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# **DRAFT REPORT**

on the Annual report on the implementation of the Common Commercial  
Policy  
(2017/2070(INI))

Committee on International Trade

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on the Annual report on the implementation of the Common Commercial Policy (2017/2070(INI))

*The European Parliament,*

- having regard to the Commission communication entitled ‘Trade for All: Towards a more responsible trade and investment policy’,
- having regard to its resolution of 5 July 2016 on a new forward-looking and innovative future strategy for trade and investment<sup>1</sup>,
- having regard to the Commission report of 13 September 2017 on the Implementation of the Trade Policy Strategy ‘Trade for All’ (COM(2017)0491),
- having regard to the Commission report of 9 November 2017 on Implementation of Free Trade Agreements 1 January 2016 - 31 December 2016 (COM(2017)0654),
- having regard to the State of the Union address by the President of the Commission Jean-Claude Juncker of 13 September 2017,
- having regard to its resolution of 15 November 2017 on multilateral negotiations in view of the 11th WTO Ministerial Conference in Buenos Aires<sup>2</sup>,
- having regard to its legislative resolution of 15 November 2017 on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2016/1036 on protection against dumped imports from countries not members of the European Union and Regulation (EU) 2016/1037 on protection against subsidised imports from countries not members of the European Union<sup>3</sup>,
- having regard to its legislative resolution of 16 March 2017 on the proposal for a regulation of the European Parliament and of the Council setting up a Union system for supply chain due diligence self-certification of responsible importers of tin, tantalum and tungsten, their ores, and gold originating in conflict-affected and high-risk areas<sup>4</sup>,
- having regard to its legislative resolution of 4 October 2016 on the proposal for a regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1236/2005 concerning trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment<sup>5</sup>,
- having regard to its resolution of 18 May 2017 on the implementation of the Free Trade Agreement between the European Union and the Republic of Korea<sup>6</sup>,
- having regard to Opinion 2/15 of the Court of Justice of the European Union (CJEU) of

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<sup>1</sup> Texts adopted, P8\_TA(2016)0299.

<sup>2</sup> Texts adopted, P8\_TA(2017)0439.

<sup>3</sup> Texts adopted, P8\_TA(2017)0437.

<sup>4</sup> Texts adopted, P8\_TA(2017)0090.

<sup>5</sup> Texts adopted, P8\_TA(2016)0369.

<sup>6</sup> Texts adopted, P8\_TA(2017)0225.

16 May 2017 on the Union competence to sign and conclude the Free Trade Agreement with Singapore,

- having regard to the Commission’s study of 15 November 2016 on the cumulative effects of future trade agreements on EU agriculture,
  - having regard to Articles 2 and 21 of the Treaty on European Union (TEU),
  - having regard to Articles 207, 208 and 218 of the Treaty on the Functioning of the European Union (TFEU),
  - having regard to Rule 52 of its Rules of Procedure,
  - having regard to the report of the Committee on International Trade and the opinion of the Committee on Development (A8-0000/2017),
- A. whereas the Common Commercial Policy comprises a body of trade agreements and legislative measures to safeguard the Union’s offensive and defensive trade interests, contribute to sustainable growth and job creation, ensure that EU rules and standards are observed, safeguard states’ right to regulate and citizens’ well-being, and promote EU values; and whereas adherence to these aims requires that Union trade policy be implemented fully and effectively;
- B. whereas the Union is the world’s leading commercial power and its exports sustain 31 million jobs in Europe, 67% more than in the mid-1990s;
- C. whereas the implementation phase is of crucial and fundamental importance in ensuring that Union trade policy is effective;
- D. whereas European companies use the reductions in customs duty available under trade agreements for approximately 70% of the exports that could potentially benefit from them, whereas the corresponding take-up rate among our trade partners is 90%, and whereas it is essential that European companies should utilise these advantages to the full in order to boost employment, growth and investment;
- E. whereas SMEs help to drive the European economy, accounting for 30% of the Union’s exports, and it is essential that they be fully involved in the implementation of EU trade policy;
- F. whereas the Union is the world’s largest exporter of services and its trade surplus in the services sector has increased tenfold since 2000, exceeding EUR 120 billion in 2016;
- G. whereas the questions raised in public debate about the Common Commercial Policy and the way it is implemented need to be answered clearly and precisely;
- H. whereas the Union’s trade policy must be consistent with its other external and internal policies;

### ***The current context***

1. Points out that the international context has changed profoundly since the Trade for All

strategy was published and that new trade challenges now need to be addressed; is concerned to see protectionist practices being pursued and reiterates its support for an open, balanced and rules-based trade system;

