



29.1.2016

WORKING DOCUMENT

on a new forward-looking and innovative future strategy on trade and investment

Committee on International Trade

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Global value chains (GVCs)

It should be underlined that by aiming at integrating the EU even further into the GVCs the Commission is setting a clear key objective: to quickly increase trade liberalization. And this has to be seen in connection with the worrying fact that the Commission does not propose to modernise the Union's trade defence system.

The Commission's intention to integrate the EU much more into GVCs must be driven by the dual principles of on the one hand safeguarding the European social and regulatory model and on the other hand securing and creating sustainable economic growth and jobs in Europe. Moreover, trade policy must ensure a transparent production process along the whole value chain as well as the compliance of production and products with fundamental environment, social and safety standards. **It must be ensured that value chains contribute to sustained and sustainable growth, here as well as in Europe's partner countries.**

A **better protection of the entire spectrum of intellectual property rights (IPR)** and a more effective enforcement is of fundamental importance for further integration into the GVC.

Flanking policies

It is clear that further trade liberalisation will come along with spillover risks. **Open trade and investment policies need a range of flanking policies in order to maximise the gains and minimise the losses.** Much more needs to be done to complement trade opening by a range of supporting policies in order to ensure inclusive growth – such as education, active labour market policies, supporting research and development, infrastructure development and social protection. These policies are essential to facilitate adjustment, inclusion and capacity to benefit from trade liberalisation. **The Commission and the Member States need to find more sophisticated ways of introducing mitigating measures to redevelop industries and regions that lose out.** In this respect the European Globalisation Adjustment Fund (EGF) could be an important instrument if **reformed and shaped** in a way that it is adequately funded and it is not only an instrument which reacts to damages caused by trade but it should also be a tool which can be used in order to exploit the opportunities that trade and investment agreements offer.

Trade Defence Instruments (TDI)

Further trade liberalisation requires the EU to be able to respond even more to unfair trading practices in order to ensure that there is a level playing field. TDI must remain an indispensable component of the EU's trade strategy. The current EU trade defence body of legislation dates back to 1995. Therefore, the Union's trade defence system needs to be modernized urgently. EU trade defence law must be more effective, adapted to today's challenges and trade patterns and also increase transparency and predictability. The EP regrets that the Commission does not refer at all to the TDI modernisation in its Communication "Trade for all". The Commission needs to boost its efforts regarding TDI Modernisation urgently especially in a moment where China is firmly requesting the recognition of Market Economic Status (MES).

Effective TDIs are also fundamental tools to address unfair trading practices and as well as protectionist and discriminatory measures against EU companies in markets that are out of our bilateral negotiating scope.

China Market Economic Status (MES)

It should be clear that EU should speak with a single voice stating that China is not

fulfilling, for the time being, the EU five technical criteria for defining a market economy, and the importance to define a common strategy to reinvigorate and apply our anti-dumping procedures on various products suffering from the strong trade distortion caused by Chinese exporting companies. It is useful to recall that of all targeted countries in EU anti-dumping and anti-subsidy investigations, China represents around 80%. **The Commission shall not take any measures without a prior deep and comprehensive impact assessment tackling all the possible effects and consequences this choice might have.**

Industrial policy

Unfortunately not enough has been done to comprehensively address European industries' needs. The EU manufacturing sector is too often placed behind the services and financial sectors. Trade policy has to ensure a level playing field for the European industry. Clear steps must be taken to ensure coherence between the Union's trade and industrial policy. One of the objectives of an innovative future trade and investment policy should be **to promote the development and competitiveness of European industry on the world stage, developing business areas and defining strategic growth markets.**

Services

To include services in trade agreements is of the utmost importance as it gives opportunities to European service companies and domestic employees. That is why an ambitious, comprehensive, balanced and multilateral Agreement in Services, which should unleash the untapped potential of a more integrated global services market while preserving the right to regulate on public services, is an important step in the right direction. The EU plays a leading role in the **financial services** sector. Consequently, the opening up of new market opportunities for EU financial services providers must be an essential element of the EU's international trade strategy; bearing in mind, that new commitments must not jeopardise the EU financial regulation.

While restrictions to **mobility** may impair benefits of trade and investment agreements the EP underlines that any current and future **Mode 4 commitments** must only apply to the movement of highly-skilled professionals for a specific purpose, for a limited period of time and under precise conditions stipulated by the domestic legislation of the country where the service is performed and by a contract respecting such domestic legislation, rejecting any substantial changes to the Mode 4 rules as defined in the GATS. Labour mobility chapter should be included in all EU trade and investment agreements.

