



**REX/525**  
**Implementation of Free Trade Agreements**  
**1 January 2018-31 December 2018**

## **OPINION**

European Economic and Social Committee

**Implementation of Free Trade Agreements 1 January 2018-31 December 2018**  
[COM(2019) 455 final]

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Referral	Commission 19/12/2019
Legal basis	Article 32(1) of the Treaty on the Functioning of the European Union
Section responsible	External Relations
Adopted in section	16/06/2020
Adopted at plenary	15/07/2020
Plenary session No	553
Outcome of vote (for/against/abstentions)	203/0/7

## 1. Conclusions and recommendations

- 1.1 COVID-19 has had a profound and unprecedented impact on our globalised world and its people, and on trade and investment. The World Trade Organization (WTO) estimates world trade to drop by 13% to 32% in 2020<sup>1</sup>. As an important driver of growth, job creation and sustainable development, trade will have a key role in promoting a sustainable economic recovery from the crisis and allowing companies to rebuild and re-organise their disrupted value chains. Europe urgently needs a strong, social, sustainable and inclusive EU Recovery Plan that will support companies and people, to overcome this crisis and to safeguard decent employment, including through leveraging international trade. This Plan should be financed by using Eurobonds or other common European long-term debt.
- 1.2 This crisis underlines how important global cooperation and the WTO reform process are to ensure a strong and effective organisation that can act against protectionism and unilateralism. The time has come for the WTO to play its role in actively promoting core labour standards and the Paris Agreement<sup>2</sup>.
- 1.3 The announced early EU Trade Strategy review needs to draw important lessons from this crisis. The EU is not self-sufficient and depends on access to international markets. Global supply chains need to become more resilient, diversified and responsible. Stronger instruments need to deliver on a sustainable trade and investment agenda in all its dimensions. It needs to be consistent with the Green Deal and show equal ambition on the effective implementation and enforcement of labour provisions. The European Economic and Social Committee's (EESC) recommendations made in a series of recent and ongoing key opinions on EU trade should inform this review<sup>3</sup>. The new EU Trade Strategy should go beyond old trade models, building a new model that is economically resilient, greener, socially sustainable and responsible.
- 1.4 Civil society plays an important role in raising awareness of EU trade policy implementation. It can help communicating its benefits and is crucial in flagging concerns and shortcomings. Therefore, the EESC particularly regrets that the work and voice of Domestic Advisory Groups (DAGs) remains largely absent from the implementation report. The contribution of DAG work programmes and Joint Declarations with DAGs in partner countries should be more reflected in future reports.
- 1.5 In future agreements, DAGs' monitoring scope will cover the entire agreement, while they should pay special attention to the impact on trade and sustainable development (TSD). The impact of DAG recommendations, notably but not exclusively on investigating TSD violations, needs to be considerably strengthened. The expert group with Member States on TSD, the new Chief Trade Enforcement Officer (CTEO) and relevant EU institutions should establish a

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<sup>1</sup> [WTO Trade Forecast](#), April 2020.

<sup>2</sup> [OJ C 159, 10.5.2019](#).

<sup>3</sup> Recent opinions referenced in [OJ C 47, 11.2.2020](#). Ongoing work of REX/529 "A post COVID-19 emergency: designing a New Multilateral Matrix", NAT/791 "Compatibility of EU trade policy with the European Green Deal" and REX/532 "Sustainable supply chains and decent work in international trade".

structured follow-up exchange with DAGs and joint DAG-to-DAG meetings should be looped in on agreement negotiations.