2. Takes note of the growing might of Asia and of the USA's gradual withdrawal on the trade front, generating uncertainty for trade internationally; calls on the Commission to adapt its trade policy to address developments at international level and to be more responsive;
3. Highlights the growing importance of services, especially digital services, and of e-commerce in international trade, and underscores the need to strengthen the international rules governing these sectors so as to secure real benefits for European consumers, improve European companies' access to international markets and safeguard the observance of fundamental rights throughout the world;
4. Emphasises that the United Kingdom's departure from the EU will have consequences for internal and external trade; calls on the Commission to take immediate steps to anticipate the impact of Brexit on the Union's trade policy so as to ensure continuity in its implementation;
5. Takes note of Opinion 2/15 of the CJEU, of 16 May 2017, establishing that, apart from the question of portfolio investment and the arrangements for investor-state dispute settlement, the Free Trade Agreement with Singapore lies within the exclusive competence of the Union; asks the Commission to clarify at the earliest possible date its decision on the structure of free trade agreements in the future, taking account of the limits of EU exclusive competence set by the Court ruling; points out that Parliament must be involved and must be kept fully informed, in a timely manner, at all stages in the negotiation and implementation of trade agreements;

#### *State of progress on the Union's trade negotiations programme*

6. Deplores the failure to reach agreement at the WTO ministerial meeting in Buenos Aires; reiterates its support for the multilateral system and calls on the Union actively to advance proposals for updated, multilateral rules; welcomes the entry into force of the Trade Facilitation Agreement; considers it regrettable that certain multilateral agreements are not being observed and calls on the Commission to work harder, within the WTO, on the effective implementation of multilateral rules and agreements;
7. Is concerned at the stand-off in plurilateral negotiations on the Trade in Services Agreement (TiSA) and the Environmental Goods Agreement; asks the Union to take the initiative to get the negotiations moving again;
8. Points out that the free trade agreements with Canada and Ecuador have entered into force provisionally and that those with Vietnam and Japan have been concluded since the Trade for All strategy was published;
9. Emphasises that the agreements concluded and the Union's ongoing and forthcoming bilateral negotiations represent opportunities for market access and the lifting of trade barriers; issues a reminder that priority must be given to the substance of the negotiations rather than their pace, that the aims of reciprocity and mutual benefit must

be guiding threads, that EU rules and standards cannot be watered down, and that public services including services of general interest, as well as audiovisual services, must be excluded;

10. Asks the Commission and Member States to update their negotiating mandates every five years to reflect the changing context and challenges, and to include review clauses in trade agreements to ensure that they are implemented as effectively as possible and that they are adaptable;
11. Points out that the Commission has announced on more than one occasion the launch of negotiations about investment with Hong Kong and Taiwan, and deems it regrettable that no such negotiations have yet begun;
12. Welcomes the publication by the Commission of its recommendation for a Council decision authorising the opening of negotiations for a Convention establishing a multilateral court for the settlement of investment disputes (MIC); highlights the importance to the European economy of internal and external investment and the need to ensure that EU investors abroad are protected; asks the Commission to pursue its work on the new system for ruling on investment disputes, which must be based, inter alia, on a guarantee of states' right to regulate and on transparency;
13. Urges that an updated and easily applicable rules-of-origin system be developed; considers it regrettable that no progress has been made on negotiating the Regional Convention on pan-Euro-Mediterranean rules of origin; reiterates its call to the Commission to draw up a report on the state of play with regard to rules of origin;
14. Points out that, in the implementation of Union trade policy, special attention needs to be paid to agricultural products and to the interests of European producers and consumers; emphasises that trade agreements, and notably the agreement with Japan, can open up new business horizons for the agrifood sector; highlights the importance of striking the right balance between protecting sensitive agricultural products and advancing the Union's offensive interests in relation to agrifood exports, with provision for, inter alia, transition periods and suitable quotas, and in certain cases for the exclusion of the most sensitive products; points out that it is essential to safeguard a robust system of health and plant-health rules while combating any form of discriminatory treatment in this area;

