions were agreed.<sup>23</sup> As the total of products imported, both the type and amount, is not likely to be exactly the same every year, the shares are also likely to differ over the years.

When looking at the share of imports that was eligible for preferences and also used them, we again notice that there are differences between countries and fluctuations within countries, although to a much lesser extent. More than half of the countries has a PUR of 80% or higher for the whole time span the agreement was provisionally applied or in force. Very often, the shares even equal 99%. While the table does show 100% several times, this is mainly due to rounding. Only in very exceptional cases is the PUR actually 100%.<sup>24</sup> In these cases, the imports that use preferences represent less than one percent of total imports and likely represent the imports of a single company. If that company applies for trade preferences, the PUR will automatically be 100%. For several countries, the table indicates 'not applicable', in these cases there were no goods imported that were eligible for preferences, and thus also no imports that actually used preferences.

While the share of imports eligible for preferences depends on the type of products imported, the number of tariff reductions included in the agreement, and the requirements (rules of origin) to benefit from the tariff reductions, the PUR very much depends on the behaviour of companies. Where a preferential tariff rate exists, it is up to the companies to decide whether they will make use of it. Although it may seem obvious that companies would make use of the available tariff reductions, it is not always the case – as the figures show. In Chapter 3, we will analyse why companies decide not to make use of existing preferences.

### 2.3.2 Exports

The collection of data to calculate the PUR for Dutch exports is more difficult and time consuming than the collection of data to calculate the PUR for Dutch imports (see Annex A), as the most accurate data are available in the importing country. The European Commission has just published a report where they have calculated the export PUR of the EU for several partner countries.<sup>25</sup> The data is for the year 2016 and has been split out for products (at HS section) and Member State.

A first look at the data shows that the overall export PURs of the Netherlands differ significantly per trade partner, ranging from 39% for Costa Rica to 97% for Turkey (see Annex A for the complete

<sup>23</sup> If the first case occurs often, one can question if the right products were selected for a tariff reduction.

<sup>24</sup> This is the case with Algeria in 2005 and 2012, Cameroon in 2015, The Palestinian Territories in 2015, Syria in 2008/2009 and with Tunisia in 2007 and 2013.

<sup>25</sup> Nilsson and Preillon (2018).

table). There is no clear distinction between the main trade partners of the Netherlands and other trade partners of the Netherlands both show low and high PURs. The PUR for Turkey, South Africa and Mexico which belong to the top 10 trade partners is high (above 80%), the PUR for Israel and Switzerland are average, however for Morocco and Egypt the PUR is (rather) low. Montenegro, Macedonia and Albania which make up less than 0.3% of Dutch exports, have amongst the highest export PUR.

There are also large differences within the countries when looking at the 21 product groups where the PURs range from 0% to 99%. The number of product groups (HS sections) that have a PUR of 80% or higher differs per country as well. Turkey, Morocco, Chile, Macedonia, Israel, and South Africa have 10 or more HS sections with a PUR of 80% or higher, Costa Rica and Dominican Republic have only 1 HS section, and Kosovo has none. When comparing a single HS section for all countries, the PUR also then ranges from 0% to 99%. The HS sections most important in terms of trade value are not always the sections with the highest or even high PURs.

When comparing the PUR for Dutch exports to the EU (weighted) average PUR we note that the countries for which the EU average PUR is (relatively) low, are similar to the countries for which the Dutch PUR is (relatively) low. The same applies to the countries for which the PUR is high. For eight out of the fifteen countries, the Dutch PUR is smaller than the EU average. Other studies showed that the Dutch PUR for South Korea and Iceland is also below the EU average.<sup>26 27</sup>

**Table 2.8 PUR – NL and EU exports, 2016**

Trade partner	NL export PUR	EU export PUR
Albania	86.1%	79.8%
Chile	61.7%	73.9%
Colombia	81.0%	70.6%
Costa Rica	39.3%	37.8%
Dominican Republic	48.0%	49.5%
Egypt	49.7%	59.0%
Macedonia	87.5%	89.7%
Israel	73.8%	88.9%
Kosovo	43.3%	43.9%
Mexico	81.2%	85.1%
Montenegro	95.0%	85.4%
Morocco	68.6%	52.0%
South Africa	85.8%	63.1%
Switzerland	71.1%	78.8%
Turkey	97.2%	95.3%

Source: Nilsson and Preillon (2018)

Without additional in-depth analysis at country, agreement, product section, and maybe even company level, it is difficult to provide any explanations for these figures. At this stage, the Commission has also not (yet) found any explanation or correlation for the differences in PUR between and amongst countries and product sections. Caution should also be taken when comparing the PURs per country. The study indicates that the data obtained from the partner countries varies in terms of detail, completeness and quality and are thus not harmonised.

<sup>26</sup> Albert, C. and Nilsson, L. (2016)  
European Commission, (2017a)

<sup>27</sup> Although the Dutch PUR for Iceland is below the EU average it is still very high, 90%

Although the differences between countries, product sections and over time are inexplicable at the moment, we can conclude that overall the PURs for imports are much higher than the PURs for exports. The National Board of Trade Sweden and UNCTAD also found that partner countries generally display higher PURs for their exports to the EU (i.e. EU import PURs) compared to EU export PURs.<sup>28</sup> The reasons for this are presented in the next chapter.

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<sup>28</sup> National Board of Trade Sweden and UNCTAD (2018)

# 3 The story behind the data: identification of barriers to take advantage of FTAs

## 3.1 Perceived advantage of FTAs

The focus of FTA-negotiations has changed in recent years. While initially, the emphasis was on reducing tariff barriers, in the last two decades, there has been much more focus on other barriers as well, for example related to intellectual property rights (IPRs), standards and services trade. There are many *ex-ante* studies on FTAs that show that the reduction of NTBs can have more impact than the reduction of tariffs. However, there have not been many *ex-post* studies of FTAs that show whether these benefits are also realised and felt by companies involved in trade with the FTA partner country.

In our survey, we asked the question which elements of FTAs are most relevant to business. This shows that for the respondents to the survey, preferential tariff rates are considered the most relevant element of FTA. The customs procedures and rules of origin are closely related to the preferential tariff rates. Other FTA elements were much less cited as relevant. To see if there are differences between agreements we have analysed the answer to the same questions for the most important trading partners according to the respondents. The answer, however, remained the same. Preferential tariff rates are valued most, followed by custom procedures and rules of origins.

Figure 3.1 FTA elements most valuable to businesses



Source: Ecorys survey.

The results of the survey are very consistent with the results of the other consultation activities for this study, where the use of tariff preferences were always put forward first. While we specifically asked for their perception on how other barriers were reduced, we got very limited feedback.

There could be several explanations for this result. First is that companies may not be aware of other changes brought about by the agreement (see also Chapter 1). Secondly, there may be certain barriers to take advantage of the potential benefits of the FTA. This is analysed in more

detail in the next section. A final explanation for companies valuing the non-tariff related barriers reduction less than the tariff-related provisions could be that FTAs in general do not significantly reduce these barriers.<sup>29</sup>

The latter explanation would be consistent with the evidence available from the limited literature available on *ex-post* analyses of FTAs, which in general find that impacts mainly stem from the tariff-related provisions, while no significant impact is established from non-tariff elements.<sup>30</sup> It should be noted that this finding in the literature may be related to the different types of FTAs. *Ex-post* analyses have been conducted mainly for FTAs that have been force for over a decade. While these FTAs also cover NTBs, the NTB-related provisions in general do not go significantly beyond what was already agreed in the WTO, and therefore limited benefits of these provisions are in line with expectations. The more recent agreements (e.g. the one with Canada and South Korea) could be expected to have larger impacts, as the agreement is deeper and more comprehensive than the agreements concluded before.<sup>31</sup>

### 3.2 Identification of barriers for using FTA

There is a broad range of factors that companies take into account when deciding to start trading internationally in general or with a specific country. These factors include, for instance, the demand for products/services abroad, access to (trade) finance, credit risks, regulations, bureaucracy, market entry barriers, etcetera. The existence of an FTA seems to play a limited role in the decision to start trading with a specific country.

Dutch companies in general are in favour of FTAs and prefer the EU to negotiate even more FTAs with partner countries. The main advantage experienced by Dutch companies is the removal of trade barriers including import tariffs.<sup>32</sup> However, as shown in chapter 2, the conclusion of FTAs including preferential market access does not necessarily translate into full utilisation of these agreements, nor does it always result in increased exports for all countries.

In this section, we will focus on the specific reasons for companies that trade internationally to (not) utilise the preferences of a Free Trade Agreement (FTA). The survey showed the following barriers encountered by the Dutch private sector when using FTAs. It shows that more than 40 percent of the respondents did not encounter any barriers.

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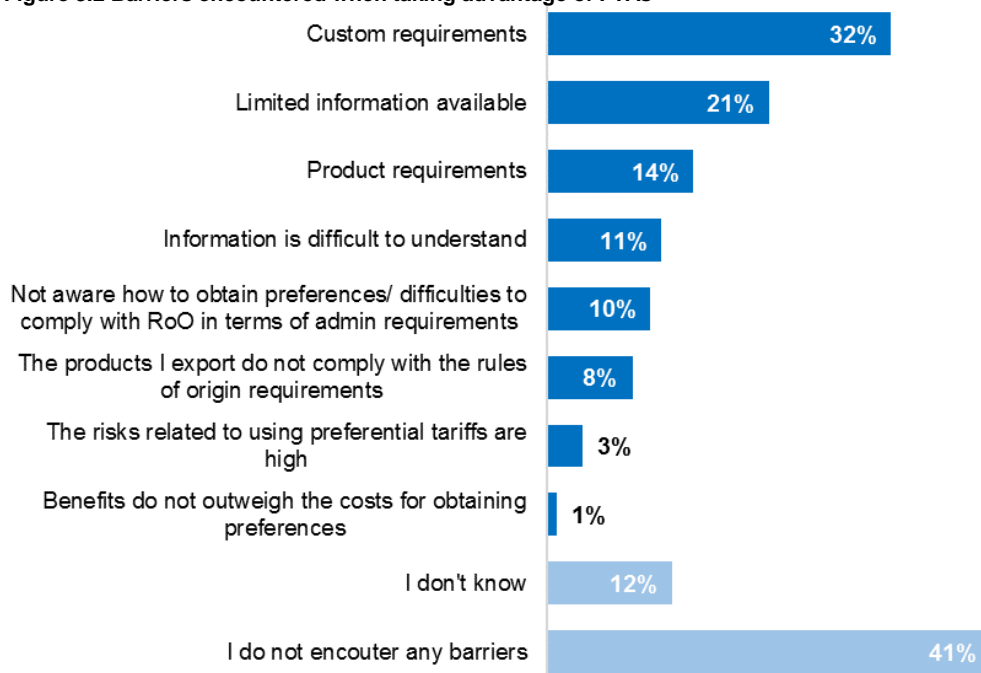
<sup>29</sup> However, the survey results on the FTA elements most valuable to businesses might be related to the fact that the majority of survey respondents are involved in goods trade. See Q1 in Annex C with survey results.

<sup>30</sup> See for example Ecorys (2015) or Copenhagen Economics (2011), which can only establish effects from the tariff related parts of the agreement.

<sup>31</sup> CGE results from IFO (2017a) confirm that NTB reductions from the EU-Korea FTA are likely to have led to positive effects on bilateral imports and exports at sector level.

<sup>32</sup> Atradius and Evofenedex (2017).

**Figure 3.2 Barriers encountered when taking advantage of FTAs**



Source: Ecorys survey.

The reasons for not using FTAs or barriers encountered can be divided into general factors, i.e. good reasons why the FTA is not used, and actual challenges faced by companies, which may point to unnecessary barriers. These are discussed separately in sections 3.2.1 and 3.2.2 below.

### 3.2.1 General explanations for not using the tariff preferences provided by the FTA

There are some general explanations as to why Free Trade Agreements will never be fully utilised, and these factors are not necessarily problems where government needs to step in.

The first reason why companies do not use the preferences in trade with countries with which there are reciprocal FTAs in place, is the low “potential value of preferences”. This means that the potential duty savings from the margin of preference (difference between MFN rate and preferential FTA rate) are relatively low taking into account the size of the export transaction and potential transaction costs for using the preference.<sup>33</sup> In some cases, MFN rates and preferential rates could even be the same (i.e. there is no margin of preference).<sup>34</sup> The higher is the preferential margin, the higher is the chance that a preference is used. A frequently estimated threshold in the literature, below which the cost of utilising preferences exceeds its benefits, is a preference margin of 5%, although this differs per sector and depends on the volume of trade.<sup>35</sup> When the amount of trade is very small, companies tend to pay MFN rates instead of seeking preferential access for eligible products.<sup>36</sup> Volumes should be large enough to result in substantial duty savings.

The second explanation is particularly relevant for a transit country such as the Netherlands. In order to trade with preferential tariffs, traded products should comply with the rules of origin (RoO). However, not all trade, especially transit trade fulfils the origin requirements, and hence products do not qualify for preferential treatment. Transit trade is of particular relevance for the Netherlands.<sup>37</sup>

<sup>33</sup> Nilsson (2016).

<sup>34</sup> Hamanaka (2013).

<sup>35</sup> Keck and Lendle (2012).

<sup>36</sup> Hamanaka (2013).

<sup>37</sup> Input received from stakeholders.

The last general explanation for not using an FTA is when the importing company in the partner country does not request the use of preferential tariff rates. As long as the sales are good and the product remains competitive, the Dutch company has no incentive to apply for preferential treatment and deal with the related administrative burden.<sup>38</sup>

### 3.2.2 Challenges faced by companies

While there are some general reasons for not fully utilising the FTA, companies also experience barriers that hinder them in utilising the FTAs. These barriers can be summarised as unawareness, complexity, custom procedures and related risks, and capacity problems.

#### Unawareness

First of all, some exporters are just not aware of the existence of an FTA and its preferences.<sup>39</sup> When companies do not actively look for this information, they will get no sign that there is an FTA in place from which they can benefit. This is also related to the fact that the existence of an FTA is generally not an important factor in companies' trade decisions, and therefore companies do not actively look for the information.

The knowledge about the elements of a trade agreement that are important for one's company and the administration required to make use of an FTA is often larger in developed countries than in developing countries. Exporters from developing countries not always fill in the necessary forms to make use of trade preferences, e.g. because they are not aware of it or do not know how to apply for it. Dutch companies however often still require them to apply for the trade preferences, so that they can benefit from the tariff reduction as well.

#### Complexity

When exporting abroad, companies require a lot of export documents related to transport, customs and origin. The fact that required documents differ per product and export destination makes the process quite complicated. In particular, the costs related to compliance with the rules of origin (RoO) might be an important factor for not using preferences, and companies may have difficulties in understanding the rules for each product.<sup>40</sup> More information on the specific challenges related to rules of origin are discussed in section 3.2.3 below.

#### Custom procedures and related risks

During roundtables and interviews, we have heard that there are quite some differences in the work method and approach to provide trade preferences between customs authorities. Whereas the Dutch customs appear to be well aware of the procedures and document requirement to provide trade preferences, customs in some other countries appear to be not always updated with the new legislation or they may disapprove requests based on documents missing which in fact are no longer required. This would mainly occur in the first period after entry into force of an agreement.

Moreover, where the Dutch customs work in the spirit of the agreement and aim to promote trade, customs in some other countries focus more on collecting tariff revenues. For these countries, tariff revenues could be an important source of income for the government budget; hence the fiscal task of the customs authority has higher priority than trade facilitation. Stakeholders mentioned several examples: custom officers have targets on the amount of import duties they need to collect and request additional unneeded documentation or payments, or they scrutinise the documentation in order to find reasons to reject requests instead of accepting them.

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<sup>38</sup> Input received from stakeholders.

<sup>39</sup> Nilsson (2016).

<sup>40</sup> EC (2017b).



Empirical research from South-East Asia shows that companies sometimes chose to not use the FTA preferences, as it is claimed that shipments using FTA preferences in this region receive greater attention from customs officials. To avoid delays resulting from administrative difficulties, many firms opt to pay full duties.<sup>41</sup> This could especially hold for time-sensitive products (e.g. perishable goods)<sup>42</sup>, but the risk of delays also adversely affect the predictability of companies' deliveries in general.

Another risk of using preferences is uncertainty related to the possibility to get retroactive claims of tariffs, which is possible in case the exporter wrongly applied rules or documents.

A very practical issue related to customs in the Netherlands that was shared by stakeholders, is the availability of the correct stamps at the regional customs offices. Some companies prefer to have a stamp on their export documents due to past trade experience and to avoid risks, although this is not always officially required for trade within a certain FTA. The companies mainly want to ensure that they do not face any barriers and lose time at the border. Therefore, they just prefer to have all the relevant stamps.

### Capacity issues

Some empirical studies suggest that fixed costs rather than variable costs affect the use of preferences. These costs, occurring per export transaction or periodically, do not increase with the size of the shipment.<sup>43 44</sup> Fixed costs might demotivate smaller companies to make use of preferences, as SMEs tend to have less time and expertise available to dive into the FTA business.<sup>45</sup> Stakeholders from the Dutch private sector have confirmed that capacity of SMEs is indeed an issue. Large companies, on the other hand, employ experts who are able to find information and understand the requirements of FTAs.

### 3.2.3 A specific barrier in focus: Rules of origin requirements

#### Rules of Origin: how does it work

There are several reasons why companies need to apply for origin certificates: (i) trade, (ii) political reasons, and (iii) fiscal reasons. For trade in particular, origin documents are required for preferential treatment to ensure that there is certain level of domestic value added in the product exported and to avoid unwanted transshipment. There are three types of export documents related to rules of origin that can be requested at the Dutch Chamber of Commerce, after which it has to be approved by Dutch customs:

- EUR.1: used for preferential trade. A "Supplier's declaration for products having preferential origin status" is an important proof document that is needed for the EUR.1 application;
- EUR-MED: similar to EUR.1, used for preferential trade with the pan-Euro-Mediterranean countries;
- Certificate of Origin/Form-A: proofs in which country a product is produced and is used for non-preferential trade;
- ATR certificate: for trade with Turkey.

There are some alternatives to the EUR.1 that is needed for preferential trade:

- Invoice declaration for shipments of limited value;
- Approved Exporter Status, for frequent exporters.

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<sup>41</sup> Ing and Urata (2015).

<sup>42</sup> Hamanaka (2013).

<sup>43</sup> Keck and Lendle (2012).

<sup>44</sup> Albert & Nilsson (2016).

<sup>45</sup> Cheong (2014).

It should be noted that method to certify the origin of goods in the Generalised System of Preferences (GSP) is in a transition period. The current system of origin certification based on certificates of origin and invoice declarations will be replaced by the Registered Exporter system (the REX system) by 2020, which is based on self-certification. This system will in the future also be applied in the context of bilateral trade agreements between the EU and the partner countries, with CETA being the first agreement where this is foreseen.<sup>46</sup>

The way in which preferential origin is determined and the extent to which products can include components from third countries, differs per product and per FTA. The origin is most commonly calculated through one of the following methods:

- Wholly obtained: goods that are entirely produced in the European Union shall be taken as originating in that country. No single element of the product should originate from a third country in this case;
- Goods have been sufficiently processed in the EU;
- A certain percentage of the value of the products should be of EU origin;
- Change of tariff heading.

### Challenges related to Rules of Origin

Although Dutch companies are aware of the existence of an FTA with the trade partner, they do not always make use of the preferential tariffs.<sup>47</sup> This is mainly caused by challenges related to the rules of origin.

Determining the origin of a certain product could be easy, when the product – including all its parts or ingredients – are just from one single country. However, this becomes more difficult if the production process is internationally fragmented and all suppliers need to submit a correct supplier's declaration.<sup>48</sup> It is difficult to get the correct supplier's declarations from suppliers, who may neither have a full understanding of how it should be filled out nor of its importance. In addition, they do not necessarily have an incentive to fill it out correctly and within a short timeframe, as it does not provide them with any additional revenue. Filling out the supplier's declaration is more a favour to its client. This poses a risk to the exporter. Sometimes exporters need to retroactively apply for reimbursement of the tariffs if they do not receive the supplier's declaration in time, or they have face costs if the declaration turns out to be filled out incorrectly. Furthermore, complying with RoO can involve costs, as (i) it might take time and money for exporters to obtain origin certificates or they have to travel to obtain them, or (ii) the RoO requirements restrict the use of imported intermediate products.

Rules of origin differ per FTA, both in terms of requirements, measurement and in terms of documents needed. This has resulted in a global tangle of FTAs and rules of origin, which is very complex and difficult to understand for many exporters and importers.<sup>49</sup> While it is relatively easy for the EU to negotiate RoO similar to the EU with smaller and/or neighbouring countries, this becomes more difficult for larger and more developed economies like Korea, Canada and Mexico, which have their own requirements. Many survey respondents call for more uniformity in this respect. Examples have been provided regarding companies that invested in their administrative systems to comply with the RoO requirements, and only discovered at a later stage that this system is not appropriate for all export destinations, depending on the FTA and the specific RoO applied.

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<sup>46</sup> European Commission DG TAXUD website

<sup>47</sup> See questions 19, 28 and 37 of the survey results in Annex C.

<sup>48</sup> Dijkstra, Strik and Visser (2018)

<sup>49</sup> Dijkstra, Strik and Visser (2018)

Not every type of origin measurement is appropriate for each product. For example, the value of raw materials is characterised by heavy fluctuation, which makes the application of the origin rule based on 'value added' difficult.

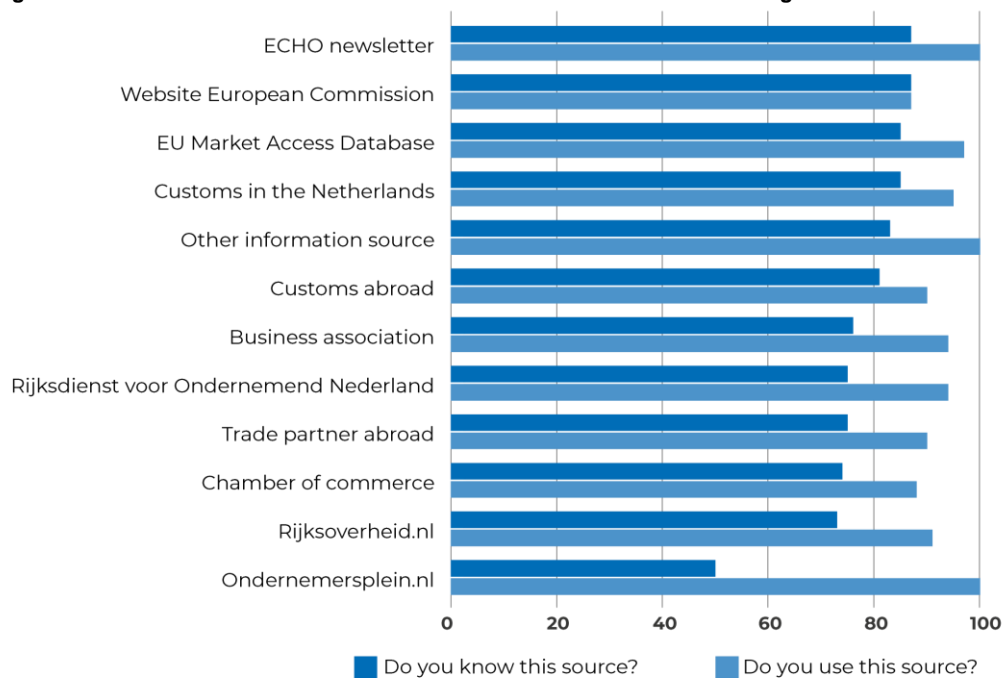
Some companies that gain a large part of their inputs from the UK fear that after Brexit there will be fewer opportunities for using tariff preferences. Given that the UK will not belong to the EU anymore, the share of value added from the EU will go down, therefore the company may no longer fulfil the origin requirements.

### 3.3 Information sources and their role in using FTA

As seen in the previous section, companies might not have sufficient information on specific preferences, as the process is quite complicated, or are not aware of the existence of an FTA at all.

The figure below presents a selection of the information sources that is available for the Dutch private sector to obtain information about Free Trade Agreements. The figure shows that the awareness of the existence of the different information sources is high, and companies use many different sources. There is no single source of information. The respondents which indicated to obtain information from a business association, often refer to EVO-Fenedex.

**Figure 3.3 Information sources used to obtain information about Free Trade Agreements<sup>50</sup>**



Source: Ecorys survey.

