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“Key drivers for recovery and long-term growth in Europe”

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Good morning. I hope you are enjoying your time in my hometown. Thank you for the invitation to your Congress.

It is for me an opportunity to share with your business community some of my hopes about post pandemic Europe.

Fortunately, this year brings across the EU higher growth than expected, stimulated by European policies and unprecedented supportive measures, which combined with national fiscal tools and private investment, create an environment and basis for recovery and hopefully sustained growth.

If you think about the major drivers of growth, jobs creation & competitiveness in the EU and the Single Market & trade are what first come to mind.

Also today, we are facing an unprecedented challenge of recovery and growth, while facing the need of going back to fiscal discipline. Trade policy is one of the European Union's strongest tool for creating competitiveness and growth, leveraging its international influence and asserting its geopolitical stance.

It does not come as surprise with 85% of the world's future growth projected to occur outside of the EU and with 35 million European jobs depending on exports and 16 million euros of foreign investment, that trade and investment will be key to connect Europe to external sources of growth.

We must bear in mind that after the crisis, global demand is likely to pick up asymmetrically, both territorially and within different sectors of the economy.

At the same time, we are undergoing in the EU a transformational period in European trade policy. In its new trade strategy, the EU chose to remain open and pursue rules-based international and multilateral cooperation. These strategic choices aim at stimulating prosperity, fairness, stability, competitiveness and dynamism within the EU and beyond. I would argue that the pandemic has only strengthened the case for international cooperation.

I would like to comment on four global trends, which I believe the pandemic has exacerbated that will play an important role in shaping Europe's future.

The first is the recognition that not enough was done to counter the impacts of globalization on our societies. Whereas globalization did help lift millions out of poverty, it did not prevent inequality to grow in our economies. This led to calls for de-globalization and inward-looking policies.

In this context, we must enhance trust and legitimacy at all levels of European governance. New forms of participatory democracy, new technologies, civic participation and grassroots innovations, such as the ongoing Conference on the Future of Europe, can strengthen the resilience of our democratic systems. This is indeed crucial in the context of both global and intra EU developments.

The second issue that deserves our attention is the rapid rise of China and the urgent need for like-minded democracies worldwide to challenge effectively its state-capitalist model.

China is developing new instruments for economic coercion, such as extraterritorial export controls, punitive tariffs, and trade curbs or blocking statute. China is also changing its economic strategy to achieve economic self-reliance and geopolitical dominance. I think here of its dual circulation strategy and overall decoupling. This model affects the competitiveness of our companies at home and abroad and distorts the global level playing field.

One thing is certain; the EU will not be able to curb China's coercive actions alone. Alignment with like-minded partners, starting with the United States, remains vital.

In her speech of the State of the European Union, President von der Leyen unveiled last week a new connectivity strategy called "Global Gateway". These partnerships with countries around the world will focus on investments in quality infrastructure, connecting goods, people, and services around the world. The idea is to create links between countries, not dependencies and debt.

I believe that the EU can be effective in creating a trusted global brand, deepen trade links, strengthen global supply chains and develop new investment projects on green and digital technologies.

I also think that this is the moment when we need to look anew at the so-called "Brussels effect". The EU's trade position has always been a key driver in its regulatory and standard-setting global power, including key markets and technologies. The international acceptance of EU standards is crucial for its influence in the global order and leadership on climate change, sustainability and protection of consumers, personal data and labor rights.

But the times of achieving the Brussels effect easily are to a large extent gone.

In this current geopolitical situation, we need to invest politically in creating common regulatory spaces rather than aiming at imposing our standards. Over the last decades, China has boosted its influence in the UN and other standard-setting bodies. From 2011 and 2020, the number of Chinese secretariat positions in the International Organization for Standards (ISO) and the International Electrotechnical Commission (IEC) have increased by 73% and 67% respectively. China capitalizes on its leverage and actively promotes the interests of its own companies abroad.

