



AEGIS Europe response to the Trade Policy Review Communication
The EU must make better use of existing trade defence instruments and urgently
complete its toolbox

AEGIS Europe is an industry alliance that brings together more than 20 European manufacturing associations from metals and ceramics to energy and transportation industries. We are committed to manufacturing in the EU. We seek a truly level playing field ensured by a rules-based free and fair international trade. Our members account for more than €500 billion in annual turnover, as well as for millions of jobs across the EU.

The European Union is built on the idea of internal free movement of the key factors of production (labour, capital, goods and services) and a commitment to fair trade within a multilateral international framework.

The values that underlie the Union and the position of the Union in the wider world are being undermined. This undermining is caused by States that not only set the framework within which trade should operate in their territories but control the activities of Commercial Enterprises to meet the strategic state needs. The prime, but by far not the only, example is China. The EU recognised, in March 2019, that this approach made China a 'systemic' rival. China is not the only problem. There are significant state induced market and enterprise distortions in Russia and in Turkey as well as the promotion, at all costs, of national champions by many developing countries.

China's state led socialist market economy promotes Chinese enterprises to give them competitive advantages in their home markets, in global export markets and in the EU. As we see in relation to national champions, the China approach is gaining ground.

Other States are also becoming more *dirigiste* of their enterprises. National champions backed by public money and operating in protected home markets are being created to capture strategic goals. These enterprises are growing at the expense of EU enterprises operating in open markets.

In the last years the EU has taken a number of initiatives to address this growing problem. The Commission has worked to address, through the WTO and in trilateral fora and the OECD, the extent of, and the distortions caused by, Chinese subsidies. A White Paper on Foreign Subsidies was issued in 2020, and a legislative proposal is expected in May 2021. The Enforcement Regulation was modernised. In early 2021 the Commission, on instructions from the Parliament and Council, published an Initial Impact Assessment on Coercion. Meanwhile, negotiations on an international procurement instrument (IPI) have been dragging on since 2012.

An overarching trade policy response is needed. Thus, in February 2021 the Commission published its Trade Policy Review Communication. It calls for an 'Open, Sustainable and Assertive Trade Policy'. It argues that in a time of economic transformation and geopolitical

instability, the EU needs to prepare for the World of 2030. Trade will remain one of the EU's most powerful tools.

A Communication with such broad ambition cannot look into the details of all aspects of trade. That being said, AEGIS Europe considers that if the EU is to be an open, competitive market, the tools to counter unfairness in the internal market and fair competition in export markets must be rigorously enforced.

The Annex to the Trade Policy Review Communication sets out the Commission's views on how the WTO needs be reformed. AEGIS Europe supports and encourages the work that needs to be done. WTO decision making needs to be changed to remove vetoes. The dispute settlement procedures must be made to function again without fear of overreach. The rules on the developed/developing status of members must be changed. The subsidies regime needs radical reform.

Changes to international rules always take time. Today, they will take even more time, given the fundamentally divergent views between WTO members on the correct/appropriate relationship between the State, markets and commercial enterprises.

In the absence of early changes to WTO rules and agreement on these fundamental issues, EU enterprises, operating under one set of rules but competing against enterprises benefitting from the other rules, are suffering. This injury means there are less resources for research and development, for decarbonisation, for renewal and improvement.

Manufacturing industry cannot wait for a reformed WTO, which might not come before years. The EU must act now by committing to a rigorous enforcement of the existing tools (and the new tools to come) that address distortions to markets.

Openness goes hand in hand with fairness. If fairness in trade is distorted by dumping and subsidies the Union must act decisively to counter these distortions by the strong implementation of the anti-dumping, the anti-subsidy and the safeguard tools already available to it.

Of the open markets such as the Australia, Brazil, Canada, Turkey, the USA, the EU is the least user of Trade Remedies when compared to the EU GDP or imports. It even uses the trade remedies instrument less than China. In the period from 2010 to 2020 the average number of new investigations decreased from 432 to 164 compared to the period from 1996 to 2009. The size of the trade remedies Directorate in DG Trade and been reduced.

AEGIS Europe has measured the intensity of use of trade remedy instruments in the open markets (and in China). This shows that those open markets are less naïve to distortions than the EU.

At the beginning of President von der Leyen's mandate she instructed the Trade Commissioner designate as follows:

I would like you to lead the work on strengthening Europe's ability to protect itself from unfair trade practices. This means making better use of our trade defence instruments[.]

And in the Communication the Commission says:

[T]he EU needs to develop its tools to confront new challenges and protect European companies and citizens from unfair trading practices, both internally and externally.

AEGIS Europe calls on the Commission, and the Union as a whole, to make better and effective use of the EU's trade remedy tools to counter the distortions that are undermining the overall health of the EU manufacturing base, and to urgently complete its toolbox.