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NOTE

from:	General Secretariat of the Council
to:	Delegations
Subject:	Partial summary of the meeting of the European Parliament **Committee on International Trade (INTA)** held in Brussels on 6 and 7 May – Items 4 to 9 and 11 to 21 on the agenda Chair: Mr Lange (S&D, DE)

- **INTA held an exchange of views with Commissioner MALMSTRÖM who presented fresh suggestions to resolve disputes arising between foreign investors and states on the implementation of TTIP. MEPs from the EPP, S&D, ECR and ALDE groups broadly welcomed the Commission's new proposals and in particular the concept of an international investment arbitration court. S&D considered it a step in the right direction but still insufficient. The Greens/EFA, GUE/NGL and EFDD political groups remained largely critical of ISDS in general, and specifically in the context of TTIP.**
- **It approved two draft opinions on the possible extension of geographical indication protection of the EU to non-agricultural products (by a large majority) and on trade in seal products (by a slim majority).**
- **It considered several draft opinions. On the Private Sector and Development, all political groups broadly supported the draft opinion. Yet the ECR expressed some doubts about binding obligations for EU companies.**

- **It presented its report on its mission to Vietnam and voiced its confidence about a positive outcome to negotiations in 2015.**
- **On the 2012 and 2013 Annual reports on subsidiarity and proportionality, the Commission pointed out that trade was an exclusive competence of the EU which meant that the principle of subsidiarity as such did not apply. Some MEPs referred to some exceptions such as micro-financial assistance and mixed trade agreements.**
- **On the cloning of animals, all political groups supported the proposal except for ECR. Some differences remained, notably over the nature of the ban and the need for traceability and labelling mechanisms.**
- **On the extension of the provisions of the EC-Uzbekistan Partnership and Cooperation Agreement to bilateral trade in textiles, MEPs acknowledged the improvements reported by the ILO. However, they did not want to replace child labour by adult forced labour. Extortion practices were also mentioned. They therefore recommended not giving consent yet and agreed with the Commission's suggestion to wait for the findings of the 2015 harvest cotton campaign to see if the situation had improved.**
- **INTA also held an exchange of views with the Commission on the Stabilisation mechanism for bananas under the Trade Agreement with Colombia and Peru. MEPs expressed their dissatisfaction with the Commission as it had failed to trigger the stabilisation mechanism in order to safeguard European banana producers.**

4. Chair's announcements

Mr LANGE (S&D, DE) referred to the tenth round of negotiations between the EU and Japan on 9 April, noting that discussions were very promising (tariffs, public procurement for the railway sector, GIs) and expressing confidence about an agreement in the near future.

He mentioned the ongoing discussions in the US Senate and Congress on the Trade Promotion Authority (TPA) legislation. He said that while there seemed to be a majority in favour of the TPA in the Senate, the situation in the Congress appeared to be different.

He also referred to the Green Goods negotiations and to the sixth meeting of the Association Council established by the EU-Chile Association Agreement, held in Brussels on 21 April 2015.

4. Ad-hoc delegation to the Annual 2015 Session of the Parliamentary Conference on the WTO (Geneva, 16-17 February 2015)

INTA/8/02121

- Presentation of mission report

Mr LANGE (S&D, DE) considered the meeting in Geneva to be a good preparation for the coming World Trade Organisation ministerial conference to be held in Kenya in December.

5. Mission to Vietnam, 6 - 10 April 2015

INTA/8/02120

- Presentation of mission report

The delegation from the European Parliament (EP) met with several stakeholders including the Vietnamese Prime Minister. Talks dealt with several sensitive points including textiles, customs, labour rights, and International Labour Organisation standards. Both the chair, Mr LANGE (S&D, DE) and the standing rapporteur Mr ZAHARDIL (ECR, CZ) were confident of a positive outcome to negotiations in 2015.

Mr MARTIN (S&D, UK) referred to Vietnam's willingness to strike a deal but questioned its ability to implement it.

He and Ms de SARNEZ (ALDE, FR) pointed out that a Free Trade Agreement between the EU and Vietnam would not necessarily be conducive to Vietnam's being automatically granted market economy status. Mr SCHOLZ (GUE/NGL, DE) asked for clarification on the sustainable development chapter and in particular on developments concerning human and social rights.

MEPs called for some safeguards for the European automobile, textile and alcohol sectors. Concerns were also expressed on Geographical Indications (GIs), on investor protection and on the need for a level playing field in Vietnam between domestic and EU companies.

