

Promising option: An EU anti-coercion instrument

The threats

be critical in diversifying trade relations. An ACI can only complement this.

- **Toolbox comprehensiveness:** The EU cannot rely on economic strength and a positive agenda alone. It needs both positive and defensive tools. In addition to a positive agenda, an

therefore, trigger countermeasures. The EU could combine anti-coercion action under its Blocking Statute which seeks to block certain extraterritorial sanctions and under the ACI. This would make it possible to impose countermeasures against, for example, Chinese extraterritorial measures. A reformed Blocking Statute could trigger countermeasures under the ACI against such practices under this second option.

The main advantage of this option is its flexibility and, therefore, credibility. It would be difficult for third countries to design grave coercive measures that the instrument's definition did not cover. The EU would also be sure that the instrument would remain relevant, even if the nature of economic coercion was to change. European companies might soon be in a position where they had no choice but to comply with Chinese regulations that significantly harmed them, Europe's trade, or European policy. The instrument could be a response to Beijing's next generation of instruments which could leverage China's increasing centrality in economic networks in ways not possible today or to significant volumes of forced sensitive data transfers.

Option 2 also comes with challenges. The risks of protectionism and harm to the rules-based order associated with the ACI could become acutely important for the EU under this approach. It may also be hard to prove the coercive intent of measures that do not violate member states' sovereignty. The EU would have to clarify the basis in public international law it is basing its countermeasures on meaning that the instrument would be even more legally complex.

Option 1.5: A tool that contains a flexible resilience mechanism

The EU needs to ensure that its deterrent has enough scope to provide both flexibility and certainty. A combination of options 1 and 2 is possible.

The ACI could define triggers and restrict countermeasures to state sovereignty violations a

third-country coercive actions are not covered by the ACI's predefined triggers but which could nonetheless trigger the ACI. This could include cases where coercive action has had a great impact on many companies and sectors, or where the third

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the EU's general overcompliance with international commitments in terms of the access it grants foreign goods, services, and companies to enter its public procurement market.

The EU is currently working on an international procurement instrument (IPI), which would allow it

illicit. Importantly, while this would be an effective countermeasure, few would believe that the EU

But if policymakers design a framework that is too tight with the aim of reducing uncertainty or if they attempt to specify what the Commission can and cannot do in detail, the instrument would lose its deterrent effect. The EU would not be able to employ it in a swift manner, or would only be able to do so in certain cases, or only in a way that is unhelpful in a certain situation of coercion that legislators did not foresee when they constructed the tight framework. To counter third-country

have greater access to decision-makers.

The issue of moral hazard also relates to a hypothetical compensation mechanism rs.

How to limit protectionist temptations

The purpose of the ACI is to fill an important gap in the EU's defences, not to become its chief trade policy tool. It is no silver bullet even for responding to economic coercion, but is needed as part of a

- Rapidly impose EU countermeasures, which a high-level European representative would immediately follow by engaging in consultations with the third country with a clear offer to

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