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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 7 October – Items 4 to 14 on the agenda
Chair: Mr Lange (S&D, DE)

INTA discussed and voted by a large majority in favour of the endorsement of the Association Agreement with Moldova. It considered its draft recommendations on the conclusion of an agreement on the participation of the Republic of Croatia in the EEA, and its draft opinion on the Commission's novel foods proposal. In addition it held exchanges of views on the EU-Japan trade negotiations and on the extension of preferential tariffs on goods originating in Ukraine.

The Commission considered it possible to conclude FTA negotiations with Japan by the end of 2015 despite outstanding differences on railway and automotive matters.

EFDD, GUE/NGL and non-attached MEPs blocked a proposal to use the simplified procedure to vote the report on customs duties on goods originating in Ukraine on the grounds that it called into question INTA's duty of scrutiny and the democratic legitimacy of the report.

Joint debate

4. Association Agreement between the EU and the European Atomic Energy Community and their Member States, of the one part, and the Republic of Moldova, of the other part

INTA/8/00391 2014/0083(NLE)

5. Conclusion of an Association Agreement between the European Union, of the one part, and the Republic of Moldova, of the other part

INTA/8/01057 2014/2817(INI)

Rapporteur for the opinions: Ionel-Sorin Moisă (S&D)

- Consideration of amendments

Mr MOISĂ (S&D, RO) supported all amendments other than those by Mr SCHOLZ (GUE/NGL, DE) with the exception of amendment 2. He again evoked the benefits for both sides (more jobs and better business environment) and the safeguards in the agreement designed to avoid needless negative socio-economic consequences for Moldova. He referred in particular to the agreed transitional periods for sensitive sectors in Moldova, including public procurement (8 years), agricultural and textile products, and sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) rules. He regretted the damage caused by Russian sanctions on the Moldovan economy and agreed with calls for the rapid implementation of the Deep and Comprehensive Free Trade Agreement (DCFTA), effective scrutiny by the European Parliament (EP) and adequate EU technical, administrative and financial assistance to ensure the smooth implementation of the agreement.

He disagreed with Mr SCHOLZ's claims that the EU was subjecting Moldova to economic shock therapy and hindering Moldova's economic activities in the Eurasian Union, and instead stressed the benefits of the EU model. He pointed out that since Moldovan tariff barriers were already quite low there was no longer a case for a liberalisation shock. Additionally, he mentioned the positive conclusions of the Commission's impact assessment which predicted an increase of average wages and purchasing power, limited labour migration between sectors, and the overall reduction of consumer prices. He did admit that agricultural prices would increase but that this would benefit Moldovan farmers, and conceded that there would be some adjustment stress due to regulatory convergence with EU norms but that Moldova would be able to choose the pace of adaptation. Finally he dismissed Mr SCHOLZ's proposal to involve Eurasian members in the EU/Moldova negotiations and reminded INTA that the Association Agreement (AA) was based on the free will of both sides, thus rejecting allegations that the EU was imposing a geopolitical choice on Moldova.

All political groups with the exception of the GUE/NGL favoured the swift ratification of the AA. Mr WINKLER (EPP, RO) said that the EP should send a strong political signal to Moldova by voting on the AA ahead of the general elections on 30 November. Ms SCHAAKE (ALDE, NL) feared that the results of the upcoming general elections could have a negative impact on the ratification of the AA. Mr SCHOLZ (GUE/NGL, DE) claimed that his group did not oppose the agreement as such but felt it wise to avoid political instability in Moldova with a fast-track ratification procedure and suggested focusing instead on the socio-economic impact of the AA's implementation on Moldova. Similarly Mr JADOT (Greens/EFA, FR) agreed with the need to avoid unnecessary social costs for Moldovans during the adjustment period.

The Commission representative downplayed concerns over "shock therapy" by underlining the asymmetric liberalisation process enshrined in the agreement which would allow Moldova to have immediate access to EU markets whilst protecting the most vulnerable sectors of the Moldovan economy. He underlined the EU's commitment to help Moldova to develop a modern legal framework to support its economy and added that the AA did not stop Moldova from having privileged relations with Russia or any other partners, and that it was up to Transnistria to choose if it wanted to continue to benefit from preferential measures.

Mr MOISĂ felt that the DCFTA would enhance Moldovan sovereignty in Transnistria because Transnistrian companies would have to accept Moldovan rules in order to benefit from the DCFTA. The chair announced that the vote in the lead Committee (AFET) would take place on 16 October.

