Blockchain: a forward-looking trade policy

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The Committee on International Trade adopted an own-initiative report by Emma MCCLARKIN (ECR, UK) on the blockchain: a forward-looking trade policy.

The Committee on Industry, Research and Energy and the Committee on Civil Liberties, Justice and Home Affairs, exercising their prerogatives as associated committees in accordance with Rule 54 of the Rules of Procedure, also gave their opinions on the report.

In the report, the **blockchain** is considered as a private, permissioned distributed ledger technology (DLT), comprising a database made up of sequential blocks of data that are added with the consensus of network operators.

Blockchain technology offers the potential to improve trust and confidence in the current trade system by providing an immutable record of transactions. Members stated that there are at least **202 government blockchain initiatives in 45 countries around the world** and economies in regions of Asia-Pacific, the Americas and the Middle East, in particular, are investing in blockchain technologies for trade.

According to Members, the blockchain may:

- enhance and improve EU trade policies, such as Free Trade Agreements (FTAs), Mutual Recognition Agreements (MRAs), particularly of Authorised Economic Operators (AEOs), data adequacy decisions and trade defence measures;
- **support the trade and sustainable development agenda** by providing trust in the provenance of raw materials and goods, transparent production processes and supply chains, and in their compliance with international rules in the field of labour, social and environmental rights;
- **enable customs authorities to automatically obtain the required information for a customs declaration**, reduce the need for manual verification and paper trails, and provide a precise update on the status and characteristics of goods entering the EU to all relevant parties simultaneously;
- **monitor the origin of goods** and their manufacturing conditions, reduce the costs of transactions, insurance and logistics, remove intermediaries, increase trust between transacting parties, and combat contraband and the entry of illegal goods;
- **improve transparency and traceability** throughout the supply chain, raise the level of participant trust in a given network;
- **reduce the costs** of supply-chain management by removing the need for intermediaries and their associated costs, along with the physical requirement to produce, transport and process paper documentation;
- improve the application of correct duty and VAT payments and revenue collection within trade policy, and g. **reducing the total time goods are in transit** by automating tasks that are typically accomplished through manual means.

Recognising the challenge posed by the relationship between blockchain technologies and the implementation of the EU data protection framework, namely the General Data Protection Regulation (GDPR), Members stressed the need to ensure that blockchain fully conforms with the EU's data protection framework and fully respects the principles set out in EU law.

In conclusion, the report called on the EU and its Member States to **play a leading role** in the process of standardisation and security of blockchain and to work with international partners and all relevant stakeholders and industries to develop blockchain **standards**. The Commission shall explore **security**

challenges as cybersecurity is essential for applications that use distributed ledger technologies, including in international trade.

The Commission is invited, *inter alia*, to:

- follow developments in the area of blockchain, in particular the ongoing pilots/initiatives in the international supply chain, and the external aspects of customs and regulatory processes;
- produce a **horizontal strategy document** involving relevant DGs on adopting blockchain technologies in trade and supply-chain management as well as in the area of intellectual property and in particular regarding the fight against counterfeiting;
- assess the judicial and governance aspects of blockchain and whether blockchain offers better solutions to existing and emerging technologies that can address current challenges in EU trade policy;
- develop a set of **guiding principles** for blockchain application to international trade, in order to provide industry and customs and regulatory authorities with a sufficient level of legal certainty that encourages the use of blockchain and innovation in this area;
- work with the Member States to launch and supervise **pilot projects** using blockchain technology in international trade, in order to test its benefits;
- set up an **advisory group** within DG Trade on blockchain and to develop a concept note for private permissioned pilot projects on the end-to-end use of blockchain in the supply chain;
- conduct policy investigations into how blockchain can modernise the Union's trade defence policies to strengthen their legitimacy and enforcement;
- work with relevant stakeholders in order to review and develop a framework for addressing challenges to **interoperability** and compatibility between blockchain systems.

The report welcomed the launch of the '**EU Blockchain Observatory and Forum'**. It requested that the Commission explore the possibility of expanding the mandate of the EU Blockchain Observatory and Forum and involve relevant local and global stakeholders to address upcoming challenges and foster the support of decision-makers.