Corruption, tax fraud, tax evasion and money laundering

The inclusion of provisions relating to financial services in trade agreements has, recently given rise to concerns regarding their potential negative effects where money laundering and tax evasion are concerned. The EP therefore supports the Commission in its fight against corruption as outlined in the trade and investment communication. **Clauses on double taxation, corruption, tax fraud, tax evasion, aggressive tax planning and money laundering should be included in all trade agreements.**

Sustainable Development

Trade and investment agreements can be a powerful means to strengthen sustainable development, promote human rights, labour and social standards and environmental sustainability worldwide. The EP is of the opinion that trade policy is not an end in itself. Trade should not only be free, but fair for all involved. This means much more than simply

cutting tariffs: It also includes strengthening labour rights and consumer protection, as well as achieving sustainability goals and protecting the environment for the benefit of the people in Europe and in our partner countries.

The EU must stand at the forefront when it comes to the promotion of sustainable development via trade policy. The systematic inclusion of Sustainable Development chapters in EU trade and investment agreements is of key importance. Provisions on human rights, social and environmental standards, a binding chapter on labour rights, corporate social responsibility, have to be an essential part of EU-trade agreements. Moreover, labour and environmental standards are not limited to the trade and sustainable development chapter but are equally included in other areas of trade agreements such as investment, trade in services, regulatory cooperation and public procurement.

Transparency

The EP welcomes attempts to increase transparency and openness at all stages of the negotiation and fully supports the approach of the European Commission's transparency initiative. The Commission has made efforts to enhance transparency of certain negotiations by providing more Members access to classified negotiating documents, classifying less documents and providing more information to stakeholders. Enlarged access to classified information by Members of the EP in TTIP has strengthened Parliamentary scrutiny, thereby, allowing the EP to assume even better its responsibility under the Common Commercial Policy. **Based on the results of the TTIP transparency initiative, the EP calls for a widening of the Commission's transparency initiative extending it to all on-going negotiations.** The involvement of civil society and trade unions is also crucial in order to strengthen the legitimacy of trade policy and to improve the content.

This is even more important as the Commission proposes in its Trade for all-Communication an 'enhanced partnership' with the EP and stakeholders for the implementation of trade agreements. This initiative is highly welcomed. But if it is to be effective Parliament would need to receive full information. Enhanced partnership means also not requesting provisional application of trade agreements including trade chapters of association agreements before the EP gives its consent on those agreements, as to do otherwise would seriously undermine EP's rights in this regard.

Implementation

The monitoring, evaluation and follow-up of existing agreements must become a key priority of the CCP.

Parliament has the right to receive full information at all stages of the procedure. This not only includes the negotiation and conclusion of international agreements, but also the implementation stage. **The Commission is under an obligation to inform Parliament about its activities concerning the implementation, monitoring and follow-up of trade and investment agreements through a regular and direct flow of information.** To focus on the implementation of trade agreements is not only important to prevent the introduction of new non-tariff barriers but it also enables lessons to be drawn from the implementation phase which could be applied when defining future negotiations and thereby enhance the legitimacy of the EU's trade policy. **Parliament calls on the European Commission to present an annual report on the implementation of its trade strategy.** The Commission should increase the resources of DG Trade to monitor better the series of trade agreements which need to be implemented.

World Trade Organisation (WTO)

The multilateral trading system embodied in the WTO remains the first best option for guaranteeing an open, fair and rules-based system which takes account of and balances the many varying interests of its members. The EP is and always has been a strong advocate of the multilateral agenda, believing it to be the best way of ensuring that global trade can be advanced for the benefit of all. But the WTO today remains blocked and it is up to the **EU to urgently take the initiative in reforming and strengthening it in order to bring to it more effectiveness, more transparency and more accountability.** The EU should continue to support the joint initiative of the EP and of the Inter-Parliamentary Union (IPU) to develop a parliamentary dimension to the WTO, in order to strengthen the democratic legitimacy of the global trade policy.

The EP considers plurilateral negotiations within the WTO such as the Information Technology Agreement (ITA) and the Environmental Goods Agreements as the second best option. Parliament welcomes the Commission's intention to propose that a subset of WTO members can advance on a given issue but underlines the importance of keeping the door open for interested WTO member to join.

Trade policy should also be used as a tool for increasing competitiveness of environmentally beneficial products. In this respect, the aim should be not only to multilateralise the "Green Goods Initiative", but also to consider, whether bilateral or unilateral trade agreements could provide premium preferences for environmental goods

Regional and bilateral agreements

Trade negotiations must follow a tailor-made regional trade strategy - especially vis-à-vis Asia, Africa and Latin America which have been identified by the Commission as regions that are crucial to European economic interests. Regional and bilateral free trade agreements will increase as long as the multilateral route of the WTO remains blocked. But before opening more and more FTA negotiations **the priority must be to conclude in a balanced way the ongoing trade negotiations and to ensure that the potential benefits of the trade agreements which have already been concluded become reality.**

Given the current talks on the Transatlantic Trade and Investment Partnership (TTIP) and the EU-Japan FTA, it is of high importance to focus on core sensitive issues such as **the protection of Geographical indications (GIs) and Public Procurements.** All new FTAs concluded by the EU should be WTO-compatible and comprehensive. A particular attention should be given to our investment agreements with third countries such as China and Taiwan. Trade is an important tool to tackle migration. In this respect a special focus should be put on the trade relations with the Mediterranean countries.