When we compare the responses of large companies versus SMEs, we see that the awareness of the different information sources is much higher for large companies. SMEs seem to rely a bit more on information provided by their trade partners abroad, compared to large companies.

While there are quite some information sources, and in general companies know relevant information sources, we also note that there are quite some companies that find it difficult to find

<sup>50</sup> The ECHO newsletter is a joint information service on trade measures, which is provided by the Dutch Ministry of Foreign Affairs, VNO-NCW and MKB Nederland, in cooperation with ICC Nederland and Chambers of Commerce.

information or understand the information available. In addition, it also became clear in the stakeholder consultation that there is latent demand; companies do not look for information if they do not know that they need it or could benefit from it.

Large Dutch companies in general have sufficient knowledge and capacity to look for and understand the information that is available, in contrast to SMEs. Particularly small companies require practical and up-to-date information in one single location, which is easy to understand. The EU Market Access Database (EU MADB) is one initiative to provide such a platform to EU exporting companies. There are other examples of information portals on national level, for example the German WuP database (see Box 3.1). Dutch stakeholders have expressed their interest to have a similar database in English or Dutch.

**Box 3.1 Warenursprung und Präferenzen (WuP) database ([wup.zoll.de](http://wup.zoll.de))**

While there is an EU level database for information on tariffs and rules of origin (the EU Market Access Database), Dutch stakeholders also make use of the German WuP database of the German customs authority next to other information sources. This WuP database is said to be more comprehensive and user-friendly than the EU Market Access Database, especially during the time that there was no RoO information in the MADB at all. It provides a better overview on the rules of origin at product level. The disadvantage for Dutch companies is that the information is only available in German and therefore less accessible for persons outside Germany.

## 4 A closer look at the EU-South Korea FTA

### 4.1 About the EU-South Korea FTA

The negotiations between the EU and South Korea for a Free Trade Agreement (FTA) commenced in May 2007. After eight rounds of negotiations, approval by the Council in October 2010 and by the Parliament in February 2011, the EU-South Korea Free Trade Agreement was provisionally applied in July 2011. It formally entered into force on 13 December 2015 after ratification by all EU Member States.<sup>51</sup> The gradual entry into force of the agreed tariff concessions ended on 30 June 2016.<sup>52</sup>

At the time of conclusion of the EU-Korea FTA, the agreement went much further in lifting trade barriers compared to earlier EU agreements. It was also the first comprehensive FTA completed by the EU with a fully industrialised and developed economy and the first trade deal with an Asian country. Tariffs on industrial and almost all agricultural goods are eliminated through a progressive, step-by-step approach.<sup>53</sup> For both industrial and agricultural products, 98.7% of the duties in trade value were eliminated within the first five years after entry into force. For some sensitive agricultural and fisheries products, this period is a bit longer, and some agricultural products like rice are completely excluded from the agreement.

Next to elimination of the tariffs, the agreement also reduces non-tariff barriers, with a specific focus on the automotive, pharmaceuticals, chemicals, medical devices and electronics sectors.<sup>54</sup> It furthermore improves market access for services and investment, and areas like protection of intellectual property (including geographical indications), government procurement, and competition policy. It also included a new approach on trade and sustainable development and a Protocol on Cultural Cooperation.<sup>55</sup>

Seven specialised committees, seven working groups and an Intellectual Property Dialogue have been established under the EU-Korea FTA to ensure the proper functioning of the agreement. They are presented in Table 4.1 below. The Trade Committee has a supervisory and management role.<sup>56</sup>

**Table 4.1 Committees and working groups**

Implementation bodies	
Committee on Outward Processing Zones on the Korean Peninsula	Trade in Goods Committee
Committee on Sanitary and Phytosanitary Measures	Trade Remedy Cooperation Working Group
Committee on Trade and Sustainable Development	Working Group on Chemicals
Committee on Trade in Services, Establishment and Electronic Commerce	Working Group on Geographical Indications
Cultural Cooperation Committee	Working Group on Government Procurement
Customs Committee	Working Group on Motor Vehicles and Parts
Intellectual Property Dialogue	Working Group on Mutual Recognition Agreements for Services

<sup>51</sup> EC (2017c).

<sup>52</sup> EC (2017c).

<sup>53</sup> EC (2017a).

<sup>54</sup> For these sectors, there are sector-specific annexes to the agreement.

<sup>55</sup> EC (2011).

<sup>56</sup> EC (2017c).

The provisions on rules of origin in the EU-Korea FTA were considerably changed compared to the EU's standard texts on that aspect.<sup>57</sup> While exporters normally need EUR-1 certificates for using FTAs, this is no longer required for the EU-Korea FTA. In order to benefit from preferential tariffs of the EU-Korea FTA, exporters from both sides with consignments over EUR 6,000 should have an "Approved Exporter status". The national customs authorities can grant this status based on certain conditions. Procedures depend on national provisions. An approved exporter is allowed to make so called "invoice declarations", which means that the origin is stated on the invoice, together with the customs authorisation number of the exporting company.<sup>58</sup> The exporter must at all times be prepared to submit proof that displays the originating status of the products, if requested by the customs authority.<sup>59</sup> Korean customs authority is not allowed to perform checks at the company themselves; they can request the customs in EU Member States to do this on their behalf.<sup>60</sup> For preferential tariffs, importers also need an import declaration for preferential tariff by submitting the Origin Declaration.<sup>61</sup>

Next to having the Approved Exported status, an exporter must meet several conditions before it can benefit from the preferential treatment by Korean customs. Goods must originate in the EU (wholly obtained or sufficiently processed), fulfil certain additional requirements (e.g. direct transport from the EU to Korea), and be accompanied by an "Origin Declaration".

The criteria for determining the "sufficient processing" are described per product. The criterion for being sufficiently processed can be a (i) change of tariff heading, (ii) value added, (iii) specific operations, and (iv) a combination of these rules.<sup>62</sup>

Given the changes in the process compared to other FTAs, the European Commission produced a brochure for European business focussing on the practical aspects and aiming to provide a non-technical summary, to make the FTA more attractive and accessible. For information on both tariffs and non-tariff barriers, the Commission refers to the Market Access Database.<sup>63</sup>

## 4.2 Trade and FDI with South Korea – trends and utilisation of the FTA

### 4.2.1 Goods

On a macro level, both the EU and Korea have experienced positive effects after the implementation of the FTA, and trade linkages have intensified. However, the growth of Korea-EU exports was less strong than EU-Korea exports. This was amongst others related to the fact that the market of the EU was already more open than Korea, so the potential gains for the EU were larger. Next to that, macroeconomic factors such as slow GDP growth and demand in the EU and the depreciation of the Euro versus the Korean Won in the past years also played a role. Furthermore, export sectors in Korea experienced adverse effects due to global oversupply, and there was an international reorganisation of production in sectors that are important in relation to EU-Korea competition with other Asian countries. Due to these factors, EU-Korea exports grew stronger and the EU trade deficit before the FTA turned into a trade surplus.<sup>64</sup> The same trends in

<sup>57</sup> IFO (2017a).

<sup>58</sup> Flanders Investment & Trade (2011).

<sup>59</sup> IFO (2017a).

<sup>60</sup> Stakeholder input.

<sup>61</sup> Flanders Investment & Trade (2011).

<sup>62</sup> IFO (2017a).

<sup>63</sup> EC (2011).

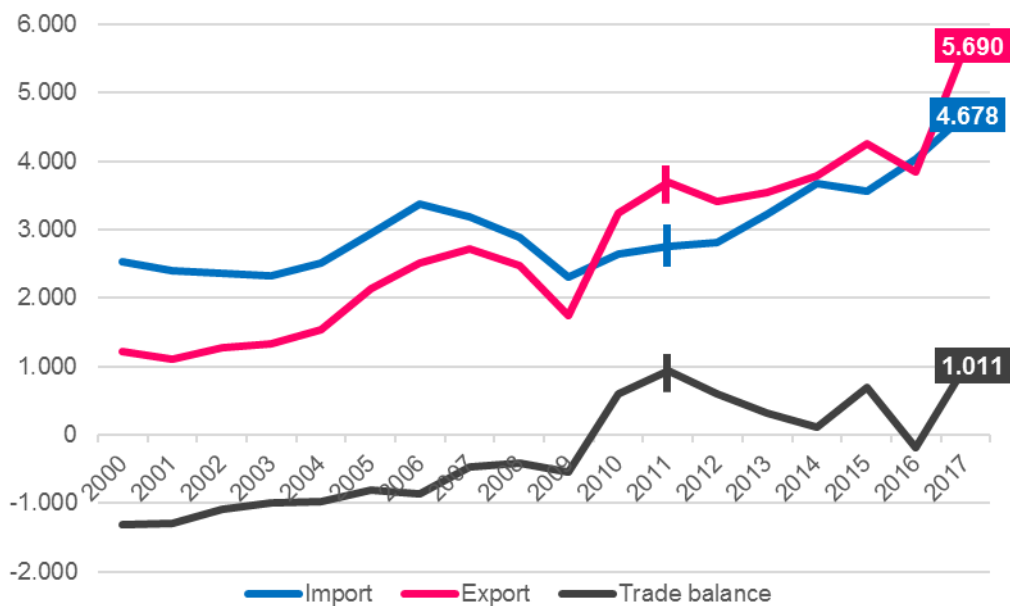
<sup>64</sup> European Parliament (2016).

growth of trade values can be observed for the trade between the Netherlands and Korea, which we will note further in this section.

South Korea is the 6<sup>th</sup> most important export destination and the 11<sup>th</sup> most important import partner of the Netherlands in goods trade. In 2017, exports to South Korea represented 4% of extra-EU exports of the Netherlands and imports represented 1.7% of extra-EU imports of the Netherlands.<sup>65</sup> Both the position and share in extra-EU trade have remained relatively the same for the past 12 years.<sup>66</sup>

The value of goods trade with South Korea has increased over time. Until 2009, the imports from South Korea were larger than the exports to South Korea, resulting in a trade deficit for the Netherlands. From 2009 onwards, exports were larger than imports. When comparing the period before the agreement was provisionally applied (2011) with the period after, we note that both imports and exports are larger in the period after 2011. The absolute growth in exports following 2011 is not much larger than in the previous period, and only from 2016 to 2017 is a significant increase noted in exports to South Korea. In 2016, the FTA with South Korea entered into force and more provisions of the agreement were applied than during the period in which the agreement was provisionally applied. Since we only have one data point after the agreement entered into force, it is not possible to say whether the increase was due to the agreement or to other factors, and whether or not it was attributed to a one-time event.

**Figure 4.1 Dutch goods imports from and exports to South Korea, million €**



Source: Eurostat easy Comext, EU trade since 1988 HS2-HS4, author's calculations.

When focussing in more detail at goods trade, we see that in 2017 a large part of trade consisted of machinery and electrical equipment. The three product sections most exported by the Netherlands include Machinery and electrical equipment (62%), Chemicals (13%), and Optical and electronics products (8%).

For imports the most important product sections are Machinery and electrical equipment (47%), Mineral products (17%), Transport equipment (8%), and Plastics and rubber (8%)

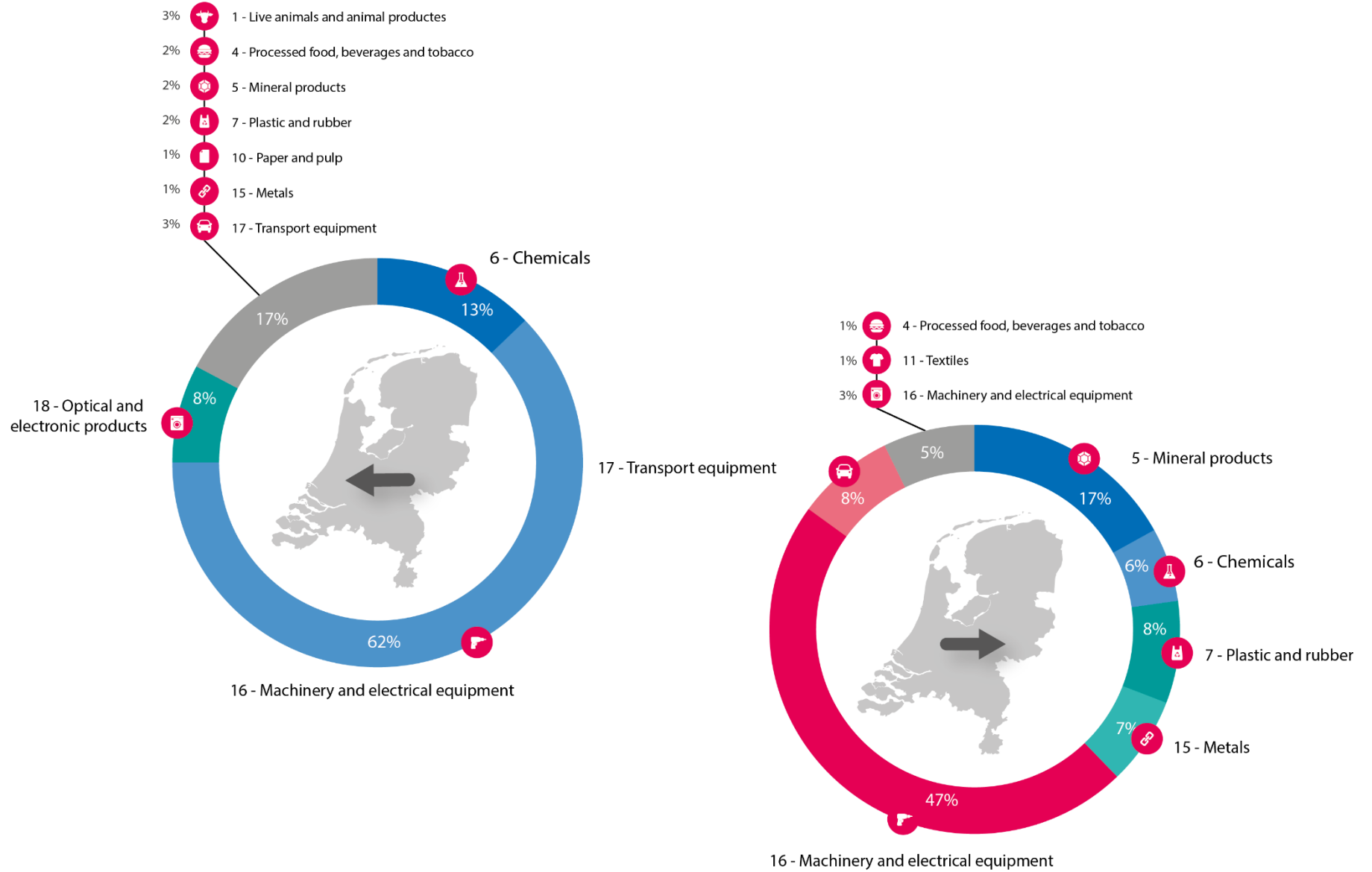
<sup>65</sup> Eurostat easy Comext data, EU trade since 1988 HS2-HS4, author's calculations.

<sup>66</sup> For exports, the position fluctuated between 6 and 8 and the shares between 2.2% and 4%. For imports, the position fluctuated between 10 and 11 and the shares between 1.1% and 2%.





**Figure 4.2** Composition of Dutch goods exports to and imports from South Korea, at HS section, 2017



Source: Eurostat easy Comext, EU trade since 1988 HS2-HS4, author's calculations.

In the early 2000's, the export share was mainly dominated by optical and electrical products with an average share of 40%, whereas machinery and electrical equipment had an average share around 23%. This completely switched in 2007 where the share for machinery and electrical equipment jumped to 54% and has been increasing ever since to 62%. The share for optical and electrical products dropped to 5% and increased slowly to 8%. The export shares for metals have been fluctuating between 1% and 13%, while for live animals and animal products; processed foods, beverage and tobacco; plastic and rubber; and transport equipment the shares stayed relatively the same. When comparing the period before and after the agreement was provisionally applied, there are no real differences in the shares.

The majority products imported from South Korea concern also machinery and electrical equipment. Contrary to exports, these products have dominated the import shares from 2000 onwards. The shares have however been declining over time from 69% to 47%. A large part has been taken up by mineral products where the shares increased from 0% to 17%. For transport equipment, the shares have been fluctuating over time. For chemicals; plastic and rubber, textiles, metals; and optical and electrical products the share remained relatively the same. Similarly with the export shares, there have been no real changes in import shares of switches amongst production sections before and after the agreement was provisionally applied. The changes in the trend of imports machinery and electrical equipment and mineral, were observed already before the FTA.

Although the export and import shares might not have changed, after the agreement was provisionally applied, the value of export and import did change. Table 4.2 below presents the value of exports and imports five years before the agreement was provisionally applied and five years after the agreement was provisionally applied, as well the growth in trade.<sup>67</sup> Exports increase for almost all product sections. Only metals and optical and electronic products saw a decrease in exports in the following period. For the other product sections, the increase ranged from 25% (chemicals) to 120% (transport equipment). With regard to imports, only transport equipment showed a slight decrease in imports with 1%. For the other product sections, imports increased between 2% (machinery and electrical equipment) and 113% (chemicals).

For both exports and imports, it holds that the changes in trade cannot completely be attributed to the provisional application of the agreement, since there may also be other factors that influence trade. For example, world trade is also increasing, a rising population or increased disposable income could lead to more demand for both foreign products and domestic products that use foreign inputs. Nevertheless, when taking this into account the increase in some sectors still remains significant.

**Table 4.2 Goods trade before and after the agreement was provisionally applied, million €**

Product section	2006/2010	2012/2016	Difference €	Difference %
<b>Dutch exports</b>				
<b>1 - Live animals and animal products</b>	356	670	314	88%
<b>4 - Processed food, beverages and tobacco</b>	303	489	186	61%
<b>6 - Chemicals</b>	1,995	2,485	490	25%
<b>7 - Plastic and rubber</b>	289	489	200	69%
<b>15 - Metals</b>	1,064	867	-197	-19%
<b>16 - Machinery and electrical equipment</b>	5,676	10,199	4,523	80%
<b>17 - Transport equipment</b>	332	730	398	120%
<b>18 - Optical and electronic products</b>	1,911	1,347	-564	-30%

<sup>67</sup> We only present the data for the top eight products.

Dutch Imports				
5 – Mineral products	1,965	3,212	1,248	63%
6 - Chemicals	433	925	491	113%
7 - Plastic and rubber	966	1,312	346	36%
11 - Textiles	345	356	11	3%
15 - Metals	721	1,172	451	63%
16 - Machinery and electrical equipment	8,044	8,190	146	2%
17 - Transport equipment	1,222	1,205	-17	-1%
18 - Optical and electronic products	409	464	56	14%

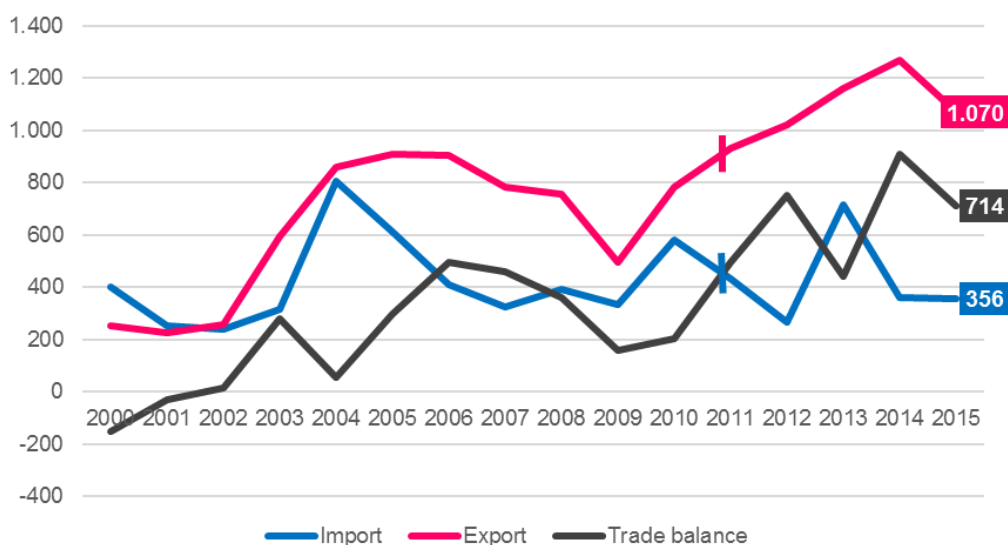
Source: Eurostat easy Comext, EU trade since 1988 HS2-HS4, author's calculations.

#### 4.2.2 Services

In the period 2006-2012, South Korea became a smaller trade partner for the Netherlands in services trade. For exports, the position of South Korea dropped from 12<sup>th</sup> place to 18<sup>th</sup> place, and the share in extra-EU exports of the Netherlands decreased from 2.2% to 1.3%. For imports, the position of South Korea dropped from 16<sup>th</sup> place to 22<sup>nd</sup> place, and the share in extra-EU imports of the Netherlands decreased from 1.2% to 0.4%.<sup>68</sup> Data from a different database shows that in 2015, South Korea ranked 12<sup>th</sup> as export partner with a share of 1.1%, and ranked 13<sup>th</sup> as import partner with a share of 0.6%. Although South Korea has improved its ranking, its shares in Dutch extra-EU trade remained similar. Since the Eurostat database runs until 2012 and the Comtrade database does only have data for the year 2015<sup>69</sup>, we cannot see how the shares evolved in the years between, nor can we see whether the increase in ranking happened gradually or directly after the agreement was provisionally applied. In addition, the data sources use different methodologies and are therefore not fully comparable.

Figure 4.3 presents the Dutch services trade with South Korea before and after the agreement was provisionally applied. There is no clear break visible at the time of provisional application of the agreement. The value of imports continues to fluctuate. The value of exports is higher in the period after the agreement was provisionally applied, however the exports were already growing prior to this point.

Figure 4.3 Dutch services trade with South Korea, US\$ million

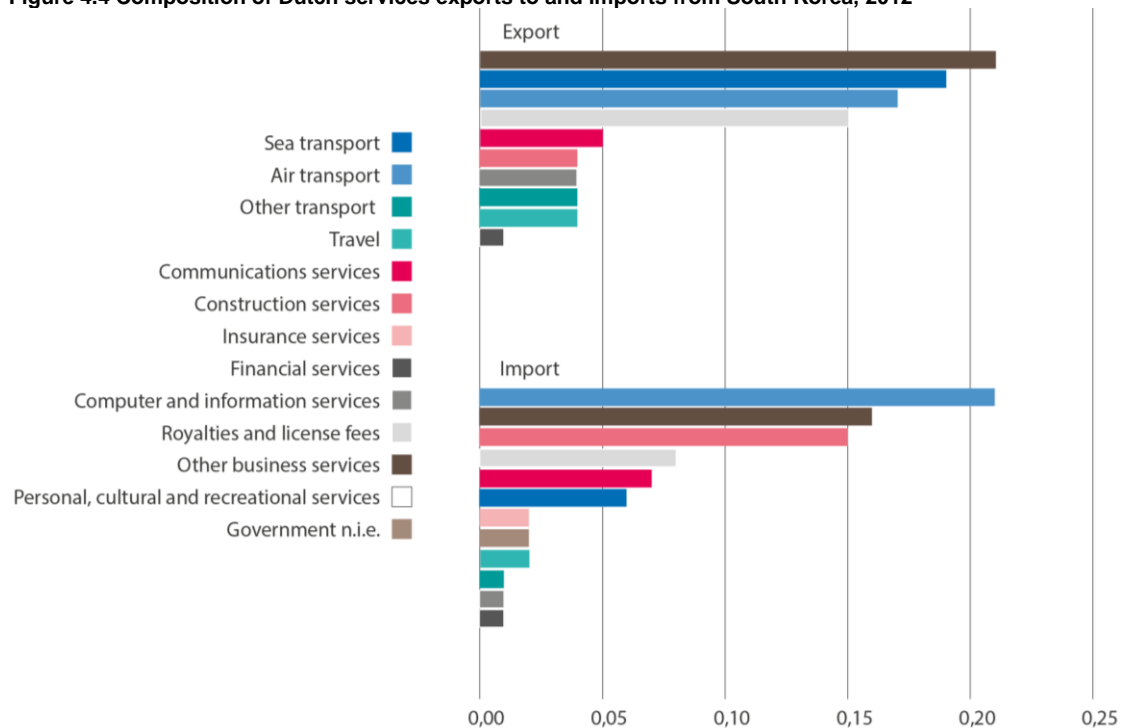


<sup>68</sup> Eurostat international trade in services data, author's calculations.