- 1.6 Free Trade Agreements (FTAs) create a framework for companies to develop long-term relationships with new customers and suppliers, seize opportunities in new countries and build local capacity to meet their requirements. An ambitious bilateral and multilateral trade agenda reflecting the lessons above, and full implementation of existing EU FTAs, need to lay the foundation.
- 1.7 The annual FTA implementation report provides a comprehensive and visible overview of the EU trade network. It measures individual FTAs' progress and performance, and flags implementation shortcomings. However, it needs to enhance its informative potential and better interlink with past reports and the overall life cycle of trade evaluation policy. Sustainable impact assessments (SIA) should notably be used as sources of information. When drafting future reports, the European Commission (EC) should consult with civil society as a matter of priority.
- 1.8 Securing and breaking down data seems to be the biggest challenge. The report should use national data more consistently, showing the different realities per EU Member State or region, and, where need be, invest in active data collection. Establishing criteria makes comparisons more tangible. Other sources, like the International Labour Organization (ILO) on labour violations, should complement the picture.
- 1.9 Future reports should reflect more systematically on trade in services and its evolution. There is a need for more granular data, per sector and mode of supply, to evaluate the extent to which businesses of all sizes take advantage of EU FTA opportunities. To help services exporters, the reviewed Market Access Database should cover services in a consistent way and be supplemented by an EU guide for European services exporters and investors.
- 1.10 To bring added value to all stakeholders, the annual report should pay more attention to specific areas and groups. Consumers would need to see how increases in trade flows can materialise in concrete benefits. Data needs to show a better symmetry between ambitious negotiation goals for consumers and their later implementation.
- 1.11 The preference utilisation rate (PUR) is an important indicator for FTA implementation. The report shows that the PUR is generally lower for EU exports to partner countries than for imports into the EU. The EC and Member States need to take joint action to improve the utilisation of trade preferences and increase awareness of trade benefits, in particular amongst small and medium size companies (SMEs). In cooperation with the EU business community, they should promote FTAs in their national language and develop national implementation action plans for each FTA. Outreach activities also need to consider importers in partner countries.
- 1.12 Transparency is crucial to improve public procurement market access for European companies in FTAs' partner countries. Publication of third country tenders in a dedicated section of the EU Tenders Electronic Daily database would greatly enhance the ability for European companies of

all sizes to benefit from the procurement chapter. Additionally, the EU should promote best practices on how to include environmental and social criteria in public procurement.

- 1.13 FTAs offer considerable potential for EU exports in agricultural products while Geographical Indications (GI) increase the competitiveness of EU agri-food producers both within and outside the EU. However, the implementation of agri-food provisions seems to be falling short of its ambitious goals. Traceability of products and capacity to enforce the precautionary principle are key to ensuring good quality food and its safe and secure supply. Efficient monitoring of Sanitary and Phytosanitary Standards (SPS) calls for inspections with adequate resources.
- 1.14 Years after FTAs were concluded, we still witness a lack of progress in compliance with TSD commitments in some partner countries. Fully supportive of the EC finally taking legal action in the Korea labour rights dispute, the EESC nonetheless expresses concerns over the actual impact of the panel report, given that TSD chapters currently lack binding enforcement tools. In this respect, the EESC calls for firm progress on the Comprehensive Economic and Trade Agreement (CETA) review of labour and environmental provisions' effective enforceability<sup>4</sup>. The review process should closely involve and consult both parties' DAGs.
- 1.15 The EESC strongly welcomes recent initiatives from the EC and Member States to step up efforts on trade and sustainability. In negotiations with the UK, the EU is embarking in a new path, ensuring a sustainable level playing field and applying the general dispute chapter with access to remedies, reflecting the parties' unique relationship. The Green Deal Communication calls for the Paris Agreement to become an essential element for all future comprehensive trade agreements – a positive step that should be extended to cover ILO fundamental and up-to-date Conventions ratified by all EU Member States. As the recognised body at international level, the ILO should be involved in monitoring the implementation of ILO Conventions in FTAs. The EESC looks forward to a fresh debate amongst Member States on how to strengthen TSD chapters to live up fully to their legally binding commitments<sup>5</sup>. This debate needs to keep environmental and labour standards equally high on the implementation and enforcement agenda.