Mr LANGE said that discussions on investor protection were still ongoing and that Vietnam was expected to ratify eight key labour standards including trade union freedom.

6. Private sector and development

INTA/8/02137 *2014/2205(INI)*

Rapporteur for the opinion: Lola Sánchez Caldentey (GUE/NGL)

- Consideration of draft opinion

Ms SANCHEZ CALDENTEY (GUE/NGL, ES) underlined the private sector's increasing role in development through blending and different leverage mechanisms such as public private partnerships. She pointed out that not all the private sector had the potential to contribute to development and called for the fostering of SMEs and grassroots cooperatives to contribute to the growth of developing countries. She defended stable commodity prices, ensuring intellectual property rights and access to medicines to enable development, and she believed that the EU's trade policy should promote good governance through a binding framework to ensure that EU companies respected international standards on human, labour and trade union rights, access to social protection, food safety and the protection of the environment.

Most MEPs welcomed the draft opinion. They acknowledged the important role that both the private sector and trade could have in supporting sustainable development goals since public aid was not expected to rise in the near future. EPP and ALDE also stressed the need to focus on SMEs. Yet the ECR, which was also supportive of innovative ways to address development policy, expressed some doubts about binding obligations for EU companies.

Ms RODRÍGUEZ-PIÑERO FERNÁNDEZ (S&D, ES) and Ms KELLER (Greens/EFA, DE) believed that private involvement should be regulated and scrutinised, the role of the private sector should be better defined, and corporate social responsibility should be emphasised. Ms KELLER called for mandatory country-by-country reporting and the monitoring of the International Labour Organisation's employment provisions, while Mr STIER (EPP, HR) said that labour rights should be respected, accountability ensured, and good governance promoted in order to foster a stable environment for private involvement. However, Mr ZAHARDIL (ECR, CZ) questioned the value of binding measures to promote corporate social responsibility as they would involve more red tape and extra costs. He also said that import tariffs should be specific and limited in time as more robust tariffs could be counter-productive in the long term.

The Commission accepted the fact that developing countries could protect their most sensitive sectors and noted that the tie between the level of import tariffs and development objectives should be examined on a case by case basis. Sustainable development chapters were also systematically included in trade agreements.

The rapporteur noted that the European Court of Auditors had called into question the value of blending in one of its studies.

7. Annual reports 2012-2013 on subsidiarity and proportionality

INTA/8/02339 2014/2252(INI)

Rapporteur for the opinion: David Borrelli (EFDD)

- Consideration of draft opinion

Mr BORELLI (EFDD, IT) listed the main ideas in his draft. These included: respect of the proportionality and subsidiarity principles in trade negotiations and in particular in mixed trade agreements; more in-depth *ex-ante* impact assessment on the proportionality of the EU's macro-financial assistance (MFA); greater conditionality for disbursement of the assistance and proper control of the use of the funds by the European Parliament; clarification of whether trade instruments such as investor-state dispute settlement could threaten the subsidiarity principle with respect to the competences of Member States; and suitable consultation with the public.

MEPs spoke on the appropriateness of subsidiarity in trade policy, the adequacy of the impact assessments carried out by the Commission and on the need for greater public participation and awareness. Mr LEICHTFRIED (S&D, AT) and Ms SCHAAKE (ALDE, NL) said that the interests of the EU and its Member States were better dealt with at EU level. So did Mr RUAS (EPP, PT), who stressed the irrelevance of the subsidiarity principle in trade policy since it was under the exclusive competence of the EU under the Lisbon Treaty except for EU MFA, and mixed agreements with third countries. Ms SCHAAKE concluded that the subsidiarity principle was essentially a legal issue, while Mr BUCHNER (Greens/EFA, DE) stressed the need to wait for the ruling of the European Court of Justice (ECJ) on subsidiarity under the Lisbon Treaty before deciding on how it should be applied. Even so, he believed that subsidiarity was a primary and overarching principle in the EU Treaties which should be examined on a case by case basis in trade policy. Mr SCHOLZ (GUE/NGL, DE) also shared this view and noted that the implementation of MFA to third countries had failed recently to consider decisions taken at Member State level suggesting a more explicit reference to a corrective mechanism based on the Treaties. Mr RUAS agreed that there was a need to carry out *ex ante* impact assessments when examining MFA to third countries, and Mr LEICHTFRIED agreed with Mr BORELLI's calls for unbiased impact assessments, while Ms SCHAAKE recognised the difficulty of fully assessing the *ex ante* impact of trade policies and also proposed referring to previous EU trade policies. MEPs also agreed with calls for greater accountability and for more public involvement