<sup>69</sup> UN Comtrade does have data on EU-South Korea trade for the period presented above, but only for the year 2015 data is available for all trade partners of the Netherlands.

The trade between the Netherlands and South Korea has been split for different service sectors in order to gain an impression of the most important sectors. (see Figure 4.4). Contrary to goods trade, there is not one services sector that takes up the majority of trade, but there are multiple sectors that take up a large share in services trade. Services exports to South Korea are dominated by other business services (21%), sea transport (19%), air transport (17%), and royalties and licence fees (15%). The main services imported from South Korea are air transport (21%), other business services (16%), and construction services (15%).

**Figure 4.4 Composition of Dutch services exports to and imports from South Korea, 2012**



Source: Eurostat international trade in services data, author's calculations.

The export shares for the top four services sectors have changed significantly over time. Sea and air transported commenced with a share of 44% and 33% respectively in 2000, however both dropped to less than 20% in 2012. Royalties and other business services on other hand increased from less than 10% in 2000 to 15% and 21% in 2012 respectively. From 2005/2007, communication services and computer and information services have taken a more prominent role in Dutch services exports. Their constant shares of 0% increased to 4-5%.

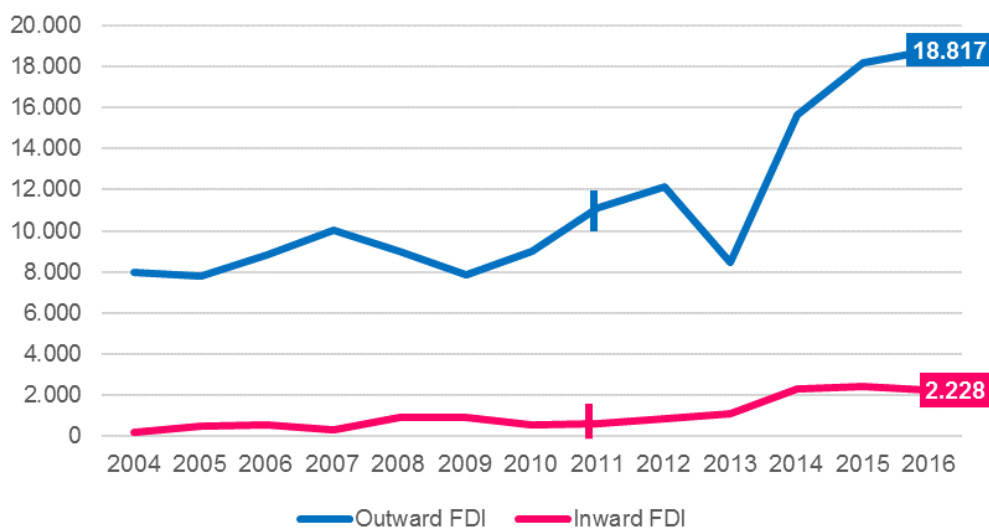
As for imports, the ranking of services has completely changed. In the early 2000's, sea transport and other business services together made up 80-90% of services imports. While the share for other business services fluctuated between 10% and 24%, the share of sea transport dropped from 81% in 2000 to 5% in 2011. The gap that arose was filled up by air transport, construction services, and royalties.

As the data only runs until 2012, we unfortunately cannot say anything about changes in trade shares, trade values or sector composition before and after the agreement was provisionally applied.

### 4.2.3 FDI

The development of investments between the Netherlands and South Korea are presented in Figure 4.5. Dutch investments in South Korea have been much larger than investments from South Korea in the Netherlands. Inward and outward FDI have been fluctuating overtime, but experienced a significant increase in 2014. The values for both indicators doubled. Outward FDI continued to increase, while inward FDI remained stable after 2014.

**Figure 4.5 Dutch outward FDI to and inward FDI from South Korea, million €**



Source: De Nederlandse Bank - Totale directe buitenlandse investeringen in/door Nederland naar land, author's calculations

### 4.2.4 Utilisation of the agreement

In order to see the extent to which Dutch firms have made use of the trade preferences (i.e. tariff reductions) that are part of the EU-Korea FTA, we need to focus on the preferences utilisation rate (PUR). The calculation of the PUR and the data required are explained in Section 2.1.

The export PUR for the Netherlands and the EU is presented in Table 4.3. Around 40% to 50% of all Dutch goods export to South Korea were eligible for trade preferences. Of these products, around 60% actually made use of these preferences. As explained in Chapter 3, there are several reasons why the PUR will not equal 100%, still the PUR for the Netherlands is lower than the EU average PUR. Additional specific reasons for trade with South Korea are discussed in Section 4.3. When comparing the PUR of the Netherlands to other EU Member States, we observe that the PUR of the Netherlands is among the lowest with a PUR of only 57.1% in 2016.<sup>70</sup>

**Table 4.3 PUR – Dutch exports to South Korea**

	2014	2015	2016	2014	2015	2016
	The Netherlands			EU		
<b>Total exports (mln €)</b>	3,392	3,806	3,793	46,631	51,203	46,615
<b>Total eligible for preferences (mln €)</b>	1,415	1,511	1,804	35,692	40,186	37,300
<b>Preferences used (mln €)</b>	851	913	1,031	23,127	27,457	26,475
<b>Share of exports that was eligible for preferences</b>	42%	40%	48%	77%	78%	80%
<b>Share of eligible preferences actually used</b>	60%	60%	57%	65%	68%	71%

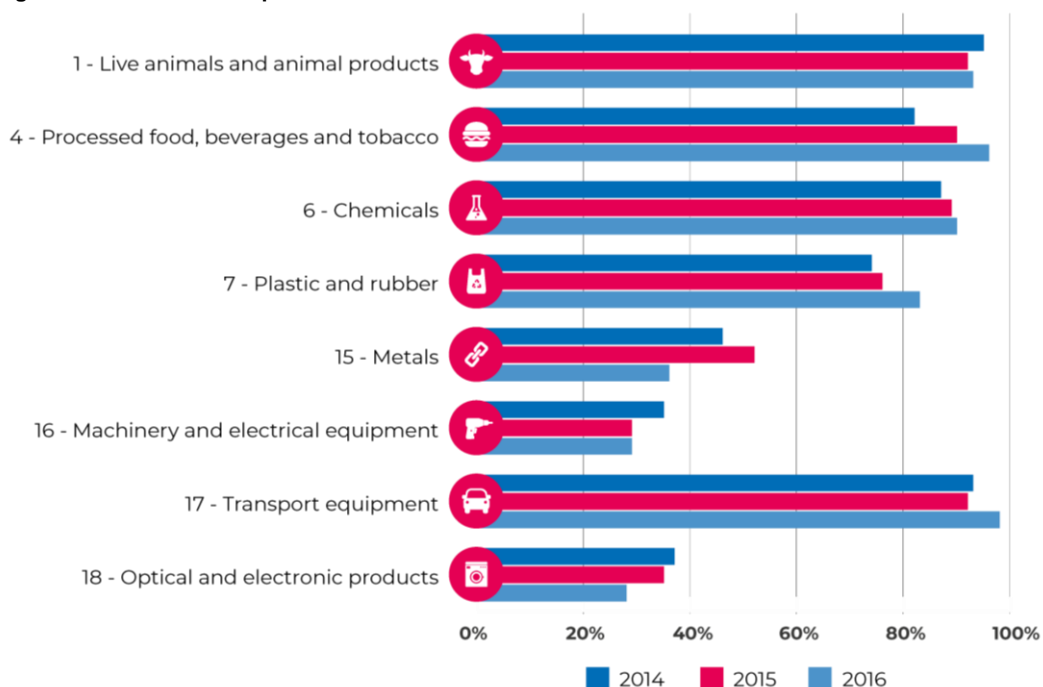
Source: Data received from DG TRADE.

<sup>70</sup> EC (2017a).

When comparing the export PUR at HS section level we also see large differences between the EU average and that of the Netherlands. The Netherlands has 14 HS sections that have a PUR of 80% or higher, of which 6 are above 90%, whilst the EU has 9 HS sections that have a PUR of 80% or higher, or which only 2 above 90%. At the same time the PURs for the Netherlands ranges from 3% to 98% leading to the relatively low weighted average of 57%, while the lowest value of the EU is 51%.<sup>71</sup>

In relation to the PURs of the top eight export sectors, there is some noticeable overlap (see Figure 4.6). Live animals and animal products (93%); processed food, beverages and tobacco (96%); Chemicals (90%); Plastic and rubber (83%); and Transport equipment (98%) are among the highest scores. Metals; Machinery and electrical equipment; and optical and electronic equipment on the other hand have a PUR below 30%. The PURs at a more detailed HS level are presented in Annex A.

**Figure 4.6 PUR – Dutch exports to South Korea at HS section level**



Source: EC (2017a), author's calculations.

The PUR for imports from South Korea is much higher than for exports (see Table 4.4). More than three quarters of the products that are eligible for preferences are also exported with preferences. Only in 2011, the PUR is low. This is however not strange as the agreement was only provisionally applied during the summer of 2011 and thus leaving only the second half of the year to import with preferences. It takes time to adjust to/become familiar with new systems and administrative requirements so there can be a time lag between the provisionally application of the agreement and the actual usage of preferences.

<sup>71</sup> EC (2017a).

**Table 4.4 PUR – Dutch imports from South Korea**

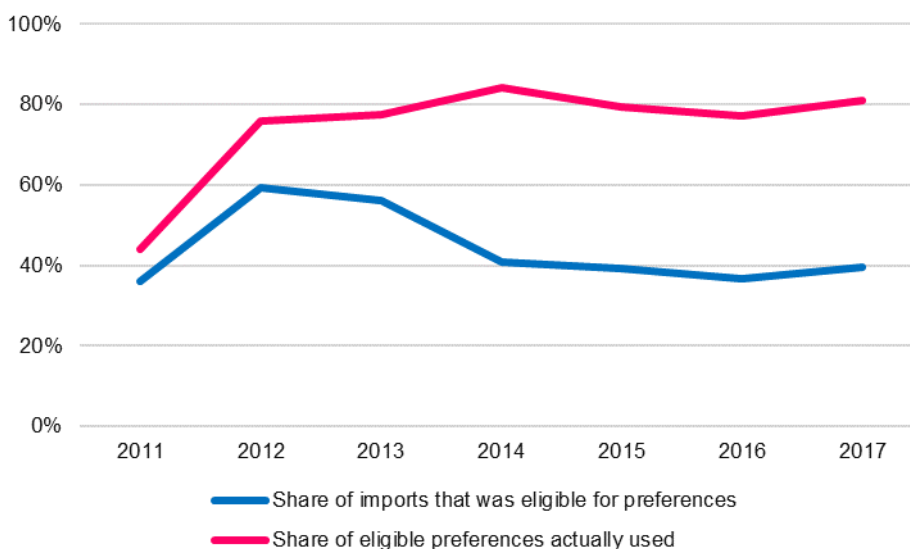
	2011	2012	2013	2014	2015	2016	2017
<b>Total imports (mln €)</b>	2,709	2,773	3,176	3,635	3,518	3,984	4,482
<b>Total eligible for preferences (mln €)</b>	977	1,649	1,780	1,486	1,377	1,458	1,775
<b>Preferences used (mln €)</b>	429	1,249	1,377	1,250	1,094	1,127	1,436
<b>Share of imports that was eligible for preferences</b>	36%	59%	56%	41%	39%	37%	40%
<b>Share of eligible preferences actually used</b>	44%	76%	77%	84%	79%	77%	81%

Source: Eurostat Easy Comext - Adjusted EU-EXTRA imports tariff regime by HS2-HS4, author's calculations.

The PUR and share of imports that are eligible for preferences are also graphically presented in Figure 4.7. We note here that there is a clear difference between the PUR and the eligible products. While the PUR increased significantly from 2011 to 2012 and remained at a high level, the share of products eligible also made a big jump from 2011 to 2012, but then decreased again to a fairly low level.

Without an in-depth analysis of the tariff schedule of the agreement itself it is not possible to say whether the agreement has only made limited agreements on tariff reduction, whether many products are still in the phasing out period and for which the trade preferences are not yet available, or whether the 'wrong' products are imported (i.e. products on which no tariff reductions are agreed at all).

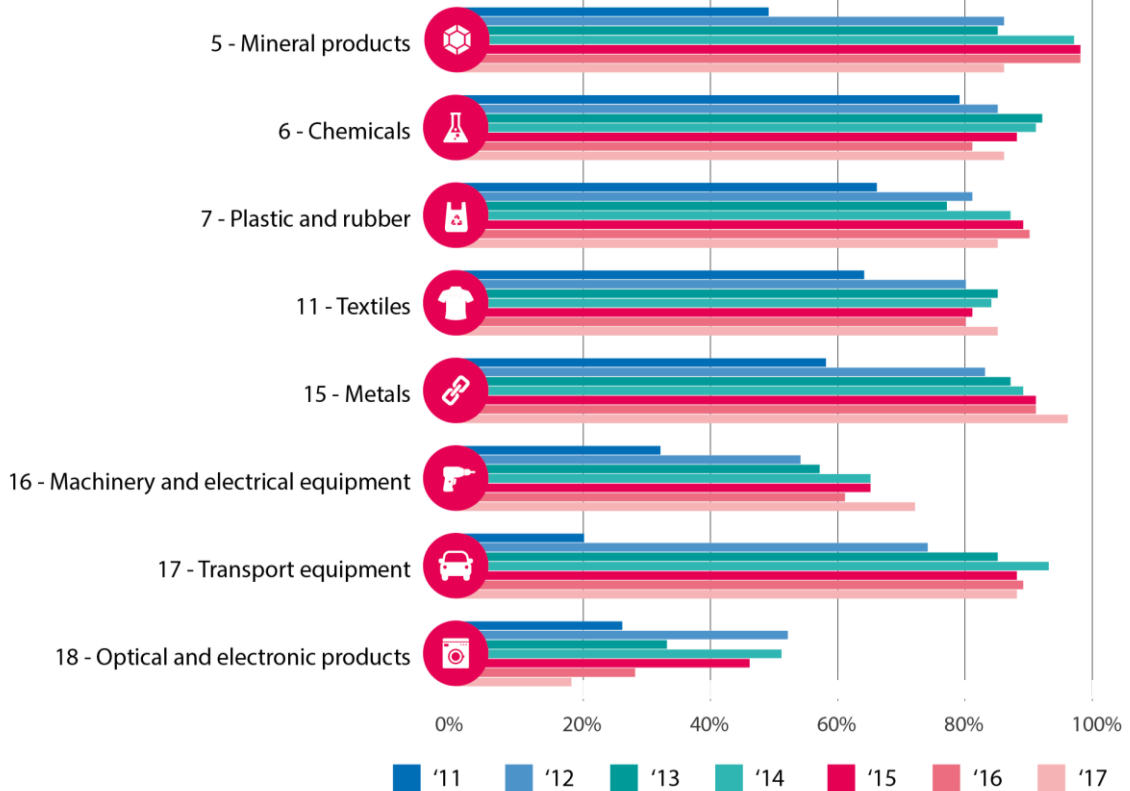
**Figure 4.7 Dutch preferential imports from South Korea**



Source: Eurostat Easy Comext - Adjusted EU-EXTRA imports tariff regime by HS2-HS4, author's calculations.

For the top eight sectors (based on HS section level), we have also calculated the import PUR (see Figure 4.8). As with the overall PUR, we also see here a relatively large increase in the PUR from 2011 to 2012. For most products, the PUR quickly grows to 80% higher. The growth in the PUR for machinery and electrical equipment is less, however in 2017, it is still above 70%. Optical and electronic products on the other hand has a PUR that is rather low and only decreased since 2014 to 18% in 2017. For this sector, the total value of imports eligible for trade preference continued to increase while the value of imports that actually used preferences remained the same or decreased. The PUR for all products at HS section level and HS2 level is outlined further in Annex A.

Figure 4.8 PUR – Dutch imports from South Korea at HS section level



Source: Eurostat Easy Comext - Adjusted EU-EXTRA imports tariff regime by HS2-HS4, author's calculations.

When focussing in on the business community, many stakeholders note an improvement of market access for both goods and services and an improvement in the environment for EU direct investments in Korea since the entry into force of the FTA.<sup>72</sup> Dutch companies have indicated that particularly exports in the agri-food and horticultural sectors have benefitted from tariff liberalisation, given that these products were largely protected in Korea before the entry into force of the FTA.<sup>73</sup> The tariffs that were applied prior to the implementation of the FTA and challenging customs procedures had a hampering effect on the Dutch exports for certain sectors in the past, in particular for pharmaceuticals, chemicals and agriculture.<sup>74</sup>

It should be noted that stakeholders from the private sector have indicated that the entry into force of the EU-Korea FTA did not really make a difference in their export decisions. The market is much more important in that respect.<sup>75</sup>

### 4.3 Specific issues affecting the use of the EU-South Korea FTA

EU stakeholders consulted by IFO in 2017 mentioned several non-tariff barriers that appeared after the entry into force of the FTA, including standards and other technical requirements, conformity assessment, and labelling and marking requirements. For the EU chemical exporters, the Korean Act on the Registration and Evaluation of Chemicals (also known as Korea REACH) seems to be burdensome.<sup>76</sup> Also, remaining non-tariff barriers in the automotive sector remain challenging.<sup>77</sup>

<sup>72</sup> IFO (2017b).

<sup>73</sup> Input received from Netherlands embassy in Korea.

<sup>74</sup> Ministerie Economische Zaken (2007).

<sup>75</sup> Stakeholder input received.

<sup>76</sup> IFO (2017b).

<sup>77</sup> European Parliament (2016).



Specific challenges affecting the actual use of the agreement (e.g. preferential rates) are discussed below. With the exception information-related barriers, most barriers do not seem to be different for the Netherlands compared to exporters from other EU Member States.

### Rules of origin and Approved Exporter Status

One of the goals of the EU-Korea FTA was to simplify the rules of origin for exporters. General feedback from business stakeholders is that they are satisfied in this respect; there do not seem to be any major problems with the approved exporter status and the origin declarations. Especially for sectors where the origin is very clear (i.e. animals/animal products and vegetable products), PURs tend to be high.<sup>78</sup> Compared to other FTAs, it is seen as an advantage that companies do not need EUR-1 certificates anymore.<sup>79</sup>

However, in some EU Member States, the application process for the status is said to be time and resource consuming. This could be a potential reason for not using tariff preferences, especially for sectors where the benefits are relatively limited. The fixed costs related to the application of the approved exporter status are relatively larger for SMEs given that they tend to have shipments of lesser value. Data show that the two EU Member States with the highest PURs (Latvia and Austria) seem to have lower administrative requirements for the application for the approved exporter status.<sup>80</sup> Feedback from Dutch stakeholders is positive; the application for getting the Approved Exporter status at the Dutch customs authority does not seem to be a challenge.

Another difficulty for business related to rules of origin is the fact that the definition of originating products is not the same as in other EU FTAs. This means that sometimes different origin calculations need to be performed by exporters, depending on the export destination, leading to some administrative burdens. This could especially be a problem for SMEs with limited resources.<sup>81</sup>

An issue experienced by Dutch exporters is confusion between the Authorisation number under the EU-Korea FTA and the EORI number that is used for trade between EU Member States. The authorisation number and EORI have the same number of digits, and some companies fill out the EORI number for export documents with Korea. The Korea Customs Service is now aware of this mistake and is more frequently checking the authenticity of the authorisation number, which leads to additional steps and administration.<sup>82</sup>

Also, the term “invoice declaration” is confusing to some exporters. The authorisation details should not be included on the financial invoice, but on the shipping documents. Given that the information can be included in different forms, some custom officers in Korea have problems in finding the correct information.<sup>83</sup>

In an annex to the FTA, it is arranged that customs duties paid by EU exporters to Korea based on conventional tariffs can be reimbursed retroactively within one year, with AE status and the authorisation number. Sometimes, more than one year is needed for the process of getting the AE status (the AE application itself by the Dutch exporter and processing this application and producing the authorisation number by the customs authority). In Korea, this is two years, while the Korean customs authority actually seems to be very quick in this respect. Considering that the procedure in

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<sup>78</sup> IFO (2017a).

<sup>79</sup> Input from roundtable session.

<sup>80</sup> IFO (2017a).

<sup>81</sup> IFO (2017a).

<sup>82</sup> Input received from Netherlands embassy in Korea.

<sup>83</sup> Stakeholder input.

the Netherlands can take quite some time (either caused by the Dutch exporter or customs), it is suggested to change the term for EU customs to two years as well.<sup>84</sup>

### Cooperation with authorities in South Korea

Many stakeholders consulted by IFO in 2017 indicated that the costs and time related to customs procedures did not change as a result of the FTA. The problems related to customs that are most often mentioned include “transparency/publication of and access to trade regulations” and “import or export document requirements”. Also, custom inspections in Korea are often noted as a problem, as well as transparency problems related to regulations of the Korea Occupational Safety and Health Agency.<sup>85</sup> Especially with consumer electronics, there are issues related to testing and certification, technical requirements and intellectual property issues.<sup>86</sup>

Consultation with several stakeholders led to the observation that the authorities in Korea, including Korean customs, seem to be very strict. Korean customs officers very strictly follow the regulations and are less flexible compared to EU customs. Where possible, they find reasons to apply tariffs and hence generate tariff revenue, which is in the interest of the customs authority, but not in the spirit of the Free Trade Agreement. Some stakeholders mentioned that the customs officers even get financial rewards for tariffs collected, although this incentive system could not be verified. In many cases, companies have to pay the regular import tariffs and apply for restitution afterwards. Especially large and successful companies seem to get attention.<sup>87</sup>

Language and cultural differences play a role in the cooperation with Korean customs. Interpretation and explanation of the rules is different between partners. While there are initiatives for knowledge transfer between Korean and EU customs authorities, these initiatives remain at high level and do not seem to reach the officers down the hierarchy who are actually dealing with the incoming products.<sup>88</sup>

### Direct transport

For certain sectors, the direct transport requirement can be an issue. Products qualify for preferential tariffs only if they are transported directly between the EU and Korea. They can be transported via other countries or temporarily warehoused, but are not allowed to be released for free circulation and do not undergo operations. This is difficult for EU exporters that trade via large hubs like Singapore, where products are stored, repackaged and labelled prior to distributing the products to various Asian markets. In case of this practice, the goods do not qualify for preferential treatment anymore.<sup>89</sup>

### Regulatory changes in the minerals sector

In 2013, the Korean government implemented a policy whereby the tax rebates on imports of crude oil would be cancelled in case of use of preferences. This gives a disincentive for Korean refiners to import oil from the EU with the tariff preferences of the EU-Korea FTA.<sup>90</sup> Given the limited exports of minerals from the Netherlands to Korea, this challenge seems to be less relevant for Dutch exporters.

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<sup>84</sup> Input received from Netherlands embassy in Korea.

<sup>85</sup> IFO (2017b).

<sup>86</sup> Stakeholder input from roundtable session.

<sup>87</sup> Stakeholder input from several sources.

<sup>88</sup> Stakeholder input from roundtable session.

<sup>89</sup> IFO (2017a).

<sup>90</sup> IFO (2017a).

### Public procurement

Government procurement is also one of the areas covered by the FTA. While access to public tenders for EU suppliers in Korea improved according to the study by IFO (2017), there are still problems. The issues include “lack of transparency on procurement opportunities”, “lack of clarity of the applicable rules and/or applicable procedures”, “lack of access to tenders of state owned companies/public undertakings”, “lack of access to government tenders at the sub-central level”, and “discrimination through technical specifications”.<sup>91</sup> Korean tenders are mainly published in the Korean language, sometimes accompanied by a small summary in English. Furthermore, an EU company would always need a Korean partner to qualify for a tender.<sup>92</sup>

### Intellectual property rights

Anecdotal evidence for problems related to intellectual property include the requirements that EU exporters had to show their recipes and manufacturing processes for getting a licence (which constitute business secrets). When providing this confidential information to Korean authorities, companies fear that it is shared with Korean producers and therefore see a risk of duplication of products..<sup>93</sup>

### Access to information

Stakeholders consulted that are actually using the EU-Korea FTA use several sources of information, including the WUB, EU Trade, ECHO, Market Access Database, ITC, WCO sites, Customs Knowledge Compliance. Dutch companies also inform each other during network events. They do not depend on one source.<sup>94</sup>

While the Dutch Chamber of Commerce has extensive knowledge on FTAs, it hardly receives any questions from the Dutch private sector on the EU-Korea FTA.<sup>95</sup> This is logical given that the role of the Chamber of Commerce is very limited for this particular FTA due to the system with Approved Exporters.