***The reciprocity principle as a pillar of Union trade policy and a guarantee of fair competition***

15. Welcomes the multiple references to the principle of reciprocity in the report on implementation of the Union trade strategy; reiterates that reciprocity must be a pillar of Union trade policy; emphasises the importance for the Union of having an international instrument on public procurement, and deplores the fact that the relevant proposal has been held up in the Council; takes the view that the Commission proposal on the monitoring of foreign investment could make for greater reciprocity in the area of access to markets;
16. Points out that trade policy must be implemented in such a way as to help ensure that companies can compete fairly on a level playing field; welcomes the adoption of the

new method for calculating anti-dumping duties in cases of distortion of competition in third countries; takes note of the interinstitutional agreement reached on the modernisation of trade defence instruments; highlights the importance of ensuring that these new instruments are implemented properly by intervening immediately to rectify any dysfunctions or abuses;

17. Considers it regrettable that the Commission report on the implementation of the trade policy strategy makes scarcely any mention of the task of coordination which needs to be undertaken with customs services; makes the point that trade policy must work to combat unlawful trading in order to keep EU companies competitive and to underpin consumer safety;

*Using effective cross-cutting measures to implement a trade policy that benefits everyone*

18. Calls for trade policy implementation to become an integral component of the Union's trade strategy;
19. Urges the Commission, in cases of dysfunction or hindrance or where a partner fails to observe a commitment, to make immediate use of the tools at its disposal, particularly through recourse to the disputes settlement procedure;
20. Calls on the Commission to invest more human and financial resources in improving the way that trade policy is implemented, and asks that a special trade policy implementation monitoring unit be set up within the Commission;
21. Urges the Commission and Member States to do more, particularly through the use of IT, to eliminate all administrative obstacles and red tape, to simplify technical procedures and to support companies taking steps to benefit from trade agreements and instruments;
22. Highlights the vital work done by Union delegations, in conjunction with Member State embassies, enabling swift and direct action to be taken to ensure that trade provisions are properly implemented; encourages the Commission and the EEAS to pursue their work in the field of economic diplomacy;
23. Asks the Commission to conduct a study of the cumulative impact of trade agreements, as a contribution to the evaluation of our trade policy and with a view to anticipating and amending its effects;
24. Highlights the fact that certain sectors may experience economic difficulties which are trade related; calls on the Commission and Member States to develop effective support policies in order to maximise the benefits and minimise the potential negative effects of trade liberalisation; asks the Commission, in this context, to reinforce the effectiveness of the European Globalisation Adjustment Fund;
25. Encourages the Commission to pursue and intensify its cooperation with international organisations and forums, including the G20, the United Nations, the OECD, the ILO and the World Bank, on the development of international standards, their implementation and the monitoring of trade;

### ***Analysis of the Commission's first Report on Implementation of Free Trade Agreements (FTAs)***

26. Welcomes the publication by the Commission of the first report on implementation of FTAs; asks the Commission to continue publishing the report annually and to cover the topic in greater depth, including interpretations of data, placing in context the figures published and providing additional qualitative information;
27. Points out that various elements of information, as well as figures, are missing from the report; asks the Commission to work more closely with the Member States and partner countries in order to obtain more data and information on the implementation of the agreements;
28. Is concerned by the fact that European companies are making relatively poor use of trade preferences by comparison with companies in partner countries; asks the Commission to determine the causes of the imbalance as quickly as possible and to address them; calls on the Commission and Member States to move swiftly on developing measures to give economic operators more information about the trade preferences provided for in the FTAs;
29. Invites the Commission to take a diversified approach to the various sectors studied and to set out the consequences of the implementation of trade agreements for those sectors which are considered sensitive;
30. Welcomes the announced introduction of implementation roadmaps for all trade agreements, and asks the Commission to involve all the interested parties in preparing them; calls on the Commission to set out intended objectives as well as specific criteria on which to base a clear evaluation, such as the state of progress on the removal of non-tariff barriers, the rate of use of quotas, or the situation with regard to regulatory cooperation; asks that the state of progress with the roadmaps be published to coincide with publication of the annual report on implementation of FTAs;
31. Points out that trade agreements, including trade chapters in association agreements, cannot come into force until they have been ratified by Parliament;

### ***Specific Common Commercial Policy provisions for SMEs***

32. Calls on the Commission to evaluate the entire toolkit for SMEs, with a view to developing a more integrated overall approach and a real SME internationalisation strategy, supporting them in becoming exporters; encourages the Commission to promote this approach in international forums;
33. Considers it regrettable that the Commission report on implementation of FTAs contains little information about SMEs; asks the Commission to devote a specific section of the report to how the implementation of trade agreements is affecting SMEs and how the SME-specific provisions are being used;
34. Asks the Commission to continue including SME-specific chapters and provisions in the trade agreements it negotiates and in its legislative proposals; emphasises that the simplification of rules of origin is a matter of great importance to SMEs and that SME-

specific provisions need to be negotiated to address the matter of small companies' access to public procurement markets abroad;