6. Conclusion of an agreement on the participation of the Republic of Croatia in the European Economic Area and of the three related agreements

INTA/8/00376 2014/0047(NLE)

Rapporteur responsible: Alexander Graf Lambsdorff (ALDE)

- Consideration of draft recommendation (consent)

Ms SCHAAKE (ALDE, NL) on behalf of Mr GRAF LAMBSDORFF (ALDE, DE) called for the Committee to support the draft recommendation. All political groups supported the recommendation with the exception of the EFDD which announced that it would abstain.

Consideration of amendments: 5 November 2014. Vote in INTA: 6 November 2014. Vote in plenary: December 2014.

7. Monitoring Groups' Activities

INTA/8/01441

- Exchange of views

The chair, Mr LANGE (S&D, DE), told the Committee that the Political Coordinators had just recently discussed the set-up of monitoring groups for trade relations with third countries and horizontal monitoring groups to cover treaties such as the Trade in Services Agreement. He announced that almost all standing rapporteurs and shadows had been appointed by the political groups and that the names had been circulated among MEPs. He said that the monitoring group for the USA had just recently met and that two other monitoring groups would meet soon: Vietnam on 7 October and Ecuador on 8 October.

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

8. Association Agreement between the EU and the European Atomic Energy Community and their Member States, of the one part, and the Republic of Moldova, of the other part

INTA/8/00391 2014/0083(NLE)

Rapporteur for the opinion: Ionel-Sorin Moisă (S&D)

- Adoption of draft opinion

The draft opinion was approved, with 29 votes in favour, five against and one abstention.

9. Conclusion of an Association Agreement between the European Union, of the one part, and the Republic of Moldova, of the other part

INTA/8/01057 2014/2817(INI)

Rapporteur for the opinion: Ionel-Sorin Moisă (S&D)

- Adoption of draft opinion

The draft opinion was approved, with 32 votes in favour, five against and 1 abstention.

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

10. Novel foods

INTA/8/00308 2013/0435(COD))

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

- Consideration of draft opinion

Ms KIRTON-DARLING (S&D) explained that the current proposal would streamline the authorisation process for novel foods in the EU whilst preserving high food safety standards. She said that novel foods were all foods that were not used for human consumption in the EU prior to 15 May 1997. She added that the definition covered a great number of products including nanomaterials and certain types of vitamin supplements. She pointed out that the Commission had excluded from the definition of novel foods clones and food from clones which were dealt in two separate proposals and therefore proposed concentrating on the international trade-related issues in the current proposal.

She pointed out that novel food imported from third countries was referred to by the Commission as traditional food from a third country and agreed with the Commission proposal to create a fast-track procedure for those products. However she said that such a procedure should not accidentally create obstacles to trade and considered it key to ensure clarity and precise guidelines prepared by the European Food Safety Agency (EFSA). She suggested clarifying the definition of traditional food from third countries to include processed and unprocessed food; introducing the recourse to delegated acts (instead of implementing acts) to determine new novel foods and to authorise novel foods from third countries, and introducing a reporting obligation for the Council and the European Parliament (EP) on the implementation of the regulation and on the impact of the simplified procedure in the trade of traditional food from third countries.

Mr LANGE (S&D, DE) referred to the ongoing discussions on novel foods in the context of the Transatlantic Trade and Investment Partnership (TTIP) negotiations.

Mr FISAS AYXELÀ (EPP, ES) and Ms McCLARKIN (ECR, UK) considered it important to facilitate the access of novel foods to EU markets and have them consumed safely through a simplification of the notification procedure.

Ms de SARNEZ (ALDE, FR) favoured more clarity in the definition of novel foods from third countries and on nanomaterials. She said that she would table amendments to advocate the 'precautionary' principle, to guarantee perfect traceability of products, to exclude food coming from cloned animals from the scope of application and to enhance the EU's influence on international standards.

Ms McCLARKIN expressed reservations on one amendment to recital 11 on the attribution of additional powers to EFSA because she feared that this would increase bureaucracy and require supplementary resources.

Ms MINEUR (GUE/NGL, NL) favoured delegated instead of implementing acts. She felt that an integrated market with the US and Canada could be a threat to the proposal.

Mr JADOT (Greens/EFA, FR) felt that any product derived from cloned animals should be excluded from the proposal and preferred the Commission proposal on the track record of novel foods instead of an EFSA-based approach.