## 2. Background

- 2.1 In its 2015 Trade for All communication, the EC committed to reporting annually on the implementation of the EU's most significant trade agreements. This is now the third report on this matter, and the first time the EESC has made recommendations.
- 2.2 FTAs make up a rising share of EU trade. In 2018, 31% of EU trade in goods with the rest of the world was covered by preferential trade agreements and this figure is expected to rise to over 40% when considering the trade agreements concluded since then.

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<sup>4</sup> [CETA Joint Interpretative Instrument](#), October 2016.

<sup>5</sup> [Non-paper from the Netherlands and France on trade, social economic effects and sustainable development](#), May 2020.

2.3 At present, the EU has the largest trade network in the world, with 44 preferential trade agreements covering 76 countries. The annual implementation report covers different types of EU trade agreements:

- "first generation" agreements, negotiated before 2006, that focus on tariff elimination;
- "new generation" agreements that extend to new areas, including services, investments, public procurement, competition, subsidies, regulatory issues and sustainable development;
- Deep and Comprehensive Free Trade Areas (DCFTA) that create stronger economic links between the EU and its neighbouring countries;
- Economic Partnership Agreements (EPA) focusing on the development needs of African, Caribbean and Pacific regions.

2.4 Since 2015, the EU has completed ex-post evaluations on its trade agreements with Mexico, Chile and South Korea. Ex-post evaluations on CARIFORUM and six Mediterranean countries, as well as EU-Moldova and EU-Georgia, the EU-Colombia, Ecuador and Peru agreement and the EU-Central America agreement are in progress.

2.5 This 2019 report provides an update on the implementation of 35 major trade agreements with 62 partners, including the first full year report on CETA. In addition, the report describes the work undertaken prior to the entry into force of the EU-Japan Economic Partnership Agreement and includes dedicated chapters on SMEs, services and agri-food trade.

2.6 The report seeks to investigate the impact of the provisions included in the dedicated TSD chapters, which are part of all new-generation EU trade agreements, and reports on legal enforcement actions taken under EU trade agreements. Its comprehensive staff working document provides detailed information for each individual agreement.

### 3. **COVID-19 pandemic and global and EU trade**

3.1 COVID-19 will have a profound and unprecedented impact on our globalised trade world. So far, the EC estimates there will be a record 9.7% decrease in global trade, a possible reduction of 9.2% in extra-EU27 exports of goods and services, and an 8.8% decrease in extra-EU27 imports for 2020<sup>6</sup>. We have witnessed large-scale disruptions to supply chains, ad hoc export restrictions on crisis-relevant goods like medical supplies, tightened customs and border controls, and restrictions on the free movement of workers and service suppliers. This crisis has unveiled a worrying fragility and risks related to highly fragmented and undiversified supply chains. It also stresses the importance of economies being underpinned with well-functioning and financially strong public services, in particular public health services, to keep trade 'healthy' and moving.

3.2 This crisis underlines the importance of global cooperation and showcases that national and unilateral solutions are not the answer, neither at European nor at global level. Hence, the reform process of the WTO must continue in order to ensure a strong and effective organisation

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<sup>6</sup> [The impact of the COVID-19 pandemic on global and EU trade](#), Chief Economist team, DG TRADE, April 2020.

that can act against protectionism and unilateralism. The time has come for the WTO to play its role in actively promoting core labour standards and the Paris Agreement<sup>7</sup>.

