House of Commons
European Scrutiny Committee

Sixty-ninth Report of Session 2017–19

Documents considered by the Committee on 26 June 2019

Report, together with formal minutes

Ordered by the House of Commons
to be printed 26 June 2019
Notes

Numbering of documents

Three separate numbering systems are used in this Report for European Union documents:

- Numbers in brackets are the Committee’s own reference numbers.
- Numbers in the form “5467/05” are Council of Ministers reference numbers. This system is also used by UK Government Departments, by the House of Commons Vote Office and for proceedings in the House.
- Numbers preceded by the letters COM or SEC or JOIN are Commission reference numbers.

Where only a Committee number is given, this usually indicates that no official text is available and the Government has submitted an “unnumbered Explanatory Memorandum” discussing what is likely to be included in the document or covering an unofficial text.

Abbreviations used in the headnotes and footnotes

- AFSJ Area of Freedom Security and Justice
- CFSP Common Foreign and Security Policy
- CSDP Common Security and Defence Policy
- ECA European Court of Auditors
- ECB European Central Bank
- EEAS European External Action Service
- EM Explanatory Memorandum (submitted by the Government to the Committee) *
- EP European Parliament
- EU European Union
- JHA Justice and Home Affairs
- OJ Official Journal of the European Communities
- QMV Qualified majority voting
- SEM Supplementary Explanatory Memorandum
- TEU Treaty on European Union
- TFEU Treaty on the Functioning of the European Union

Euros

Where figures in euros have been converted to pounds sterling, this is normally at the market rate for the last working day of the previous month.

Further information

Documents recommended by the Committee for debate, together with the times of forthcoming debates (where known), are listed in the European Union Documents list, which is published in the House of Commons Vote Bundle each Monday, and is also available on the parliamentary website. Documents awaiting consideration by the Committee are listed in “Remaining Business”: [www.parliament.uk/escom](http://www.parliament.uk/escom). The website also contains the Committee’s Reports.

*Explanatory Memoranda (EMs) and letters issued by the Ministers can be downloaded from the Cabinet Office website: [http://europeanmemoranda.cabinetoffice.gov.uk/](http://europeanmemoranda.cabinetoffice.gov.uk/).
**Staff**

The staff of the Committee are Jessica Mulley (Clerk), Kilian Bourke, Alistair Dillon, Leigh Gibson, Foeke Noppert, Sibel Taner and George Wilson (Clerk Advisers), Joanne Dee and Emily Unwin (Deputy Counsels for European Legislation), Jeanne Delebarre (Second Clerk), Daniel Moeller (Senior Committee Assistant), Nat Ireton, Apostolos Kostoulas and Beatrice Woods (Committee Assistants), Ravi Abhayaratne and Paula Saunderson (Office Support Assistants).

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**Standing order and membership**  

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Meeting Summary

The Committee looks at the significance of EU proposals and decides whether to clear the document from scrutiny or withhold clearance and ask questions of the Government. The Committee also has the power to recommend documents for debate.

Brexit-related issues

The Committee is now looking at documents in the light of the UK’s decision to withdraw from the EU. Issues are explored in greater detail in report chapters and, where appropriate, in the summaries below. The Committee notes that in the current week the following issues and questions have arisen in documents or in correspondence with Ministers:

- Amendments to EU water quality legislation could be relevant to the UK in the future. This could be a particular issue for the Irish border, including under a no-deal Brexit scenario.
- The implications of exiting the EU in relation to policy on artificial intelligence

Summary

Pharmaceuticals in the environment

Residues of pharmaceutical products may enter the environment during manufacture, use and disposal. The resulting pollution caused by some pharmaceuticals is an emerging problem, with evidence of risks to the environment and, potentially, to human health. The Committee was disappointed with the Minister’s initial analysis of the Commission’s proposed strategic approach to tackling the issue. She has responded with substantially more detail, accepting the Committee’s contention that EU policy in this area, including amendments to EU water quality legislation, could be relevant to the UK in the future. This could be a particular issue for the Irish border, including under a “no-deal” Brexit. She expects any future relationship agreement with the EU to contain a reciprocal non-regression commitment (a commitment to at least maintain current environmental standards) and also acknowledges the need to take forward national policy in this area in parallel with EU work. At the UK level, the Department for Environment, Food and Rural Affairs plans to develop a national plan to manage risks from pharmaceuticals in the environment. The Committee welcomes the information provided by the Minister.

Cleared; drawn to the attention of the Environmental Audit Committee, Environment, Food and Rural Affairs Committee and the Health and Social Care Committee

Artificial Intelligence

The European Commission has adopted and is steadily progressing the implementation of its Coordinated Action Plan for Artificial Intelligence (AI) The Action Plan proposed loose coordination of national approaches as opposed to EU-level regulation, alongside increased investment (through Horizon Europe and Digital Europe) and the ongoing
development of a Common European Data Space. The Minister (Margot James MP) was supportive of the proposed Guidelines and did not raise any concerns regarding the Action Plan.

The Commission also adopted Ethical Guidelines developed by the AI High-level Expert Group in April 2019 and launched a piloting phase which will last until the end of the year, before the guidelines are revised. The guidelines highlight trust as a prerequisite to ensure a human-centric approach to the development of AI. The Minister welcomes “the rights-based approach proposed in the guidelines as a more practical way to define the ethical challenges surrounding the deployment of AI”.

The implications of EU exit for AI in the UK primarily relate to the extent of UK participation in the Horizon Europe and Digital Europe programmes, and also the variable implications of non-participation in the EU’s various data-related frameworks. As for many sectors, access to skills will also be a key issue. If the EU were to adopt a more integrated approach to regulating AI in the future, the UK would have to choose between alignment and divergence.

As the two Communications are not legislative proposals, and further Communications on the implementation of the Action Plan will be forthcoming in the near future, which the Committee will have the opportunity to scrutinise, the Committee cleared the documents from scrutiny.