The Commission pointed out that the Treaties clearly indicated where and how the subsidiarity principle applied. Its report focused solely on the application of the subsidiarity principle and not on the areas where it should or should not apply. Trade was an exclusive competence of the EU due to the need to have a common policy, which meant that the principle of subsidiarity as such did not apply. The Commission had also asked for an opinion from the ECJ on the balance of competences between the EU and Member States. Moreover, trade policy relied on a framework and a set of rules at international level which did not jeopardise the internal competences of Member States to make policy nor the jurisdictions of national courts to apply national laws. Commission *ex ante* impact assessments covered economic, social and environmental effects of agreements as well as human rights aspects. Sustainability impact assessments were also conducted during the course of negotiations. The Commission also expressed its commitment towards civil society in trade policy.

8. The possible extension of geographical indication protection of the European Union to non-agricultural products

INTA/8/02847 2015/2053(INI)

Rapporteur for the opinion: Alessia Maria Mosca (S&D)

- Consideration of draft opinion

Ms MOSCA (S&D, IT) backed the extension of the current system of protection of Geographical Indications (GIs) on agricultural products to non-food products and the creation of a single EU-level system for the protection of non-agricultural GIs and of an EU registration scheme.

All the political groups with the exception of the ECR, which was not yet convinced by the merits of the proposal, supported the draft opinion. Mr PROUST (EPP, FR) on behalf of Ms SAÏFI (EPP, FR) noted that the extension of GIs to non-food products would offer protection from counterfeiting and unfair competition in the context of international negotiations. Ms CHARANZOVÁ (ALDE, CZ) additionally supported a single EU level of protection through a cross-cutting approach in coexistence with protection at national level. Ms MINEUR (GUE/NGL, NL), on behalf of Ms FORENZA (GUE/NGL, IT) favoured the proposal as long as it enhanced traceability, transparency and information for consumers. She proposed addressing the impact of trade agreements – and in particular the Transatlantic Trade and Investment Partnership – on EU standards for GIs. Mr ZAHRADIL (ECR, CZ), on behalf of Ms McCLARKIN (ECR, UK), called for the Commission to carry out an impact assessment before considering the strategy to follow. He remained convinced that the rules of trade mark law should suffice to preserve the quality of EU products and allow manufacturers to operate outside the geographical boundaries imposed by GI status. Mr BUCHNER (Greens/EFA, DE), on the other hand, noted that GI status would preserve jobs and foster stability in a given region, while Ms BEGHIN (EFDD, IT) wondered if an impact assessment was necessary as the benefits seemed to be obvious.

The Commission was thankful for the support expressed by several political groups and promised to take into consideration their suggestions when deciding on the follow-up to its current initiative.

9. Cloning of animals of the bovine, porcine, ovine, caprine and equine species kept and reproduced for farming purposes

INTA/8/00313 *2013/0433(COD)*

Rapporteur for the opinion: Jude Kirton-Darling (S&D)

- Consideration of amendments

Ms KIRTON-DARLING (S&D, UK) said that the 50 amendments tabled cover four broad areas: the nature of the ban, the legal form of the proposal, the scope, and the traceability and labelling of animal clones.

All political groups supported the proposal except for ECR. Some differences remained, notably over the nature of the ban and the need for traceability and labelling mechanisms.

Mr FISAS AYXELÀ (EPP, ES) proposed changing the legal instrument from a directive to a regulation to avoid differences in implementation that could distort internal trade and have a negative impact in trade with third parties. He was backed by Ms RIES (ALDE, BE); the rapporteur did not object.

As regards the nature of the ban on trading in food from cloned animals, Ms RIES preferred a temporary one, whereas Ms MINEUR (GUE/NGL, NL), on behalf of Ms FORENZA (GUE/NGL, IT,) and Ms BEGHIN (EFDD, IT) favoured a complete ban. The rapporteur wanted a review clause regardless of the nature of the ban.

Ms MINEUR and Ms BEGHIN agreed with the need for labelling and the traceability of animal clones and descendants of cloned animals to enforce the ban, while Mr FISAS AYXELÀ and Ms RIES asked for the Commission to prepare a feasibility study.

Ms MINEUR and Ms BEGHIN stressed the need to respect EU food safety standards in the trade negotiations with the US – a country which allowed animal clones for food production.