Dominating these fora gradually gives an edge to government-directed standard-setting by Chinese officials and it challenges both the EU's and the US' digital strategies and stakeholders in private and public sectors.

As you know, during the June EU-US Summit, the Trade and Technology Council (TTC) was established. The TTC should bridge existing differences and build joint strategic agendas to counter Chinese influence and dominance in global organizations and in the high tech sector.

An important element of the new EU trade strategy is a stronger focus on its trade defense toolbox. The EU was lacking important mechanisms to achieve the needed assertiveness allowing for shaping the policy of an open strategic autonomy.

The EU reviewed its enforcement regulation for trade disputes. We are currently working on the legislation on foreign subsidies instrument. Its aim is to ensure the level playing field in our internal market. The FDI screening regulation will enable the Commission and Member States to coordinate their actions on foreign investments and identify risks related to the acquisition or control of strategic assets that threaten security of public order. The Commission is also formulating an EU strategy for export credits and an anti-coercion tool. Finally, one of the most talked about trade defense tool is the carbon border adjustment mechanism, released by the Commission with its FitFor55 package.

This leads me to the third trend, which is climate change. The pandemic forced us to stop and made us observe the human impact on climate change, on environment and biodiversity, and in more general terms, discuss the future of our planet.

These changes generate a profound transformation of our societies and will be the driving force behind our future competitiveness.

Climate change which has been on the European policy agenda for twenty years is today a major element of EU strategic thinking, policy making and acting at all levels of European governance in line with the goal of climate neutrality by 2050 and reducing emissions by 55% by 2030.

For the last three years multiple legislative proposals have been adopted or are currently under legislative procedure, starting with first ever European Climate Act, through taxonomy, sustainable finance to recently submitted by the Commission

FitFor55 legislative package.

Finally, the fourth trend worth looking at is the digital transformation of our economies and societies. The "Digital Decade" we live now in is about our economies being driven by innovation, about intellectual property, about the servicification of our goods, about the increasing role of trade in services, about fair competition and human rights.

There is huge potential with the rise of digital technologies for the creation of well-paid and high-quality jobs in our economy.

We are now working on two major legislative acts, actually first important ones since the adoption of the e-Commerce directive back in 2000. I think here of Digital Markets Act addressing anti-competitive behaviors and abuses of competition rules and aiming at ensuring fair play online environment. Together with another legislation – the Digital Services Act, which protects users' fundamental rights online – they are centerpieces of the European digital strategy.

However, Europe will not be able to lead this digital decade without access to semi-conductors. This is an example of deficiency of our supply chains. We are faced with an exponential increase in demand for semiconductors. The EU needs to be able to develop and produce next-generation chips to ensure business continuity of different industries.

So it was indeed a good news to listen last week to President von der Leyen's State of the Union speech announcing a new European Chips Act to create a state-of-the-art European chip ecosystem, from research, design, testing capabilities to production.

And of course, the EU's digital sovereignty will depend on its capacity to store, extract and process data, while satisfying the requirements of trust, security, and fundamental rights. We are not yet there.

The EU is in a global technological race, which will determine whether innovations will follow democratic values and ethics or the interest of autocrats or authoritarian regimes.

The EU-US Trade and Technology Council (TTC), I mentioned before aims to deepen transatlantic trade and investment relations and avoid new technical barriers to trade by cooperating on key policies on technology, digital policy issues and supply chains.

Transatlantic regulatory alignment would unleash many investment opportunities for our companies in particular in new areas of technological progress. Both EU and US share in this context the view that exchanges with civil society stakeholders, including business communities will be essential to provide broader strategic direction for standard-setting. I look forward to the outcomes of the first meeting of the TTC in Pittsburgh.

Allow me to reiterate that our commitment to multilateralism is essential. Multilateral institutions must adapt and remain fit for purpose.

The pandemic, the climate emergency, health, vaccines, and trade are perfect illustrations of the need for multilateral solutions and a coordinated global cooperation on crisis preparedness and response.