The Netherlands Embassy in Seoul often meets Dutch exporters that have limited or no knowledge on the EU-Korea FTA, hence these companies might pay too much customs duties. A large majority of FTA-related questions received by the embassy comes from Korean importers, requesting the embassy to brief their Dutch trade partners on the FTA and related procedures. Awareness of the FTA seems to be much higher among the Korean business community, especially among importers (in the end, they get the benefits of the preferential tariffs). Hence, more active awareness raising of the FTA seems to be required.<sup>96</sup>

There is evidence that active government promotion and support for businesses could help to increase awareness and use of the FTA, like the FTAPPAA does in Korea (see Box 4.1 below).

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<sup>91</sup> IFO (2017b).

<sup>92</sup> Input received from Netherlands embassy in Korea.

<sup>93</sup> IFO (2017b).

<sup>94</sup> Stakeholder input.

<sup>95</sup> Input received from the Dutch CoC.

<sup>96</sup> Input received from Netherlands embassy in Korea.

#### **Box 4.1 The FTA Promotion and Policy Adjustment Authority of Korea<sup>97</sup>**

About 10 years ago, the Government of Korea observed very low utilisation rates of their FTAs, especially among SMEs that do not have the required capacity to understand and utilise FTAs. In 2010, the government decided to set up a comprehensive policy package to institutionalize an infrastructure for providing FTA business information and increase FTA utilisation. As a first step, they identified the barriers that prevented companies from utilising the FTAs. Rules of origin turned out to be the most burdensome. Awareness of and coordination among several national business supporting agencies was improved to increase the efficiency of the infrastructure for using FTAs. The government decided to focus the promotion of using FTAs on large economies with which Korea had concluded FTAs. New support measures for companies included trainings and workshops for companies to explain the FTAs, graduate courses for FTA experts, a “toll-free” phone for free consulting on the topic, information portals for business on FTAs, and expos for FTAs in foreign countries. It resulted in a large increase in utilisation rates over the past years. The FTA Promotion and Policy Adjustment Authority (FTAPPAA) is the responsible agency in this regard.<sup>98</sup>

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<sup>97</sup> Cheong (2014).

<sup>98</sup> Cheong (2014).

# 5 Conclusions and Recommendations

## 5.1 Conclusions on the use of FTAs

In this research, we have identified to what extent companies 1) are familiar with EU FTAs; 2) make use of EU FTAs; and 3) face barriers when they want to make use of these FTAs.

Prior to focussing on the results, it is important to note that it has proven to be difficult to engage with companies involved in international trade. Despite attempts to raise the response rate in our survey, it has remained relatively low, and may therefore not be fully representative. This should be taken into account when interpreting the results. In order to strengthen the robustness of our results, we have complemented the survey with data analysis, a review of the literature and consultations with stakeholders and experts.

### Awareness of FTAs

The respondents to the survey are generally companies that trade with third countries, including countries that have an FTA with the EU. The large majority that imports from or exports to these countries is aware of the FTAs in place, even the share of companies lacking awareness of the FTA is significant, hovering around 15-20 percent. This is in line with the findings for the case study on South Korea, where the Dutch Embassy noted that many companies do not seem to be aware of the FTA. The response rate is unfortunately not sufficiently high enough to determine as to which specific FTAs are better known than others.

Our stakeholder consultation identified a broad range of factors that companies take into account when deciding to start trading internationally. FTAs play only a limited role in the initial decision to trade, but do matter after this decision has been made, with companies typically researching specific issues such as preferential tariffs, licensing procedures, document requirements, among others. This would explain why a large majority of companies that do trade with an FTA partner country is aware of the FTA in place. Conversely, companies not trading with a specific country will not be aware that an FTA with this country is in place.

### Use of FTAs

With respect to the use of the FTAs, we note that there is no straightforward way to measure the use of FTAs. Taking total trade as an indicator would overestimate the use, as not all trade is taking advantage of the FTA (e.g. because tariffs on certain products are zero also without the trade agreement). The use of tariff preferences is easier to measure, but only analyses the use of tariff preferences, not how other parts of the agreement are used. There is no data to measure the use of these other parts, and we therefore addressed this through stakeholder consultations.

Looking at the preference utilisation rates (PURs), which indicate which percentage of trade actually makes use of the preferential tariffs, we note that these are generally high for imports into the Netherlands (around 90 percent). On the export side, less information is available, as data has to be provided by the customs authorities from the FTA partner countries. The European Commission has collected these data for a number of FTA partner countries, although not all data is publicly available yet. These show that in general the PURs are lower on the export side than on the import side. The data also shows that there is no consistent pattern across FTAs or products, which could help explain some of the variance in the utilisation rates of FTAs. The observation that companies do not fully use the preferences is also reflected in the survey, with the majority of companies indicating that they make partial use of preferences for their trade with an FTA country.

It should be noted that there can be good reasons for not using tariff preferences available under an FTA. To be eligible for the tariff preferences, products have to have a minimum level of domestic value added in the product exported to avoid unwanted transshipment. These criteria are laid down in the Rules of Origin (RoO) of an FTA. Therefore, it could be that preferences are not used because the products do not comply with these criteria. It could also be that the difference between the preferential tariff and the regular tariff is so small that, especially when export volumes are small, the benefits would not outweigh the administrative costs associated with obtaining the tariff preferences. However, there are also certain barriers that may prevent the use of tariff preferences, as discussed in the next part.

We have also asked companies how important elements of FTAs other than tariff preferences are, and to what extent they take advantage of these. Only limited feedback was received on this. In the survey, tariffs preferences, and related elements of customs and rules of origin were valued most, while for other elements of the agreement (services, government procurement, IPR, etc.) less respondents indicated that these were of value to them. Also in the other consultations, companies did not make clear that these other elements covered in the FTAs were useful for them. There could be several explanations for this result. It may be that companies are not aware of other changes brought about by the agreement, or that there are barriers to taking advantage of these changes. Another reason could be that FTAs in general do not significantly reduce these barriers. If the latter is true, the stronger focus of recent EU FTAs on these barriers would likely change this finding in the future.

### Barriers to make use of FTAs

The main barriers to the use of FTAs are related to rules of origin requirements and custom formalities. Rules of origins are complex and vary across FTAs. Given that this imposes significant fixed costs on exporters and importers, it is especially an issue for SMEs, and less so for larger firms or exporters and importers. It is for this reason that specialised service providers such as freight forwarders or customs brokers face significant demand.<sup>99</sup>

In addition to the complexity, stakeholders have also pointed to the risks which some companies perceive when making use of the preferences, especially with the system of self-declaration, which has been introduced in more recent FTAs. In this system, exporters require correct supplier's declarations from their suppliers, who may neither have an understanding of its importance and of how to fill out this declaration, nor have an incentive to fill it out correctly and within a short timeframe. This involves risks for the exporter.

Even if a company is able to complete the documentation correctly, the customs authority of the FTA partner country can still decline the use of the preferences. Either through a lack of knowledge, or because of incentives not to allow products to be imported under preferential tariff rate, they can deny the preferences (e.g. due to discussion on product classification or minor mistakes on the forms) or delay the imports by conducting additional checks. This can lead to higher immediate costs (time spent at the border), additional costs for exporters, but also to higher risks (uncertainty of products arriving in time with the importer). Hence some exporters decide not to make use of the preferences.

A final reason for not making use of the preferences is lack of awareness. Based on our stakeholder consultations, preferences are often only used if the importers asks for this. Several stakeholders pointed out that especially in the FTA partner countries, importers are not always

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<sup>99</sup> These companies assist with the export or import process in general, not only with respect to RoO. One stakeholder indicated that there are over a 100 companies in the Netherlands providing these services.

aware of the preferences and therefore do not ask for their use, especially in less developed countries, while Dutch importers in general seem to be more aware. This could be one of the reasons for Dutch imports showing higher utilisation rates than Dutch exports.

In general, Dutch companies are aware of relevant information sources. However, these sources are not always easily accessible, rely excessively on technical jargon and are perceived as lacking practical and targeted information (e.g. RoO requirements and procedures for specific products across FTAs). Companies do not tend to search for information if they do not know that they need it or could benefit from it. These companies are therefore not always reached by the existing information sources and channels.

## 5.2 Recommendations on how to promote the use of FTAs

Our recommendations address a lack of FTA utilisation across all stages, from the negotiations on FTAs over the implementation to the actual use of FTAs.

### Recommendation for the negotiation of FTA

The wide variety and complexity of rules of origin is one of the main barriers for taking advantage of an FTA. Improving their clarity and harmonising rules of origins across FTAs is thus our first recommendation, for both negotiations of new FTAs and renegotiations and modernisations of existing FTAs. Unfortunately, in practice this recommendation is less straightforward than it seems. This subject has for example been on the agenda of the WTO for many years, with no significant progress achieved. Countries have economic interests, and rules of origin can be used to protect or promote these interests, which makes it difficult to agree on common rules. Renewed efforts are needed to achieve progress.

### Recommendations for the implementation of FTAs

A key challenge for companies are diverging interpretations of FTA provisions or issues related to the enforcement, rather than technical implementation issues (e.g. changes in domestic legislations or procedures). Furthermore, anecdotal evidence suggests that in some cases the implementation is not in the spirit of the agreement, either on purpose or due to a lack of capacity or knowledge. In the case of the former, this can only be addressed at the political level. In the case of the latter, we recommend that the EU and the partner country, and their implementing authorities (e.g. customs authorities) closely cooperate, ensuring that potential issues are identified and addressed at an early stage. Capacity building and other technical assistance may also be required in the case of developing country partners.

### Recommendations for helping companies to make use of the FTAs

While a wealth of information is available on FTAs, companies do not always have full awareness of the availability and relevance of information. Clearly, merely providing information is not sufficient. Rather, information needs to be practical, oriented towards the needs of companies, and needs to be well-targeted, to reach the intended audience. Best practices of relevance for the Netherlands have been identified, including practices in Germany or South Korea. In order to reach out to companies that may not be aware of the relevance of the information for them, it is important to provide this information in a more accessible manner. For example, by providing information in business events that do not have a specific focus on international trade, and by providing this information in different regions of the country.





# Annex A: Background information, tables and figures

## Type of agreement<sup>100</sup>

- (Deep and Comprehensive) Free Trade Agreement – Agreement on reduction of tariffs and other barriers to goods and services trade. Depending on the agreement, it can also include provisions related to trade such as investment, government procurement, SMEs, etc.
- (Stabilisation and) Association Agreement – Agreements with European Neighbourhood countries that are adapted to the specific situation of each partner country and, while establishing a free trade area between the EU and the country concerned, they also identify common political and economic objectives and encourage regional co-operation. In the context of accession to the European Union, the agreement serves as the basis for implementation of the accession process.
- Customs Union – Agreement on free trade of products within the customs union, and a common external tariff (CET) with respect to imports from the rest of the world.
- Global Agreement – Combination of an Economic Partnership Agreement, and a Political Coordination and Cooperation Agreement.
- Economic Area Agreement – Agreement between European Union-member countries and Iceland, Liechtenstein and Norway to form a single market. The purpose of the agreement is to strengthen trade and economic relations between the countries by removing trade barriers and imposing equal conditions of competition and compliance with the same rules.
- Economic Partnership Agreement - Trade and development agreements between the EU and African, Caribbean and Pacific (ACP) countries which are engaged in regional economic integration processes.
- Cooperation Agreement – General framework on bilateral economic relations.

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<sup>100</sup> [https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/saa\\_en](https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/saa_en)  
<https://stats.oecd.org/glossary/detail.asp?ID=3130>  
<http://ec.europa.eu/trade/policy/countries-and-regions/countries/mexico/>  
<https://www.investopedia.com/terms/e/european-economic-area-eea-agreement.asp>  
<http://ec.europa.eu/trade/policy/countries-and-regions/development/economic-partnerships/>  
<http://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/>

## Background information - data collection and calculation of the PUR

In order to calculate the PUR two different type of data sources need to be used. The more easy one is the import PUR. As long as you calculate it for an EU28 country, you can retrieve the data from Eurostat Easy Comext (adjusted extra-EU imports at tariff regime). When downloading the import value one needs to split out the data between both the eligibility of the imports and the import regime that is used. The eligibility indicates under which tariffs the goods can be imported (MFN, Generalised System of Preferences, preferences under the FTA, GSP and preferences, or unknown). The import regime indicates under which tariffs they are actually imported. When adding up the trade values for all import regimes under 'preferences under the FTA' one gets the total of imports eligible for trade preferences (row 33). By adding up the trade values for preference, zero and non-zero within the 'preferences under the FTA' one gets the value of trade preferences actually used. By dividing the latter by the former, one gets the import PUR.

9	ELIGIBILITY	IMPORT_REGIME/PERIOD	Jan.-Dec. 2005	Jan.-Dec. 2006	Jan.-Dec. 2007	Jan.-Dec. 2008	Jan.-Dec. 2009	Jan.-Dec. 2010
10	ONLY MFN	MFN ZERO	1.139.126.843	1.792.863.840	1.719.121.894	1.042.854.560	742.871.832	1.304.429.933
11	ONLY MFN	MFN NON ZERO	1.068.209	250.464	304.426	182.502	1.267.238	8.768.925
12	ONLY MFN	GSP ZERO						
13	ONLY MFN	GSP NON ZERO						
14	ONLY MFN	PREFERENCE ZERO						
15	ONLY MFN	PREFERENCE NON ZERO						
16	ONLY MFN	UNKNOWN						
17	ONLY MFN	/UTOT	1.140.195.052	1.793.114.304	1.719.426.320	1.043.037.062	744.139.070	1.313.198.858
18	ONLY GSP	MFN ZERO						
19	ONLY GSP	MFN NON ZERO	3.270	1.725	23.583			
20	ONLY GSP	GSP ZERO						
21	ONLY GSP	GSP NON ZERO						
22	ONLY GSP	PREFERENCE ZERO						
23	ONLY GSP	PREFERENCE NON ZERO						
24	ONLY GSP	UNKNOWN						
25	ONLY GSP	/UTOT	3.270	1.725	23.583			
26	ONLY PREFERENCES	MFN ZERO	327.290	335.476	57.315	417.037	857.260	
27	ONLY PREFERENCES	MFN NON ZERO	91.494.152	98.569.621	150.657.472	242.799.384	162.521.535	136.639.823
28	ONLY PREFERENCES	GSP ZERO						
29	ONLY PREFERENCES	GSP NON ZERO						
30	ONLY PREFERENCES	PREFERENCE ZERO	12.875.270	15.774.325	272.094.060	381.715.997	239.011.286	340.050.034
31	ONLY PREFERENCES	PREFERENCE NON ZERO	50.190.942	50.547.096	27.011.818	190.419.782	230.890.747	125.449.571
32	ONLY PREFERENCES	UNKNOWN						
33	ONLY PREFERENCES	/UTOT	154.887.654	165.226.518	449.820.665	815.352.200	633.280.828	602.139.428
34	GSP AND PREFERENCES	MFN ZERO						
35	GSP AND PREFERENCES	MFN NON ZERO	179.157.137	239.765.659	174.254.064			
36	GSP AND PREFERENCES	GSP ZERO	1.984.319	3.551.751	183.906			
37	GSP AND PREFERENCES	GSP NON ZERO	5.620.635	39.126.658	14.028.446			
38	GSP AND PREFERENCES	PREFERENCE ZERO	297.306.632	352.916.939	122.397.561			
39	GSP AND PREFERENCES	PREFERENCE NON ZERO	65.813.481	77.092.943	60.682.165			
40	GSP AND PREFERENCES	UNKNOWN						
41	GSP AND PREFERENCES	/UTOT	549.882.204	712.453.950	371.546.142			
42	UNKNOWN	MFN ZERO						
43	UNKNOWN	MFN NON ZERO						
44	UNKNOWN	GSP ZERO						
45	UNKNOWN	GSP NON ZERO						
46	UNKNOWN	PREFERENCE ZERO						
47	UNKNOWN	PREFERENCE NON ZERO						
48	UNKNOWN	UNKNOWN	831.063	468.782	8.022.730	1.663	14.989.200	145.141
49	UNKNOWN	/UTOT	831.063	468.782	8.022.730	1.663	14.989.200	145.141
50	/ETOT	MFN ZERO	1.139.454.133	1.793.199.316	1.719.179.209	1.043.271.597	743.729.092	1.304.429.933
51	/ETOT	MFN NON ZERO	271.722.768	338.587.469	325.239.545	242.981.886	163.788.773	145.408.748
52	/ETOT	GSP ZERO	1.984.319	3.551.751	183.906	0	0	0
53	/ETOT	GSP NON ZERO	5.620.635	39.126.658	14.028.446	0	0	0
54	/ETOT	PREFERENCE ZERO	310.181.902	368.691.264	394.491.621	381.715.997	239.011.286	340.050.034
55	/ETOT	PREFERENCE NON ZERO	116.004.423	127.640.039	87.693.983	190.419.782	230.890.747	125.449.571
56	/ETOT	UNKNOWN	831.063	468.782	8.022.730	1.663	14.989.200	145.141
57	/ETOT	/UTOT	1.845.799.243	2.671.265.279	2.548.839.440	1.858.390.925	1.392.409.098	1.915.483.427

Collecting data for the calculation of the export PUR is more difficult. There is no standard database where one could retrieve the data. One would need to contact the customs authority of the partner country and request for their data on imports (i.e. our exports) as well as data on whether preferences are used and which preferences (i.e. MFN, GSP or FTA related). The calculation itself is then the same as for imports. Naturally one would need to repeat this exercise with every country for which one wants calculate the export PUR. The European Commission has conducted this exercise for many of its trading partners. The data collection showed that several trade partners could not deliver this type of data or had many missing data points.<sup>101</sup> In addition, because of different data sets (one for each country), it is not possible to make comparisons between countries. A study by Shintaro Hamanak points out that one should take caution with the calculation based on these data. As the data is based on the information retrieved from certificates of origin, the outcome might be biased upwards. In order to make use of trade preferences one needs to have an approved preferential certificate of origin. According to Shintaro Hamanak traders tend to overstate their value of exports or sometimes do not trade even though they have obtained the certificate of origin.<sup>102</sup>

### Tables and figures

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<sup>101</sup> Nilsson (2015).

<sup>102</sup> Hamanak (2013).

Table A1 NL inward FDI, million €

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Albanië													
Algerije	0					1.492							
Andorra	33	-160	14	37									
Antigua en Barbuda													
Bahama's	620			5.710	4.942	1.440			5.818			9.086	7.428
Barbados	904	777	1.657	2.634	7.037	5.474		5.027	4.639	4.724	983	887	929
Belize													
Bosnië-Herzegovina		34			20	18							
Botswana				2				2					
Canada	4.331	6.501	9.042	6.598	8.940	12.792	16.825	18.607	18.431	18.447	7.839	6.851	29.486
Chili	604		360	1.431	3.329	2.791	796	587	324	335	455	332	314
Colombia			1.672	2.160	1.204	1.073		1.175	1.083	683	477	356	299
Costa Rica			6	5	3	9		93	133	125	311	522	673
Dominica	0	0	0		0	0	0	0	0	0			
Dominicaanse Republiek								842	261				
Ecuador			107	88	145	224		194		110	164	92	71
Egypte						4.619		1.794	3.206		869	255	192
El Salvador									22	32	31	15	29
Faeröer	0	0	0	0	0	0	0	0	0	0			
Georgië		1	9	5	1	1		0	1				
Ghana			4		10			28	13	31	40	42	31
Grenada									0	0	0	0	0
Guatemala			1	1	13	21			84	119	112	281	335
Guyana	0	0	0	0		0							
Honduras										1	7	2	
IJsland	6	13	230	1.099	1.491	1.535	1.858	1.867	2.106	799	923	772	664
Israël	2.176	2.854	1.863	6.564	15.618		22.611	23.747	21.605		38.878		57.957

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ivoorkust	18				11					2	17		11
Jamaica					4	3		3	4	2	9	7	
Jordanië			5	4	11	8		30	52	40	20	34	18
Kameroen		9	9	9	9	12					1	0	0
Lesotho	0	0	0	0	0	0		0	0	0	0	0	0
Macedonië	0	0							16	22	33	8	
Madagaskar	0	0	0										
Marokko	2	1	3	2	2	5		10	15	6	26	34	24
Mauritius	97	492	295	894	1.536	251		-820	638	1.372	2.289		6.090
Mexico	7.296	7.538	8.125	8.829	9.206	12.146	12.371	12.467	17.061	20.858	25.852	28.986	36.271
Moldavië						0		0	0	0	0		0
Montenegro	0	0	0	0	0				0	0			0
Mozambique								1					108
Namibië									376			20	19
Nicaragua			1					1.233	1.121	69	32	64	
Noorwegen	4.174	6.407	7.548	9.117	14.452	14.135	17.511	21.968	24.353	21.496	19.974	20.768	20.337
Oekraïne	1	3	-15	4				46	61	57	269	49	91
Palestijnse gebieden	0	0	0	0	0	0	0	0	0	0	0	0	0
Panama	151	165	203	583	650	971	1.397	1.762	533	499	483	1.053	1.214
Peru	4	9	204	147	124	183		629	161	58	41		1.435
Saint Kitts en Nevis			0										
Saint Lucia													
Saint Vincent en de Grenadines	0	0	0	0	0	0	0	0	0	0			
Servië	0	0	0	2						2	3	0	5
Seychellen													
Suriname	78	82	77										
Swaziland								0					
Syrië											4		4

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Trinidad en Tobago	1		3			109							727
Tunesië	0	1		2	5	10		10	14	42	10	9	9
Turkije	1.021	2.713	2.397	2.208	2.466	2.849	3.257	3.674	6.658	4.993	4.692	4.599	5.060
Zimbabwe				5				5				55	
Zuid-Afrika	187	401	259	1.528	1.789	2.796	2.439	2.630					
Zuid-Korea	170	511	553	281	889	928	566	605	822	1.118	2.276	2.436	2.228
Zwitserland	54.968	58.379	77.720	78.307	88.517	110.154	130.996	146.008	154.368	178.365	173.020	223.242	265.159

Source: De Nederlandse Bank – Buitenlandse directe investeringen in Nederland

**Table A2 NL outward FDI, million €**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Albanië	33	9	25	74	75	183		145	161	291	446	491	596
Algerije	706	1.404	1.322	1.233	1.214	1.758	893	1.015	541	300	866	1.337	-150
Andorra	-28	236	280	31	24	3		0	57	13		9	23
Antigua en Barbuda	13	15	14	13	15	27		25		17	17	17	
Bahama's	2.172	2.201	3.524	1.164	2.094	2.792	3.943	4.066	6.081	6.629	7.175	10.253	14.336
Barbados	1.086	143	-660	-562	419	-961	-119	-983	520	1.521	2.626	2.831	46.889
Belize							0		0			0	0
Bosnië-Herzegovina	117	69	94	152	625	148	180	202	168	253	227	195	234
Botswana	34	32	34	37	37	34		44	48	20	23	24	24
Canada	20.936	24.901	37.882	52.380	62.592	71.563	86.198	102.123	116.195	115.378	114.188	111.055	107.723
Chili	2.684	1.457	1.168	1.309	1.873	2.531	4.695	5.264	5.849	6.668	11.220	9.511	8.564
Colombia	730	1.154	1.344	2.941	3.984	4.447	4.543	5.139	7.206	6.432	5.564	6.879	2.410
Costa Rica	116	352	345	411	373	363	384	252	477	568	606	611	643
Dominica				1	6			20					0
Dominicaanse Republiek	66	468	502	521	613	955		967	1.615	148	633	466	860
Ecuador	589	610	610	564	546	708		563	545	1.312	1.558	2.318	2.392
Egypte	7.502	7.734	8.745	7.867	8.839	9.247	7.054	10.323	12.038	25.020	27.803	17.172	19.052
El Salvador	370	106	59	70	318	467		462	507	78	68	61	58

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Faeröer	0	0	0	0	0	0	0	0	0	0	0	0	0
Georgië	43	50	94	94	114	169		138	2.019	2.400	3.198	3.128	673
Ghana	35	47	50	65	356	78		2.870	155	290	674	2.591	1.348
Grenada		0			0	0	0	0	0	0	0	0	0
Guatemala	51	176	131	133	134	174	373	354	363	744	823	691	1.066
Guyana	0	14	13	12	9					0	0	0	2
Honduras	215	264	160	127	128	146		187	190	194	160	154	150
IJsland	3	3	13	207	233	257		1.555	1.383	208	92	73	86
Israël	1.151	2.631	1.482	2.308	2.424	2.592	3.076	2.582	2.624	3.020	3.660	4.482	11.841
Ivoorkust	418	421	412	402	120	50	54	11	98	212	216	80	144
Jamaica	18	16	31	13	9	8		7	16	17	20	18	22
Jordanië	84	78	87	86	91	90	89	87	26	188	274	260	275
Kameroen	210	208	47	62	58	58		-38	-19	95	91	91	297
Lesotho	4	4	4	5	5	5		6	6	1	-1	0	0
Macedonië	0	2	11	15	32	56	70	72	26	114	140	70	112
Madagaskar	1	0	0	0	1			1	1	74	144	158	164
Marokko	138	145	158	665	719	911	863	811	835	992	558	659	514
Mauritius	425	1.192	1.408	1.250	1.786	2.523	2.831	3.343	3.403	4.882	7.785	6.955	6.140
Mexico	8.137	9.126	11.029	10.205	12.401	16.317	25.669	25.827	27.362	45.356	55.437	67.033	71.459
Moldavië	33	132	180	152	168	137		170	255	291	247	175	173
Montenegro	0	0	0	61	295	220	147	633	455	447	460	112	107
Mozambique	423	353	299	334	331	259		389	400	376	43	659	730
Namibië	21	18	24	32	22	26		195	182	60	82	247	305
Nicaragua	80	48	50	180	169	2.521		187	243	12	7	36	15
Noorwegen	5.379	5.216	9.056	5.848	5.675	7.527	8.252	9.215	14.154	13.694	16.950	12.981	15.296
Oekraïne	655	966	1.432	2.002	3.983	4.785	11.032	12.037	11.621	8.625	9.957	5.846	3.947
Palestijnse gebieden	0	0	0	0	0	0							
Panama	1.146	1.066	2.957	3.147	3.320	2.965	1.224	1.160	1.303	1.099	1.116	3.765	974
Peru	1.107	703	608	1.079	1.437	1.617	1.959	1.703	1.944	1.760	1.511	2.415	1.489

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Saint Kitts en Nevis	0	0	0	0	0		0	0	0	0	0	0	0
Saint Lucia	11	10	13	12	13	14		15	18	27	27	28	49
Saint Vincent en de Grenadines					0	0	0	0	0	0	0		0
Servië	0	0	0	828	1.047	2.053	2.369	2.495	2.347	2.048	2.375	2.034	2.357
Seychellen	15	18	18	18	42	15		21	31	39	46	34	41
Suriname	15	15	20	9	18	25		79	82	91	43	41	43
Swaziland	4	11	-1	10	9	9		-63	5	1	8	1	8
Syrië	237	147	10	5	-7			0	62	20	4	4	4
Trinidad en Tobago	411	500	956	1.102	1.117	977		878	411	103	200	91	-237
Tunesië	102	81	127	140	132	147	152	123	10	12	109	82	764
Turkije	3.335	5.840	10.243	13.434	13.666	13.196	16.344	16.454	17.453	13.439	14.214	17.328	18.650
Zimbabwe	247	280	242	274	108	85	49	56	106	30	7	13	9
Zuid-Afrika	4.667	4.298	8.727	8.385	6.825	17.319	21.947	26.564	24.748	21.413	15.595	46.051	28.332
Zuid-Korea	7.971	7.825	8.817	10.021	8.999	7.834	9.023	11.127	12.170	8.468	15.660	18.193	18.817
Zwitserland	109.046	117.070	152.808	199.229	176.283	169.100	195.998	208.092	222.547	249.232	244.356	270.678	363.505

Source: De Nederlandse Bank – NL direct investeringen in buitenland.