- 3.3 The EESC recognises that trade, with the right policy framework in place, can be an effective driver of growth, job creation and sustainable development. In 2017, one in seven EU jobs depended on exports, with 36 million jobs and 15.3% of EU employment. In addition, the importance of the Single Market to EU trade and its positive "spill-over effects" are illustrated by the fact that one fifth of export-supported jobs were located in a different Member State<sup>8</sup>.
- 3.4 Trade will play a key role in promoting a sustainable economic recovery and allowing companies to rebuild and re-organise their disrupted value chains. An EU Recovery Plan that must be strong, social, sustainable and inclusive, shall offer companies the opportunities to strengthen their position in international trade and to safeguard decent employment. This Plan should be financed by using Eurobonds or other common European long-term debt.
- 3.5 Upcoming 2020 and 2021 reports should undertake a comprehensive policy assessment of the post-COVID trade environment, and how to ensure it brings benefits for all. The EC should consult with civil society as a matter of priority for future FTA implementation reports, and the EESC stands ready to contribute with its on-the-ground experience. The new Trade Strategy aimed at recovering from COVID and strengthening world trade should take the following factors into account – factors that originated from the crisis, but also from the EU's commitment to a carbon-neutral economy. European industrial policy must strengthen industrial sovereignty in key sectors such as pharmaceuticals and medical equipment. It must happen at EU level.
- 3.6 EESC recommendations made in a series of recent and ongoing key opinions on EU trade<sup>9</sup> should inform the early trade strategy review. Ongoing bilateral and WTO negotiations should urgently take stock of COVID impacts to address related challenges, most notably export restrictions and sustainability of supply chains, and review trade mandates overall.
- 3.7 While the EU's large network of preferential trade rules provides important predictability and certainty for EU businesses, this crisis demonstrates the urgent need for stronger instruments encompassing sustainability of trade in all its dimensions, namely economic, social and environmental. In this context, the EESC would like to refer to ongoing work on a dedicated opinion on sustainable supply chains<sup>10</sup>, due for adoption in September 2020.
- 3.8 Global supply chains will need to become more resilient and responsible. Diversified trade relations constitute an important element of economic sustainability as they provide insurance against disruptions in specific countries and regions. EU trade policy has an essential role to play in this regard. FTAs create a framework for companies to develop long-term relationships

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7 [OJ C 159, 10.5.2019.](#)

8 [OJ C 47, 11.2.2020.](#)

9 See footnote 3.

10 Opinion REX/532 'Sustainable supply chains and decent work in international trade' (expected for September 2020).

with new suppliers, start operations in new countries and build local capacity to meet their requirements.

- 3.9 Reviving trade flows must build on strong commitments to social and labour standards and their effective enforcement. The disruption of supply and production processes has demonstrated the importance of having occupational health and safety measures in place and effectively enforced, and of keeping workers safe and healthy to supply the world with goods and services. The ratification, implementation and enforcement of the ILO core conventions on freedom of association and collective bargaining constitute a key gateway to ensure safe and decent working conditions, together with all ILO fundamental and up-to-date Conventions.
- 3.10 Given the enormous financial recovery measures to be undertaken in the EU and globally, the Green Deal must not be sidelined, but should become a fast-track priority in existing and future EU trade relations, to deliver a socially and environmentally just transition. Green Deal measures need to be addressed throughout all elements of FTAs, including the promotion of best practices of how to include environmental and social criteria in public procurement.

#### **4. General comments on the annual report**

- 4.1 The EESC broadly welcomes the annual report on the implementation of FTAs, which the EC first launched in 2017, as it provides a comprehensive and visible overview of the EU trade network. It allows the measuring of individual FTAs' progress and performance. As such, it should flag implementation shortcomings, including those, like the TSD chapters, not measurable with economic statistics. Hence, future reports should build more clearly on conclusions from past reports and use traceable follow-up measures.
- 4.2 Time is a relevant factor for the implementation and measuring the performance of FTAs. In this respect, annual reports are only snapshots of sustained trends that might materialise over time or need further investigation, and which deserve handling in a better interlinked evaluation policy. Each trade agreement is under substantial evaluation at various moments in its life cycle. The EESC thus suggests approaching future reports in a more holistic manner, revisiting findings of former impact assessments conducted before and during the negotiations. SIAs should notably be used as source of information and should be cross-read with the implementation work.
- 4.3 Information is crucial for fine-tuning EU trade and investment policy and maximising its benefits. Securing and breaking down data seems the biggest challenge. The EU should thus use national data more consistently, showing the different realities per EU Member State or region, and, where need be, invest in active data collection. Establishing criteria can make findings more tangible to compare. When it comes to trade and sustainable development, and in particular the situation of labour standards in countries, other data sources like the ILO need to complete the picture.
- 4.4 The PUR is an important implementation indicator. However, it only analyses trade in goods, and not all benefits like market access in procurement are actually expressed through tariff preferences. The average PUR for imports from EU preferential trading partner countries into



the EU was 87% in 2018; it was generally lower for EU exports to partner countries. However, an exact average PUR calculation is not available since the EU relies on data collected by the importing country and these statistics are not harmonised. To provide a more comprehensive picture, other indicators need to be developed to evaluate the extent to which businesses of all sizes take advantage of EU FTA opportunities.

