

EBCA POSITION: ANTI-COERCION INSTRUMENT

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The European Branded Clothing Alliance (EBCA) welcomes the European Commission's proposal for a Regulation on the Anti-Coercion Instrument (ACI) that is aimed at deterring and counteracting third country economic coercion actions against EU Member States and economic actors. EBCA members recognise the **negative impacts that economic coercion** in the form of trade and investment measures can have on competition and jobs, as well as on new business and investment opportunities and existing investments abroad. The EU must equip itself with tools to **ensure economic deterrence** to effectively address coercion by third countries, countering the weaponization of trade and investment policy.

EBCA would like to provide the following **key considerations** that should be taken into account by EU lawmakers during consideration of the Commission's proposal in the ordinary legislative procedure:

- 1. The ACI should remain a trade policy tool and not a foreign policy tool.** To counter coercive trade and investment practices, the best tools remain trade and investment measures in order to guarantee proportionality in the response. Additionally, trade policy instruments are preferable to ensure appropriate involvement of relevant stakeholders in the decision-making process through a well-defined and transparent process managed by the Commission. Lastly, using said trade policy instruments will prove more effective than using foreign policy instruments as only a qualified majority in Council is required in the context of trade. As foreign policy measures require unanimity, it would become more complex to adopt countermeasures when needed, risking proposals that are watered down, too late, or both. A trade policy instrument would improve the ACI's ability to dissuade foreign actors of coercive behaviour as the timely adoption of countermeasures would be more feasible and credible.
- 2. Countermeasures must be an option of last resort.** EBCA members strongly believe that dialogue and engagement with third country governments is fundamental to solve cases of coercive practices. Thus, trade and investment countermeasures must be used as a last resort option as they can have strong impacts due to complex supply chains, and even lead to retaliation and trade wars. Privileging dialogue above all else also helps to avoid the ACI as being perceived as a protectionist tool or worse, being misused towards protectionist ends.
- 3. Stakeholders must be involved in every step of the process.** EBCA calls on lawmakers in the European Parliament and Council to ensure that relevant stakeholders - in particular economic actors that are the first targets of coercive practices - can input into the process, including the examination phase. In its proposal, the Commission is entitled but not obliged to solicit stakeholder input. We

believe that the Commission should be required to take stakeholder input into consideration when defining the existence of economic coercion, while also keeping every possible communication channel open for stakeholders during all phases of the examination process to ensure transparency throughout the process.

- 4. Coordination with international partners is key.** Avoiding unilateral actions and addressing a trade issue through cooperation with like-minded countries in international fora are always preferred options, in particular when elaborating a measure in response to third countries that have particular leverage on the EU (e.g., EU's strategic dependencies).
- 5. Automatic solidarity among Member States should not be assumed.** The automatic support of all Member States for one Member State could lead to potential situations of misuse if one EU country looks to pursue their own foreign policy interests in misalignment with the rest of the Union. This would lead to consequences on all Member States. Thus, the moral hazard of individual Member States should not be incentivised with a guarantee of automatic solidarity of all Member States. United EU strategy and actions are also key to preventing an increase in coercive practices.
- 6. Better guarantees against trade wars must be included.** The EU should clarify how it would counter retaliation from a third country in case countermeasures are applied. Though maintaining open dialogue with third countries is key, it is sometimes insufficient in preventing escalation where economic operators are often targeted by retaliatory measures. The EU's economic leverage should not be overestimated, and the possibility of a failure in deterrence and the initiation of a trade war should be thoroughly addressed. Moreover, the need for a strong global supply chain resilience framework in the EU (e.g., including diversification of suppliers, international cooperation, support for the multilateral rules-based trade system and a toolbox to facilitate the management of global production and distribution in case of crisis) is essential to mitigate the repercussions of retaliation on supply chains.
- 7. The Blocking Statute must be urgently reviewed.** The issue of extraterritorial sanctions, not directly addressed in the ACI, must be prioritized to ensure that the EU's toolbox to tackle coercive behaviour is comprehensive. EBCA calls on DG FISMA to accelerate the revision process of the Blocking Statute and to ensure policy coherence with the ACI.

About EBCA:

EBCA is a coalition of major retail clothing brand companies, representing over 60 brands. The alliance works to ensure a positive trade agenda and a more predictable business environment, while also ensuring sustainability throughout the global value chains.

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