Cleared from scrutiny; drawn to the attention of the Digital, Culture, Media and Sport Select Committee and the Business, Energy and Industrial Strategy Select Committee.

**Documents drawn to the attention of select committees:**

(‘NC’ indicates document is ‘not cleared’ from scrutiny; ‘C’ indicates document is ‘cleared’)

**Business, Energy and Industrial Strategy Committee:** Artificial Intelligence [Commission Communications (C)]

**Committee on Exiting the European Union:** Plurilateral negotiations on electronic commerce in the World Trade Organisation (WTO) [Proposed Decision (C)]

**Digital, Culture, Media and Sport Committee:** Artificial Intelligence [Commission Communications (C)]

**Environment, Food and Rural Affairs Committee:** Pharmaceuticals in the environment [Commission Communication (C)]

**Environmental Audit Committee:** Pharmaceuticals in the environment [Commission Communication (C)]

**Foreign Affairs Committee:** Enlargement of the European Union: status of candidate countries in 2019 [Commission Communication (C)]

**Health and Social Care Committee:** Pharmaceuticals in the environment [Commission Communication (C)]

**International Trade Committee:** Plurilateral negotiations on electronic commerce in the World Trade Organisation (WTO) [Proposed Decision (C)]
1 Artificial Intelligence

Committee’s assessment: Politically important

Committee’s decision: (a) Cleared from scrutiny; (b) cleared from scrutiny; drawn to the attention of the Business, Energy and Industrial Strategy Select Committee and the Digital, Culture, Media and Sport Select Committee

Document details: (a) Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: Coordinated Plan on Artificial Intelligence; (b) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Building Trust in Human-Centric Artificial Intelligence

Legal base: —

Department: Digital, Culture, Media and Sport

Document Number: (40281), 15641/18 + ADD 1, COM(18) 795; (40507), 8396/19, COM(19) 168

Summary and Committee’s conclusions

1.1 This chapter takes stock of the European Union’s emerging approach to engaging with Artificial Intelligence (AI), and the possible implications of EU exit for this policy area.

1.2 On 30 April 2018 the European Commission published its “European initiative on Artificial Intelligence”,1 which made the case for adopting a coordinated European approach on AI in order to maximise the growth opportunities it presents, as well as to address the challenges posed by it.

1.3 The strategy proposed:

- to boost the EU’s technological and industrial capacity and AI uptake across the economy, through increased investment in R&I and better access to data;

- to prepare for socio-economic changes brought about by AI by encouraging the modernisation of education and training systems, supporting changes in the labour market, and the adaptation of social protection systems; and

- to ensure an appropriate ethical and legal framework, based on the Union’s values and in line with the Charter of Fundamental Rights of the EU.

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1 Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions—Artificial Intelligence for Europe, COM(2018) 237 final.
1.4 In the Government’s Explanatory Memorandum,² the Minister for Digital (Margot James MP) noted that the initiatives proposed were similar to those recommended by the 2017 independent review produced by Professor Dame Wendy Hall and Jérôme Pesenti on how to grow the AI industry in the UK,³ and added that the Government would carefully scrutinise any detailed proposals in due course. The Committee cleared the document from scrutiny in its report on 24 October 2018.⁴

1.5 On 7 December 2018 the Commission published a coordinated action plan⁵ which had been developed in conjunction with the Member States and an accompanying Communication⁶ providing an overview of it. The broad thrust of the Plan is to ensure that the EU as a whole can compete globally, to improve economic growth across all sectors, to maximise the impact of investments at EU and national levels, and to encourage synergies across the policy area, including ethics.

1.6 A wide range of future actions are envisioned. The most salient of these include:

- Member States putting national AI strategies/programmes in place including investment levels and implementation measures. Benchmarks will be developed to monitor progress.
- Increasing investment under Horizon 2020 to €1.5bn between 2018–2020, and at least €1bn per year during the next programming period from 2021–2027 through Horizon Europe and Digital Europe. €100m will also be made available annually from 2020 for AI and blockchain startups.
- Investing in High-Performance Computing infrastructure through a Joint Undertaking, which will pool public and private funds of €1bn.
- Creating a new AI research and innovation public-private partnership, based on a common strategic research agenda on AI.
- Establishing a network of European AI research excellence centres and testing and experimentation sites for AI-powered products and services throughout Europe, and accelerating AI take-up through Digital Innovation Hubs (DIH).
- Promoting, primarily at national level, AI skills and lifelong learning, with the Union providing €700m from 2020 to promote advanced skills for AI, High Performance Computing and Cybersecurity.
- Creating a Common European Data Space, primarily through identifying public data sets to be made more openly reusable across the Union.
- Promoting international outreach of the European approach to AI ethics, including through the UN, OECD, the G7 and the G20, and encouraging alignment of Member State and EU approaches.
- Developing ethical guidelines through the AI High-level Expert Group, which consists of 52 experts representing academia, civil society and industry (discussed further below).

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² Explanatory Memorandum from the Minister to the Chair of the European Scrutiny Committee (16 May 2018).
³ Growing the Artificial Intelligence Industry in the UK (15 October 2017).
1.7 In the Government’s response to the Action Plan,\(^7\) rather than providing a subsidiarity assessment of the Commission’s proposal, the Minister simply repeated the Commission’s own assessment that “ensuring coordination on AI within Europe is necessary to remain competitive and a compelling investment opportunity at the global level” and that without it, “there is no guarantee that Member States’ individual approaches to developing AI technologies and capabilities would align and produce a compelling, optimised outcome”, without providing any assessment of this view. We interpret this as a tacit endorsement of the Commission’s analysis, as no contrary view is offered.