Mr ZAHRADIL (ECR, CZ), on behalf of Mr PIECHA (ECR, PL), called on the European Parliament to reject the proposal as it could threaten trade relations with countries where cloned animals were freely traded. He noted that tracing could prove very costly for EU farmers and food producers and mentioned the absence of any adequate test capable of distinguishing between non-cloned and cloned animals and their products. Furthermore, ECR believed the Novel Foods legislation sufficed to ensure that no food derived from cloning would be placed on the market without checking and preapproval.

The Commission representative said that the proposal had been limited to species that were commercially viable. Descendants of animal clones were conceived with conventional methods such as artificial insemination and therefore the Commission remained sceptical about widening the scope of its proposal to descendants of clones. Moreover, the European Food Safety Authority had clearly demonstrated that cloning was not a food safety issue. On traceability, the Commission had carried out an impact assessment which demonstrated that the possibility to label and to apply rules on descendants required a proportionality test which was too complex and costly. Further studies on proportionality tests were being carried out and should be available in October 2015.

11. Exchange of views with the Commission on the Stabilisation mechanism for bananas under the Trade Agreement with Colombia and Peru

The Commission noted that the threshold volume on import from bananas from Peru had been reached in two consecutive years. Subsequently it had adopted an implementing act indicating that despite the level of imports, the stabilisation mechanism did not have to be triggered because Peru had a very low market share in the EU (close to two per cent) and banana prices had remained stable. Moreover, the Commission continued to monitor closely the imports of bananas from Peru on a weekly basis.

MEPs expressed their dissatisfaction with the Commission as it had failed to trigger the stabilisation mechanism in order to safeguard European banana producers.
Mr MATO (EPP, ES), on behalf of Mr FISAS AYXELÀ (EPP, ES), stressed the sensitivity of the issue in the Canary Islands. He explained that producers in the Canary Islands had been experiencing difficulties since the entry into force of the agreement with Columbia and Peru. Accordingly he regretted the fact that the safeguard clause had not been used properly in the last two years, although he acknowledged that the clause was not an automatic mechanism. He therefore called for the agreed thresholds to be adhered to and for the stabilisation clause to be applied properly. The INTA Chair, Mr LANGE (S&D, DE), said that the Commission was not respecting the legislation agreed between the Council and the European Parliament (EP).
Mr SCHOLZ (GUE/NGL, DE) asked for clarification on the calculation of banana quotas.
Ms SAÏFI (EPP, FR) stressed the need for the EP to be informed at all times about banana import levels in order to take an informed decision on the use of the stabilisation mechanism.
Ms RODRÍGUEZ-PIÑERO FERNÁNDEZ (S&D, ES) explained that safeguard clauses were necessary to safeguard sensitive producers and regions.

In this respect the EU's outermost regions were particularly sensitive due to high transport costs. She called for more transparency and expressed disappointment with the fact the Commission was not conveying the information it possessed on import rises in a timely manner to the EP so that the EP could take the appropriate measures at the right time. She called on the Commission to draft an impact assessment on banana imports from Ecuador, as this country would soon join the EU trade Agreement with Colombia and Peru, given that Ecuador is one of the world's main banana producers. Mr WALĘSA (EPP, PL) called for strict and precise interpretation of the law.

The Commission explained that the safeguard mechanism was a specific tool established over a transitional period in the agreement setting a trigger-level above which the Commission had to consider taking action. The safeguard mechanism was not an import quota (a different tool established in trade agreements with imports subject to preferential import rates for a certain quota volume, and above that a non-preferential rate). Moreover, the information used by the Commission was publicly available.

Mr LANGE pointed out that the EP was a co-legislator and not a mere stakeholder. He told the Commission that he would propose that the interaction between the Commission and the EP on the use of the safeguard clause mechanism be improved, particularly as regards the exchange of information and the need for dialogue prior to a decision by the Commission.

Joint debate

12. Protocol Amending the Marrakesh Agreement Establishing the World Trade Organisation

INTA/8/02797 2015/0029(NLE)

Rapporteur: Pablo Zalba Bidegain (EPP)

- Exchange of views

13. Protocol Amending the Marrakesh Agreement Establishing the World Trade Organisation

NTA/8/03073 2015/2067(INI)

Rapporteur: Pablo Zalba Bidegain (EPP)

- Exchange of views

The INTA Chair, Mr LANGE (S&D, DE), noted that the average customs transaction involved up to 20 or 30 parties and over 40 documents. He considered it important to improve the situation.

