1. Tough trade: The hidden costs of economic coercion

Jonathan Hackenbroich

The times of easy globalisation are over. As the European Union s economic weight declines relative to that of other powers, it has entered a new phase of globalisation characterised by increasing use of

Europe are closely aligned once again and that tensions with China are likely to persist there is a significant risk that Beijing will have fewer inhibitions about using such measures. As its economic strength grows, China is becoming ever more likely to use economic coercion against the EU, and to achieve in its political aims when it does so.

Russia

There is a real threat of Russian economic coercion against Europe. As the US and Europe threaten

concrete European offers to the US at the Trade and Technology Council.

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easier for European companies to obtain a waiver that allowed them to comply with the

determine when a coercive act crosses the line once it knows the details of the situation. But if, for instance, a third country s measures blocked all trade between one member state and the others, it would be crucial for the EU to defend the integrity of the single market.

Conclusion

As these authors wrote in June 2021, the decision on whether to establish an ACI is not straightforward. But, if the EU decides not to do so, it should know that this could risk damaging

This kind of strategic coordination is even more important when it comes to strengthening the EU s defences against economic coercion. Third countries that use economic coercion against the EU are frequently more distant partners than the UK. And, if they use economic coercion effectively, they can

strategy for systematic engagement and trust-building with private sector actors. Much would depend on the EU s capacity to respond to economic coercion 6 n trch ros, tU atbuacity td

Permanent Representatives.

- **Link to the Council**. A Resilience Office s work would touch on many matters of foreign

The European Commission could through the type of Resilience Office discussed in another essay in this paper become more active in other ways, such as by supporting EU companies in external legal proceedings (as a friend of the court, for instance) and by identifying when informal secondary measures such as China s on Lithuania should trigger the Blocking Statute. The Commission could be quicker and more consistent in updating the annex to the Blocking Statute, which could list not just position in this.

The original idea of the Blocking Statute was to confront third countries coercive measures and thereby develop a political solution. The EU cannot make third countries change their coercive policies but it can make enforcing them more costly, and make a political compromise more attractive.

The Blocking Statute needs to work against several third countries, as China s secondary coercion against Lithuania demonstrates. Therefore, it needs to be a flexible tool that is connected to the EU s other instruments for dealing with economic coercion such as pre-existing trade defence instruments and the ACI, and perhaps a Resilience Office and an export bank.

Challenges

Compliance by companies and effective implementation

Ultimately, the utility of an amended Blocking Statute will depend on whether it will be more effective

5. Resilient European payments channels

Filip Medunic with Jonathan Hackenbroich

Resilient payments channels are key to the European Union s capacity to act in adverse economic environments. In recent years, global measures to combat money laundering and the financing of terrorism have increased, while restrictive measures on financial transactions have become one of the go-to tools of US foreign policy. This is especially true of measures imposed by Congress, which make use of financial network effects and cannot be removed by alslly cencial pec tio

use of nanctions-to g a ce he European poli ll s ane

Option 1

The EU could establish a European Export Bank (EEB) as a public entity with a network of correspondent banks in select third countries. This EEB would comply with EU law, specialise in operating in adverse environments, provide account management and payments services, and engage in refinancing only in euros and within Europe.

Opacity versus transparency

Economic coercion has made many transactions impossible because companies currently lack the centralised entity that states could task with upholding due diligence standards for all parties involved in a transaction. An EEB would have to select its clients carefully, to ensure that they had the administrative capacity to operate in adverse environments.

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