

Mr Martin Lukas
Head of Unit - Dispute Settlement and Legal Aspects of Trade
Policy – DG Trade F.2

Mr Colin Brown
Head of Unit - Legal Aspects of Trade and Sustainable
Development and Investment – DG Trade F.3

Rue de la Loi 170
1000 Brussels

25 May 2021

Subject: Orgalim comments on the upcoming European instrument to deter and counteract coercive actions by third non-EU countries

Dear Mr Lukas, Dear Mr Brown,

As the European Commission is currently considering a new legal instrument to deter and counteract coercive actions by third non-EU countries¹, Orgalim would like to express its **support in principle** for this initiative. Such coercive economic actions are detrimental to Europe's technology industries. Orgalim believes that open, free and fair international trade with our partners across the world is crucial to enable Europe's future success and technological leadership. This is especially true for Europe's technology industries, which are strongly export-oriented, representing over a third of the EU's manufactured exports. Therefore, the guiding principle of the instrument should be **encouraging fair trading practices and deterring coercive actions by third non-EU countries**.

Please find below some specific aspects that we believe should be taken into account;

- Orgalim believes that such a legal instrument **should not be protectionist**. WTO compatibility is essential to ensure coordination at the international level with our international trading partners. Moreover, the EU should also cooperate with like-minded regions to ensure that the results of the EU anti-coercive actions, once adopted, are effective.
- The goal should be to reduce the success rate of coercion by third non-EU countries by increasing the **cost of coercion for third non-EU countries through tariffs**. At the same time, all EU anti-coercive actions should be proportionate, limited in time, reversible, and fair for all sectors and EU Member States. In addition, given the close commercial ties between the EU and EFTA members, no coercive measures should be adopted against neighbouring countries and EFTA members should be excluded from the scope of the upcoming instrument.

¹ <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12803-Trade-mechanism-to-deter-counteract-coercive-action-by-non-EU-countries>

Orgalim represents Europe's technology industries, comprised of 770,000 companies that innovate at the crossroads of digital and physical technology. Our industries develop and manufacture the products, systems and services that enable a prosperous and sustainable future. Ranging from large globally active corporations to regionally anchored small and medium-sized enterprises, the companies we represent directly employ 11.55 million people across Europe and generate an annual turnover of €2,298 billion. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

- We recommend **prioritising the anti-coercive measures** against the extraterritorial effects of sanctions by third non-EU countries **that affect our European technology companies**. A new anti-coercive deterring instrument is needed, since the existing EU Blocking Statute² is not effective. In this respect, Orgalim believes that a new anti-coercive initiative should reinforce the EU Blocking Statute so that EU companies are effectively protected from the extraterritorial application of sanctions and regulations by a third non-EU country³.
- We recommend **prioritising the option of “targeted sanctions” against companies, entities and individuals** as a reaction to similar coercive measures by third non-EU countries. This would also allow the EU to tailor its anti-coercive measures to the situation in order to achieve effective deterrence.
- Finally, Orgalim considers that the instrument should be **accompanied by financial support**. EU companies that are directly targeted by extraterritorial sanctions face short-term financial problems, which should be eased by financial support aimed at supporting European companies affected by extraterritorial sanctions.

Thank you for taking our views into account.

Yours sincerely,



Malte Lohan
Director General

² https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/blocking-statute_en

³ For instance, the EU Blocking Statute was not efficient in the case of US sanctions against Iran and Russia.