Mr CASPARY (EPP, DE), on behalf of Mr ZALBA BIDEGAIN (EPP, ES), welcomed the latest agreement in the World Trade Organisation (WTO) on trade facilitation, the first ever multilateral agreement since the establishment of the WTO in 1995. He underscored the benefits for SMEs deriving from the implementation of the agreement (reduction of market access uncertainty and of the cost of trade by ten to fifteen per cent). He supported the Commission's EUR 400 million initiative to fund the provision of technical assistance to developing and least developed countries to improve their customs systems. He called for close coordination on funding with other international partners (such as the World Bank) to avoid duplication, with specialist organisations (particularly the World Customs Organisation) to share best practices, and stressed the key role of EU delegations in developing and least developed countries. He welcomed the fact that China, India and Brazil would most likely not ask for technical assistance. This would enable the money available to go to the countries in most need. Moreover, he noted that two thirds of the WTO members needed to ratify the agreement for it to enter into force.

Mr DANTI (S&D, IT), shadow rapporteur for the S&D group, underlined the considerable financing from the EU and the benefits for developing countries, especially those in need of technical assistance, as well as for SMEs. He underscored the importance of some non-binding proposals such as the use of electronic payments for economic transactions linked to exports and imports designed to fight corruption, favour transparency and simplification in international trade.

The Commission representative said that the Commission aimed for the EU to have ratified the agreement before the WTO's ministerial conference in Nairobi in December 2015. If this was the case, it would be likely that the 108 ratifications needed for the agreement to be implemented would be reached before the WTO conference in Nairobi or shortly after. Apart from EUR 400 million pledged by the Commission so far, the EU would also contribute to the World Bank and WTO facilities and possibly to a private-public initiative in order to include the private sector.

Joint debate

14. Exchange of views with Commissioner Cecilia Malmström on Structured Dialogue European Parliament - European Commission

15. Exchange of views with Commissioner Cecilia Malmström on investment protection in TTIP

Commissioner MALMSTRÖM delivered the speech contained in the Annex in which she referred to three areas in which the Commission was looking forward to the European Parliament's (EP) views for future collaboration: setting and updating the EU's overall trade and investment strategy, reviewing the proposal for an International Procurement Instrument, and moving ahead with the ongoing review of the EU's system of export controls on dual use goods.

She then listed the main elements in the Commission's concept paper on a reformed approach on investment in the Transatlantic Trade and Investment Partnership (TTIP) which included: removing any ambiguity about the right to regulate; addressing fears of an unhealthy link between arbitrators and the parties to a dispute; ultimately seeking to set up an international investment court; proposing a bilateral appeal process in all trade agreements – starting with TTIP; and addressing the relationship with domestic courts to prevent any company getting compensation twice through parallel claims.

She considered the Commission's reform proposal to be the first step towards creating a system for investment protection and arbitration suited for the future. Moreover, it constituted a serious response to widespread and justified scepticism about past developments. This response was in line with much of the EP's work and took in many of the proposals made by several committees (INTA, AFCO, AGRI, EMPL, JURI and LIBE) in the context of the EP's upcoming TTIP report. However, she was very clear about her refusal to scrap investment arbitration from TTIP altogether, as US courts were not obliged to follow the commitments made by the US government internationally, because relying solely on state-to-state dispute settlements was insufficient and in most cases inadequate, and ultimately because excluding Investor-State Dispute Settlement (ISDS) from TTIP would mean missing the best chance to reform the system for a generation. She noted that several of the Commission's proposals also mirrored the proposals of many Member States, which gave her hope about finding common ground with both co-legislators. The Commission's concept paper was not a legal proposal and she looked forward to further broad political guidance on the Commission's proposals.

On behalf of political groups:
Mr LANGE (S&D, DE) considered the Commission proposals to be a step in the right direction and welcomed the clear statement on the ability of states to regulate. Nevertheless there was still some ground for further improvement, in particular on the scope on equal treatment, which was not clearly defined and was open to interpretation. He advocated an independent international arbitration court.
Ms QUISTHOUDT-ROWOHL (EPP, DE) favoured a reformed arbitration system. She enquired about the US sentiment about the EU's current discussion on investor protection and called for a common view on investor protection on both sides of the Atlantic which could establish the basis for an international court.
Ms SCHAAKE (ALDE, NL) acknowledged the need for reform in order to enhance transparency and legal certainty and to ensure the independence of judges. She favoured the creation of an appeal mechanism to challenge decisions and wondered about the potential costs of a permanent international court.
Mr SCHOLZ (GUE/NGL, DE) did not support the Commission's reformed approach. Why should national legal provisions be abandoned for the benefit of ISDS? Like investors, citizens too should have a mechanism to protect them from policies carried out by investors.
Mr JADOT (Greens/EFA, FR) disapproved of the Commission's reformed approach as it failed to defend the case for ISDS in TTIP. The World Bank had issued a negative opinion on the need for ISDS. National legal systems should be used instead.
Ms BEGHIN (EFDD, IT) wholly rejected the Commission proposals and the need for ISDS. She noted that the UN did not support ISDS either as it could encroach upon human rights. Moreover, she could not accept corporations having more rights than citizens.
Mr CHAUPRADE (NI, FR) opposed private justice and consequently proposed scrapping ISDS.