With a view to the very ambitious EU trade agenda it is **fundamentally important that EU trade agreements are managed in a sound way.** Therefore, **the quality of both, the ex-ante and the ex-post assessments has to be improved.** It is a step into the right direction that every significant initiative in the field of trade policy shall be the subject of a deep sustainability impact assessment. The possible impact on SMEs but also on human, labour and environmental rights has to be systematically addressed in the trade sustainability impact assessments. It is worrying that there is a lack of interim and ex-post assessments and that the quality of the existing ones is very low as demonstrated in the European Court of Auditors Special Report 02/2014. **High quality interim and ex-post evaluations should be carried out in respect of all trade agreements in order to allow policymakers, stakeholders and European taxpayers to assess whether trade agreements have brought the intended results.** The EU would stand to gain from allocating sufficient resources for interim and ex post assessments.

Internationalisation of SME's

A forward looking trade policy is also about paying greater attention to the specific needs of SMEs and ensuring that they can fully benefit from trade and investment agreements. Today, only a small share of European SMEs is able to identify and exploit the opportunities that globalization and trade liberalization offer. Unfortunately only 13 % of European SMEs have been internationally active outside the EU. **The EP supports initiatives to facilitate the internationalisation of European SMEs and commends the Commission's intention to specifically address SMEs needs in all trade agreements.** The inclusion in all FTAs of a dedicated SME chapter can provide the tools to allow smaller companies to access relevant information on the opportunities and advantages available. Moreover, European SMEs need a faster access to anti-dumping procedures as key to better protecting them from unfair trade practices by trade partners. In addition to this, the EU should aim at a reform of the multilateral framework for involving SMEs at the WTO and for ensuring faster arbitration and settlement of disputes for SMEs.

But before developing further instruments to support the internationalisation of SMEs **the Commission should assess and improve the existing tools and ensure sufficient controls and oversights of the numerous activities on the European level.** However, new ways need to be explored on how to support SMEs best in their efforts to sell their services around the globe. SMEs need a more tailor-made support and that starts already at home, in the respective Member State.

Investment

The Commission's proposal to replace the ISDS mechanism by an Investment Court System (ICS) including the establishment of a fully-fledged, permanent International Investment Court in all ongoing and future EU investment negotiations, starting with the TTIP is currently under discussion among business corporations and civil society representatives. **The EU should take the outcome of this discussion into consideration. There are still concerns resulting from the lack of clarity regarding the "right to regulate".**

Public procurement

The Commission needs to go even further in seeking an ambitious and reciprocal opening-up of international public procurement markets while all public services have to remain excluded. European economic operators, but especially European SMEs, need better access to public contracts in third countries. The aim should **be to eliminate the imbalance which exists with regard to the degree of openness of public procurement markets between the EU and other trading partners.**

Resources

Access to resources, including energy sources, on equal terms is of vital importance for fair competition on the global market. The Commission is on the right track by proposing an energy and raw materials chapter in each trade agreement. European trade policy needs to pursue a consistent, sustainable, comprehensive and cross-policy strategy concerning raw materials as already outlined by Parliament in its report on a "New Trade Policy for Europe under the Europe 2020 Strategy".

Customs and trade

The Commission communication does not underline the importance of customs procedures and practises within multilateral and bilateral trade agreements. Better and more efficient

custom procedures in Europe and abroad, could help to facilitate trade and to meet respective agreements' trade facilitation requirements. **Functional and harmonised customs could help in the fight against counterfeiting of goods entering the single market, distorting EU economic growth and seriously exposing EU consumers.** Issues of transit, the phytosanitary and veterinary controls, but also where customs and transport operations interact, as they frequently do at ports and borders, are concerns related to the implementation of EU trade agreements.

Trade agreements and the following decline of tariff-rates, exposes Customs to more concerns on security and protection.

Therefore adequate communication and strong coordination is essential.

Trade concern should also cover the custom control of supply chains, recognising the part played by business in orchestrating global production and the movement of goods.

It might be advisable for the European Institutions to consider and agree key performance indicators against which they wish to assess the performance of customs administration at home and abroad. At present there is very little public data available.

It would be useful to understand how customs and other border agencies are performing at home as well as amongst trade partners on an ongoing basis to share best practices and trade facilitation specific interests within the European Institutions - reflecting on the provisions of the WTO Trade Facilitation Agreement, Article 13.