1.8 Concerning EU exit, the Minister noted that “the future of the UK’s participation in EU regulatory regimes, policies and programmes that will impact the development and adoption of AI (such as in relation to funding, accessing data, and safety and liability frameworks) will be a matter for Brexit negotiations”, and that “the terms of participating in the Coordinated Action Plan on AI are not set out in the Communication”.

1.9 The Minister also touches on the various themes of the Action Plan, although for the most part avoids commenting on what the actual policy implications of non-participation in these elements of the European aspects of the Plan might be, and instead primarily outlines the Government’s domestic agenda in the area. Thus, under “Investment”, the Minister makes no mention of the loss of funding under EU financial programmes and instead provides a summary of the UK’s AI Sector Deal.\(^8\)

1.10 On 8 April 2019 the Commission also adopted a further Communication, ‘Building Trust in Human-Centric Artificial Intelligence’,\(^9\) highlighting the publication and launch of a piloting phase for the ‘Ethics Guidelines for Trustworthy AI’,\(^10\) developed by the Commission’s High Level Expert Group (HLEG)—a multi-stakeholder group representative of different Member States alongside academic and industry perspectives. The piloting phase will be launched by the summer of 2019 and last until the end of the year. After this piloting phase they will be further revised at the beginning of 2020.

1.11 The guidelines highlight trust as a prerequisite to ensure a human-centric approach to the development of AI. The document captures the founding principles of the EU as guiding principles for this work (respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights), as well as the EU Charter of Fundamental Rights which captures the personal, civic, political, economic and social rights enjoyed by people within the EU. The seven key requirements relate to: human agency and oversight; technical robustness; privacy and data governance; transparency; diversity, non-discrimination and fairness; societal and environmental well-being; and accountability.

1.12 The Minister states\(^11\) that the Government considers the non-binding guidelines to be “a helpful contribution to the global debate on the ethical deployment and governance of artificial intelligence”. She also welcomes “the rights-based approach proposed in the guidelines as a more practical way to define the ethical challenges surrounding the

\(^7\) Explanatory Memorandum submitted by the Department for Digital, Culture, Media and Sport (22 January 2019).
\(^8\) HM Government, Policy paper: AI Sector Deal (21 May 2019).
\(^11\) Explanatory Memorandum submitted by the Department for Digital, Culture, Media and Sport (3 May 2019).
deployment of AI”, and notes that the guidance incorporates the UK’s feedback and complements the UK’s Data Ethics Framework, which sets out clear principles for how data should be used in the public sector.

1.13 We have taken note of the Minister’s views regarding these communications respectively setting out a coordinated action plan and ethical guidelines regarding Europe’s approach to Artificial Intelligence (AI).

1.14 In terms of the implications of EU exit for AI in the UK, the Minister states that “the future of the UK’s participation in EU regulatory regimes, policies and programmes that will impact the development and adoption of AI (such as in relation to funding, accessing data, and safety and liability frameworks) will be a matter for Brexit negotiations”.

1.15 Our assessment is that the primary questions that arise for AI stakeholders in the UK as a consequence of Brexit concern, not the emergent EU AI regime, which currently foresees a cooperative approach which could accommodate a degree of divergence and experimentation at Member State level, but to (i) EU rules relating to data, (ii) the extent of UK participation in EU financial programmes, and (iii) access to talent.

1.16 In terms of data, once the UK has left the EU (and any transition period has come to an end), it will cease to participate directly in the many EU frameworks governing data (including personal data protection, the free flow of non-personal data, and the re-use of public sector information) which cumulatively have the effect of facilitating access to and use of data throughout the Union, which will instead apply to the UK as a third country. As access to large datasets are integral to AI, any increased friction in this regard could negatively impact UK stakeholders. The Minister’s acknowledgement that “the European ambition to create a common data space in discrete sectors or areas recognises the need for large amounts of high-quality data to develop AI technologies” implicitly acknowledges these concerns, highlighting in particular the importance of the High Value Datasets which may be created through Implementing Acts under the recast PSI Directive.

12 Explanatory Memorandum submitted by the Department for Digital, Culture, Media and Sport (22 January 2019).
14 The 13 November 2018 European Commission Communication, “Preparing for the withdrawal of the United Kingdom from the European Union on 30 March 2019: a Contingency Action Plan” states that “in the case of a no deal scenario, as of the withdrawal date, the transfer of personal data to the United Kingdom will become subject to the rules on international transfers in application of the General Data Protection Regulation (EU) 2016/679, Directive (EU) 2016/680 for the law enforcement sector and Regulation (EC) 45/2001 26 for the institutions and bodies of the European Union. The General Data Protection Regulation, Directive 2016/680 and Regulation 45/2001 contain a broad toolbox for data transfers to third countries. This includes in particular the so-called ‘appropriate safeguards’ (e.g. the Commission’s approved Standard Contractual Clauses, Binding Corporate Rules, administrative arrangements) that can be used both by the private sector and public authorities.”
1.17 Leaving the Union will also result in the loss to UK stakeholders of substantial EU funds for AI-related research unless the UK negotiates association to/participation in the relevant financial programmes. If the Multiannual Financial Framework (MFF) proposed by the Commission were to be approved, this would mean that at least €1bn per year would be made available to be invested in AI during the period 2021—2027 under the Horizon Europe and Digital Europe programmes, in addition to EU investments in High Performance Computing infrastructure, AI startups, testing and experimentation sites for AI-powered products and services, and for the promotion of advanced AI skills. UK participation in the Horizon Europe and Digital Europe programmes would have to be negotiated with the EU within the context of wider negotiations relating to the overall relationship. We note that the proposed terms governing the participation of third countries in the Horizon Europe Regulation require the Union “to take into account the objective of driving economic growth in the Union through innovation” and states that “parts of the Programme may be excluded from an association agreement for a specific country” —a provision which could potentially be used to limit the involvement of third countries in AI-related elements of the programme. In the event of a non-negotiated exit, UK participation in the current Horizon 2020 programme would be disrupted as there would be no implementation period, and it would be politically challenging to negotiate association to Horizon Europe until wider exit issues had been addressed.