**Table A3 Share in Dutch goods trade with FTA trade partners**

Trade partner	Export			Import		
	2014	2015	2016	2014	2015	2016
Andorra	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Canada</b>	<b>6.6%</b>	<b>7.4%</b>	<b>7.7%</b>	<b>4.1%</b>	<b>4.9%</b>	<b>4.4%</b>
Cameroon	0.3%	0.3%	0.3%	0.7%	0.7%	0.8%
<b>Switzerland</b>	<b>15.9%</b>	<b>15.8%</b>	<b>16.2%</b>	<b>4.4%</b>	<b>5.3%</b>	<b>6.7%</b>
Chile	1.2%	1.3%	1.6%	3.0%	3.0%	3.5%
Colombia	1.2%	1.4%	1.1%	3.3%	3.0%	3.0%
Algeria	2.6%	2.8%	2.1%	4.5%	2.4%	1.9%
Ecuador	0.6%	0.9%	0.7%	0.8%	0.9%	1.1%
Egypt	3.8%	3.5%	3.5%	0.5%	0.6%	0.7%
Faroe Islands	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
Georgia	0.3%	0.2%	0.3%	0.0%	0.1%	0.1%
<b>Israel</b>	<b>3.6%</b>	<b>4.4%</b>	<b>5.8%</b>	<b>7.7%</b>	<b>8.9%</b>	<b>9.6%</b>
Iceland	1.2%	1.2%	1.5%	3.2%	4.2%	3.8%
Jordan	0.9%	0.9%	0.8%	0.1%	0.1%	0.1%
Lebanon	0.9%	0.8%	0.9%	0.1%	0.1%	0.1%
Morocco	2.1%	2.1%	2.6%	0.7%	0.9%	0.8%
<b>Mexico</b>	<b>7.1%</b>	<b>6.0%</b>	<b>5.0%</b>	<b>3.9%</b>	<b>3.7%</b>	<b>3.7%</b>
<b>Norway</b>	<b>11.2%</b>	<b>10.4%</b>	<b>10.7%</b>	<b>34.5%</b>	<b>29.8%</b>	<b>22.9%</b>
Peru	0.6%	0.7%	0.8%	1.2%	1.5%	1.9%
Palestinian Territory	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%
San Marino	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Tunisia	0.7%	0.7%	0.7%	0.5%	0.4%	0.4%
<b>Turkey</b>	<b>13.7%</b>	<b>14.0%</b>	<b>13.9%</b>	<b>5.9%</b>	<b>7.0%</b>	<b>8.4%</b>
Ukraine	2.0%	1.6%	1.9%	1.5%	1.9%	1.9%
Syria	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Moldova	0.2%	0.1%	0.2%	0.0%	0.1%	0.0%
<b>South Korea</b>	<b>9.7%</b>	<b>10.4%</b>	<b>9.6%</b>	<b>7.0%</b>	<b>7.2%</b>	<b>8.6%</b>
<b>South Africa</b>	<b>5.2%</b>	<b>5.7%</b>	<b>5.3%</b>	<b>4.8%</b>	<b>4.4%</b>	<b>4.5%</b>
Western Balkan	1.9%	1.9%	2.0%	0.5%	0.5%	0.7%
West Africa	3.6%	2.5%	1.6%	2.7%	3.8%	4.5%
Eastern and South Africa	0.2%	0.2%	0.3%	0.5%	0.5%	0.5%
Southern African Development Community	0.3%	0.2%	0.2%	0.4%	0.6%	0.9%
Central America	0.8%	1.0%	1.0%	2.1%	2.3%	3.0%
CARIFORUM	1.3%	1.3%	1.4%	1.2%	1.2%	1.2%
<b>Total trade, million €</b>	<b>38,986</b>	<b>40,917</b>	<b>40,140</b>	<b>52,603</b>	<b>49,853</b>	<b>46,603</b>

Source: Eurostat Comext EU trade since 1998 by HS2-HS4, author's calculations.

**Table A4 Share in Dutch services trade with FTA trade partners**

Trade partner	Export			Import		
	2010	2011	2012	2010	2011	2012
Iceland	0.3%	0.4%	0.4%	0.5%	0.6%	0.9%
<b>Norway</b>	<b>12.2%</b>	<b>10.5%</b>	<b>11.4%</b>	<b>13.2%</b>	<b>12.6%</b>	<b>13.4%</b>
<b>Switzerland</b>	<b>45.1%</b>	<b>45.7%</b>	<b>44.0%</b>	<b>48.6%</b>	<b>50.0%</b>	<b>47.0%</b>
Montenegro	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Macedonia	0.1%	0.1%	0.1%	0.1%	0.3%	0.2%
Serbia	0.5%	0.4%	0.4%	0.2%	0.3%	0.3%
<b>Turkey</b>	<b>5.4%</b>	<b>5.2%</b>	<b>5.5%</b>	<b>9.3%</b>	<b>9.0%</b>	<b>9.3%</b>
Albania	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Ukraine	0.9%	0.9%	1.1%	0.6%	0.8%	0.9%
Egypt	2.0%	2.3%	2.7%	3.0%	2.3%	2.9%
Morocco	1.8%	1.6%	1.7%	1.8%	1.4%	1.6%
<b>South Africa</b>	<b>5.2%</b>	<b>5.2%</b>	<b>4.3%</b>	<b>4.3%</b>	<b>4.9%</b>	<b>3.7%</b>
<b>Canada</b>	<b>9.6%</b>	<b>9.8%</b>	<b>9.5%</b>	<b>6.0%</b>	<b>5.9%</b>	<b>8.5%</b>
Mexico	5.3%	5.5%	6.3%	3.4%	2.6%	2.3%
Chile	1.6%	1.6%	1.7%	1.4%	1.4%	1.4%
Colombia	2.3%	2.3%	2.7%	1.1%	1.1%	1.1%
South Korea	4.3%	5.4%	5.3%	3.3%	3.0%	2.3%
Israel	3.3%	3.0%	2.7%	3.1%	3.6%	3.8%
<b>Total trade, billion €</b>	<b>9,099</b>	<b>9,831</b>	<b>10,645</b>	<b>7,222</b>	<b>7,357</b>	<b>7,940</b>

Source: Eurostat, international trade in services, author's calculations.

**Table A5 Share of Dutch imports that is eligible for trade preferences**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Algeria						0%	13%	6%	6%	0%	0%	0%	0%	0%	8%	7%	6%	5%
Andorra	62%	89%	92%	75%	53%	55%	21%	63%	73%	38%	27%	40%	89%	63%	11%	40%	6%	23%
Cameroon															2%	0%	2%	5%
Canada																		7%
Chile						8%	6%	18%	44%	45%	31%	32%	36%	41%	43%	59%	54%	50%
Colombia														1%	3%	4%	28%	36%
Ecuador														0%	0%	72%	69%	82%
Egypt					5%	7%	9%	9%	11%	15%	12%	20%	12%	18%	73%	64%	77%	76%
Faroe Islands	92%	100%	99%	99%	99%	97%	98%	99%	98%	99%	100%	91%	90%	98%	100%	93%	96%	94%
Georgia																	5%	72%
Iceland	94%	95%	92%	92%	90%	93%	94%	91%	96%	96%	97%	96%	97%	93%	97%	92%	96%	97%
Israel	51%	55%	51%	49%	55%	55%	64%	54%	50%	49%	44%	48%	46%	35%	38%	23%	23%	16%
Jordan			1%	2%	1%	0%	0%	0%	0%	0%	0%	1%	0%	1%	67%	75%	87%	95%
Lebanon							0%	2%	0%	4%	2%	3%	3%	5%	61%	82%	86%	87%
Mexico	4%	3%	3%	0%	6%	13%	0%	5%	3%	2%	1%	1%	0%	1%	31%	24%	24%	30%
Moldova					0%	0%	0%	0%	18%	29%	25%	16%	27%	34%	38%	63%	38%	26%
Morocco	23%	23%	24%	24%	19%	21%	21%	22%	20%	16%	17%	22%	18%	18%	89%	92%	90%	86%
Norway	63%	68%	33%	37%	32%	37%	33%	35%	39%	33%	35%	38%	34%	26%	27%	33%	37%	47%
Palestinian Territory	n.a.	100%	95%	64%	56%	99%	99%	96%	84%	75%	2%	64%	99%	100%	100%	100%	97%	100%
Peru														4%	7%	7%	69%	69%
San Marino			65%	58%	41%	43%	26%	51%	56%	63%	89%	89%	88%	77%	91%	75%	86%	97%
South Africa																	54%	55%
Switzerland	45%	42%	41%	38%	44%	38%	39%	45%	47%	54%	57%	52%	44%	42%	40%	41%	37%	36%
Syria	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Tunisia	0%	0%	0%	0%	43%	55%	0%	0%	0%	0%	1%	2%	0%	0%	47%	70%	79%	71%
Turkey	90%	91%	91%	91%	85%	87%	85%	83%	85%	86%	86%	84%	88%	85%	86%	86%	85%	85%
Ukraine																	7%	32%
Wester Balkan					70%	59%	58%	48%	62%	65%	62%	61%	55%	68%	57%	63%	57%	67%

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
West Africa																	1%	1%
ESA													10%	7%	45%	46%	53%	52%
SADC																	27%	13%
Central America														1%	4%	10%	85%	80%
CARIFORUM									15%	22%	33%	24%	9%	7%	37%	32%	50%	51%

Source: Eurostat Easy Comext - Adjusted EU-EXTRA imports tariff regime by HS2-HS4, author's calculations.

**Table A6 Share of Dutch imports eligible for preferences actually imported with preferences (PUR)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Algeria						100%	63%	11%	9%	n.a.	99%	100%	100%	0%	82%	97%	93%	90%
Andorra	42%	6%	0%	0%	0%	54%	0%	0%	1%	0%	13%	52%	6%	0%	22%	86%	49%	80%
Cameroon															95%	100%	99%	92%
Canada																		51%
Chile						41%	40%	66%	70%	74%	77%	83%	86%	88%	91%	93%	94%	95%
Colombia														92%	99%	100%	99%	95%
Ecuador																97%	96%	95%
Egypt					96%	89%	92%	92%	97%	98%	98%	99%	100%	100%	95%	91%	93%	92%
Faroe Islands	100%	99%	98%	100%	97%	100%	100%	99%	100%	100%	100%	100%	100%	99%	100%	99%	100%	99%
Georgia																	22%	36%
Iceland	85%	97%	98%	97%	97%	97%	98%	98%	99%	98%	99%	100%	99%	99%	99%	99%	99%	99%
Israel	72%	77%	78%	80%	86%	94%	92%	91%	91%	88%	88%	88%	86%	83%	82%	84%	85%	89%
Jordan			99%	79%	37%	15%	96%	80%	99%	58%	22%	42%	74%	33%	18%	30%	27%	30%
Lebanon							2%	66%	90%	8%	8%	83%	85%	99%	86%	16%	23%	24%
Mexico	79%	76%	75%	43%	34%	46%	89%	98%	98%	94%	91%	93%	32%	19%	64%	66%	72%	50%
Moldova					n.a.	n.a.	n.a.	n.a.	76%	81%	83%	97%	91%	95%	97%	97%	84%	91%
Morocco	89%	96%	93%	93%	93%	58%	55%	68%	73%	80%	70%	91%	95%	99%	99%	97%	99%	97%
Norway	82%	96%	95%	96%	97%	96%	97%	96%	94%	94%	92%	93%	94%	95%	92%	96%	96%	97%
Palestinian Territory	n.a.	48%	23%	67%	62%	57%	93%	98%	46%	57%	98%	98%	96%	94%	100%	100%	94%	88%
Peru														92%	97%	100%	98%	95%
San Marino			2%	2%	0%	0%	10%	7%	6%	2%	2%	11%	12%	10%	44%	95%	99%	90%
South Africa																	93%	92%
Switzerland	86%	89%	87%	86%	89%	93%	93%	90%	85%	85%	90%	90%	92%	93%	87%	82%	83%	78%
Syria	n.a.	n.a.	n.a.	n.a.	0%	n.a.	n.a.	n.a.	100%	100%	n.a.	95%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tunisia	n.a.	94%	n.a.	100%	91%	90%	98%	100%	76%	92%	98%	77%	100%	100%	98%	98%	97%	98%
Turkey	95%	97%	96%	85%	85%	88%	87%	91%	92%	93%	94%	92%	98%	98%	98%	97%	96%	98%
Ukraine																	67%	67%
Wester Balkan					86%	87%	93%	95%	97%	97%	93%	92%	97%	98%	95%	96%	93%	95%

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
West Africa																	100%	100%
ESA													99%	99%	89%	98%	97%	98%
SADC																	99%	99%
Central America														85%	99%	100%	88%	91%
CARIFORUM									97%	93%	100%	100%	92%	98%	89%	92%	94%	89%

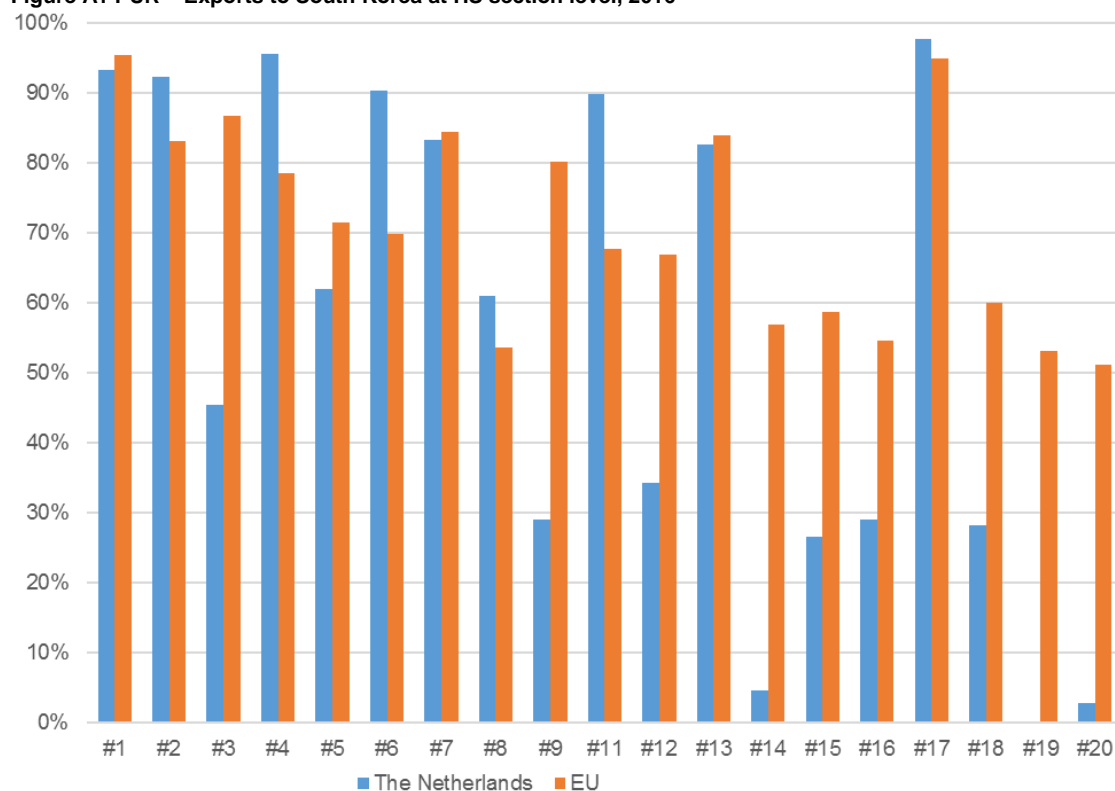
Source: Eurostat Easy Comext - Adjusted EU-EXTRA imports tariff regime by HS2-HS4, author's calculations.

Figure A1 PUR – NL Exports at HS section level, 2016

	Albania		Chile		Colombia		Costa Rica		Dominican Republic		Egypt		FYRoM		Israel		Kosovo			
Section	Share	PUR	Share	PUR	Share	PUR	Share	PUR	Share	PUR	Share	PUR	Share	PUR	Share	PUR	Share	PUR		
1	9.4	96.9	1.1	62.8	3.3	96.3	0.3	0.0	31.7	97.9	6.1	96.5	5.9	94.5	0.1	0.1	8.4	79.5		
2	15.9	91.4	4.1	94.8	11.8	98.4	0.3	0.0	0.1	48.2	6.0	94.3	8.0	96.7	6.6	93.7	3.6	47.8		
3	0.0	0.0	0.0	47.9	0.0	0.0	0.1	100.0	0.0	0.0	0.4	96.9	0.2	0.1	0.1	43.0	5.6	9.3		
4	32.6	97.1	11.5	97.1	28.7	99.7	34.3	79.5	22.8	63.3	7.9	93.2	9.9	92.3	13.6	98.2	28.1	59.0		
5	6.7	99.1	9.7	99.4	0.1	75.1	1.0	0.0	1.0	0.0	0.9	45.4	2.7	85.6	0.1	99.8	4.7	65.6		
6	17.8	99.3	14.3	90.4	25.5	97.5	15.5	14.1	0.4	25.9	17.7	66.7	16.5	81.8	11.3	94.9	12.5	52.3		
7	6.7	96.5	6.9	96.1	4.8	52.3	27.1	13.3	5.7	36.0	8.2	67.4	9.4	94.2	9.9	96.1	4.3	21.3		
8	0.1	34.0	0.0	19.1	0.0	13.8	0.1	0.0	1.1	0.0	0.0	7.9	0.0	50.2	0.3	91.0	0.3	0.0		
9	0.0	0.0	0.2	57.3	0.0	98.3	2.1	0.0	1.2	0.6	0.0	77.5	0.2	85.4	0.0	0.0	0.9	70.0		
10	0.0	0.0	4.0	97.3	1.3	68.4	0.6	36.0	3.1	0.6	2.2	88.5	0.1	66.9	2.8	94.9	0.7	66.2		
11	1.3	73.8	1.4	85.3	1.3	73.1	4.1	68.3	0.5	0.8	0.9	16.6	3.8	87.3	2.4	65.7	9.1	34.5		
12	0.1	39.7	0.5	13.6	0.0	0.0	0.2	10.8	0.7	0.0	0.2	22.1	0.0	34.8	1.0	42.5	0.4	0.7		
13	0.2	69.4	0.3	90.1	0.1	51.7	0.2	3.7	0.2	5.1	0.3	91.2	0.4	79.7	0.6	91.9	2.3	2.7		
14	0.0	0.0	0.6	99.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.5	0.0	2.3	0.0	0.0		
15	2.0	28.8	2.2	85.1	1.2	31.1	4.0	3.4	1.2	14.0	9.6	41.6	2.9	68.9	17.7	92.1	3.7	38.0		
16	1.6	14.3	16.5	53.5	5.5	42.6	5.2	54.6	1.5	0.0	13.3	40.7	17.0	81.7	21.2	94.9	6.0	3.7		
17	4.4	12.9	22.6	4.1	11.0	98.0	2.5	1.5	28.0	0.3	22.4	6.2	21.2	95.4	3.8	90.8	3.8	5.8		
18	0.5	5.9	3.8	21.4	4.4	11.7	0.1	0.0	0.1	0.0	3.4	18.5	0.2	52.4	4.9	22.5	0.6	7.1		
19	0.0	0.0	0.0	0.0	0.5	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
20	0.7	48.4	0.4	62.1	0.3	45.1	2.2	2.2	0.7	0.0	0.4	37.1	1.6	79.3	3.6	72.4	5.1	20.9		
21	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
All	100.0	96.1	100.0	61.7	100.0	81.0	100.0	39.3	100.0	48.0	100.0	49.7	100.0	87.5	100.0	73.8	100.0	43.3		
# > 80%		6		10		7		1		1		6		10		10			0	
	Lebanon		Mexico		Montenegro		Morocco		South Africa		Korea		Switzerland		Turkey		All partners		# > 80%	
Section	Share	PUR	Share	PUR	Share	PUR	Share	PUR	Share	PUR	Share	PUR	Share	PUR	Share	PUR	Share	PUR	# > 80%	
1	8.5	95.3	1.8	96.5	67.0	99.5	14.4	34.0	24.0	96.4	6.3	93.3	0.6	99.8	0.1	20.8	4.6	89.8	10	
2	17.3	85.2	2.0	96.1	8.5	98.3	5.4	87.7	1.0	64.7	0.7	93.4	6.7	74.2	1.8	58.0	3.9	79.0	10	
3	0.2	81.7	0.1	35.0	0.0	0.0	9.2	87.6	17.3	98.8	0.2	45.5	0.0	27.7	0.1	98.6	1.4	91.5	5	
4	30.4	87.6	4.0	95.8	11.4	98.2	4.5	88.1	21.4	81.8	5.3	95.6	13.1	72.6	13.4	99.9	11.1	86.3	12	
5	4.0	83.3	0.1	88.6	0.6	98.3	2.4	85.8	0.2	28.2	4.2	62.0	0.4	75.0	1.4	98.2	2.1	77.8	8	
6	22.7	69.7	27.6	88.2	3.6	91.9	11.0	85.3	6.4	97.9	12.5	90.3	10.0	77.7	19.2	98.6	14.1	86.6	11	
7	1.8	94.0	12.2	81.5	1.9	65.1	8.6	81.9	5.7	93.0	6.0	83.4	10.9	82.6	24.2	99.1	11.4	98.4	10	
8	0.0	71.5	0.0	19.9	0.0	34.2	0.6	1.6	0.2	3.5	0.0	61.0	0.4	48.7	0.1	93.2	0.2	41.9	2	
9	0.8	95.7	0.2	55.2	0.0	32.6	0.1	88.9	0.1	93.5	0.1	29.1	0.5	69.3	0.0	98.3	0.2	65.7	5	
10	1.4	43.5	2.7	91.3	0.0	0.0	1.4	64.8	0.6	87.8	0.0	0.0	2.8	83.5	0.0	0.0	1.4	85.7	7	
11	0.5	77.1	2.5	71.0	1.3	65.2	5.6	31.1	2.7	74.9	1.3	85.9	2.9	63.4	2.2	97.5	2.2	68.7	4	
12	0.0	78.6	0.0	63.1	0.1	0.0	0.0	0.0	0.1	13.7	0.0	34.3	0.6	34.4	0.0	96.4	0.2	33.1	2	
13	0.3	78.7	0.5	72.1	0.1	52.9	0.2	83.5	0.6	91.8	0.5	82.6	1.3	78.1	0.4	96.1	0.6	91.2	7	
14	0.0	85.7	0.0	73.3	0.0	0.0	0.0	30.4	0.0	2.3	0.0	4.7	4.0	67.5	0.0	72.2	1.1	67.8	1	
15	1.9	60.7	10.5	94.7	0.6	70.3	11.0	89.9	4.5	86.1	3.3	26.6	7.9	94.0	9.6	98.1	7.2	78.2	7	
16	3.4	66.5	11.9	68.0	2.0	22.7	8.4	50.8	7.5	73.6	26.3	29.1	15.3	48.0	14.7	94.1	16.3	50.3	2	
17	1.6	81.0	17.6	61.9	2.2	79.2	15.4	68.3	6.5	32.8	12.7	97.3	10.1	77.1	11.2	99.2	12.7	66.4	5	
18	3.5	26.3	1.1	62.3	0.1	0.4	1.1	49.5	0.0	13.6	13.1	28.3	9.7	70.9	1.2	73.3	6.3	45.9	0	
19	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	91.9	1	
20	1.6	71.5	5.1	95.5	0.5	67.9	0.7	60.0	1.1	83.2	7.3	2.8	2.8	61.4	0.4	94.4	2.9	32.1	3	
21	0.1	62.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.5	0.0	0.0	0.0	23.8	0	
All	100.0	79.1	100.0	81.2	100.0	95.0	100.0	68.6	100.0	85.8	100.0	57.1	100.0	71.1	100.0	97.2	100.0	72.1		
# > 80%		9		9		5		11		10		8		4		14		8		

Source: Nilsson and Preillon, 2018

Figure A1 PUR – Exports to South Korea at HS section level, 2016



Source: EC (2017a).