- 4.5 In 2018, services exports accounted for 32% of the total value of EU exports, and almost 59% when counted as trade in value added (TiVA)<sup>11</sup>. Regrettably, the share of the report dedicated to trade in services does not adequately reflect the high value of trade in services for the EU (25.2% of its GDP) and it lacks in detail. Future reports should reflect more systematically on trade in services and its evolution, not only as an aggregate, but on a sectoral level and by mode of supply. For example, a growing part of professional services are covered by trade agreements. Liberal professions like lawyers, engineers or architects provide highly specialised services that often link to other related services and procurement, but are not reflected in the report.
- 4.6 The EESC calls for future reports to draw more attention to specific areas and groups that are largely absent from the report. The benefits of EU trade agreements for SMEs and agri-food trade are already well highlighted. With agriculture, looking at the cumulative impact of FTAs on specific sectors is important and should be reflected upon before new negotiations start. In particular for consumers, an increase in trade flows needs to materialise in concrete benefits. For this reason, the EESC has called for "a consumer-specific chapter on 'trade and consumers' within the TSD framework, incorporating relevant international consumer standards and strengthening cooperation on the enforcement of consumer rights"<sup>12</sup>.
- 4.7 The EESC strongly supports including a dedicated chapter on TSD implementation in the report. Its focus should look beyond undertaken activities and flesh out their outcomes, expressed views and opinions as well as follow-up measures. The EESC particularly regrets that the work and voice of DAGs in monitoring the impact of agreements on the TSD commitments is largely absent from the report, despite their institutional contribution under all new-generation agreements. The contribution of DAG work programmes and Joint Declarations with DAGs in partner countries should be more reflected in future reports.

## 5. Specific comments on the implementation of FTAs

- 5.1 Civil society plays an important role in raising awareness of EU trade policy implementation, can help communicate its benefits and is crucial in flagging concerns and shortcomings. The EESC plays an active part in all this, through its opinions and as a member of DAGs. Extending the scope of future DAGs to monitoring all aspects of the agreement, while paying special attention to trade and sustainable development, could complement the EC's efforts to promote better implementation of future EU FTAs. The EESC thus supports such an extension<sup>13</sup>.

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<sup>11</sup> As services also account for a significant share of 34% in exports of manufactured goods. All data from Trade in Added Value (TiVA) database, 2016.

<sup>12</sup> [OJ C 227, 28.6.2018, p.27.](#)

<sup>13</sup> [OJ C 159, 10.5.2019, p. 28–37.](#)