Most individual contributions reflected the views expressed on behalf of political groups. Several MEPs reiterated their calls for an appeal mechanism and expressed again their views on issues like transparency, the participation of stakeholders in the process, ensuring a code of conduct for arbitrators and the right to regulate, securing a permanent pool of judges, moving towards a more permanent court system, avoiding conflicts of interests and a parallel track for companies to double their chances for compensation. Additionally, several MEPs asked if the reformed approach to ISDS in TTIP could be applied to the trade agreements with Canada and Singapore and if it could serve as a template for future trade agreements with Asian states.

In response, Commissioner MALMSTRÖM pointed out once more that the Commission's concept paper took on board most of the concerns expressed by the EP. Nevertheless, further improvement was possible. The creation of an international court would take time and in the meantime much remained to be done at the bilateral level. She agreed with suggestions to clearly define the scope of the proposal on fair and equitable treatment and mentioned the ongoing debate in the US on setting up the Trade Promotion Authority and the right to an appeal mechanism. She pointed out the need to ensure a level playing field for EU companies with companies from countries which already had bilateral agreements with the US. She explained that the trade agreement negotiations with Canada and Singapore were closed and could not be reopened and that serious steps to reform investor protection had already been taken by the Commission during the negotiations with those countries. She also confirmed that ISDS in TTIP would serve as a template for future agreements.

16. Extension of the provisions of the EC-Uzbekistan Partnership and Cooperation Agreement to bilateral trade in textiles

INTA/8/00055 *2010/0323(NLE)*

Rapporteur: Maria Arena (S&D)

- Consideration of draft opinion

The extension of the provisions had been halted in 2011 due to concerns on child labour. The International Labour Organisation (ILO) representative explained that his organisation had monitored the 2013 cotton harvest in Uzbekistan and had concluded that cases of child labour there were not systematic. The issue of forced labour was also discussed. The results from the 2014 monitoring of the cotton harvest carried out by Uzbekistan on child labour were similar to those carried by the ILO in 2013. The Committee of Experts had issued a positive opinion, despite some question marks surrounding forced labour. Currently a survey on forced labour was being carried out and there would be a round table in August 2015 to work out a road map and to adopt concrete measures.

The Uzbek Ambassador, Mr NOROV, underlined several positive developments aimed at preventing and eradicating child and forced labour in his country. He also referred to the resolve of the government to implement the conventions on child and forced labour, foster decent employment opportunities, develop an effective occupational safety and health management system and strengthen social protection for the population.

He also noted that the 2014 cotton harvest monitoring period had recorded 49 observations of child labour in the cotton fields and that all the offenders had faced the appropriate administrative consequences.

The representative of the non-governmental organisation Cotton Campaign noted that the deferral of the textile protocol with Uzbekistan in 2011 was starting to bear fruit, with more than one million children being reprieved from having to participate in the cotton harvest in 2014. She welcomed the signing by the Uzbek government of the "decent work" country programme in April 2014 in which it committed to work with the ILO to apply labour conventions. However, part of the continued system of orchestrated forced labour had remained in place during the 2014 cotton harvest, with more than one million citizens being forced to work. While international pressure had reduced the use of child labour, at the same time there had been an increase in forced adult labour to compensate. She also mentioned high levels of extortion by national authorities to fulfil production quotas and noted that Uzbekistan did not yet fulfil the minimum standards set out by the European Parliament (EP) in 2011 to eradicate the practice of forced and child labour. She therefore recommended postponing the consent to the textile protocol and re-examining it once the action plan to eradicate forced adult and child labour was agreed by the Uzbek government and once there was demonstrable evidence of the Uzbek authorities' commitment towards its application during the 2015 harvest.