***The importance of public procurement market access and of the protection of geographical indications***

35. Notes that the protection of geographical indications is one of the Union's offensive points in trade agreement negotiations; highlights the finding in the report on implementation of FTAs that certain partners are not complying with provisions on the protection of geographical indications, and calls on the Commission to act without delay to ensure compliance with these provisions;
36. Points out that the Union's public procurement markets are the most open in the world; is concerned at certain partners' non-compliance with provisions on public-procurement market access, to the detriment of EU companies; asks the Commission to work to secure greater access to third countries' public procurement markets and to consider, as part of a range of measures, the introduction of rules along the lines of a 'Buy European Act', directed at third countries which give domestic companies priority access to their public procurement markets;
37. Asks the Commission to supply more information on how access to public procurement markets has changed over recent years, as well as relevant statistics, and to include specific information on the benefits derived from the protection of geographical indications;

***Effective trade policy implementation helps to promote and protect Union values***

38. Points out that the Common Commercial Policy contributes to the promotion of the values for which the Union stands, set out in Article 2 of the Treaty on European Union, and to the pursuit of the aims enumerated in Article 21, including the consolidation of democracy and the rule of law, respect for human rights, as well as fundamental rights and freedoms, equality, respect for human dignity and the protection of the environment and of social rights;
39. Calls on the Commission systematically to monitor the Generalised System of Preferences (GSP), particularly the GSP+, and to continue publishing reports every two years; calls on the Commission to work harder with beneficiary countries, the EEAS, the Union delegations, international organisations, companies, the social partners and civil society in order to improve its information gathering and provide more in-depth analysis of the monitoring exercise so that the implementation of all aspects of the system can be clearly evaluated;
40. Points out that the new-generation agreements include human rights clauses and sustainable development chapters, to be implemented comprehensively in their entirety in order to safeguard and promote the observance of human rights, the Union's values and high social and environmental standards; notes the evaluation of the sustainable development chapters included in the Commission report on implementation of FTAs; asks the Commission to develop a precise and specific method of monitoring and evaluating the implementation of these chapters, given that such an evaluation cannot be made on the basis of quantitative data only;

41. Welcomes the review of the Aid for Trade strategy and supports the aim of capacity building for developing countries so that they can take greater advantage of the opportunities offered by EU trade agreements; emphasises, too, that the strategy must help to promote fair and ethical trade;
42. Reaffirms its support for the inclusion in all future trade agreements of ambitious provisions on combating corruption; welcomes the inclusion of anti-corruption provisions in the ongoing negotiations on updating the EU-Mexico FTA;
43. Welcomes the fact that gender equality has been taken into account in the Commission's report on the implementation of its trade strategy; underscores the aim of ensuring that women benefit from trade to the same extent as men;
44. Welcomes the adoption of the Anti-torture Regulation and stresses the importance of ensuring that it is properly implemented and observed by our trade partners; supports the launching of the international Alliance for Torture-Free Trade;
45. Welcomes the adoption of the Conflict Minerals Regulation with its aim of contributing to more responsible management of the global value chain; calls on the Commission, Member States and other stakeholders to press ahead with preparations for the regulation's entry into force;
46. Emphasises that the Common Commercial Policy must be implemented in such a way as to ensure that the global value chain is managed responsibly; asks the Commission to continue including and promoting corporate social responsibility as part of its trade policy; reasserts its support for international initiatives such as the Bangladesh Sustainability Compact, and asks the Commission to concentrate as of now on the implementation of that initiative;
47. Repeats its call to the Commission to frame a proposal for banning the importation of goods produced using child labour or any other form of forced labour or modern slavery;

***EU trade policy implementation must be characterised by transparency and access to information***

48. Takes note of the Commission's work on transparency; calls on the Commission to publish more of the documents relating to the negotiation and implementation of agreements;
49. Calls on the Commission and Member States to develop a proper strategy for communication about trade policy and about each agreement, so that as much information as possible is transmitted and information is adapted for specific stakeholders, enabling them to benefit from the agreements; calls on the Commission and Member States to come up with measures for raising economic operators' awareness about agreements concluded and for sustaining dialogue on a regular basis with professional associations, companies and civil society;
50. Welcomes the publication by the Council of the negotiating mandates for the Transatlantic Trade and Investment Partnership (TTIP) and for the agreements with