The Commission representative explained that two proposals on cloning had been submitted at the same time as the proposal on novel foods. She noted that until the texts on cloning have been adopted it would be necessary to keep the cloned food in the scope of the current proposal to avoid a legal void. She claimed that the proposal would promote innovation in the EU and facilitate market access for SMEs. She added that the food from third countries would be subject to the same safety standard requirements as food produced in the EU, and that food considered traditional in third countries did not automatically become traditional in the EU. Such food could benefit from a notification procedure or undergo a full safety assessment if there were objections from Member States. She added that the notification was justified if those foods had been consumed for a long period (more than a generation or 25 years) and referred to the need to preserve the concept of customary diet in order to avoid food supplements consumed in third countries and processed foods benefiting from the notification procedure. She said that the precautionary principle was part of EU food law in general and applicable in cases of uncertainty in terms of risks and food safety, and that the proposal did not attempt to extend the scope of the procedure but instead to clarify it. She preferred to have the efficacy of the proposal reviewed in the overall evaluation process instead of a specific review after five years, as proposed by the rapporteur, and noted that the conditions for implementing acts in the proposal were fulfilled.

Consideration of amendments: 5 or 6 November 2014. Vote in INTA: 6 November 2014.

11. EU-Japan trade negotiations

INTA/8/01442 2014/0047(NLE)

- Exchange of views

INTA's standing rapporteur, Mr SILVA PEREIRA (S&D, PT), noted that the EU-Japan Free Trade Negotiations (FTA) were the first talks ever to be initiated under the Lisbon Treaty. The European Parliament (EP) used its new powers in international trade for the first time, leading to the creation of a new interinstitutional practice on the approval of negotiating directives and to the growing influence of the EP in trade negotiations. He referred to the concerns expressed by the European car and railway industries over access to their corresponding markets in Japan due to non-tariff barriers (NTBs). He asked the EU Chief Negotiator for the EU-Japan FTA talks, Mr PETRICCIONE, to assess Japan's compliance with the road map and commitments on the elimination of NTBs and on access to the Japanese railway procurement market. He also enquired on the state of play of talks on geographical indications (GIs) and sustainable development.

Mr PETRICCIONE viewed the decision by Japan to reform its economic policy as an exceptional opportunity to advance talks. He explained that one of the main goals of the FTA was to allow convergence on regulatory matters and in particular on international standards, since differences remained in their transposition into national legislation. He mentioned that for the first time ever the Commission carried out extensive preparations before negotiations (pre-scope and scoping exercises, impact assessment and interinstitutional discussions), and announced the agreement on the one-year review clause which indicated Japan's commitment to concluding talks successfully. He reported good progress on the railway road map and in particular on the agreement to clarify the use of the safeguard clause to enable EU railway operators to prove the suitability of their equipment in terms of safety requirements. He said however that the application of the safeguard clause to a very long list of equipment would continue to hinder market access. He also explained that since privatisation the three main Japanese railway companies no longer operated under procurement rules but that the EU had not yet agreed to delist them from the Japanese commitments under the Government Procurement Agreement (GPA).

He mentioned the EU's attempts to improve the ability of the bulk of the EU automotive industry to penetrate the Japanese market. In this respect, he held that an agreement on car standards was key to improving the competitiveness of the EU car industry in Japan. He also revealed that the EU had suggested that Japan review its tax regime for cars and that Japan had moved from privileging small-sized cars to cars with small engines and good environmental performance.

He welcomed this move but considered it insufficient.

He also admitted that despite some progress there were difficulties with GIs due to parallel negotiations between Japan and the US in the context of the Trans-Pacific Partnership (TPP) and declared that the agreement between the EU and Canada was the model to follow. He also reported progress on food additive NTBs and claimed that the agricultural and food sectors stood to benefit the most from the FTA with Japan. He said that since Japan had broadly delivered on its part of the package during the one year review, that it was now up to the EU to do the same. Finally, he remained convinced that the FTA could be concluded quite quickly and ideally before the general election in Japan in July 2016.

MEPs enquired on the railway procurement package (Mr WAŁĘSA (EPP, PL), Mr BUCHNER (Greens/EFA, DE) and Mr PROUST (EPP, FR)), on taxation issues (Mr ZAHRADIL (ECR, CZ)), on the state of play of talks on the Investor State Dispute Settlement (ISDS), on nuclear energy and human rights (Ms SCHAAKE (ALDE, NL)), on agricultural issues (Mr KELLY (EPP, IE)), on transitional periods and bilateral safeguard clauses (Ms RODRÍGUEZ-PIÑERO FERNÁNDEZ (S&D, ES)), on interference with ongoing negotiations (Mr SCHOLZ (GUE/NGL, DE)), on the level of coherence and coordination between different trade negotiations (Ms REDING (EPP, LU)), on the prospects for the conclusion of the FTA during the current legislature (Lord DARTMOUTH (EFDD, UK)), and on the value of an FTA with Japan (Ms LE PEN (NI, FR)).