The Commission noted that child labour had been curbed in a successful manner and that the ILO had been able to carry out unhindered monitoring throughout the whole country, with no systematic use of child labour being reported. He admitted, however, that there were still some risk factors regarding forced labour and called for the forthcoming round table between the Uzbek authorities and the ILO to address this specific issue in order to fulfil the conditions set out in the 2011 EP Resolution.

The International Trade Committee (INTA) and Foreign Affairs Committee (AFET) rapporteurs, Ms ARENA (S&D, BE) and Ms LUNACEK (Greens/EFA, DE) respectively, referred to the 14 recommendations set in the 2011 EP Resolution and acknowledged the improvements reported by the ILO. However, they did not want to replace child labour by adult forced labour. Extortion practices were also mentioned. They therefore recommended not giving consent yet and agreed with the Commission’s suggestion to wait for the findings of the 2015 harvest cotton campaign to see if the situation had improved.

****** Voting time ******

17. The possible extension of geographical indication protection of the European Union to non-agricultural products

INTA/8/02847 2015/2053(INI)

Rapporteur: Alessia Maria Mosca (S&D)

- Adoption of draft report

The draft report was adopted with 29 votes in favour, 1 against and 6 abstentions.

18. Trade in seal products

INTA/8/02787 2015/0028(COD)

Rapporteur for the opinion: Bendt Bendtsen (EPP)

- Adoption of draft report opinion

The draft opinion was adopted with 19 votes in favour, 14 against and 3 abstentions.

****** End of vote ******

21. Monitoring Groups' Activities

INTA/8/01441

- Exchange of views

This item was postponed.

23. Date of next meeting

The next meeting would be held in Brussels on 28 May 2015.

Speech by Commissioner Cecilia Malmström

Chairman Lange, Honourable members,

This is the third time we've been able to have a detailed discussion on major issues.

In December, in my first visit to your committee as Trade Commissioner, we spoke about the broad trade agenda.

In March we focused mostly on investment protection. And I was also able to participate briefly at your hearing on the broad benefits of TTIP.

And now today I am very pleased to be here again.

Thank you for the invitation.

And long may our close cooperation continue.

Our main item today is investment protection. But before I do that, I want to inform you - as part of our structured dialogue - about three other areas where the Commission is looking forward to Parliament's views and to our future cooperation.

First, as I mentioned in December, the Commission is now working on updating our overall trade and investment strategy. We want to ensure that EU trade policy is adapted to a changing world. That will involve looking at our bilateral and multilateral negotiations but also various themes like new technologies.

We aim to set out our ideas in a Communication to Parliament and Council in the autumn. I'm sure that you will react to that communication once it is published. But I'm happy that we will get to speak about this over the summer as well so that we can take your views on board as we finalise the text within the Commission.

Second, as announced in our work programme, the Commission is now reviewing our proposal for an International Procurement Instrument.

I know that in this House there has been some debate and some concern about parts of the original approach:
Some were worried about the so-called decentralised procedure, under which Member State authorities would have a lot of freedom to block tenders from outside the EU.
Others were worried that the whole approach was too bureaucratic.

But at the same time the Commission believes that the proposal has merit. Europe's procurement markets are still much more open than most of our partners. The instrument would create stronger incentives for them to follow our lead.

So we are now working to tackle the concerns. And I hope to make an amended proposal soon. I hope it will be the beginning of a good discussion on how to move forward.

Third, we are moving ahead with our ongoing review of the EU's system of export controls on dual use goods. The latest step in the process is an assessment of the economic, social and environmental impacts of the options presented in last year's communication.

We are collecting a lot of data. We aim to launch a full written public consultation in the middle of the year. And to finish the impact assessment process by the end of the year. That would allow us to make a proposal in the first half of next year. In the meantime, we are engaging with the Council and with you so that we have a full understanding of the political landscape.

Honourable Members,

Today I suspect we'll spend a little more time on my next point: the next step on investment in the Transatlantic Trade and Investment Partnership (TTIP).

Seven weeks ago I came here to present our first thoughts on a way forward on this issue.

We had a very constructive discussion at that time and you asked me to put more flesh on the bones of those thoughts.

We have now done that in the Commission. You have all, I hope, received the concept paper that we sent to you and to Member States earlier this week.

The ideas are based on the public consultation, on the conversation we had here on the 18th March, on the work being done in different committees in this House, on conversations with Member States and on other dialogue we've been having with civil society groups and experts of different types.

That input, and a lot of hard work, have now allowed us to go further. We have examined each of the proposals in more detail, thought about them and tried to provide practical answers to some of the questions raised.