1.18 Other issues affecting AI stakeholders in the UK as a result of EU exit include:

- the nature of the immigration regime with which the Government replaces the current intra-EU regime will be important: TechUK has previously identified a wide range of problems with the UK’s current immigration regime for the digital sector, in the absence of current intra-EU arrangements, and these issues also apply to AI specifically; and

- if the EU were to adopt a more integrated approach to regulating AI in the future, this could have implications for third country stakeholders, and the Government would have to choose what extent to align with the EU’s approach, balancing the benefits of taking a more unilateral approach with the inefficiencies which might arise from divergence.

1.19 We now clear these two non-legislative documents from scrutiny. We will scrutinise the development of the AI Action Plan through subsequent documents. We draw this report to the attention of the Select Committee for Digital, Culture, Media and Sport and the Select Committee for Business, Energy and Industrial Strategy.

Full details of the documents

(a) Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: Coordinated Plan on Artificial Intelligence: (40281), 15641/18 + ADD 1, COM(18) 795. (b) Communication from the Commission to the European Parliament, establishing Horizon Europe—the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, COM/2018/435 final (Article 12(2)).


16 TechUK, An immigration system that supports the UK tech sector (13 September 2018).
the Council, the European Economic and Social Committee and the Committee of the Regions: Building Trust in Human-Centric Artificial Intelligence: (40507), 8396/19, COM(19) 168.

**Previous Committee Reports**

2 Pharmaceuticals in the environment

Committee's assessment Politically important

Committee's decision Cleared from scrutiny; drawn to the attention of the Environmental Audit Committee, Environment, Food and Rural Affairs Committee and the Health and Social Care Committee.


Legal base —

Department Environment, Food and Rural Affairs

Document Number (40476), 7680/19; COM(19) 128

Summary and Committee's conclusions

2.1 The treatment of many diseases in humans and animals relies on access to effective pharmaceuticals. At the same time, pollution caused by some pharmaceuticals is an emerging problem, with evidence of risks to the environment and, in relation to antimicrobial resistance (AMR), potentially to human health. Residues of pharmaceutical products may enter the environment during their manufacture, use and disposal. The European Commission's document set out a strategic approach to the issue, identifying several objectives and areas for action.

2.2 We first considered the Commission's document at our meeting of 15 May, requesting further analysis from the Minister. We noted that any changes to EU legislation in the future to reflect this policy challenge would potentially be of relevance to the UK post-Brexit in the light of commitments made in the Political Declaration on the future relationship. We asked the Minister to comment on the Commission's definition of the problem and the strength of evidence underpinning the Commission's conclusions.

2.3 The Parliamentary Under Secretary for the Environment (Dr Thérèse Coffey MP) summarises17 the evidence18 on which the Commission's conclusions were based. The Government considers that the Commission has been thorough in its synthesis of contemporary peer-reviewed, scientific literature relating to this subject. Moreover, it has been cautious in how it has interpreted conclusions from those sources of information since it has identified a number of evidence gaps in relation to the real-world, long-term (chronic) impacts pharmaceuticals in the environment may have on the health of animals or humans. The Minister believes that the Commission correctly identified the need for comprehensive environmental risk assessments before considering what action might need to be taken.

2.4 The Government, says the Minister, has welcomed publication of the Commission's document. In responding to the Commission's earlier consultation, the UK was generally supportive of most of the policy options proposed by the Commission.

17 Letter from Dr Thérèse Coffey MP to Sir William Cash MP, dated 6 June 2019.
18 European Commission ‘Strategies against chemical pollution of surface waters’.
2.5 The Government agrees with the Commission that tackling pharmaceuticals in the environment is a cross-cutting issue and will need the input of a wide range of stakeholders. At the UK level, the Department plans to work with policy leads, environmental regulators and stakeholders to develop a national plan to manage risks from pharmaceuticals in the environment. This work needs to be taken forward in parallel with that being undertaken by other countries and the EU itself. The Government is keen, says the Minister, to continue its collaboration with other countries on these issues and to learn from those who have been taking a lead on this in the EU, notably Germany, the Netherlands and Sweden.

2.6 Other relevant work in which the UK is currently engaged is implementation of the five-year National Action Plan on AMR and international collaboration on AMR through UN bodies, such as the UN Environment Programme (UNEP).

2.7 Turning to the nature of future EU action, the Minister observes that any legislative action is likely to be taken forward via amendments to existing legislation, although the Commission has noted that this will be a long process and further research is needed before specific legislative measures to tackle pharmaceutical levels can be proposed (i.e. in the Water Framework Directive, Urban Waste Water Treatment Directive and Industrial Emissions Directive).

2.8 In general, says the Minister, the UK is committed to upholding its international obligations as it leaves the EU and will collaborate with its European and global partners to protect its environment. The UK will maintain its high regulatory standards for the environment post-Brexit, and would expect any future relationship agreement with the EU to contain a reciprocal non-regression commitment.

2.9 **We welcome the comprehensive information provided by the Minister, although we regret that she was unable to provide such analysis in her original Explanatory Memorandum. On Brexit, we note her expectation that the future relationship agreement would include a reciprocal non-regression commitment as well as her view that UK work in this area should be taken forward in parallel with that being undertaken at the EU-level.**

2.10 **We clear the document from scrutiny and require no further information. This chapter is drawn to the attention of the Environmental Audit Committee, Environment, Food and Rural Affairs Committee and the Health and Social Care Committee.**

**Full details of the documents**

Commission Communication: European Union Strategic Approach to Pharmaceuticals in the Environment: (40476), 7680/19; COM(19) 128.