Mr PETRICCIONE noted that two thirds of Japanese cars sold in the EU were made in Europe and that the EU now exported more cars to Japan than vice versa. He said that the EU car industry's main problems arose in Europe and rejected allegations that the FTA would be responsible for all the 'evils' in the EU car industry. He admitted however that an agreement with Japan risked having a serious impact on the EU car industry. Moreover, he regretted the fact that EU manufacturers had

not yet made use of Japanese concessions to facilitate the set-up of EU car distribution networks. He explained that the EU had not delisted the three main Japanese railway companies from the GPA because of the way in which Japan used the operational safety clause but stressed that this measure constituted a mere political irritation for Japan. He admitted that the result of Japanese 2016 general election could affect the progress on the FTA, that TPP talks clearly interfered in the EU-Japan FTA but that this interference was manageable, and that there was little coordination among EU negotiators. Finally, he did not think negotiations with Japan would influence EU talks with China because the level of ambition was very different and the prospects very uncertain.

12. Customs duties on goods originating in Ukraine

INTA/8/01303 2014/0279(COD)

- Exchange of views
- Vote on simplified procedure (Rule 50(1) – without amendment): report

Mr LANGE (S&D, DE) announced that the Commission had proposed extending the preferential tariffs with Ukraine soon to expire at the end of October 2014 due to the deferred entry into force of the Deep and Comprehensive Agreement (DCFTA). He said that the Commission had already provided the necessary impact assessment; that Ukraine met the inherent conditionality in terms of the rule of law and human rights and that the Council fully supported the Commission proposal. He explained that on this basis he had decided to add the item to the agenda at the last minute and proposed a simplified procedure in order to have their report sent to plenary without amendments and thus facilitate the conclusion of the procedure by the EP.

Most political groups agreed that the latest events in Ukraine justified the simplified procedure. Mr LANDSBERGIS (EPP, LT) was convinced that the EU had to send a strong political signal of support to Ukraine. He also noted that despite the possibility of applying the regulation retroactively in the event that it was not immediately extended, Ukrainian businesses would have to operate under a non-preferential regime and face unnecessary burdens and legal uncertainty which would in turn slow down EU exports. Furthermore preferential tariffs helped Ukraine to deal with the fall in

exports for its customs union due to restrictive Russian measures. He therefore suggested having an extraordinary meeting on 20 October and a vote in plenary immediately afterwards. Mr MARTIN (S&D, UK) and Mr JADOT (Greens/EFA, FR) despite not being very keen on fast-track procedures also supported the simplified procedure since this proposal was simply meant to bridge a gap between the expiration of the tariff preferences and the entry into force of the DCFTA. Mr PIECHA (ECR, PL) added that the extension of preferential tariffs would cost very little to the EU but would mean a lot for Ukraine. He also criticised Russian interference in the Association Agreement (AA). Ms SCHAAKE (ALDE, NL) regretted the fact that the implementation of the trade aspects of the AA had been postponed. She said that the EP was presented with a 'fait accompli' which was a very undesirable situation especially when she felt that the Russian Federation (RF) had influenced a trade agreement to which it was not a party. She said that Commissioner-designate Malmström had agreed not to alter the text of the agreement and to always inform the EP. Although she supported the simplified procedure she said that it should remain an exception.

Additionally, Ms SCHAAKE suggested working with the Commission to envisage an adequate structure to deal with these urgent procedures/situations.

Mr SCHOLZ (GUE/NGL, DE), Lord DARTMOUTH (EFDD, UK) and Ms LE PEN (NI, FR) opposed the simplified procedure because it was contrary to democratic procedures. Mr SCHOLZ felt that it was important to know what was going on in the tripartite negotiations, while the EFDD MEP considered the Ukrainian situation to be very delicate and regarded the AA as highly inflammatory.

Finally, Mr LANGE (S&D, DE) asked if a World Trade Organisation (WTO) waiver was needed and how much customs duty would be lost.

The Commission representative said that there was no need for a WTO waiver and that the EU was in a position to use the exemption for free trade arrears from the WTO Most Favoured Nation obligations. He claimed that it was difficult to anticipate what the trade flow between Ukraine and the EU would be and pointed out that the EU's loss of revenue would be identical to that foreseen in the DCFTA. However he underlined that under the current proposal, EU exporters would not have the same market access conditions as negotiated under the DCFTA.

At the end of the exchange of views, the proposal for a simplified procedure was voted on and was blocked by four MEPs (two EFDD, one GUE/NL and one non-attached). Under the rules of procedure of the EP, one tenth of the members is required to block a simplified procedure. The INTA Committee has 41 members.

14. Date of next meeting

The next meeting would be held in Brussels on 5-6 November 2014.