- 5.2 DAGs are a key achievement of new-generation FTAs, but have to be strengthened to fulfil their monitoring tasks successfully, notably on TSD and, in future EU FTAs, beyond. The expert group with Member States on TSD, and the new CTEO, should be closely linked to the work of DAGs, with reporting and exchange structures put in place. This should be complemented by an exchange of information with the ILO on labour-related TSD implementation. For more visibility and inter-institutional follow-up, there is a need for a structural dialogue between the EU DAGs, the EC, the EU External Action Service (EEAS), the European Parliament (EP) and Member States. To make the most of the dialogue with civil society in partner countries, joint DAG-to-DAG meetings are imperative and should be included when negotiating the text of the agreement. DAGs could indeed usefully contribute through joint projects and joint recommendations. With the growing number of FTAs, and consequently DAGs, there is an urgent need to implement systemic solutions with adequate resources in place, both human and financial. There is no 'one-size-fits-all' solution. Any potential new approach, like regionalising DAGs, will have to guarantee their effective functioning to address challenges in the specific agreement's implementation and involve DAGs themselves in its shaping.
- 5.3 The EESC strongly welcomes a series of recent efforts to enhance FTA implementation and enforcement. The appointment of a CTEO signals a clear political commitment and strategy. It should result in more effective implementation and enforcement of all FTA elements, and strengthen the role of civil society in implementing the agreements, including through submitting complaints. The recent French and Dutch trade ministers' non-paper<sup>14</sup> is a welcome initiative to launch a fresh debate on how to ensure TSD chapters live up fully to their legally binding commitments. This debate needs to keep environmental and labour standards equally high on the implementation and enforcement agenda. Reflecting their unique relationship, the EU draft text for a future UK trade agreement sets a new path in putting the level playing field and sustainability up front, and notably, for any breach, applies the general dispute settlement mechanism with access to remedies<sup>15</sup>. Making the respect of the Paris agreement an essential element for all future comprehensive trade agreements, as announced in the Green Deal Communication<sup>16</sup>, is a positive step that must be extended to include also the respect and implementation of ILO fundamental and up-to-date Conventions that all EU Member States have ratified. In accordance with its new initiative, the ILO should be involved in monitoring the implementation of ILO Conventions in FTAs, as it is recognised at international level, to monitor, assist, investigate violations and propose solutions.
- 5.4 Years after FTAs were concluded, we still witness a lack of progress in compliance with TSD commitments in some partner countries. In December 2018, the EU called for the constitution of a Panel of Experts to conduct an inquiry into the EU-Korea dispute on labour rights, notably the non-ratification of fundamental and up-to-date ILO Conventions. The EESC welcomes this first

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14 See footnote 5.

15 [Draft text of the Agreement on the New Partnership with the United Kingdom](#), 18 March 2020.

16 [COM\(2019\) 640 final](#)

ever use of TSD-related dispute settlement procedures<sup>17</sup>; it only regrets the length of the procedure given the agreement was ratified eight years ago. The EESC had thus recommended further strengthening civil society monitoring mechanisms by enabling them "to independently trigger investigations into violations of clear TSD commitments"<sup>18</sup>. Regrettably, the panel's scope did not include numerous additional legislative provisions and violations of the right to freedom of association, which the ILO has requested Korea to rectify<sup>19</sup>. Oral presentation of civil society actors, beyond written *amicus curiae* submissions, should form an integral part of the panel's hearing. The outcome of the panel report and its binding impact remains to be seen, as current TSD chapters lack further-reaching enforcement tools. In this respect, the EESC calls for firm progress on the CETA review of labour and environmental provisions' effective enforceability<sup>20</sup>. The review process should closely involve and consult both parties' DAGs<sup>21</sup>.

- 5.5 FTAs offer considerable potential for EU exports in agricultural products while GIs increase the competitiveness of EU agri-food producers both within and outside the EU. With combined imports and exports of EUR 254 billion in 2018, the EU remains the world's foremost trader in agri-food products<sup>22</sup>. While agri-food trade is often heavily scrutinised during negotiations, the implementation of provisions seems to be falling short of its ambitious goals. Traceability of products and capacity to enforce the precautionary principle are key to ensuring good quality food and its safe and secure supply. Efficient monitoring of Sanitary and Phytosanitary Standards (SPS) calls for inspections with adequate resources.
- 5.6 In spite of significant opportunities for companies, there remains a lack of awareness of FTAs' benefits, in particular in the first couple of years of their implementation. The EC and the Member States should promote the agreements, in cooperation with the EU business community in their respective national languages amongst potential exporters to close knowledge gaps, in particular amongst SMEs. Action could include the development of national implementation action plans for each FTA before its entry into force.
- 5.7 As direct beneficiaries from duty savings, importers in trade partner countries are key actors in the utilisation of tariff preferences under an FTA. They should be considered in any EU efforts to increase the PUR for its exports. Outreach activities could include seminars on opportunities offered by the respective FTA and on how to apply for tariff preferences. The EU's outreach in FTA partner countries should be conducted in close cooperation between EU delegations, national representations and business representatives, including chambers of commerce.
- 5.8 Services make up a large volume of modern FTA provisions, but their advantages are harder to read than tariff reductions. Here, transparency on regulatory requirements in third markets is

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17 Taking note of two dispute settlements launched in 2019, notably with Ukraine and the South African Customs Union, under the FTAs general dispute settlement mechanism.