**Previous Committee Reports**

3 Plurilateral negotiations on electronic commerce in the World Trade Organisation (WTO)

Committee’s assessment  Politically important
Committee’s decision  Cleared from scrutiny; further information requested; drawn to the attention of the International Trade Committee and the Committee on Exiting the EU
Document details  Recommendation for a Council Decision supplementing the negotiating directives for the Doha Development Agenda regarding the plurilateral negotiations of rules and commitments on electronic commerce
Legal base  Articles 207(3) and (4) and 218(3) and (4) of the Treaty on the Functioning of the EU (TFEU)
Department  International Trade
Document Number  (40493), 8161/19 + ADD 1, COM(19) 165

Summary and Committee’s conclusions

3.1 In January 2019, 76 members of the World Trade Organisation (WTO), including the EU, announced their intention to commence negotiations on trade related aspects of electronic commerce, following the WTO Electronic Commerce Initiative (the Initiative) of December 2017.

3.2 The proposed Council Decision is intended to supplement the Commission’s existing WTO Doha Development Agenda negotiation mandates on trade in services and trade facilitation, as well as on the progressive liberalisation of trade rules, by further ‘framing’ the EU’s objectives for plurilateral negotiations of rules and commitments on trade-related electronic commerce.

3.3 The Commission’s overarching objectives are to enhance global electronic commerce, by facilitating the participation of business, including micro, small and medium enterprises in global electronic commerce chains, strengthening consumers’ trust in the online environment and creating new opportunities to promote inclusive growth and development. The proposal further stresses the importance of these negotiations being conducted in an open, inclusive and transparent manner and the cross-cutting nature of electronic commerce.

3.4 In his Explanatory Memorandum of 17 April 2019, the Minister for Investment (Graham Stuart MP) notes that the UK is a “strong supporter of this Initiative” and is “keen to show leadership on this agenda as we [the UK] transition[s] to an independent WTO Member” in view of the UK’s withdrawal from the EU. He also stresses that in the run up to exit and beyond, the UK will continue to work with the EU and other partners
to secure “ambitious data provisions in trade agreements”, which balance the removal of unjustified barriers to the free flow of data with maintaining high levels of protection for personal data and privacy.

3.5 In an update letter of 29 May 2019, the Minister of State for Trade Policy (George Hollingbery MP) informs the Committee that the proposal was adopted unanimously by all Member States, including the UK, at the Foreign Affairs Council (Trade) on 27 May 2019. He explains that the Government was not able to obtain clearance from scrutiny in advance of the vote (in view of the Presidency’s tight timetable for adoption and noting the cancellation of the Committee’s meeting on 22 May 2019) and—“[a]fter careful consideration”—overrode scrutiny to support the proposal, on the basis that:

The UK’s failure to support the recommended Council Decision… would have been contrary to UK’s national interest as a strong supporter of the e-commerce negotiations, which we [the UK] have consistently pushed actively through the EU for momentum to be maintained. In addition, it would have been perceived negatively by other Member States and WTO members engaged in the negotiations, who could have interpreted this as an indication of the UK withdrawing our [its] support from the multilateral free trade agenda.

3.6 We thank the Minister for his letter of 29 May 2019 explaining the reasons for the override of scrutiny and note that all Member States, including the UK, voted in favour of the proposal at the Foreign Affairs Council on 27 May 2019.

3.7 We are content to clear the document from scrutiny, but:

- draw the proposal (now adopted negotiating directives) to the attention of the House, noting the debate in European Committee B on 23 October 2018 in relation to trade deals and data flows between the EU and third countries;\(^\text{20}\) and

- ask the Minister to keep us updated (via the Department’s Trade Policy Updates to this Committee) on any progress made in relation to plurilateral electronic commerce negotiations within the WTO. We consider that plurilateral talks within the WTO on electronic commerce will test the credibility of the WTO to develop new rules that are fit for purpose in the digital age,\(^\text{21}\) particularly given the divergent approaches of key WTO Members to cross-border data flows and privacy. For example, we note that EU objectives that seek to enshrine net neutrality and the protection of personal data and privacy in WTO law\(^\text{22}\) are likely to be met with opposition by the US, which seeks to minimise restrictions to cross-border data flows, and by China, given its controls on data flows and little to no protection of personal data.

3.8 In the meantime, we draw the document and our conclusions to the attention of the International Trade Committee and the Committee on Exiting the EU.

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20 Also see the Committee’s Report chapters of 12 September 2018 and 6 February 2019 for further information.
21 Also see Committee’s Report chapter of 14 November 2018 on ‘Modernisation of the World Trade Organisation (WTO)’.
22 See EU proposal for WTO disciplines and commitments relating to electronic commerce dated 26 April 2019.
Full details of the documents

Recommendation for a Council Decision supplementing the negotiating directives for the Doha Development Agenda regarding the plurilateral negotiations of rules and commitments on electronic commerce: (40493), 8161/19 + ADD 1, COM(19) 165.

Previous Committee Reports

None.
4 Enlargement of the European Union: status of candidate countries in 2019

Committee’s assessment  Politically important

Committee’s decision  Cleared from scrutiny; further information requested; drawn to the attention of the Foreign Affairs Committee

Document details  Communication from the Commission: Communication on EU Enlargement Policy.

Legal base  —

Department  Foreign and Commonwealth Office

Document Number  (40594), 9810/19, COM(2019) 260

Summary and Committee’s conclusions

4.1 Under Article 49 of the Treaty on European Union, any “European State” which upholds the Treaty’s foundational values can apply to become a Member State. A decision on the accession of a third country to the Union must be taken by the existing Member States unanimously, and with the consent of the European Parliament. Any resulting Act of Accession, which modifies the Treaties to take into account the entry of the new Member State, has to be ratified by all of the EU’s Member States in accordance with their respective constitutional requirements.