Table A7 PUR – Dutch exports to South Korea at HS2 level

	2014			2015			2016				
	Netherlands			EU			Netherlands			EU	
01	87%	83%	90%	46%	48%	67%					
02	100%	99%	100%	100%	100%	100%					
03	2%	7%	49%	21%	35%	56%					
04	95%	92%	92%	85%	88%	96%					
05	100%	98%	100%	52%	41%	50%					
06	95%	97%	96%	92%	95%	93%					
07	93%	94%	95%	85%	90%	91%					
08	0%		0%	86%	74%	90%					
09	71%	36%	88%	63%	63%	65%					
10	0%	0%	0%	5%	2%	95%					
11	10%	60%	53%	32%	56%	98%					
12	84%	99%	27%	77%	75%	71%					
13	98%	36%	31%	92%	88%	87%					
14	17%	0%	0%	84%	75%	85%					
15	69%	75%	46%	82%	87%	87%					
16	0%	1%	4%	95%	95%	97%					
17	80%	95%	95%	80%	84%	81%					
18	84%	88%	98%	84%	77%	82%					
19	88%	88%	94%	61%	62%	60%					
20	79%	99%	97%	85%	89%	90%					
21	80%	99%	99%	77%	81%	81%					
22	99%	99%	98%	86%	86%	86%					
23	70%	66%	85%	79%	80%	87%					



	2014	2015	2016	2014	2015	2016
	Netherlands			EU		
24	2%	0%	42%	19%	8%	11%
25	95%	86%	85%	81%	82%	78%
26	99%	100%	100%	90%	91%	88%
27	18%	34%	61%	59%	72%	71%
28	93%	97%	96%	84%	83%	87%
29	95%	89%	90%	62%	57%	66%
30	74%	94%	95%	62%	66%	62%
31	99%	100%	99%	84%	92%	87%
32	89%	87%	89%	86%	79%	81%
33	83%	91%	87%	62%	59%	62%
34	69%	80%	82%	80%	81%	82%
35	91%	92%	93%	83%	86%	89%
36		0%		69%	67%	78%
37	75%	66%	56%	87%	89%	89%
38	84%	81%	89%	79%	81%	79%
39	84%	81%	86%	85%	84%	85%
40	29%	45%	65%	75%	76%	83%
41	40%	4%	11%	90%	91%	90%
42	53%	49%	58%	43%	46%	47%
43	63%	0%	68%	93%	93%	93%
44	46%	42%	29%	78%	82%	80%
46	100%	100%	0%	75%	48%	51%
47	0%	0%	0%	0%	0%	0%
48	0%	0%	0%	0%	0%	0%
49	0%	0%	0%	0%	0%	0%
50	100%	0%	68%	56%	67%	55%
51	68%	98%	87%	74%	78%	83%
52	67%	61%	58%	47%	44%	44%
53	68%	29%	100%	46%	52%	48%
54	95%	95%	98%	88%	89%	88%
55	56%	91%	97%	86%	91%	87%
56	96%	99%	98%	77%	72%	75%
57	86%	90%	97%	80%	79%	85%
58	51%	72%	52%	73%	76%	73%
59	44%	42%	40%	80%	84%	89%
60	100%	97%	99%	73%	81%	78%
61	9%	19%	34%	65%	64%	66%
62	30%	27%	34%	55%	55%	55%
63	49%	84%	58%	62%	61%	61%
64	56%	32%	29%	64%	68%	67%
65	92%	91%	44%	67%	69%	69%
66	20%	50%	67%	77%	68%	53%
67	0%	0%	0%	65%	48%	26%
68	78%	86%	85%	70%	73%	77%
69	71%	64%	62%	87%	88%	90%
70	88%	91%	88%	81%	81%	79%
71	53%	46%	5%	44%	56%	57%

	2014	2015	2016	2014	2015	2016
	Netherlands			EU		
72	37%	0%	100%	94%	97%	95%
74	98%	98%	96%	70%	79%	82%
75	97%	89%	96%	80%	89%	84%
76	25%	31%	23%	75%	76%	75%
78	0%	0%	95%	23%	15%	8%
79	100%	41%	99%	85%	68%	87%
80	93%	100%	100%	38%	21%	45%
81	38%	96%	25%	56%	48%	52%
82	26%	46%	43%	60%	62%	65%
83	71%	80%	29%	64%	64%	58%
84	33%	24%	24%	48%	51%	57%
85	38%	38%	36%	49%	48%	50%
86	100%	63%	3%	56%	61%	76%
87	95%	94%	98%	95%	96%	95%
88	1%	3%	73%	19%	2%	34%
89	10%	0%	37%	26%	4%	60%
90	36%	34%	28%	57%	56%	60%
91	16%	23%	21%	40%	39%	48%
92	92%	97%	92%	85%	85%	85%
93	0%	0%	0%	60%	73%	53%
94	61%	81%	2%	67%	62%	42%
95	83%	36%	58%	76%	74%	77%
96	95%	60%	31%	69%	69%	75%
97	0%	0%	0%	0%	0%	0%

Source: EC (2017a).

**Table A8 PUR – Dutch imports from South Korea at HS section level**

	2011	2012	2013	2014	2015	2016	2017
1 - Live animals and animal products	41%	97%	59%	73%	69%	28%	92%
2 - Vegetable products	80%	92%	93%	94%	94%	92%	95%
3 - Animal fats and oils	89%	5%	64%	0%	0%	8%	4%
4 - Processed food, beverages and tobacco	51%	48%	50%	53%	61%	61%	67%
5 - Mineral products	49%	86%	85%	97%	98%	98%	86%
6 - Chemicals	79%	85%	92%	91%	88%	81%	86%
7 - Plastic and rubber	66%	81%	77%	87%	89%	90%	85%
8 - Raw hides, skins and leather	11%	18%	25%	52%	61%	45%	47%
9 - Wood	0%	0%	0%	2%	31%	0%	1%
10 - Paper and pulp	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 - Textiles	64%	80%	85%	84%	81%	80%	85%
12 - Footwear and headgear	23%	64%	59%	64%	35%	28%	46%
13 - Articles of stone, plaster, cement	25%	62%	64%	74%	70%	77%	85%
14 - Pearls and stones	39%	50%	44%	27%	28%	38%	20%
15 - Metals	58%	83%	87%	89%	91%	91%	96%
16 - Machinery and electrical equipment	32%	54%	57%	65%	65%	61%	72%
17 - Transport equipment	20%	74%	85%	93%	88%	89%	88%
18 - Optical and electronic products	26%	52%	33%	51%	46%	28%	18%

	2011	2012	2013	2014	2015	2016	2017
19 - Arms	0%	0%	0%	37%	0%	6%	0%
20 - Other manufacturing	29%	63%	67%	66%	69%	75%	77%
21 - Art	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Eurostat Easy Comext - Adjusted EU-EXTRA imports tariff regime by HS2-HS4, author's calculations.

**Table A9 PUR – Dutch imports from South Korea at HS2 level**

	2011	2012	2013	2014	2015	2016	2017
1	n.a.	n.a.	0%	n.a.	n.a.	n.a.	0%
2	n.a.	n.a.	n.a.	n.a.	n.a.	0%	0%
3	41%	97%	61%	73%	69%	29%	99%
4	n.a.	0%	0%	0%	0%	0%	0%
5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6	53%	90%	97%	94%	87%	91%	82%
7	94%	99%	99%	99%	99%	99%	99%
8	15%	49%	60%	9%	10%	74%	14%
9	17%	9%	8%	8%	26%	25%	60%
10	n.a.	0%	0%	25%	24%	46%	38%
11	27%	20%	0%	12%	27%	11%	25%
12	0%	9%	0%	0%	2%	13%	11%
13	n.a.	0%	0%	n.a.	n.a.	n.a.	0%
14	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
15	89%	5%	64%	0%	0%	8%	4%
16	65%	70%	46%	72%	77%	88%	62%
17	38%	7%	0%	12%	6%	5%	5%
18	0%	n.a.	0%	n.a.	8%	0%	0%
19	53%	46%	49%	50%	55%	54%	61%
20	11%	45%	69%	72%	75%	82%	88%
21	49%	60%	57%	60%	69%	64%	65%
22	62%	64%	86%	89%	90%	91%	92%
23	0%	n.a.	0%	0%	0%	99%	99%
24	0%	0%	0%	80%	100%	100%	95%
25	9%	49%	0%	0%	20%	21%	41%
26	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27	49%	86%	85%	97%	98%	98%	86%
28	26%	99%	97%	89%	92%	79%	99%
29	81%	84%	87%	89%	86%	82%	86%
30	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
31	n.a.	n.a.	0	0	0	0	0
32	85%	94%	89%	91%	92%	96%	98%
33	0%	23%	46%	77%	49%	0%	9%
34	53%	93%	91%	95%	72%	95%	79%
35	66%	0%	95%	87%	70%	63%	58%
36	n.a.	0%	0%	0%	22%	0%	3%
37	78%	73%	96%	99%	96%	20%	37%
38	89%	84%	100%	97%	95%	67%	73%

	2011	2012	2013	2014	2015	2016	2017
39	60%	83%	78%	92%	92%	91%	90%
40	70%	80%	75%	82%	85%	89%	77%
41	13%	88%	100%	97%	100%	100%	100%
42	9%	2%	21%	12%	44%	25%	44%
43	0%	0%	0%	0%	0%	0%	0%
44	0%	0%	0%	0%	31%	0%	1%
45	n.a.	14%	n.a.	0%	n.a.	n.a.	n.a.
46	n.a.	0%	0%	83%	0%	0%	0%
47	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
49	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
50	100%	26%	0%	0%	100%	n.a.	0%
51	n.a.	0%	0%	n.a.	0%	0%	94%
52	25%	10%	4%	3%	29%	68%	34%
53	91%	70%	24%	0%	n.a.	0%	0%
54	90%	92%	95%	89%	92%	81%	89%
55	76%	94%	97%	96%	77%	94%	98%
56	77%	97%	99%	99%	98%	99%	98%
57	35%	55%	21%	9%	93%	74%	31%
58	28%	82%	90%	44%	86%	82%	81%
59	75%	83%	65%	65%	72%	71%	73%
60	63%	90%	92%	90%	86%	77%	94%
61	33%	63%	75%	73%	66%	39%	43%
62	20%	56%	50%	45%	38%	17%	41%
63	40%	63%	87%	84%	75%	74%	87%
64	19%	87%	67%	68%	4%	38%	33%
65	21%	32%	46%	82%	87%	60%	78%
66	0%	39%	57%	42%	85%	4%	8%
67	57%	9%	4%	0%	0%	0%	0%
68	14%	68%	78%	84%	83%	87%	92%
69	54%	79%	66%	79%	86%	90%	74%
70	32%	52%	58%	60%	43%	65%	79%
71	39%	50%	44%	27%	28%	38%	20%
72	76%	97%	97%	96%	99%	99%	99%
73	36%	48%	63%	74%	74%	61%	78%
74	56%	84%	94%	80%	98%	95%	95%
75	n.a.	n.a.	1%	7%	79%	n.a.	12%
76	59%	81%	86%	91%	86%	94%	86%
78	n.a.	0%	0%	100%	n.a.	70%	99%
79	0%	82%	61%	96%	93%	95%	0%
80	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
81	25%	75%	88%	85%	93%	62%	80%
82	29%	75%	91%	81%	91%	93%	93%
83	37%	73%	77%	82%	66%	75%	87%
84	41%	60%	65%	74%	71%	66%	82%

	2011	2012	2013	2014	2015	2016	2017
85	19%	43%	45%	51%	54%	53%	54%
86	n.a.	0%	n.a.	96%	n.a.	0%	0%
87	20%	74%	85%	93%	92%	94%	88%
88	47%	0%	0%	0%	0%	0%	66%
89	0%	0%	24%	0%	89%	97%	0%
90	25%	47%	27%	47%	43%	24%	15%
91	3%	82%	88%	72%	88%	67%	79%
92	31%	78%	84%	84%	82%	94%	84%
93	0%	0%	0%	37%	0%	6%	0%
94	30%	62%	66%	75%	72%	88%	83%
95	39%	75%	66%	54%	66%	64%	79%
96	13%	43%	68%	56%	62%	56%	56%
97	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Eurostat Easy Comext - Adjusted EU-EXTRA imports tariff regime by HS2-HS4, author's calculations.



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# Annex C: Survey

## Enquête over het gebruik van vrijhandelsverdragen door Nederland


<b>Status:</b>	Closed	<b>Partial completes:</b>	51 (44,7%)
<b>Start date:</b>	28-02-2018	<b>Screened out:</b>	0 (0%)
<b>End date:</b>	24-05-2018	<b>Reached end:</b>	63 (55,3%)
<b>Live:</b>	86 days	<b>Total responded:</b>	114
<b>Questions:</b>	45		
<b>Languages:</b>	en, nl		
<b>Panel</b>			
<b>Contact count</b>	220	<b>Partial completes:</b>	9 (52,9%)
<b>Bounced</b>	25 (11,4%)	<b>Reached end:</b>	8 (47,1%)
<b>Declined</b>	13 (5,9%)	<b>Responses:</b>	17 (7,7%)
<b>Non-contacts</b>			
<b>Responses:</b>	97	<b>Partial completes:</b>	42 (43,3%)
<b>Start page views:</b>	329	<b>Screened out:</b>	0
		<b>Reached end:</b>	55 (56,7%)

### 1. What type of company are you?

(Each respondent could choose only ONE of the following responses.)





























Response	Total	% of responses	%
Producer	56		49
Wholesale trader	19		17
Retail trader	4		4
Service provider	20		18
Logistics company	7		6
Other, please specify	8		7



**Total respondents: 114**  
**Skipped question: 0**



## 2. In which sector is your company active? For traders, logistics providers and consultants: which products do you trade or transport?




(Each respondent could choose MULTIPLE responses.)

Response	Total	% of responses	%
Live animals and animal products	6		5
Vegetable Products	11		10
Animal or vegetable oils and fats	6		5
Processed foods, beverages and spirits	10		9
Mineral products	9		8
Chemical or allied Industries	22		19
Rubber and plastic products	15		13
Raw hides, skins, and leather and furskins products	2		2
Wood and paper products	6		5
Textiles	6		5
Footwear, headgear, umbrellas and other accessoires	5		4
Articles of stone, plaster, cement, ceramics or glass	8		7
Base metals	3		3
Machinery, mechanical appliances, and electrical equipment	28		25
Vehicles, aircrafts, vessels and associated transport equipment	7		6
Other manufacturing	24		21
Air transport	8		7
Road transport	9		8
Water transport	5		4
Other transport services	4		4
Business services	4		4
Communication services	2		2
Construction	4		4
Defence	1		1
Health	1		1
Education	2		2
Public administration	1		1
Trade	9		8

Response	Total	% of responses	%
Other services	13		11
<b>Total respondents: 114</b>			
<b>Skipped question: 0</b>			






### 3. In which other manufacturing or services is your company active?

(Each respondent could write multiple open-ended responses of maximum 255 characters.)

Response	Total	% of responses	%
Other manufacturing	22		73
Other services	16		53
<b>Total respondents: 30</b>			
<b>Skipped question: 81</b>			




### 4. How many employees do you have in the Netherlands?

(Each respondent could choose only ONE of the following responses.)

Response	Total	% of responses	%
0-9	17		15
10-49	26		23
50-249	28		25
250 or more	40		36
<b>Total respondents: 111</b>			
<b>Skipped question: 0</b>			




### 5. Do you conduct business with countries outside the EU?

(Each respondent could choose only ONE of the following responses.)


Response	Total	% of responses	%
Yes	105		95
No	6		5
<b>Total respondents: 111</b>			
<b>Skipped question: 0</b>			

## 6. Why are you not trading with countries outside the EU?

(Each respondent could choose MULTIPLE responses.)














Response	Total	% of responses	%
No interest to trade outside the EU	1		25
Lack of business contacts	0		0
Language barriers	0		0
Lack of trade finance	0		0
Quality of infrastructure	0		0
Difficult procedures	0		0
Exchange rate risk	0		0
Lack of internal export organisation/capacity	0		0
Difficult product requirements	0		0
My product or service is not suitable for international trade outside the EU	1		25
Other, please specify:	2		50































**Total respondents: 4**  
**Skipped question: 100**

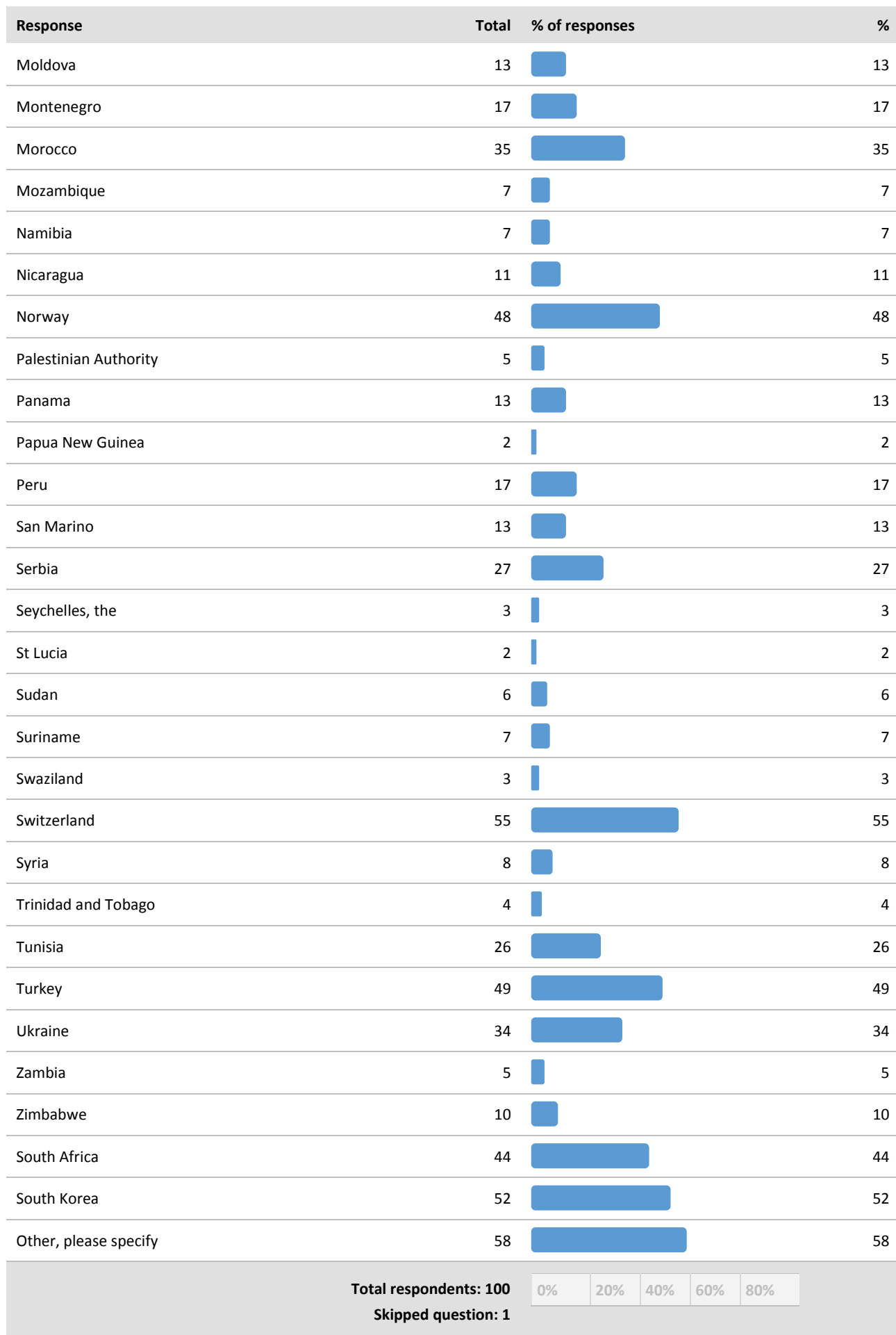


## 7. Please indicate with which countries outside the EU you are trading.

(Each respondent could choose MULTIPLE responses.)

