



Committee on International Trade
The Chair

Speech by Bernd Lange, Chair of the International Trade Committee of the European Parliament

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Foreign Affairs Council

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Honourable Ministers,
Dear Professor Charnovitz,

It is a pleasure to be here with you in Valencia to bring the perspective of the European Parliament's International Trade committee to your meeting. Thank you for your invitation.

This meeting is a timely occasion to reflect on where we stand with respect to EU trade policy and where we should head to. The 9th legislature is about to come to an end and **2024 will be the year of European elections and US Presidential elections.**

As we approach this **electoral crossroads**, I think it is useful to look at the cover page of a recent edition of The Economist in which shipping containers were arranged in a Stonehenge-shaped circle. The Economist was warning of the **risks of consigning free trade to history** in the pursuit of what it labelled as "**homeland economics**". It defined "homeland economics" as a "*protectionist, high-subsidy, intervention-heavy ideology administered by an ambitious state*". One does not need to share all of The Economist's views and prescriptions, but the warning should be heeded. The WTO's 2023 World Trade Report also shows how geopolitical tensions are leading to the fragmentation of trade. Trade now takes place in a world of increasing conflict, **polarisation, concentration** in the control of supply chains and critical raw materials, the use of energy as a strategic defensive or offensive tool, the undue use of **subsidies and dumping**, fierce **industrial espionage** and **rising protectionism**. The **pandemic** and the **Russian war of aggression against Ukraine** have only heightened these trends. We are living in an age of **fragmented globalisation**. Yet we must make sure that the medicine we administer to cure these ills does not make us and the rest of the world worse off.

After the **Trump Presidency** it was clear to everyone that **the "Washington Consensus"** - understood as an agenda of trade liberalisation - **is out and it is not coming back**. The politics of Washington has been the main culprit in ending the Washington Consensus. The European Union has done a fairly good job in adapting to the new reality. We have kept the dialogue going at all levels and, where we have not succeeded in multilateral or bilateral efforts, we have leveraged our internal market as an instrument for change.

As we look back and as we look ahead, I would distinguish between three areas of reflections: on the **legislative dimension**, on the **multilateral, plurilateral and bilateral dimension** and finally on the **main risks that I see going forward**.

Trade policy in this legislature

When we look at this legislative term for trade we can distinguish between **agreed texts, ongoing legislation, upcoming proposals and files that have a direct bearing on trade relations.**

During this legislature, our main achievements in trade policy are that **we have become more autonomous on the one hand and more sustainable on the other.** Starting with the first, our work has focused on giving **flesh to the concept of open strategic autonomy.** We now have legislation in place that levels the playing field and that allows us to ensure greater reciprocity in our relations with third countries: after a decade we reached agreement on an **International Procurement Instrument.** We successfully negotiated the **Regulation on Distortive Foreign Subsidies,** we reviewed the **Enforcement Regulation, Dual Use** and last but not least the **Anti-Coercion Instrument.** While this toolbox of instruments should first and foremost be seen as deterrent, we are now in a position to take action if necessary to **defend EU sovereignty,** while remaining **fully in line with our WTO obligations.**

In terms of outstanding legislation: the **Forced Labour Regulation** and the Generalised Scheme of tariff Preferences - or **GSP** as it is more commonly known - are worth mentioning. The European Parliament is ready to start negotiations on Forced Labour and I am hopeful we can bring this over the line still in this legislature with the good cooperation of the Spanish and Belgian Presidency. With regard to GSP, I am glad that we could find **agreement on the so-called roll-over** - the extension of the current system - thus providing certainty to all the third countries that benefit from it. Yet **concluding the original GSP review should remain a priority.** We have already made tangible improvements to the current system for example with regard to transparency and the role of the civil society organisations, but the file is being hijacked by the migration debate - to no one's benefit. In the current context where more and more developing countries are turning their back on the EU, we should know better.

Looking ahead, the subject that is dominating the end of this legislature and that will likely continue to dominate the next one is **"economic security"**. No doubt, on the one hand the Union must chart its own path in the **confrontation that pits the US against China.** There might be a review of the **Foreign Direct Investment Screening Regulation** necessary.