4.2 Accession to the European Union requires countries to accept, in principle, the entire body of existing EU law (known as the acquis). It also depends on compliance with the so-called Copenhagen and Madrid Criteria, which set out the overarching political and economic conditions for EU membership. In particular, these stipulate that new Member States need stable democratic institutions and human rights protections (including for minorities), a functioning market economy that can cope with increased competition from elsewhere in the EU upon joining the Single Market, and—eventually—join the Eurozone.

4.3 We have described the various formal stages of the EU accession process in more detail in the “Background” section of this chapter. We published our last Report on the process of EU enlargement on 23 May 2018.

4.4 Since the accession of Croatia in July 2013 and Iceland’s withdrawal of its accession application in March 2015, the remaining European countries with a prospect of EU membership are mostly in the Western Balkans. As of June 2019, five countries have applied for accession and been formally declared candidates for EU membership: Albania, Montenegro, North Macedonia, Serbia and Turkey. Among these, Montenegro, Serbia and Turkey have begun formal negotiations structured around the various policy-specific ‘chapters’ of the EU acquis. In practice, negotiations with Turkey are effectively suspended because of its drift towards authoritarianism and its continued antagonism towards Cyprus.
4.5 In addition, Bosnia and Herzegovina and Kosovo are considered “potential candidate countries”. This means are not yet formal candidates for accession, but they have—in the EU’s jargon—a “European perspective”. Bosnia and Herzegovina submitted its formal application to become an EU Member State in April 2016. Ukraine, while now party to an Association Agreement with the EU, has not yet applied for membership and there is no realistic prospect of being granted candidate country status in the near future.

4.6 Each year, the European Commission publishes a set of reports for each candidate and potential candidate country, charting progress or setbacks in their respective discussions with the EU on formal accession. In May 2019, it published the latest set of reports (which we understand were delayed from their usual publication date in April to avoid becoming a point of debate in the May 2019 European elections). Notably, the Commission reiterates its 2018 recommendation for the EU to formally open entry negotiations with Albania and North Macedonia. When that recommendation was initially issued last year, the Member States deferred taking a decision until 2019. In light of its latest assessment, the Commission also proposed to upgrade Bosnia and Herzegovina to a formal EU candidate country (with a view to opening negotiations at a later stage).

4.7 However, the Commission’s recommendations to take the next step in the accession process were not accepted by the Member States, due to opposition from France and Germany in particular. On 18 June, Ministers meeting as the General Affairs Council decided they would “revert to the issue” of opening negotiations with Albania and North Macedonia “with a view to reaching a clear and substantive decision as soon as possible and no later than October”. With respect to Bosnia and Herzegovina, the Council committed only to “revert to the matter later this year”. These conclusions were endorsed by the EU’s Heads of State and Government at the meeting of the European Council on 20 June. As a result, there is no immediate prospect of negotiations for entry into the EU for Albania, North Macedonia and Bosnia and Herzegovina. Montenegro and Serbia will continue to discuss the conditions for their eventual accession.

4.8 The Minister for Europe and the Americas (Rt Hon. Sir Alan Duncan MP) submitted a helpful and detailed Explanatory Memorandum of the Commission’s package of documents relating to the status of the various (potential) candidates for entry into the EU. However, it is clear from this document that the UK—at least in public—is not taking an active role in the discussions on the status of the EU’s enlargement process. While the Minister notes that the Government “remains of the view that the accession process is

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23 The EU already has an extensive framework for bilateral cooperation with all candidate and potential candidate countries in place to prepare them to meet the legal and political conditions for their accession (notably via bilateral Stabilisation and Association Agreements with the EU, which include free trade and regulatory alignment provisions).

24 As a condition for ratifying the EU-Ukraine Association Agreement, the Netherlands obtained a statement—endorsed by all 28 Member States—that the Agreement “does not confer on Ukraine the status of a candidate country for accession to the Union, nor does it constitute a commitment to confer such status to Ukraine in the future”.

25 See our Report of 23 May 2018 for more information on the recommendation to open formal EU accession negotiations with Albania and North Macedonia.

26 Bosnia and Herzegovina is already seeking closer economic and political integration with the EU to prepare for eventual accession to the Union, and borders Member State Croatia. A Stabilisation & Association Agreement (SAA) with the EU entered into force in 2015 after a 7-year ratification process, as part of which it is already required to gradually align its domestic regulations with EU law in areas like environmental and consumer protection, employment and data protection.

27 General Affairs Council of 18 June 2019, ‘Council conclusions on enlargement and stabilisation and association process’.
important for delivering security, stability and prosperity” for those European countries seeking entry into the EU, given the UK’s decision to withdraw from the EU “it will be for […] EU Member States at the time to decide on membership”, as and when “candidate countries have met the requirements for accession in full”. As a matter of EU law under Article 49 TEU, the UK retains its veto over the accession of any new countries into the EU until it itself ceases to be a Member State under Article 50.

Our conclusions

4.9 We thank the Minister for the information he has provided on the European Commission’s latest update on the EU enlargement process.

4.10 As we noted in our Report of 23 May 2018, the membership of the European Union will continue to be of political and economic interest to the UK beyond its own withdrawal from the EU. In particular, the UK’s exit from the EU does not in itself mean that any future enlargement of the Union will not have a domestic impact. Given its geographical and economic proximity to the UK, the EU’s membership will continue to have an impact; and few developments have the potential to affect the overall policy direction of the EU as much as the composition of its membership. We consider that Parliament, even after Brexit, will therefore want to remain aware of developments in the entry negotiations of the five official candidate countries, as well as the status of Bosnia & Herzegovina and Kosovo when they formally begin their accession process.