18 [OJ C 227, 28.6.2018, p. 27–34](#).

19 [Amicus curiae](#) for the attention of the Panel of Experts assessing the Republic of Korea's adherence to the sustainability chapter, January 2020.

20 See footnote 4.

21 [Joint Statement EU-Canada DAGs](#), November 2019.

22 [Agri-food trade in 2018](#), DG Agriculture and Rural Development, 2019.

key for facilitating trade. The upcoming merger of the EU Market Access Data Base and the Trade Helpdesk provides an opportunity to cover not only goods, but also services in a consistent way. A new portal should provide information on market access and restrictions by mode of supply for each CPC code<sup>23</sup>, as well as information on documentation, certification, licensing, testing and other requirements by sector. Moreover, a Guide for European services exporters and investors for the EU's most important preferential trading partners for services, such as Japan or Canada, could help.

- 5.9 The EU is the most open public procurement market in the world and FTAs provide comprehensive rules and significant procurement market access opportunities for European companies in partner countries. Yet there is a lack of transparency and lack of coherent measures to integrate labour clauses in public contracting, policies and practices<sup>24</sup>, which should be reflected in FTAs. Publication of third country tenders in a dedicated section of the EU Tenders Electronic Daily database would greatly enhance the ability for European companies of all sizes to benefit from the procurement chapter. In addition, a specialised automatic translation tool in all EU languages for the tenders published could help overcome the language barrier.
- 5.10 To benefit from preferential duties under an FTA, products have to comply with rules of origin (ROOs). The reduction of the administrative cost of applying for preferential tariffs needs to be considered a key factor in increasing the PUR, particularly for low-value transactions. The simplification and harmonisation of ROOs across different FTAs would be crucial in this regard. Moreover, the new approach to origin verification agreed to in the FTAs with Canada and Japan, with the importing authority determining whether products meet origin requirements, may de facto require the exporter to transfer commercially sensitive data.
- 5.11 FTA investment chapters provide legal certainty to inward and outward Foreign Direct Investment (FDI) and remove barriers to investment. European companies lead in the provision of sustainable, long-term investments globally. However, attracting these investments remains challenging. The EU External Investment Plan (EIP), focusing on sustainable development and jobs and growth, is a promising step in this regard, but it is too limited geographically, thematically and in terms of funding available. The EU could support this strategy by placing relevant sustainable investment-related issues high on the political agenda during official visits, high-level meetings and missions to these countries, in coordination with its Member States and the EU business community.

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<sup>23</sup> Central Product Classification code under the WTO services sectoral classification list.

<sup>24</sup> ILO General Survey 2008, [Labour clauses in public contracts. Integrating the social dimension into procurement policies and practices.](#)

5.12 European companies operating in third countries are key drivers and enforcers of Responsible Business Conduct (RBC). The EESC notes that provisions on business responsibilities in trade and investment agreements are growing and going in various directions<sup>25</sup>. With European companies being world leaders in this area, the EU is uniquely placed to take the lead on due diligence; consequently, the EESC welcomes the fact that the EC is following its recommendation to propose EU legislation in this area<sup>26</sup>.

Brussels, 15 July 2020

Luca JAHIER

The president of the European Economic and Social Committee

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<sup>25</sup> [Business Responsibilities and Investment Treaties. Consultation paper by the OECD Secretariat](#), January 2020.

<sup>26</sup> [OJ C 47, 11.2.2020, p. 38–49](#).