We saw the recent recommendation by the Commission on **critical technologies.** My plea is to **tread carefully.** Our **measures must be tailored, fact-based and surgical** and we must always remember that the best way to lower risky economic dependencies is to diversify risks. We should not try to deal with the challenges in a **purely defensive** way, with decoupling, even friendshoring, with investment control internally and externally and a protectionist practices, **no, offensively** we should renew our infrastructure, promote targeted technologies, diversify our external relations and conclude bilateral fair **trade agreements with reliable partners, establish sustainable partnerships and agree on global rules.**

There is one area that is worth mentioning: **environmental and climate legislation.** Here I am thinking specifically about the **Carbon Border Adjustment Mechanism** and the **Deforestation Regulation.** If these pieces of legislation are to become EU success stories, all institutions and all DGs need to "own" them; they need to properly communicate about them to EU producers and third countries and they need to defend them *vis-à-vis* those who will claim for exemptions. The *status quo* was not an option: in third countries emissions increase and deforestation is continuing

unabated. Multilateralism was not delivering. These pieces of legislation are genuine environmental and climate measures and in no way a neo-colonialist or neo-imperialist plot by the EU - as some claim. Yet, **we have to get the implementation right** and make sure that the rest of the world is on board with this. On deforestation, we need to make sure that the secondary legislation and the guidelines allow our trading partners to live up to the expectations. If not, we do not only have a reputation problem but our own supply of certain commodities might be in danger as well. I urge DG Trade to work very closely with DG ENV for example in the framework of the additional instrument for Mercosur.

The external dimension

Looking at multilateralism, if the WTO remains a relevant forum today, it is in no small merit thanks to the EU's efforts. We are now a little bit more than **four months ahead of the next WTO Ministerial Conference, MC13**. Hopes are high for **an ambitious, yet realistic package of outcomes. MC13 should focus on reform**, a long-term request from the European Parliament. Dispute settlement reform is a key priority, but not the only one. **Plurilateral negotiations on e-commerce** have been advancing well. While we should of course **grab the opportunity of setting global digital rules, we cannot do so at any cost**. Provisions on source code and data flows need to be in full respect of our own internal legislation, some of it which is still in the making. We also believe it should be possible to **conclude the second part of the Fisheries Subsidies Agreement**, an obligation under the SDGs. Despite all difficulties, I am more optimistic about the WTO than I was some years ago. Visiting Geneva in Mid-September, I could feel a positive atmosphere I had not seen in a long time. If we all work hard together, it will be possible to take major steps in Abu Dhabi.

On the bilateral front, we have also continued negotiations but with mixed results. Next week, **INTA is going to vote to give its consent to the Free Trade Agreement with New Zealand**. We stand ready to provide our consent to the **Interim Free Trade Agreement with Chile**. We also have two good agreements with **Kenya and Angola** and we count to vote on them still during this Parliament. But these agreements are more the exception than the norm for this legislature. **INTA Members and myself are frustrated about the fact that a number of trade agreements will not be reaching the EP in time before the end of the current legislative term**. This is mainly due to two issues: **procedural and political**.

On the procedural front, we need to **drastically reduce the time needed in order for agreements to reach the Parliament quicker**. The **legal and linguistic scrubbing** are the most time-consuming phases in the consent procedure. I called on the Commission to look at possible creative solutions that would, for example, allow for early start of the legal and linguistic scrubbing. I understand that also on the Council side there is some margin to speed up the legal linguistic review. We have seen in the case of the **EU-UK Trade and Cooperation Agreement** that where there is a will there is a way to go faster.

The political front is nevertheless the one that it is more troubling. Negotiations that on paper have already concluded are hostage of **political bickering**. The opportunities we lose create **a vacuum that will be filled by others**. **Mercosur** is of course the biggest and more controversial agreement we have before us. I do urge the negotiations on the additional instrument to be wrapped-up rapidly so that the ratification process can start in earnest. The same applies to the agreement with **Mexico**.

