

# Procedure file

Basic information	
<p>COD - Ordinary legislative procedure (ex-codecision procedure) Regulation</p> <p>2019/0273(COD)</p>	<p>Procedure completed</p>
<p>Enforcement of international trade rules</p> <p>Amending Regulation 2014/654 <a href="#">2012/0359(COD)</a></p> <p>Subject</p> <p>2.10.02 Public procurement</p> <p>6.20.01 Agreements and relations in the context of the World Trade Organization (WTO)</p> <p>6.20.04 Union Customs Code, tariffs, preferential arrangements, rules of origin</p> <p>7.40.02 Judicial cooperation in civil and commercial matters</p> <p>Legislative priorities</p> <p><a href="#">Joint Declaration 2021</a></p>	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 <a href="#">International Trade</a>	 <a href="#">VEDRENNE Marie-Pierre</a> Shadow rapporteur  <a href="#">ASIMAKOPOULOU Anna-Michelle</a>  <a href="#">LANGE Bernd</a>  <a href="#">BÜTIKOFER Reinhard</a>  <a href="#">FRAGKOS Emmanouil</a>	
Council of the European Union	Commission DG	Commissioner	
European Commission	<a href="#">Trade</a>	DOMBROVSKIS Valdis	

Key events			
12/12/2019	Legislative proposal published	<a href="#">COM(2019)0623</a>	Summary
19/12/2019	Committee referral announced in Parliament, 1st reading		

06/07/2020	Vote in committee, 1st reading		
06/07/2020	Committee report tabled for plenary, 1st reading	<a href="#">A9-0133/2020</a>	Summary
06/07/2020	Committee decision to open interinstitutional negotiations with report adopted in committee		
08/07/2020	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 71)		
10/07/2020	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 71)		
10/11/2020	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	<a href="#">PE660.148 GEDA/A/(2020)006786</a>	
18/01/2021	Debate in Parliament		
19/01/2021	Results of vote in Parliament		
19/01/2021	Decision by Parliament, 1st reading	<a href="#">T9-0004/2021</a>	Summary
03/02/2021	Act adopted by Council after Parliament's 1st reading		
10/02/2021	Final act signed		
10/02/2021	End of procedure in Parliament		
12/02/2021	Final act published in Official Journal		

### Technical information

Procedure reference	2019/0273(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
	Amending Regulation 2014/654 <a href="#">2012/0359(COD)</a>
Legal basis	Treaty on the Functioning of the EU TFEU 207-p2
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	INTA/9/02125

### Documentation gateway

Legislative proposal	<a href="#">COM(2019)0623</a>	12/12/2019	EC	Summary
Committee draft report	<a href="#">PE647.001</a>	06/05/2020	EP	
Amendments tabled in committee	<a href="#">PE652.575</a>	05/06/2020	EP	
Committee report tabled for plenary, 1st reading/single reading	<a href="#">A9-0133/2020</a>	06/07/2020	EP	Summary
Coreper letter confirming interinstitutional agreement	<a href="#">GEDA/A/(2020)006786</a>	04/11/2020	CSL	

Text agreed during interinstitutional negotiations	<a href="#">PE660.148</a>	04/11/2020	EP	
Text adopted by Parliament, 1st reading/single reading	<a href="#">T9-0004/2021</a>	19/01/2021	EP	Summary
Draft final act	00052/2020/LEX	10/02/2021	CSL	
Commission response to text adopted in plenary	<a href="#">SP(2021)89</a>	02/03/2021	EC	

#### Additional information

Research document

[Briefing](#)

20/07/2020

#### Final act

[Regulation 2021/167](#)  
[OJ L 049 12.02.2021, p. 0001](#)

## Enforcement of international trade rules

**PURPOSE:** to amend the current Regulation on compliance with international trade rules to enable the Union to enforce its rights under international trade agreements.

**PROPOSED ACT:** Regulation of the European Parliament and of the Council.

**ROLE OF THE EUROPEAN PARLIAMENT:** the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

**BACKGROUND:** [Regulation \(EU\) No 654/2014](#) of the European Parliament and of the Council establishes a common legislative framework for exercising the Unions rights under international trade agreements in certain specific situations. One such situation concerns the dispute settlement mechanisms provided for in the Agreement establishing the World Trade Organisation (WTO) and other international trade agreements, including regional or bilateral agreements.

That Regulation however does not address a situation where the Union has a right of action in response to a measure maintained by a third country, but dispute settlement through adjudication is blocked or otherwise not available for reasons of noncooperation of the third country having adopted that measure.

For more than two years, the WTO Dispute Settlement Body (DSB) has been unable to fill vacancies on the WTO Appellate Body. Due to the blockage of appointments there will only be one Appellate Body Member from 11 December 2019. Consequently, the Appellate Body will be unable to hear new appeals as from that date.

WTO members will be able to avoid binding rulings and hence escape their international obligations by appealing panel reports. When a panel report is appealed but the Appellate Body cannot function, the dispute will be put into a legal void and will remain unresolved (this has been referred to as appealing into the void). This will mean that in those situations the WTO dispute settlement system will not be binding.

The current situation, namely the blocking of dispute settlement under the World Trade Organisation (WTO) agreement, requires the Union to act as quickly as possible to protect its interests.

**CONTENT:** the proposed amendment extends the scope of Regulation (EU) No 654/2014 on compliance with international trade rules to allow action to be taken when dispute settlement procedures are blocked. The proposal would enable the EU to react even if the WTO is not delivering a final ruling at the appellate level because the other WTO member blocks the dispute procedure by appealing into the void.

With the new mechanism, the EU should be able to expeditiously suspend obligations under international trade agreements, including regional or bilateral agreements, when effective recourse to a binding dispute settlement mechanism is not possible because the third country has rendered it impossible for the Union to do so.