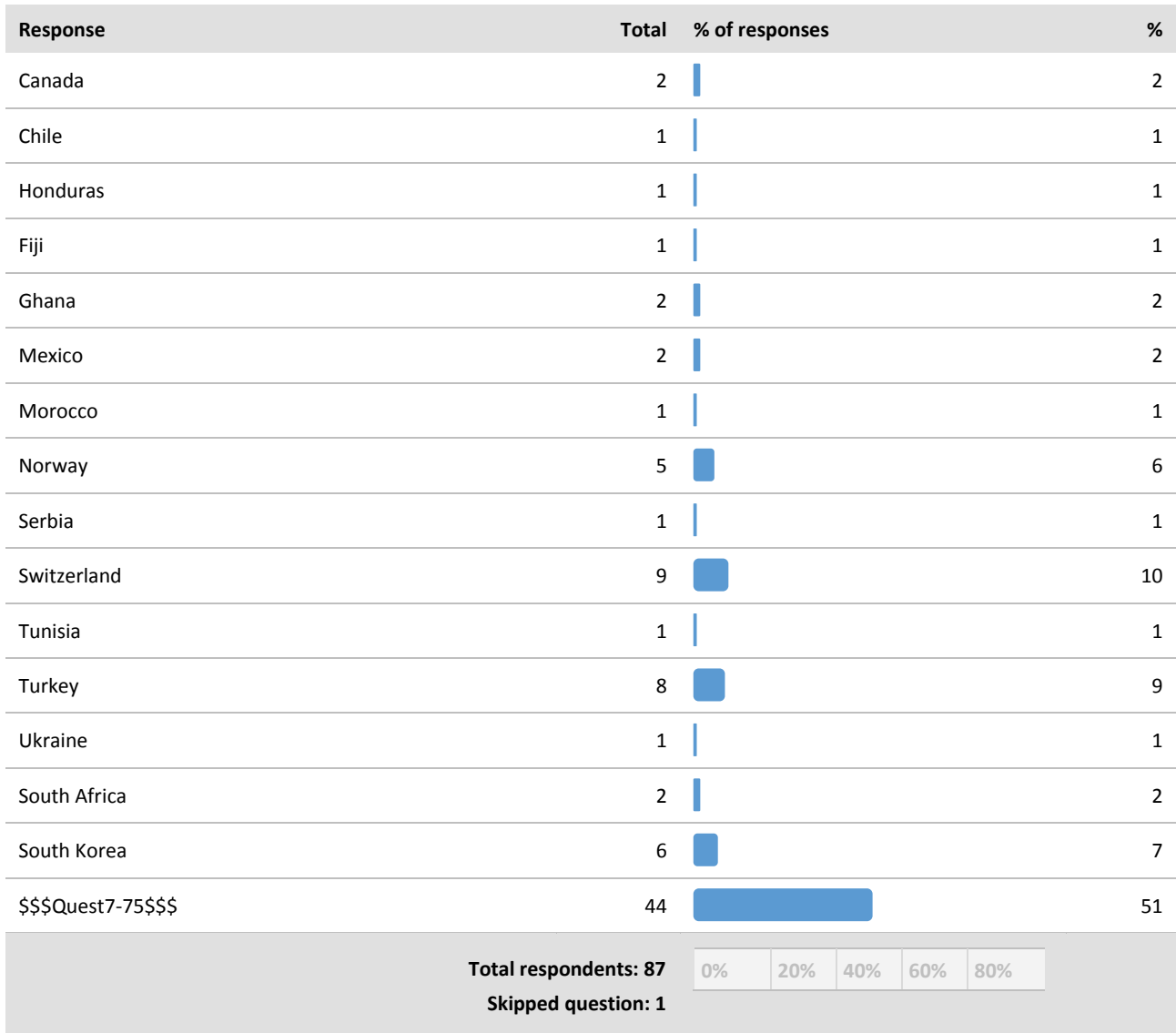
Response	Total	% of responses	%
Albania	12		12
Algeria	27		27
Andorra	11		11
Antigua and Barbuda	2		2
Bahamas	4		4
Barbados	4		4
Belize	3		3
Bosnia and Herzegovina	23		23
Botswana	3		3
Canada	40		40
Chile	27		27
Colombia	24		24
Comoros	3		3

Response	Total	% of responses	%
Costa Rica	14		14
Djibouti	5		5
Dominica	2		2
Dominican Republic	14		14
Ecuador	20		20
Egypt	38		38
El Salvador	7		7
Ethiopia	11		11
Faroe Islands	4		4
Honduras	10		10
Iceland	29		29
Fiji	2		2
Georgia	20		20
Ghana	15		15
Grenada	2		2
Guatemala	11		11
Guyana	6		6
Haiti	4		4
Israel	44		44
Côte d'Ivoire	13		13
Jamaica	8		8
Jordan	29		29
Cameroon	8		8
Kosovo	15		15
Lebanon	26		26
Lesotho	2		2
Macedonia	20		20
Madagascar	5		5
Mauritius	15		15
Mexico	35		35























**8. Please indicate the countries with which the international trade is most important for your company. Country 1:**

(Each respondent could choose only ONE of the following responses.)



## 9. Country 2:

(Each respondent could choose only ONE of the following responses.)

Response	Total	% of responses	%
Bahamas	1		2
Canada	4		7
Chile	1		2
Costa Rica	1		2
Egypt	2		3
Ethiopia	1		2
Iceland	1		2
Georgia	1		2
Ghana	1		2
Israel	2		3
Kosovo	1		2
Mexico	2		3
Norway	5		8
Serbia	1		2
Switzerland	6		10
Tunisia	2		3
Turkey	10		17
Ukraine	3		5
South Africa	5		8
South Korea	10		17

Total respondents: 60


















Skipped question: 28





### 10. Country 3:

(Each respondent could choose only ONE of the following responses.)






Response	Total	% of responses	%
Algeria	1		2
Canada	5		10
Colombia	2		4
Egypt	5		10
Ethiopia	1		2
Georgia	1		2
Israel	1		2
Lebanon	1		2
Mexico	4		8
Moldova	1		2
Morocco	2		4
Norway	6		12
Serbia	1		2
Switzerland	7		13
Turkey	3		6
South Africa	4		8
South Korea	7		13


**Total respondents: 52**  
**Skipped question: 36**



### 11. How are you involved in international business with \$\$\$Quest8\$\$\$?


(Each respondent could choose only ONE of the following responses.)


Response	Total	% of responses	%
Import	7		19
Export	16		43
Both import and export	11		30
Investment	1		3
Government procurement	0		0
I provide services in \$\$\$Quest8\$\$\$ or a service provider in \$\$\$Quest8\$\$\$ provides me services	2		5

**Total respondents: 37**   
**Skipped question: 27**

### 12. In which year did you start doing business with \$\$\$Quest8\$\$\$?



(Each respondent could write a single open-ended response of maximum 255 characters.)


Response	Total	% of total respondents	%
Open answer	27		24

**Total respondents: 27**   
**Skipped question: 37**

### 13. Do you know there is a Free Trade Agreement in place with \$\$\$Quest8\$\$\$?




(Each respondent could choose only ONE of the following responses.)










Response	Total	% of responses	%
Yes	29		78
No	8		22

**Total respondents: 37**   
**Skipped question: 27**

### 14. Which elements of this Free Trade Agreement are the most valuable for your business?

(Each respondent could choose MULTIPLE responses.)

Response	Total	% of responses	%
Preferential tariff rates	24		65
Opening quotas	2		5
Provisions on standards and conformity assessment procedures	3		8

Response	Total	% of responses	%
Protection of intellectual property	6		16
Better access to the government procurement market	2		5
Services trade	2		5
Investment protection	1		3
Custom procedures	20		54
Rules of origin	17		46
Sanitary and Phytosanitary Measures	2		5
I do not know	4		11
Other, please specify:	0		0
I see no benefits of the FTA	4		11

Total respondents: 37

Skipped question: 27



### 15. If you see no benefits of the FTA, could you please specify why?

(Each respondent could write a single open-ended response of maximum 2000 characters.)

Response	Total	% of total respondents	%
Open answer	1		1








Total respondents: 1






Skipped question: 63



### 16. Which barriers do you encounter when you want to make advantage of the Free Trade Agreement?


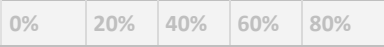
(Each respondent could choose MULTIPLE responses.)

Response	Total	% of responses	%
Limited information available	8		22
Information is difficult to understand	5		14
Product requirements	4		11
Customs requirements	12		32
The risks related to using preferential tariffs are high	2		5
The products I export do not comply with the rules of origin requirements	3		8
I am not aware how to obtain the preferences or have difficulties to comply with rules of origin in terms of administrative requirements	3		8

Response	Total	% of responses	%
Benefits do not outweigh the costs for obtaining preferences	1		3
I don't know	2		5
I do not encounter any barriers.	12		32
Other sector specific issues, namely:	1		3
<b>Total respondents: 37</b>			
<b>Skipped question: 27</b>			



**17. You specified that the risks related to using preferential tariffs are high. Could you please specify this?**

(Each respondent could write a single open-ended response of maximum 2000 characters.)

Response	Total	% of total respondents	%
Open answer	2		2
<b>Total respondents: 2</b>			
<b>Skipped question: 57</b>			

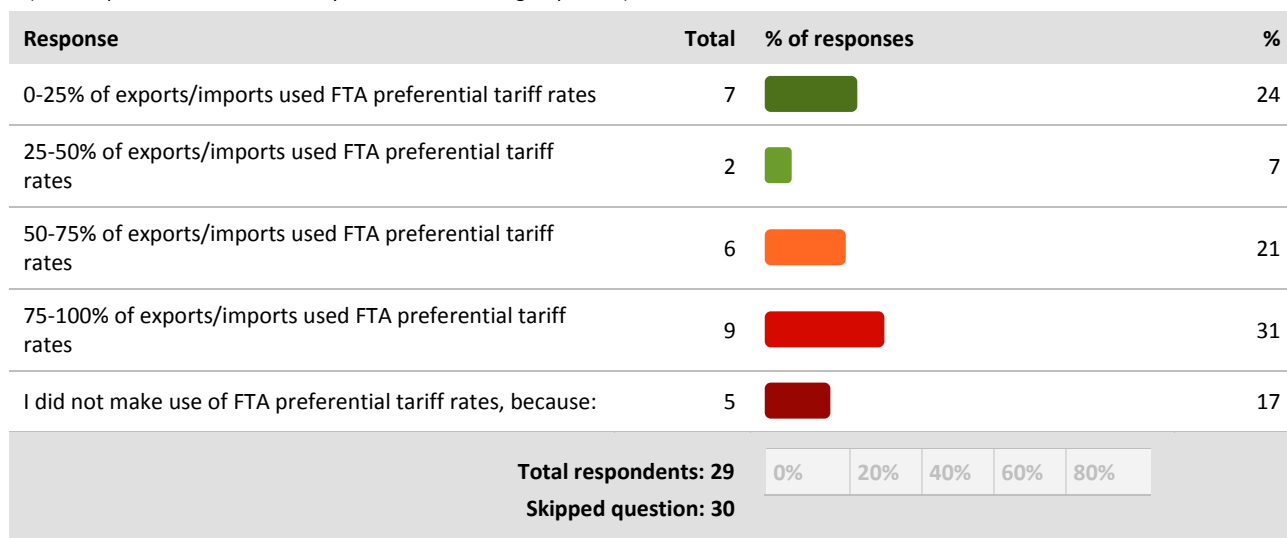
**18. The previous question asked for barriers you encounter in general when making use of the Free Trade Agreement. Are there any specific barriers for particular goods and/or services that your company is involved in?**

(Each respondent could write a single open-ended response of maximum 2000 characters.)

Response	Total	% of total respondents	%
Open answer	15		13
<b>Total respondents: 15</b>			
<b>Skipped question: 44</b>			

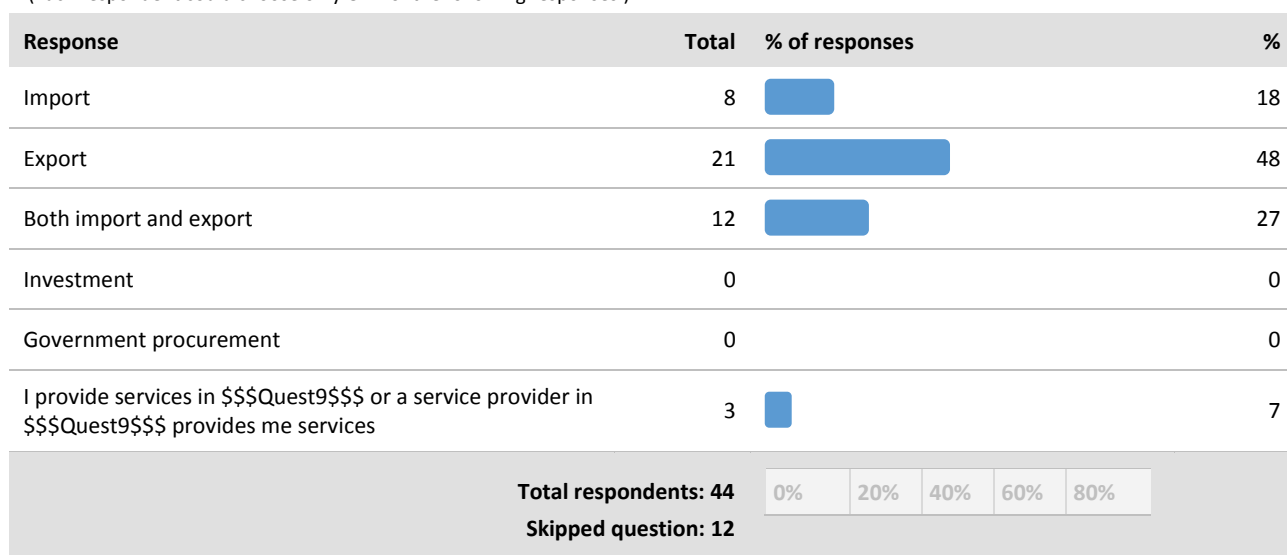
### 19. To what extent did you make use of this Free Trade Agreement with \$\$\$Quest8\$\$\$ in 2017 in terms of trading under preferential tariffs?

(Each respondent could choose only ONE of the following responses.)



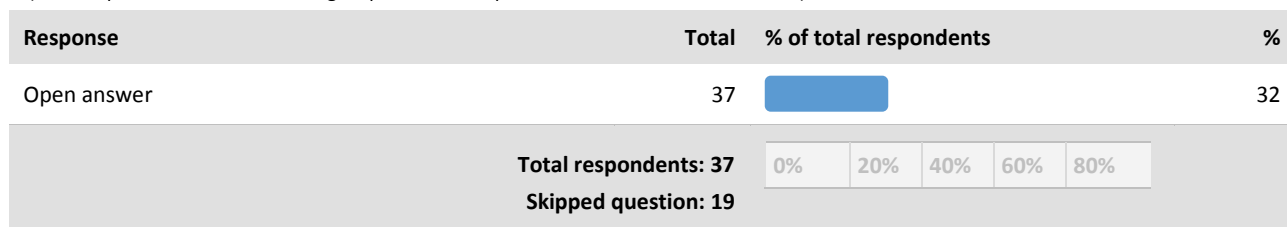
### 20. How are you involved in international business with \$\$\$Quest9\$\$\$?

(Each respondent could choose only ONE of the following responses.)





### 21. In which year did you start doing business with \$\$\$Quest9\$\$\$


(Each respondent could write a single open-ended response of maximum 255 characters.)



## 22. Do you know there is a Free Trade Agreement in place with \$\$\$Quest9\$\$\$?













(Each respondent could choose only ONE of the following responses.)


Response	Total	% of responses	%
Yes	37		84
No	7		16

**Total respondents: 44**   
**Skipped question: 12**

## 23. Which elements of this Free Trade Agreement are the most valuable for your business?


(Each respondent could choose MULTIPLE responses.)


Response	Total	% of responses	%
Preferential tariff rates	32		73
Opening quotas	3		7
Provisions on standards and conformity assessment procedures	3		7
Protection of intellectual property	5		11
Better access to the government procurement market	2		5
Services trade	3		7
Investment protection	2		5
Custom procedures	25		57
Rules of origin	24		55
Sanitary and Phytosanitary Measures	5		11
I do not know	5		11
Other, please specify:	2		5
I see no benefits of the FTA	0		0

**Total respondents: 44**   
**Skipped question: 12**

## 24. If you see no benefits of the FTA, could you please specify why?

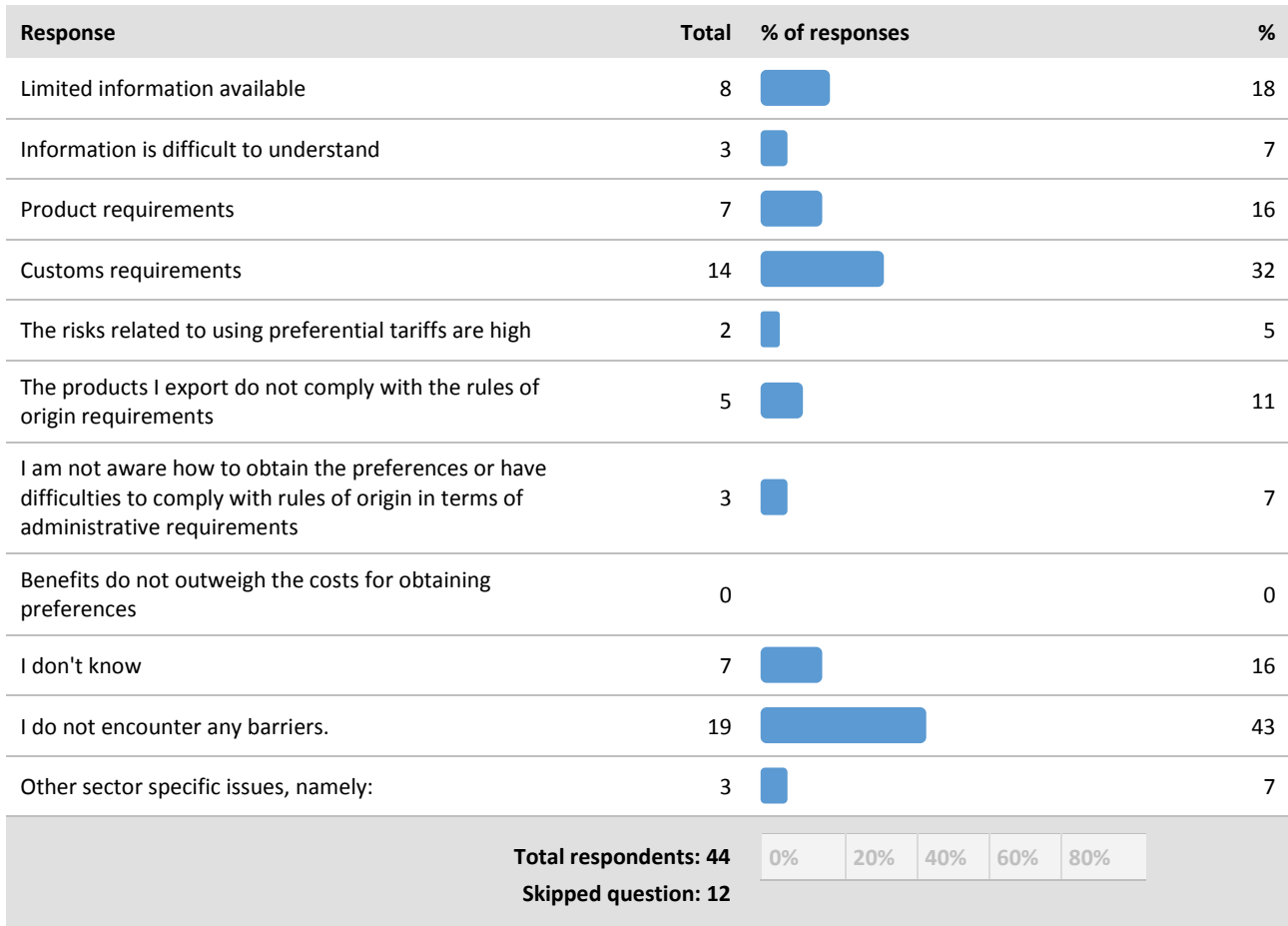
(Each respondent could write a single open-ended response of maximum 2000 characters.)

Response	Total	% of total respondents	%
Open answer	1		1

**Total respondents: 1**   
**Skipped question: 55**

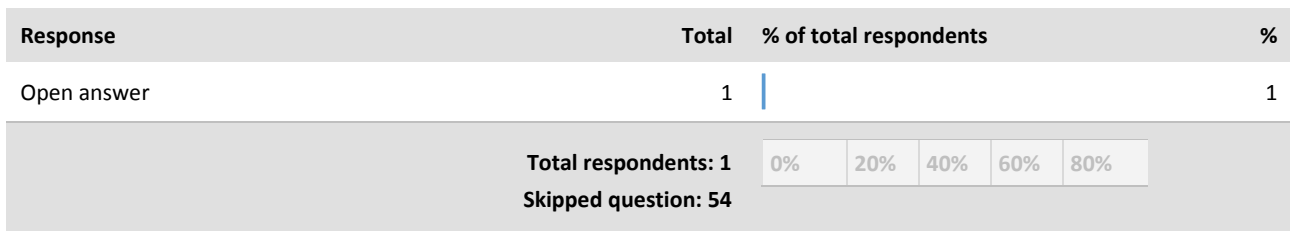
## 25. Which barriers do you encounter when you want to make advantage of the Free Trade Agreement?

(Each respondent could choose MULTIPLE responses.)



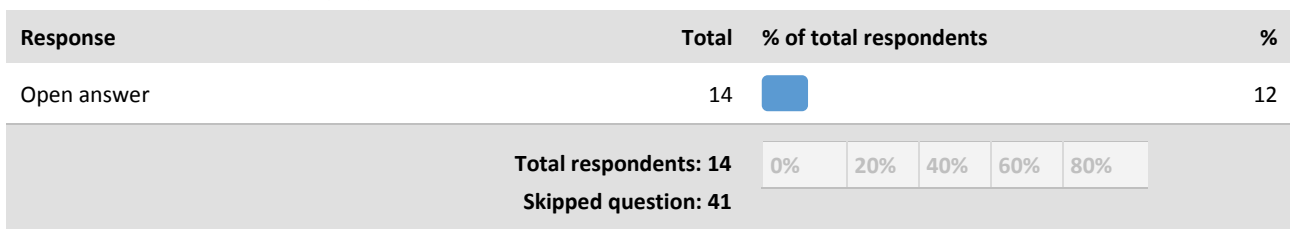
## 26. You specified that the risks related to using preferential tariffs are high. Could you please specify this?

(Each respondent could write a single open-ended response of maximum 2000 characters.)









## 27. The previous question asked for barriers you encounter in general when making use of the Free Trade Agreement. Are there any specific barriers for particular goods and/or services that your company is involved in?

(Each respondent could write a single open-ended response of maximum 2000 characters.)







## 28. To what extent did you make use of this Free Trade Agreement with \$\$\$Quest8\$\$\$ in 2017 in terms of trading under preferential tariffs?

(Each respondent could choose only ONE of the following responses.)

Response	Total	% of responses	%
0-25% of exports/imports used FTA preferential tariff rates	12		32
25-50% of exports/imports used FTA preferential tariff rates	2		5
50-75% of exports/imports used FTA preferential tariff rates	8		21
75-100% of exports/imports used FTA preferential tariff rates	9		24
I did not make use of FTA preferential tariff rates, because:	7		18
<b>Total respondents: 38</b>			
<b>Skipped question: 17</b>			



## 29. How are you involved in international business with \$\$\$Quest10\$\$\$?

(Each respondent could choose only ONE of the following responses.)

Response	Total	% of responses	%
Import	5		14
Export	24		65
Both import and export	8		22
Investment	0		0
Government procurement	0		0
I provide services in \$\$\$Quest10\$\$\$ or a service provider in \$\$\$Quest10\$\$\$ provides me services	0		0
<b>Total respondents: 37</b>			
<b>Skipped question: 16</b>			

## 30. In which year did you start doing business with \$\$\$Quest10\$\$\$

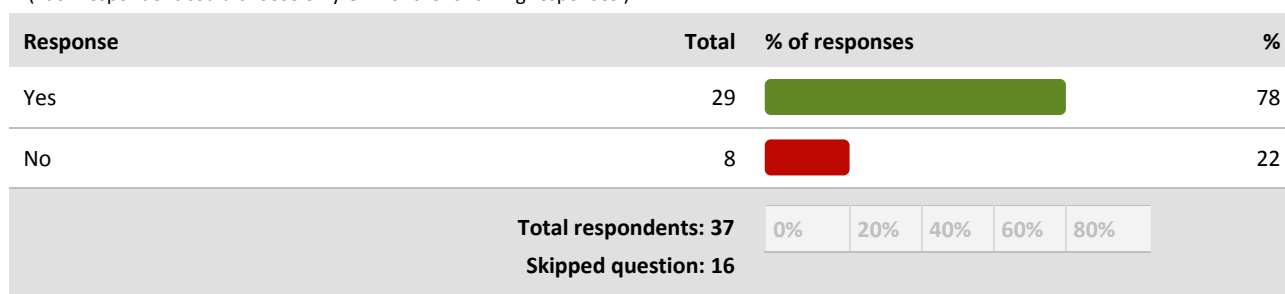
(Each respondent could write a single open-ended response of maximum 255 characters.)