Japan and Tunisia, as well as the Commission's publication of its draft negotiating mandates for agreements with Australia and New Zealand and for the creation of the MIC; calls on the Council and the Member States to publish all negotiating mandates, and on the Commission to publish all draft mandates for the opening of future negotiations; asks the Council and the Commission, when they are drafting and adopting negotiating mandates, to incorporate Parliament's recommendations;

51. Reiterates its request that Member States, Parliament, national parliaments, economic operators and representatives of civil society should be more closely involved in trade policy monitoring; calls on the Commission to publish an action plan and details of the 'Enhanced Partnership' model for the implementation of trade agreements;
52. Asks the Commission to improve the quality of the impact studies carried out for each trade agreement and to include in them sectoral and geographical analysis; stresses that better communication about the information contained in ex ante and ex post impact studies on trade agreements is essential;
53. Welcomes the announcement that a consultative group is being set up to monitor trade policy; stresses the importance of establishing the new body rapidly and in a public and inclusive way; asks the Commission to publish the consultative group's meeting and working documents on a regular basis;
54. Instructs its President to forward this resolution to the Council and the Commission, the national parliaments of the Member States, the European Economic and Social Committee and the Committee of the Regions.

## EXPLANATORY STATEMENT

Since the publication in 2015 of the Trade for All strategy, the context of the Union's trade policy has changed profoundly and new trade challenges now need to be addressed.

The past two years have seen the USA engaged in a gradual withdrawal from international trade and the multilateral system, while the trading might of Asia continues to grow. Within Europe, the UK gave notice on 29 March 2017 of its decision to leave the European Union following the referendum result. At the same time, the economic context has been coloured by the accelerated development of services and of e-commerce. Public debate about international trade has also become more voluble and members of the public have been asking many questions. We need to supply clear and precise answers in order to demonstrate that EU commercial policy is of benefit to companies and citizens.

A mid-term report on the Common Commercial Policy – and this is the first such document, compiled in response to a request from Parliament in its resolution of 5 July 2016 – is therefore welcome.

The present draft report is intended to provide a stock-taking of trade policy implementation and an assessment of what has been achieved. A further aim is to check whether the commitments entered into by the EU have been adhered to since the publication of the Trade for All strategy, analysing how the relevant measures have been implemented. The draft report covers the period from October 2015 to December 2017.

The rapporteur has focused, in her analysis, on four reference documents:

- the new Trade for All trade and investment strategy published by the Commission in October 2015
- Parliament's resolution of 5 July 2016 on a new forward-looking and innovative future strategy for trade and investment
- the Commission report on the state of progress with the Union's trade strategy, two years into its implementation, published on 13 September 2017 - COM(2017) 491 final
- the Commission report on the implementation of free trade agreements in the period 1 January 2016 to 31 December 2016, published on 9 November 2017 - (COM(2017)654)

She reflects on the main strands of the common strategy which EU trade policy must pursue.

The European Union, as the world's largest trading power, must implement its trade policy in such a way as to promote the interests of companies and citizens while at the same time pursuing the aim of fair and equitable trade for all, on the basis of a set of rules to be observed and a number of key principles, including that of reciprocity. The draft report includes an update on progress with the Commission's programme of multilateral, plurilateral and bilateral negotiations and on the instruments adopted to combat unfair competition.

There is emphasis too on the need for trade policy implementation and monitoring to become

integral components of the EU trade strategy. European companies are not making sufficient use of the benefits available under FTAs, whereas the rate of uptake of trade preferences by companies in partner countries is much higher. It is, however, crucial that the substance of the agreements should be applied and that economic operators and consumers should make full use of the EU instruments. The draft report includes an analysis of, and observations on, the Commission's first report on implementation of FTAs.

The rapporteur has also focused on the implementation of specific trade strategy provisions which are offensive elements of the EU approach and must be adhered to. These include the recognition and protection of geographical indications, access to public procurement markets, given the extent to which these markets are open in the EU, and the inclusion of specific provisions for SMEs.

Through the implementation of the trade agreements and instruments, trade policy also contributes to the promotion of the values for which the Union stands, as set out in Article 2 of the Treaty on European Union, and it should foster responsible management of the value chain. The rapporteur therefore considers, too, the instruments put in place by the Commission since 2015 and the actions taken to pursue those aims.

Lastly, she highlights how essential it is to make the implementation of the Common Commercial Policy more transparent, particularly during the negotiation of trade agreements. Better communication about trade policy at both EU level and national level will also help to enhance the transmission of information to stakeholders.