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“A transformational period in European trade policy”

The ECFR Roundtable on “How to strengthen the EU against economic coercion? Views from Poland”

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Thank you for bringing these issues to the attention of the Polish public. I am afraid that as a Union, we did not do enough to increase public understanding of trade policy, globalization, and indeed, the need of developing defensive instruments.

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. Today, 35 million European jobs depend on exports and 16 million European jobs on foreign direct investments.

We are undergoing a transformational period in European trade policy. We have lived some uneasy years where the EU was called a threat to an important ally's national security, where our foreign investments were not rigorously screened allowing third countries to make important investments in critical sectors of our economy, without respecting fair competition, and where market distortive practices were impacting the global level playing field.

Such practices unduly interfere with the freedom of the EU to make policy choices. If not addressed, the coercive practices can compromise the economic and geopolitical interests of the EU and its Members States. We are talking about coercive practices in a time when the pandemic also exacerbated four major trends, which impact trade choices and performance.

First, I think it is worth recognizing 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 leads to calls for de-globalisation and the rise of inward-looking policies.

Secondly, the rapid rise of China and the urgent need for democracies to challenge its state-capitalist model, is an issue high on the political agenda of like minded democracies across the world. This model affects the competitiveness of our companies at home and abroad and distorts the global level playing field.

The third is climate change. The pandemic forced us to stop and made us observe the human impact on the environment and biodiversity. This is a progressive but profound transformation of our societies and will stay with us as a driving force behind our future competitiveness.

Finally, the fourth one is the digital transformation of our economies. We all live in a reality where our economies are increasingly driven by innovation, intellectual property, the servicification of our goods, and the increasing role of trade in services.

These trends exacerbated Europe's need to be more economically resilient against third countries coercive actions. It spurred the debate around developing an open strategic autonomy so the EU would be able to make its own choices to reflect its strategic interests and values. This trade strategy builds on the importance of an open economy that is resilient and competitive, abides by the rules-based trading system and promotes the values of fairness and sustainability.

The EU needs to be more assertive on behalf of its citizens and businesses. We have to protect our level playing field, ensure a strong enforcement of commitment taken by international partners, and root our policies in core European values such as democracy and respect of the rule of law.

In this context, the Commission launched a trade policy review, which concluded early this year. To strengthen the EU against economic coercion, the Commission's policy set focuses on six objectives:

1. Reform the World Trade Organization (WTO), with a particular focus applied on sustainable development, the creation of international rules to prevent market distortive behaviours, reaching out more often to the plurilateral agreements and restore a fully functioning Appellate Body.
2. Support the green transition & promote responsible and sustainable value chains, by actively engaging with partners in international fora, such as the G20 and by reviewing the 15-point Action Plan on improving the implementation and enforcement of trade & sustainable development chapters in EU free trade agreements.
3. Support the digital transition and trade in services at the WTO and via closer regulatory cooperation with like-minded partners.
4. Strengthen the EU's regulatory impact with like-minded partners, such as by establishing the EU-US Trade and Technology Council.
5. Strengthen the EU's partnerships with neighbouring and candidate countries, as well as with Africa.
6. Strengthen the EU's focus on implementation and enforcement of trade agreements, and ensure a level playing field to maximise benefits in particular

for SMEs throughout the EU and by strengthening the EU's trade defence toolbox. The EU created the role of Chief Trade Enforcement Officer to oversee this new challenge.

We have embarked on both a political and technical process of assessing the EU's trade defense toolbox. We realized that important mechanisms to achieve the goal of an open strategic autonomy were lacking. To that end, the Commission has intensified its work on further developing enforcement and trade defence instruments. Its action includes:

1. Review of the EU enforcement regulation for trade disputes to enable the EU to suspend or withdraw concessions or other obligations at the WTO in order to respond to breaches by third countries of international trade rules that affect the EU's commercial interests.

The regulation allows the EU to introduce economic countermeasures such as customs duties, quantitative restrictions and measures in public procurement. Its scope also covers services and intellectual property rights

2. Develop a foreign subsidies instrument to ensure the level playing field in our internal market.

There are two thresholds with different conditions; one for mergers (EUR 5 million) and a second one for public tenders (EUR 250 million of the value of procurement). While the subsidies definition is broad, the threshold is high enough to catch only the most distortive foreign subsidies to avoid a heavy administrative burden.

The redressive measures envisioned in the regulation can be structural, behavioural, repaying the subsidy or prohibiting the transaction.

3. Create an FDI screening regulation to allow 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;

Adopted in March 2019, it equips the EU to identify risks related to the acquisition or control of strategic assets that threaten security of public order and have a better overview of these FDIs. The covered foreign investments are international greenfield investments (creation of a new company or establishment of facilities abroad) or international merger or acquisition. The regulation ensures that assessments are done on a case-by-case basis and do not discriminate among foreign investors.

4. Revise the export control regulation, which targets sensitive dual-use (military and civilian) goods and technologies to secure their value chain.

The aim of the regulation is to promote international security, protect human rights and ensure a level-playing field for EU exporters.

The regulation was revised to take into account Brexit, ensure consistency with recent developments in international non-proliferation regimes and address cyber-surveillance threats.

5. Draft an EU strategy for export credits to ensure a better level playing field for European businesses in third country markets. It will incentivise climate friendly technology projects.
6. Design an anti-coercion tool. It is still at the preparatory stage. The objective of the initiative is to tackle the coercive practices, often in the form of trade or investment restrictions (e.g., discriminatory import duties, intentional delays or refusing authorizations needed to do business), by non-EU countries in deterring or offsetting such coercive action, in line with international law. We are still at the design stage of the process, with the stakeholder consultation ending tomorrow (Tuesday, 15 June). The Commission should publish a text towards the end of 2021.

The Commission has also established the Access2Markets portal, an online platform to help SMEs trade beyond the EU's borders and make full use of the EU's extensive FTAs network. Access2Markets provides information on trading conditions (tariffs, taxes, rules of origin, product requirements, customs procedures, trade barriers, trade flow statistics) to import goods to the EU and to export goods to over 120 foreign markets.

However, I would like to end by saying that 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. The EU is focusing on ensuring greater trade compliance by the EU's partners to ensure the global trading system functions smoothly.

At the heart of a strong resilient EU also lies a strong and stable euro. A stronger 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.

Thank you for your attention.