4.11 In addition, there may also be a direct impact on the UK, as a ‘third country’, resulting from the accession of new countries to the EU in due course. Any enlargement would most likely alter the scope of future UK-EU agreements, for example on trade, labour mobility or security. When a new country joins the EU, the European Commission enters into talks with non-EU countries to extend the scope of their existing bilateral or multilateral agreements to the new Member States. That can cause political problems. For example, Switzerland’s refusal to extend free movement rights to Croatian nationals after their country joined the EU in 2013 led to Switzerland’s suspension from the ‘Horizon 2020’ EU research programme. The precise implications of any future EU enlargement for the UK’s relationship with the Union will depend of course on the scope and depth of the new UK-EU bilateral relationship, and the timetable for accession of individual candidate countries.

4.12 In this respect, we note that the immediate prospects for accession by any of the remaining (potential) candidate countries remain very slim indeed. The target date for Montenegro’s entry into the Union, having made the most progress in its accession negotiations so far, is likely to slip beyond the earlier informal target of 2025. The possibility of membership of Serbia, Albania and North Macedonia is even further away. The Committee has taken note of the decision by the Council in June 2019 not to open formal accession negotiations with the latter two, and maintaining Bosnia and Herzegovina’s current status as a potential candidate country only. These political barriers to further EU enlargement should also be seen in the context of the continued tension between the political alignment of countries in the Western Balkans with either the EU or Russia, and the concerns expressed about China’s economic policies.

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28 The initial Swiss decision not to extend its existing agreement with the EU on free movement of people to Croatia—the last country to join the EU, in 2013—led to its suspension from the ‘Horizon 2020’ EU research fund until free movement rights to and within Switzerland were extended to Croatian nationals.
in the EU’s eastern ‘neighbourhood’. As a result, continued engagement of these countries with the accession process is likely to remain a key political issue for the EU going forward, despite the opposition to further enlargement of the Union from some Member States.

4.13 In light of all these considerations, it is likely that the UK’s wider interest in a stable and prosperous European continent merits continued constructive engagement with the EU on potential accession by new countries in due course. Given its overall political importance, we draw the Commission’s 2019 Enlargement Communication to the attention of the House and of the Foreign Affairs Committee in particular. We are content to now clear the document from scrutiny.

Full details of the documents


Background

4.14 The process for accession to the European Union consists of various stages. The Treaty on European Union, in Article 49, imposes three legal requirements for entry by new countries:

- The candidate country must submit a formal application to become a Member State of the European Union, of which the European Commission must deliver an assessment;
- Following negotiations, which take many years, the accession of the new Member State as a matter of EU law requires a formal Decision of the Council. This has to be agreed unanimously by all existing Member States and approved by a simple majority of Members of the European Parliament; and
- The existing and new Member States sign a new Treaty, the bulk of which consists of an Act of Accession that sets out the “conditions of admission and the adjustments to the [EU] Treaties” considered necessary as a consequence of the enlargement. This Treaty has to be ratified by all existing Member States in line with their domestic constitutional requirements.

4.15 In practice, however, a supplementary structure has been created around Article 49, since it is concerned mostly with the very beginning (an application for membership) and end stage of the accession process (the formal entry of a new country into the European Union). The Member States and the European Commission have therefore devised further structures for the intermediate stages of the accession process:

- a country can be designated as a “potential candidate country” for accession to the EU, signifying that there is a prospect of eventual entry into the Union but
its economic and political divergence from the EU is currently too substantial for it to be a realistic prospect. In practice this status applies only to the Western Balkan countries which are not already formal candidates for accession (Bosnia and Herzegovina and Kosovo),  

- after a country has submitted a formal application expressing its request to become a Member State to the Council of the EU, the European Commission assesses whether it meets the essential criteria for membership. Based on a positive Commission recommendation, the existing Member States can decide—unanimously—whether to grant the country **formal candidate status**. Albania, Montenegro, North Macedonia, Serbia and Turkey are currently in this category;

- formal status as a candidate for entry into the EU does not automatically start the **accession negotiations**. That requires a further unanimous decision by the existing Member States. The negotiations are carried out under over thirty separate policy-specific ‘chapters’, with talks in each area opened only if the EU believes the candidate country is sufficiently prepared to take on the requirements of EU membership in that field. The applicant needs to meet so-called “closing benchmarks” that demonstrate its compliance with the conditions of membership in each chapter before the negotiations in that area are closed. Currently, accession negotiations are on-going with Serbia and Montenegro; those with Turkey are formally open but effectively frozen;  

- once every ‘chapter’ of the entry negotiations has been closed to the satisfaction of all existing EU Member States, an **Act of Accession** is drawn up which amends the EU Treaties to include the candidate country as a Member State and makes other consequential amendments. As noted, this treaty has to be approved unanimously by all the EU’s national governments in the Council, by a majority of Members of the European Parliament, and by domestic ratification in every existing Member State.

4.16 Both potential candidates and formal candidate countries also receive financial and technical assistance from the EU to help them meet the formal criteria for eventual accession to the Union. This is provided via the Instrument for Pre-Accession Assistance (IPA) and TAIEX, a mechanism that allows countries to request support from the European Commission in applying and enforcing EU legislation that they must implement as part of the accession process.  

**Previous Committee Reports**


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31 The status of ‘potential candidate country’ was created by the **European Council in June 2000** for countries in the Western Balkans which, at that stage, were not formal candidates for entry into the EU. Its purpose is to reinforce the prospect of eventual accession, even if that process has not formally been started.

32 If the existing Member States, on the basis of analysis performed by the European Commission, decide a candidate country is not yet sufficiently prepared for negotiations in a specific accession ‘chapter’, the EU can set ‘opening benchmarks’ that must be met.