Those answers are in the paper you have in front of you.

It presents two things:

It sets out the context for this reformed approach:
the value of investment protection and the existing 1400 European agreements that already exist;
the real need for deep reform, recognising the existing flaws in the system;
and also the very important progress we have already made in our agreements with Canada and Singapore.

And it proposes four ways to go further, in order to fix the problems with dispute settlement that have caused such concern.

What are actually doing is trying to create a new modern system of investment arbitration.

Let me summarise our ideas to do so:

First, we propose to remove any ambiguity about sovereign governments' right to regulate, putting that in black and white. In the past, agreements have been drafted more with the protection of investment in mind than the right of governments to regulate. It will no longer be the case.

Second, we address fears of an unhealthy link between arbitrators and the parties to a dispute.

This improved system would move away from individual, ad hoc cases to become much more like traditional courts. It sets out clearly that our goal is a permanent, international investment court.

That, however, will take some time. So we will already make a shift in our bilateral deals, starting with TTIP, but aiming to do this for all future agreements:
by requiring that arbitrators are from a pre-vetted list, appointed jointly by the EU and the US, in the case of TTIP.
and by setting the qualifications requirements to become an arbitrator at the same level as those of judges.

Third, we propose to plug a significant hole in today's ISDS system: the lack of an appeal mechanism. The goal is a multilateral appeal mechanism as part of a permanent court. That will take time. But again, we will not wait to act. Instead, starting with TTIP, we propose to put a bilateral appeal process into all our agreements.

Finally, we address the relationship with domestic courts to get rid of the possibility that a company gets compensation twice and avoids the risk of parallel claims.

So with these reform proposals, my intention is to set a deep reform of the system in motion. And create a system for investment protection and arbitration that is suited for the future.

These are not cosmetic changes but rather the most significant overhaul of investment arbitration in decades. They are a serious response to a widespread, justified scepticism about what has gone before.

They are also, I believe, in line with much of the work that has been going on here in Parliament in recent weeks. I have heard and taken up many of the proposals made in this committee and in the many others in the context of Parliament's upcoming TTIP report. In particular:

The Constitutional Affairs Committee is calling for exactly the kind of permanent system of courts and judges we are proposing.
The Employment, Economic and Foreign Affairs Committees all want more clarity on the right to regulate.

The Legal Affairs Committee wants it to be clear that arbitration should not replace national law or render it ineffective.
The Agriculture Committee wants a system that doesn't undermine sovereign rights but gives a fair opportunity to investors to seek redress.
And the Committee on Civil Liberties wants to be certain that decisions on fundamental rights are taken by ordinary courts.

Many Member States and individual ministers have also expressed similar concerns and wishes.

The Commission agrees with a great many of these ideas. And that gives me hope that we will find common ground.
The only idea I can not agree with is the notion that we should take investment arbitration out of TTIP altogether.

This just doesn't make sense, for three reasons:

The US is a functioning democracy based on the rule of law. But that does not mean there is no risk to investors.

US courts are not obliged to follow commitments that the US takes internationally. And the US does not always respect its international commitments. The US has the most WTO cases against it of any WTO member for example. Canada, and soon Japan and China, has the safety net of effective investment arbitration with the US, why shouldn’t Europeans have that?

Second, simply having state-to-state dispute settlement does not do the trick. It is used when problems are serious enough to have a systemic impact. That means it is not suited to solving the vast majority of routine investment disputes, on licences and so on that are often brought by medium sized companies.

It is not multinationals that use investor-to-state dispute settlement the most. Research from the OECD has shown that only 8% of cases are brought by large multinationals.

And finally, and more importantly, excluding ISDS from TTIP means missing the best chance to reform the system for a generation. Member States have 1400 agreements.

Those exist and will not disappear. With this we have a chance to start reform. The world's two biggest economies don't negotiate a comprehensive free trade agreement every day. We all agree that there is a problem. Let's start dealing with it now, in TTIP but also for all future agreements.

A word on process before I finish. You have the concept paper and we are discussing it today. So do Member States and I will be talking to ministers starting tomorrow.

What we now are looking for from both of parts of our legislature is broad political guidance on our ideas.

This is a concept paper not a legal proposal. That will come later.

So this is the next step in our conversation on this issue, not the end of that conversation.

The Commission is still ready to listen to all good ideas. We want a system that is more effective, more systematic and, ultimately, more responsive to the concerns of European citizens.

We can do that if we work together.

Thank you for your kind attention. I look forward to our discussion.

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