And we also really need to move the negotiations beyond the finishing line with **Australia, Indonesia, India and Thailand** are all going to be for the next Parliament.

A special mention should be made for **EU-US relations**. We are on the eve of an important summit which could potentially usher in an agreement on the **Critical Minerals Agreement** and also on the **Global Arrangement of Steel and Aluminium (GSA)**. A main deliverable could be a framework for a future GSA. This would be an intermediate step to come towards a solution that would permanently lift Trump's illegal 232 tariffs and the corresponding EU countermeasures. This would bring relief and legal certainty for many sectors on both sides of the Atlantic that have suffered a lot in the last few years. Yet, we should not find an agreement at any cost. First, **any agreement should fully WTO compatible**. This means that if we use our existing trade defence instruments to tackle non-market excess capacity, these should remain based on an objective investigations and not on political considerations. In no way should the EU agree to a framework that would undermine the WTO, weaken the multilateral trading system and lead to even more protectionism and fragmented globalisation. Second, any agreement should **protect and uphold existing Union legislation** and that includes the Carbon Border Adjustment Mechanism.

If concluded, both agreements will need to be **EU-only agreements** and would need to get **consent by the European Parliament before they apply**. WTO compatibility, the preservation of our own regulatory independence as well as the contribution to more sustainable trade will be key considerations for the European Parliament judging both agreements. We stand ready to act quickly on the outcome of the summit, but we should not undermine the WTO or to only choose sides between the US and China. **The EU needs to chart its own course**.

Trade policy and the challenges from within

The external challenges trade policy is confronted with are numerous and increasing. But the Union is also **threatened internally**. These dangers may be less evident but are in my view **equally insidious**. I would particularly like to highlight three: the **misuse of trade policy**, the insufficient **resources for proper implementation** and **unilateral trade actions by Member States**.

Firstly, when I refer to the misuse of trade policy, the **GSP regulation is a good example**. Creating a link between trade policy and readmission is not going to alleviate the migration pressure, but on the contrary it has already achieved the goal of creating an impasse on trade legislation. "Breaking the silos" is a popular expression in policy circles and trade is rightly increasingly tasked with new objectives - whether one looks at labour or environmental objectives, but we should also remember that **some silos are best kept intact**.

Secondly, good legislation does not mean much if it is not properly and thoroughly implemented. In order to do this we need high quality and sufficient staff to do the job at all levels from custom operators carrying out inspections to Commission officials carrying out investigations. There are reports of **serious understaffing** in the Commission's services but also for border guards. Our trade policy should not be a paper tiger and we need to put our **money and resources where our mouth is**.

Thirdly, the threat that is possibly most dangerous, is a risk of **trade policy wounded by unilateral actions by individual Member States**. The most egregious example of this has been the **damaging saga concerning the suspension of import duties, quotas and trade defence measures on**

Ukrainian exports to the European Union. We are talking here about an **exclusive competence of the Union**, about a file that was adopted through the **Ordinary Legislative Procedure**: Parliament adopted this by 537 votes to 42, with 38 abstentions on 9 May and it was **adopted as a point without debate in Council** on 25 May. Let me be clear that as Parliament we do not ever want to see a repeat of this **egregious disrespect for Union legislation: we will not tolerate this behaviour from Member States** again and **we will expect the Commission to enforce Union legislation without hesitation.** The precondition to deliver on an open, sustainable and assertive trade policy is to ensure that we **keep our unity** and that the **decisions we have taken legally and democratically are respected first and foremost within our Union.**

In the transactional world of trade policy we live in, the Union has done a **decent job in keeping trade policy going.** Yet it is about time that we **move up one gear** and change from a defensive to a proactive attitude with respect to the trade agenda. With the **Trade Policy Review of 2021**, and the new **TSD approach** we have a **clear compass** to advance. We have the tools to move forward, we now need the political courage to take the difficult but needed decisions: we need to do this **speedily and together.**

Thank you!