In addition, the proposed amendment caters for similar situations that may arise under other international trade agreements, in particular regional or bilateral agreements, when a third country does not cooperate, as necessary, for dispute settlement to function. For example, the third country may fail to appoint an arbitrator and there is no fall-back mechanism foreseen for dispute settlement to nevertheless be able to proceed

The proposal clarifies that where measures are taken to restrict trade with a third country in such cases, these measures should be proportionate to the nullification or impairment of the Union's trade interests caused by the measures of the third country, in accordance with the Union's obligations under international law.

Lastly, the review clause of Regulation (EU) No 654/2014 should be renewed for a further period of five years. The Commission would then be in a position to examine the impact of the amendment.

## Enforcement of international trade rules

The Committee on International Trade adopted the report by Marie-Pierre VEDRENNE (Renew, FR) on the proposal for a regulation of the

European Parliament and of the Council amending Regulation (EU) No 654/2014 of the European Parliament and of the Council concerning the exercise of the Union's rights for the application and enforcement of international trade rules.

The current situation, namely the blocking of the dispute settlement under the World Trade Organisation (WTO) Agreement, requires the EU to act as quickly as possible to protect its interests. The proposed amendment extends the scope of Regulation (EU) No 654/2014 on compliance with international trade rules so that the EU can act when third countries adopt illegal measures while at the same time blocking the dispute settlement process.

The committee recommended that the European Parliament adopt its position at first reading under the ordinary legislative procedure by amending the Commission proposal.

It introduced amendments aimed at:

- clarifying that the Regulation shall ensure the coherent application of the enforcement mechanism in trade disputes relating to international trade agreements, in particular regional or bilateral agreements;
- include services and intellectual property rights within the scope of trade policy measures that can be taken by the EU and are currently limited to goods and public procurement, with a view to strengthening the credibility and deterrent effect of the Regulation;
- clarify that the imposition of measures to restrict trade with a third country should be targeted and proportionate and compensate, as far as possible, those sectors of the Union that have been affected;
- strengthen the possibility to take immediate action in the event of a unilateral measure imposed on the EU by a third country which represents a clear breach of international law and harms the interests of the EU;
- give the European Parliament and the Council the possibility to request the Commission to adopt the implementing acts determining the appropriate commercial policy measures to safeguard the interests of the Union; the Commission shall inform the European Parliament and the Council without delay on how it intends to follow up on the request;
- bringing forward the date for the review of the Regulation: the review shall not take place on 1 March 2025 as proposed by the Commission, but as soon as possible after the date of entry into force of the amending Regulation and no later than two years after that date. The review shall include proposals to strengthen the enforcement of sustainable development commitments.

The Commission shall report to the European Parliament and the Council within one year of the entry into force of the Regulation on ongoing developments in the area of international trade dispute settlements and the actions it has taken relating to the reform of the Appellate Body of the WTO.

## Enforcement of international trade rules

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The European Parliament adopted by 653 votes to 10, with 30 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 654/2014 of the European Parliament and of the Council concerning the exercise of the Union's rights for the application and enforcement of international trade rules.

The current situation, namely the blocking of the dispute settlement under the World Trade Organisation (WTO) Agreement, requires the EU to act as quickly as possible to protect its interests. The proposed amendment extends the scope of Regulation (EU) No 654/2014 on compliance with international trade rules so that the EU can act when third countries adopt illegal measures while at the same time blocking the dispute settlement process.

Parliament adopted its position at first reading under the ordinary legislative procedure, amending the Commission proposal as follows:

### Extension of the scope

The amended text includes services and intellectual property rights within the scope of trade policy measures that can be taken by the Union and is currently limited to goods and public procurement, with a view to enhancing the credibility and deterrent effect of the regulation. It clarifies that services and intellectual property rights account for a large and growing share of world trade and are covered by international trade agreements, including regional or bilateral Union agreements.

### Enforcement mechanism for trade disputes

The Regulation would apply to the suspension of concessions or other obligations and to the adoption of measures in response to breaches of the trade and sustainable development chapters of trade agreements, if and to the extent that such measures are permitted and warranted by the circumstances.

### Information and consultation of stakeholders

Where the Commission intends to take measures concerning the imposition of restrictions on trade in services or on the protection of intellectual property rights in respect of right-holders who are nationals of a third country, the Commission should inform stakeholders, including professional associations, who are affected by possible commercial policy measures, and with Member State public authorities involved in the formulation or implementation of legislation regulating the affected fields.

The Commission should take utmost account of the information gathered during such consultations.

### Review

As soon as possible after the date of entry into force of the amending Regulation, but no later than one year after that date, the Commission should review the scope of the Regulation, in particular as regards the commercial policy measures that may be adopted, as well as its implementation, and will report to the European Parliament and the Council.

### Statements by the institutions

In a joint declaration annexed to the legislative resolution, the Commission took note of the concerns expressed by the Parliament and the

Member States regarding the practices of certain third countries to seek to coerce the EU and/or its Member States to take or withdraw particular policy measures.

The Commission confirms its intention to further examine a possible instrument, which could be adopted in order to dissuade or offset coercive actions by third countries and which would allow the expeditious adoption of countermeasures triggered by such actions.

The Commission intends to adopt a legislative proposal providing for a mechanism allowing to dissuade or offset such actions in a manner consistent with international law. It shall adopt the proposal in any case no later than the end of 2021, or earlier, should the need arise as a result of coercive action taken by a third country.

Another joint declaration states that the Union remains committed to a multilateral approach to international dispute settlement, rules-based trade and international cooperation to achieve the UN's sustainable development goals. The Union will cooperate in all endeavours aiming to reform the WTO Dispute Settlement Mechanism which can ensure the effective functioning of the WTO Appellate Body.