Response	Total	% of total respondents	%
Open answer	29		25
<b>Total respondents: 29</b>			
<b>Skipped question: 24</b>			



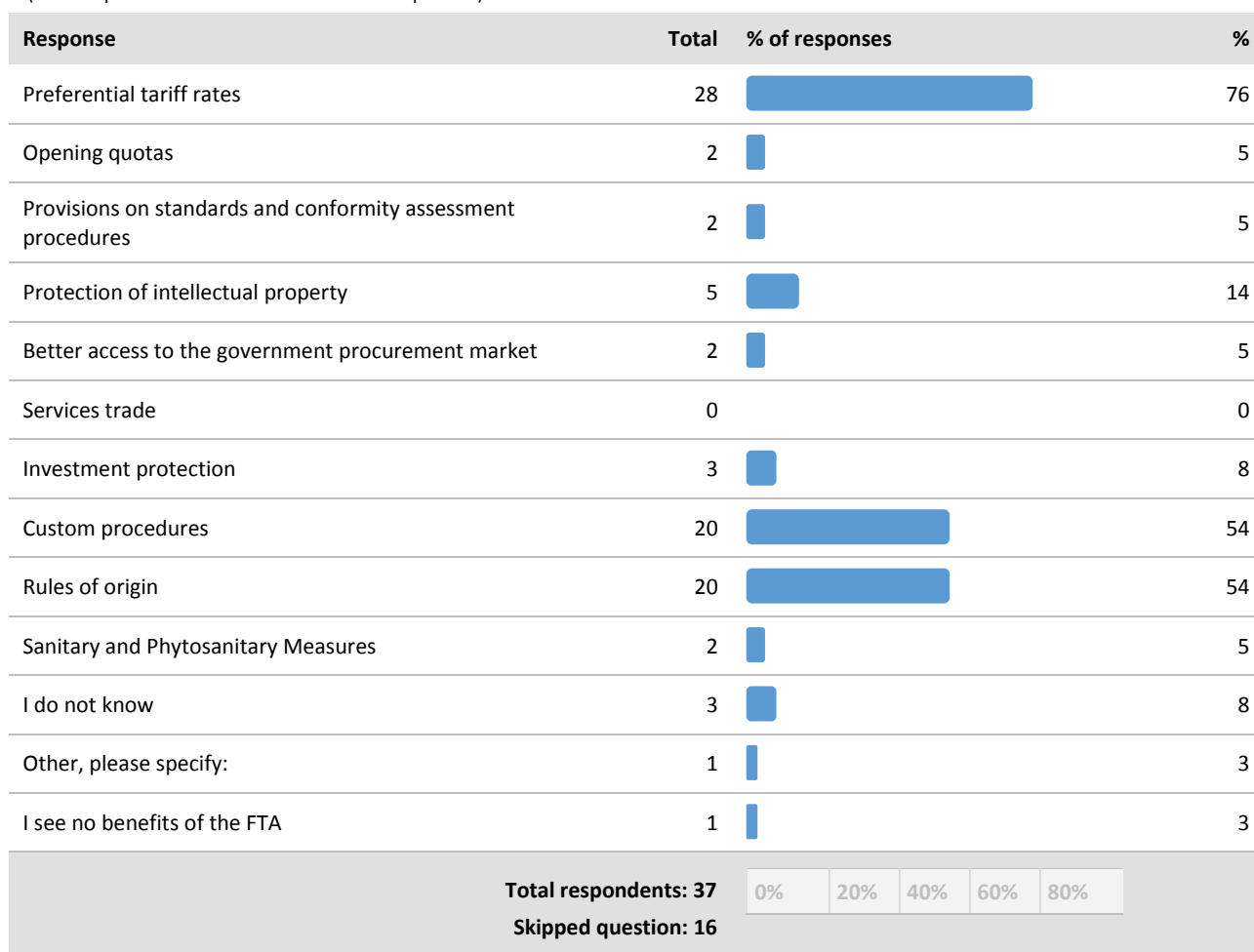
### 31. Do you know there is a Free Trade Agreement in place with \$\$\$Quest10\$\$\$?

(Each respondent could choose only ONE of the following responses.)




### 32. Which elements of this Free Trade Agreement are the most valuable for your business?

(Each respondent could choose MULTIPLE responses.)



### 33. If you see no benefits of the FTA, could you please specify why?










(Each respondent could write a single open-ended response of maximum 2000 characters.)

Response	Total	% of total respondents	%
Open answer	2		2

**Total respondents: 2**    0%    20%    40%    60%    80%  
**Skipped question: 51**

### 34. Which barriers do you encounter when you want to make advantage of the Free Trade Agreement?

(Each respondent could choose MULTIPLE responses.)

Response	Total	% of responses	%
Limited information available	8		22
Information is difficult to understand	4		11
Product requirements	5		14
Customs requirements	12		32
The risks related to using preferential tariffs are high	0		0
The products I export do not comply with the rules of origin requirements	2		5
I am not aware how to obtain the preferences or have difficulties to comply with rules of origin in terms of administrative requirements	5		14
Benefits do not outweigh the costs for obtaining preferences	0		0
I don't know	5		14
I do not encounter any barriers.	18		49
Other sector specific issues, namely:	1		3

**Total respondents: 37**    0%    20%    40%    60%    80%  
**Skipped question: 16**

### 35. You specified that the risks related to using preferential tariffs are high. Could you please specify this?

(Each respondent could write a single open-ended response of maximum 2000 characters.)

Response	Total	% of total respondents	%
Open answer	0		0

**Total respondents: 0**    0%    20%    40%    60%    80%  
**Skipped question: 52**

**36. The previous question asked for barriers you encounter in general when making use of the Free Trade Agreement. Are there any specific barriers for particular goods and/or services that your company is involved in?**

(Each respondent could write a single open-ended response of maximum 2000 characters.)

Response	Total	% of total respondents	%
Open answer	10		9
<b>Total respondents: 10</b>			
<b>Skipped question: 42</b>			

**37. To what extent did you make use of this Free Trade Agreement with \$\$\$Quest8\$\$\$ in 2017 in terms of trading under preferential tariffs?**

(Each respondent could choose only ONE of the following responses.)

Response	Total	% of responses	%
0-25% of exports/imports used FTA preferential tariff rates	8		24
25-50% of exports/imports used FTA preferential tariff rates	4		12
50-75% of exports/imports used FTA preferential tariff rates	6		18
75-100% of exports/imports used FTA preferential tariff rates	10		30
I did not make use of FTA preferential tariff rates, because:	5		15
<b>Total respondents: 33</b>			
<b>Skipped question: 19</b>			


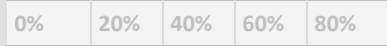
**38. Are there any cross-cutting barriers (not specific to one Free Trade Agreement) that prevent you from benefiting from the agreements?**

(Each respondent could choose MULTIPLE responses.)

Response	Total	% of responses	%
The differences in tariff regimes between FTAs	7		15
The differences in Rules of Origin requirements	13		28
The differences in standards, regulations and conformity assessment procedures between countries with an FTA	7		15
I do not see any cross-cutting barriers	12		26
I do not know	17		37
Other, please specify	4		9
<b>Total respondents: 46</b>			
<b>Skipped question: 6</b>			

### 39. Could you provide any recommendations regarding the content of the FTAs and what is needed to facilitate the use/ increase the benefits of these agreements?




(Each respondent could write a single open-ended response of maximum 2000 characters.)

Response	Total	% of total respondents	%
Open answer	18		16
<b>Total respondents: 18</b>			
<b>Skipped question: 34</b>			

### 40.1. Which information sources do you use to obtain information about Free Trade Agreements?

Customs in the Netherlands




(Each respondent could choose MULTIPLE responses.)

Response	Total	% of responses	%
1 Do you know this source?	37		95
2 Do you use this source?	33		85
<b>Total respondents: 39</b>			
<b>Skipped question: 13</b>			

### 40.2. Which information sources do you use to obtain information about Free Trade Agreements?

Customs abroad




(Each respondent could choose MULTIPLE responses.)

Response	Total	% of responses	%
1 Do you know this source?	19		90
2 Do you use this source?	17		81
<b>Total respondents: 21</b>			
<b>Skipped question: 31</b>			

### 40.3. Which information sources do you use to obtain information about Free Trade Agreements?

EU Market Access Database

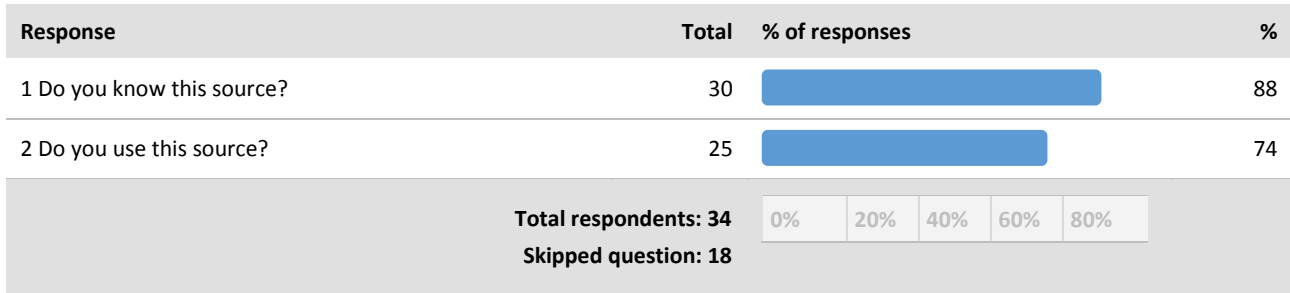
(Each respondent could choose MULTIPLE responses.)

Response	Total	% of responses	%
1 Do you know this source?	32		97
2 Do you use this source?	28		85
<b>Total respondents: 33</b>			
<b>Skipped question: 19</b>			

#### 40.4. Which information sources do you use to obtain information about Free Trade Agreements?

Chamber of commerce

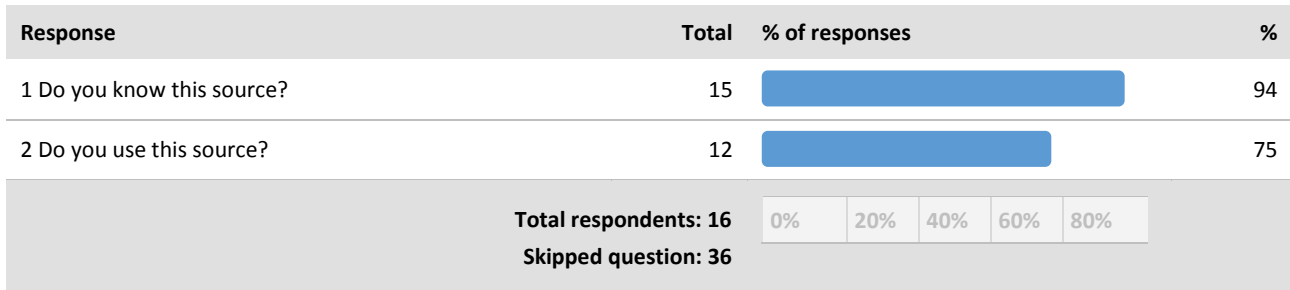
(Each respondent could choose MULTIPLE responses.)



#### 40.5. Which information sources do you use to obtain information about Free Trade Agreements?

Rijksdienst voor Ondernemend Nederland

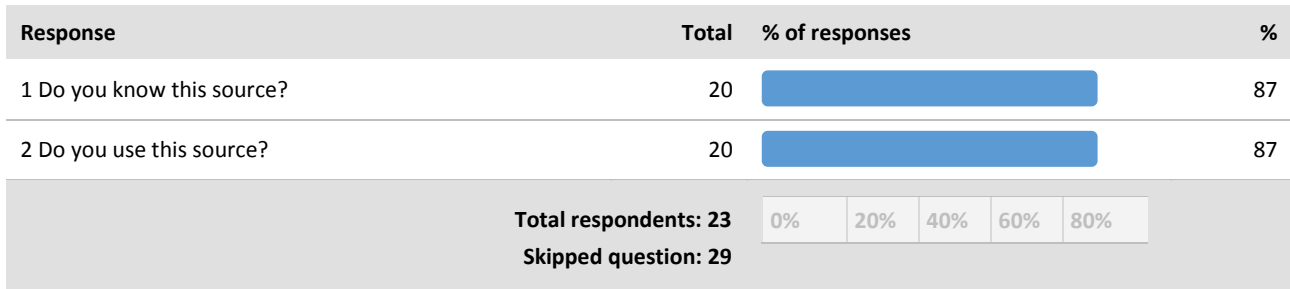
(Each respondent could choose MULTIPLE responses.)



#### 40.6. Which information sources do you use to obtain information about Free Trade Agreements?

Website European Commission

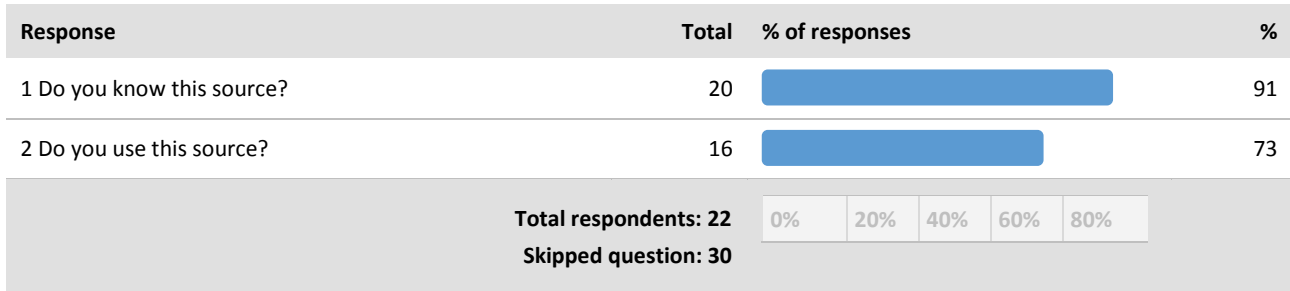
(Each respondent could choose MULTIPLE responses.)



### 40.7. Which information sources do you use to obtain information about Free Trade Agreements?

Rijksoverheid.nl

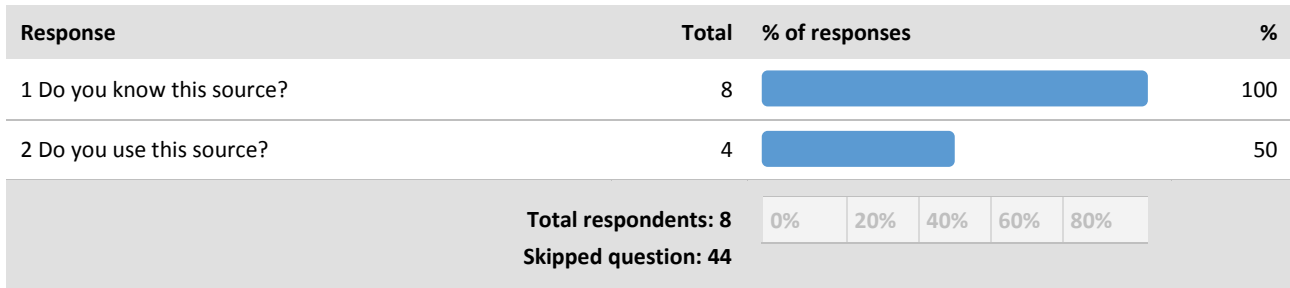
(Each respondent could choose MULTIPLE responses.)



### 40.8. Which information sources do you use to obtain information about Free Trade Agreements?

Ondernemersplein.nl

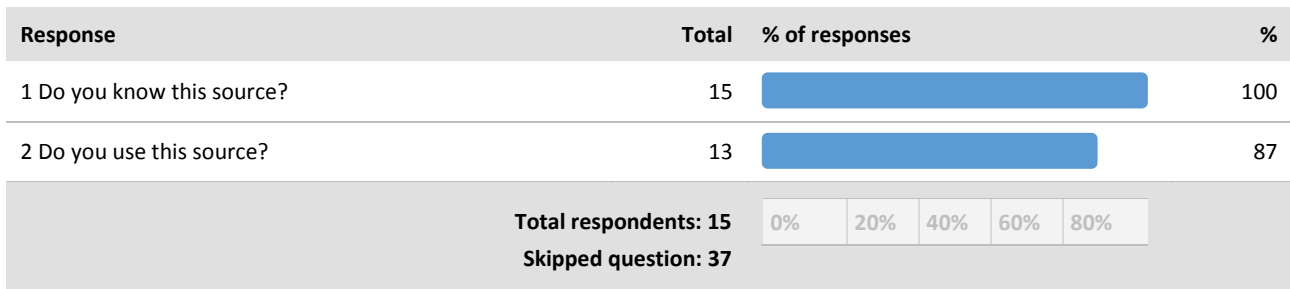
(Each respondent could choose MULTIPLE responses.)



### 40.9. Which information sources do you use to obtain information about Free Trade Agreements?

ECHO newsletter

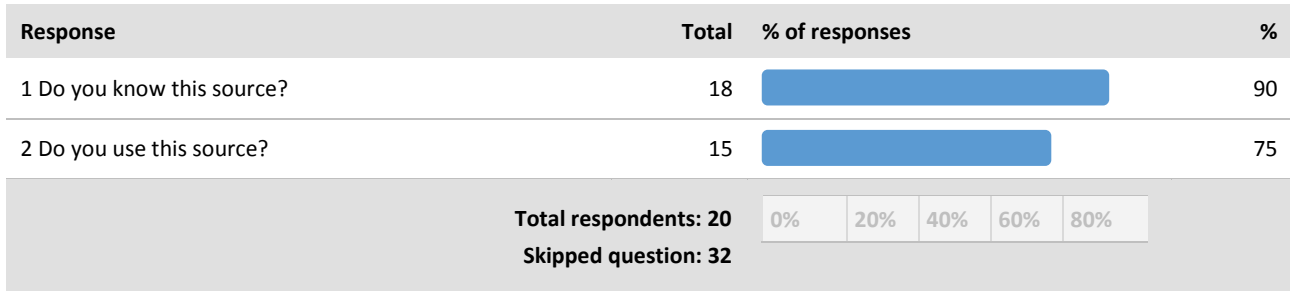
(Each respondent could choose MULTIPLE responses.)



#### 40.10. Which information sources do you use to obtain information about Free Trade Agreements?

Trade partner abroad

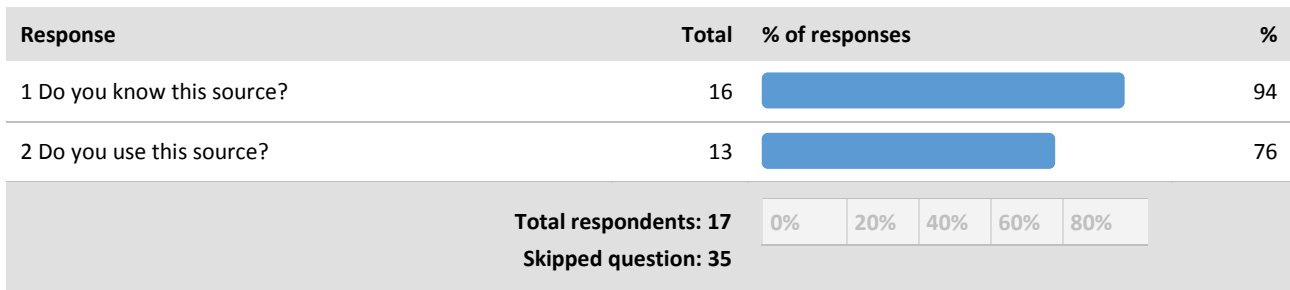
(Each respondent could choose MULTIPLE responses.)



#### 40.11. Which information sources do you use to obtain information about Free Trade Agreements?

Business association

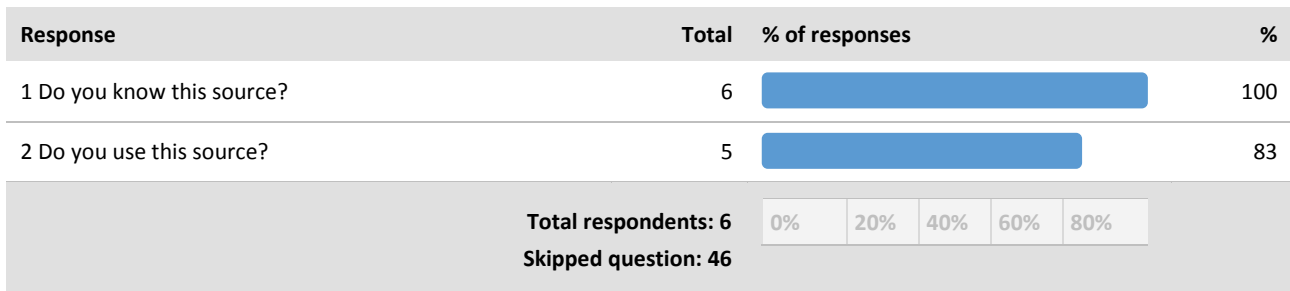
(Each respondent could choose MULTIPLE responses.)



#### 40.12. Which information sources do you use to obtain information about Free Trade Agreements?

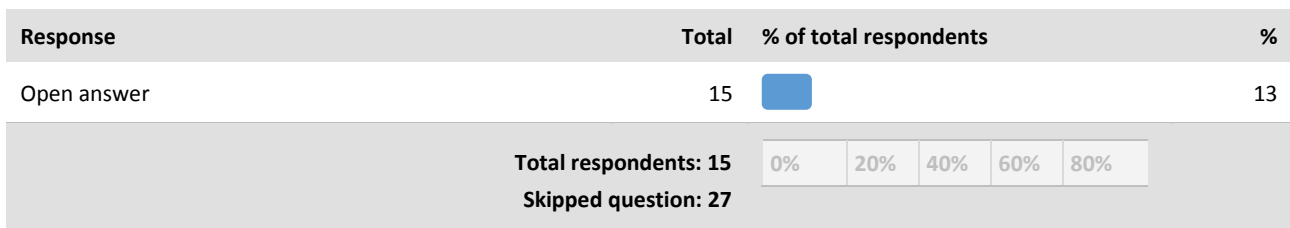
Other information source, please specify

(Each respondent could choose MULTIPLE responses.)





#### 41. Which business association(s) do you know or use to get information on Free Trade Agreements?

(Each respondent could write a single open-ended response of maximum 255 characters.)





#### 42. Which piece of information do you feel is currently lacking or difficult to find?

(Each respondent could write a single open-ended response of maximum 2000 characters.)

Response	Total	% of total respondents	%
Open answer	17		15
Total respondents: 17			
Skipped question: 23			



#### 43. Do you have any recommendations how the Dutch government could facilitate the use of Free Trade Agreements?

(Each respondent could write a single open-ended response of maximum 2000 characters.)

Response	Total	% of total respondents	%
Open answer	20		18
Total respondents: 20			
Skipped question: 20			





#### 44. Do you have any other comments or remarks?

(Each respondent could write a single open-ended response of maximum 2000 characters.)

Response	Total	% of total respondents	%
Open answer	13		11
Total respondents: 13			
Skipped question: 27			

#### 45. In case you feel you have more relevant information to share and would like to participate in a phone interview or roundtable discussion, or you would like to receive the study results, you can leave your contact details below (not mandatory).

(Each respondent could write multiple open-ended responses of maximum 255 characters.)

Response	Total	% of responses	%
Company name	30		100
Telephone number	23		77
Email adress	29		97
Total respondents: 30			
Skipped question: 0			





# About Ecorys

Ecorys is a leading international research and consultancy company, addressing society's key challenges. With world-class research-based consultancy, we help public and private clients make and implement informed decisions leading to positive impact on society. We support our clients with sound analysis and inspiring ideas, practical solutions and delivery of projects for complex market, policy and management issues.

In 1929, businessmen from what is now Erasmus University Rotterdam founded the Netherlands Economic Institute (NEI). Its goal was to bridge the opposing worlds of economic research and business – in 2000, this much respected Institute became Ecorys.

Throughout the years, Ecorys expanded across the globe, with offices in Europe, Africa, the Middle East and Asia. Our staff originates from many different cultural backgrounds and areas of expertise because we believe in the power that different perspectives bring to our organisation and our clients.

Ecorys excels in seven areas of expertise:

- Economic growth;
- Social policy;
- Natural resources;
- Regions & Cities;
- Transport & Infrastructure;
- Public sector reform;
- Security & Justice.

Ecorys offers a clear set of products and services:

- preparation and formulation of policies;
- programme management;
- communications;
- capacity building;
- monitoring and evaluation.

We value our independence, our integrity and our partners. We care about the environment in which we work and live. We have an active Corporate Social Responsibility policy, which aims to create shared value that benefits society and business. We are ISO 14001 certified, supported by all our staff.





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