A truly inclusive, networked multilateralism is the only way forward. This will involve preserving what works well, reforming what needs to change, and extending effective global governance to new areas.

In this context let me underline that if the WTO hadn't been created we would have had to invent it. Since the foundation of the GATT – the WTO's predecessor – in 1947, world trade has expanded 300-fold, and today makes up more than 60% of global GDP, supporting jobs, growth and investment around the world.

The rules of the WTO protect the interests of all trading nations against discriminatory, behind-the-border action, and ensure that contingent trade protection is based on multilaterally agreed disciplines.

However, the WTO membership has failed to modernize its rulebook since the collapse of the Doha Negotiation Round in 2008. The dispute settlement system is paralyzed and the monitoring of trade policies is ineffective.

Moreover, China's accession to the WTO did not lead to its transformation into a market economy. There is a vital need to address issues of unfair industrial subsidies, treatment of Chinese state-owned enterprises, forced technology transfers, and the issue of industrial overcapacity in steel and aluminum.

These issues cannot be dealt with in a bilateral way only. We will need to build a coalition of like-minded partners and include China at the negotiation table to secure a meaningful reform package.

While the 12th Ministerial Conference this year will be an important date for the history of the WTO, we should remain realistic about its potential outcomes. The new WTO Director General is pushing for the conclusion of the fisheries negotiations and a progress of the e-commerce plurilateral negotiation. A clear roadmap is expected to be established on topics such as 'trade & climate' and 'trade & health', two topics that address ongoing global issues. On more difficult issues, we can assume that two to three years of associated reforms could be needed to see movement on the dispute settlement reform negotiation.

Finally, let me say few words on transatlantic relations.

We emerge from four years of nearly entirely dysfunctional relations with the US. The first months of new administration were good for the relationship. Many US officials made their first overseas trips to Europe or met virtually with their counterparts and Joe Biden visited Brussels in July for the successful EU-US Summit.

The EU and the US have been particularly busy solving harmful legacy issues. We have been working actively to de-escalate trade tensions by suspending the Airbus/Boeing retaliatory tariffs, even though a final solution remains to be found; we finalized our negotiation on new tariff rate quotas following the withdrawal of the UK from the EU; we suspended the automatic increase in retaliatory tariffs, related to the use of national security linked section 232 for steel and aluminum dispute and we starting a dialogue to address global overcapacity.

Countermeasures in both Airbus/Boeing and steel/aluminum disputes have affected different product categories, including long list of spirits on both sides. As you know better than I do, during the June summit, the EU and the US agreed to suspend the application of harmful tariffs worth of USD 11.5 billion, which is the total value of imposed punitive tariffs on each other's exports linked to the Boeing Airbus dispute for a period of five years.

In case of steel/aluminum dispute, the EU's retaliatory response affected, among other, iconic American products including bourbon whiskey. But, in May of this year, we suspended a scheduled round of retaliatory tariffs on US exports for six months where tariff on American whiskey were to increase to 50%. So, a solution must be found by November. The clock is ticking.

For our transatlantic relations, it remains true that we need to do more on what brings us together. And, not what tears us apart. That is why the Trade and Technology Council matters so much.

Let me finish by saying that at the heart of a strong resilient EU also lies a stronger role of euro as international currency.

A stronger globally euro will allow the EU to exercise greater influence in the global financial infrastructure. It will grant the EU greater autonomy and render EU sanctions a stronger tool for deterrence and enforcement. We are working on making the euro more relevant globally. It depends on how successful euro zone governance will be, on global dimension of EU financial and capital markets but also on trade, on moving toward contracting and pricing in euro.

Strengthening the EU must begin with recovering from the pandemic, where jobs and growth should rebound quickly, where SMEs stand to gain the most from Europe's vast network of free trade agreements, and where we push back against unfair or insidious foreign investments.

We must continue working with our trade partners to ensure that the global trading system functions smoothly.