33 TAIEX stands for **Technical Assistance and Information Exchange**. It is also open to other non-EU countries in the EU’s neighbourhood in Eastern Europe, the Near East and North Africa.
5 Documents not raising questions of sufficient legal or political importance to warrant a substantive report to the House

Department for Environment, Food and Rural Affairs

(40573)  Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the evaluation of the 7th Environment Action Programme.
+ADDs 1–2
COM(2019) 233

(40588)  Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Review of progress on implementation of the EU green infrastructure strategy.
+ ADD 1
COM(19) 236

(40590)  Commission Staff Working Document Guidance on a strategic framework for further supporting the deployment of EU-level green and blue infrastructure.
SWD(19) 193

(40605)  Proposal for a Council Decision on the position to be taken on behalf of the European Union in the Council of Members of the International Olive Council (IOC) in connection with trade standards
+ADDs 1–2
COM(19) 248

+ ADD 1
COM(19) 246

(40610)  Recommendation for a Council Decision to authorise the Commission to open negotiations on behalf of the European Union for the conclusion of a Sustainable Fisheries Partnership Agreement and protocol with the Islamic Republic of Mauritania
+ADDs 1–3
COM(19) 248
Department for International Development

9199/19 + ADD1
COM(2019) 232

Department for Transport

9301/19 SWD(19) 178

(40602) Commission Staff Working Directive: Evaluation of Regulation (EC) No 2111/2005 on the establishment of a Community list of air carriers subject to an operating ban within the Community and on informing air transport passengers of the identity of the operating carrier.
9303/19 SWD(2019) 179

(40603) Commission Staff Working Document Executive Summary of the evaluation of Regulation (EC) No 2111/2005 on the establishment of a Community list of air carriers subject to an operating ban within the Community and on informing air transport passengers of the identity of the operating carrier.
9304/19 SWD(2019) 180

9299/19 SWD(19) 177

Foreign and Commonwealth Office

(40577) Commission Staff Working Document: Report on EU-Armenia relations in the framework of the revised European Neighbourhood Policy
9487/19 SWD(19) 191

9818/19 SWD(19) 222

9817/19 COM(19) 261

(40596) Commission Staff Working Document Kosovo* 2019 Report Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2019 Communication on EU Enlargement Policy.


(40600) Commission Staff Working Document Turkey 2019 Report Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2019 Communication on EU Enlargement Policy.


+ ADD 1


HM Revenue and Customs

(40606) Proposal for a Council Decision on the position to be taken on behalf of the European Union in the World Customs Organization Council in relation to a WCO Article 16 Recommendation amending the Harmonised System.

COM(2019) 262
HM Treasury

(40566) 7651/19

Amendment of the EIB’s Statute—Request to launch the Article 308 procedure.

(40567) 9387/19


(40569) 9339/19

Draft amending budget No 2 to the general budget for 2019: Reinforcement of key programmes for EU competitiveness: Horizon 2020 and Erasmus+.

Ministry of Justice

(40656) 10064/19

Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 2018 Annual Report on the Application of the EU Charter of Fundamental Rights.
Formal Minutes

Wednesday 26 June 2019

Members present:

Sir William Cash, in the Chair
Martyn Day Mr David Jones
Richard Drax Andrew Lewer
Mr Marcus Fysh Michael Tomlinson
Kelvin Hopkins Dr Philippa Whitford

Scrutiny Report

Draft Report, proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1.1 to 5 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Sixty-ninth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

[Adjourned till Wednesday 3 July at 1.45 p.m.]
Standing Order and membership

The European Scrutiny Committee is appointed under Standing Order No.143 to examine European Union documents and—

a) to report its opinion on the legal and political importance of each such document and, where it considers appropriate, to report also on the reasons for its opinion and on any matters of principle, policy or law which may be affected;

b) to make recommendations for the further consideration of any such document pursuant to Standing Order No. 119 (European Committees); and

c) to consider any issue arising upon any such document or group of documents, or related matters.

The expression “European Union document” covers—

i) any proposal under the Community Treaties for legislation by the Council or the Council acting jointly with the European Parliament;

ii) any document which is published for submission to the European Council, the Council or the European Central Bank;

iii) any proposal for a common strategy, a joint action or a common position under Title V of the Treaty on European Union which is prepared for submission to the Council or to the European Council;

iv) any proposal for a common position, framework decision, decision or a convention under Title VI of the Treaty on European Union which is prepared for submission to the Council;

v) any document (not falling within (ii), (iii) or (iv) above) which is published by one Union institution for or with a view to submission to another Union institution and which does not relate exclusively to consideration of any proposal for legislation;

vi) any other document relating to European Union matters deposited in the House by a Minister of the Crown.

The Committee’s powers are set out in Standing Order No. 143.

The scrutiny reserve resolution, passed by the House, provides that Ministers should not give agreement to EU proposals which have not been cleared by the European Scrutiny Committee, or on which, when they have been recommended by the Committee for debate, the House has not yet agreed a resolution. The scrutiny reserve resolution is printed with the House’s Standing Orders, which are available at www.parliament.uk.
Current membership

Sir William Cash MP (Conservative, Stone) (Chair)
Geraint Davies MP (Labour/Cooperative, Swansea West)
Martyn Day MP (Scottish National Party, Linlithgow and East Falkirk)
Steve Double MP (Conservative, St Austell and Newquay)
Richard Drax MP (Conservative, South Dorset)
Mr Marcus Fysh MP (Conservative, Yeovil)
Kate Green MP (Labour, Stretford and Urmston)
Kate Hoey MP (Labour, Vauxhall)
Kelvin Hopkins MP (Independent, Luton North)
Darren Jones MP (Labour, Bristol North West)
Mr David Jones MP (Conservative, Clwyd West)
Stephen Kinnock MP (Labour, Aberavon)
Andrew Lewer MP (Conservative, Northampton South)
Michael Tomlinson MP (Conservative, Mid Dorset and North Poole)
David Warburton MP (Conservative, Somerton and Frome)
Dr Philippa Whitford MP (Scottish National Party, Central Ayrshire)