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Understanding Trade Defence

Can the EU ensure fair competition? The perspective from Europe's technology industries.

Key takeaways

- European technology industries face growing competitive pressure from underpriced Chinese imports, threatening Europe's manufacturing base and export competitiveness;
- Existing EU trade defence instruments are too narrow, costly and slow to address the scale and breadth of the challenge, particularly for SMEs;
- The EU needs a more ambitious approach to trade defence, combining stronger use of existing instruments with new, targeted tools to restore a level playing field;
- Trade defence must go hand in hand with stronger European competitiveness, more resilient supply chains and continued openness to international trade.

1. Why does Orgalim think Europe needs a stronger trade defence approach?

Fundamentally, Europe's technology industries are facing increasing competitive pressure from Chinese products entering the European market at prices that may not reflect fair market conditions, including in cases of alleged dumping or state support. This creates an uneven playing field for European manufacturers, which must compete with imports that may be sold below their cost of production.

The issue is not that European companies are unwilling to compete internationally. On the contrary, they are strong exporters and support open markets. The problem is that competition is not always fair. The EU therefore needs a more effective approach to ensure that European companies can compete on a level playing field, both at home and abroad.

2. What trade defence instruments does the EU currently have?

The EU already has a range of trade defence instruments to address unfair or disruptive international competition. The three main instruments are:

- Anti-dumping measures: These address imports sold at dumped prices, where products are exported at less than their normal value, subject to the applicable legal requirements. Measures can take the form of additional duties on specific products from specific countries.
- Anti-subsidy measures: These address imports benefiting from certain government subsidies that cause injury to EU industry. They can also lead to additional duties on targeted products from specific countries.
- Safeguard measures: These can be used when a surge in imports causes or threatens serious injury to EU producers, even where the imports are not necessarily unfairly traded. We only have two precedents for Safeguard Measures in the EU to date.

These instruments remain important for protecting European industry against unfair trade practices and unexpected import surges. However, their scope and requirements mean they cannot address every form of competitive distortion facing European technology industries.

3. Why does Orgalim believe existing EU trade defence instruments are insufficient?

Existing instruments are generally designed to address specific products and specific trade practices. Anti-dumping and anti-subsidy investigations require detailed economic evidence to establish that the relevant legal conditions have been met. These investigations can be lengthy, costly and administratively burdensome.

Furthermore, certain competitive advantages, such as broader structural market distortions, may affect a wide range of products simultaneously. A system that relies primarily on individual product investigations is therefore not always suited to the scale or nature of the challenge. Indeed, this is the main reason we believe new tools are needed.

This presents a particular challenge for Europe's technology industries, which manufacture a wide range of products. For example, Orgalim represents industries covering more than 200 Combined Nomenclature (CN) codes. Addressing unfair competition across this broad product range through separate investigations would require significant resources and time.

For smaller companies, in particular, the cost of building a case and gathering the necessary evidence can be prohibitive. SMEs facing intense import competition may not have the

financial resources, legal expertise or time needed to initiate an investigation, even when their business is at risk.

4. What new trade defence tools is Orgalim calling for?

Orgalim calls for a more ambitious and comprehensive approach to trade defence that goes beyond simply making better use of existing instruments. While current measures remain essential, new tools are needed to address broader and more systemic competitive distortions that cannot be effectively tackled through individual investigations.

Our position paper puts forward specific recommendations for new instruments that would allow the EU to respond more effectively and proportionately to unfair competition, while ensuring that action is targeted at the source of the distortion. One example is the potential development of a European instrument inspired by Section 301 of the US Trade Act, which provides a mechanism for responding to certain unfair foreign trade practices. A European equivalent could give the EU additional options to address trade distortions that fall outside the effective reach of existing instruments.

The objective is not to introduce indiscriminate protection, but to give the EU a more flexible and effective toolbox that can respond to the evolving challenges facing European industry.

Ultimately, it is difficult to play by the rules against a competitor that is not playing by the rules.

5. Is stronger trade defence compatible with free trade?

Orgalim is not calling for protectionism or restrictions on free trade. Orgalim strongly supports free trade, open markets and international cooperation because our industries depend on global supply chains, international trade and access to export markets. Maintaining these connections is essential for their competitiveness and growth.

Our concern is not competition itself, but competition that takes place under unfair conditions. European companies are ready to compete internationally, provided that the rules are fair and that market distortions are effectively addressed.

Safeguard measures, for example, can affect imports from all trading partners, including those with whom Europe maintains fair and mutually beneficial trade relationships. This is why they are not necessarily the most appropriate solution when the problem is specific to a particular source of unfair competition.

6. What are the risks of stronger EU trade defence measures?

Stronger trade defence measures are not without costs. Introducing additional duties on Chinese imports could increase input costs for European manufacturers that rely on these products, while also triggering retaliatory measures from China.

Such retaliation could affect European exports to China or restrict access to critical raw materials, potentially disrupting supply chains and creating additional pressures for European industry.

These risks need to be carefully considered when designing and implementing new measures. Trade defence should therefore be targeted and proportionate.

However, inaction also comes with significant economic risks. Allowing unfair competition to continue unchecked could lead to a gradual erosion of Europe's manufacturing base, the loss of industrial capacity and increasing dependencies on external suppliers.

The EU therefore faces a strategic choice: manage the short-term costs and risks associated with a stronger trade defence approach, or risk longer-term industrial decline and greater economic dependence.

7. How can Europe reduce its dependence on China while maintaining competitiveness?

Trade defence must be accompanied by a broader strategy to diversify Europe's supply chains and international trading relationships. European industry is highly interconnected with China, both as a source of imports and as an export market. Reducing these dependencies will require time, investment and careful planning.

Diversification can help companies access alternative sources of critical raw materials, components and finished products, while reducing exposure to supply-chain disruptions and geopolitical risks.

However, diversification is not cost-free. Developing alternative suppliers and building new supply chains can increase costs in the short term and require significant investment. It is therefore important that the EU supports businesses through this transition, while maintaining productive international trade relationships wherever possible.

Ultimately, strengthening Europe's resilience does not mean disengaging from China or abandoning global trade. It means avoiding excessive dependencies and ensuring that European companies have access to reliable, competitive and diversified supply chains.

8. Is trade defence enough to safeguard Europe's industrial competitiveness?

No. Trade defence is an important part of the solution, but the best line of defence for European industry is competitiveness itself.

The EU must continue to focus on improving the framework conditions in which European companies operate. This includes reducing energy costs, lowering unnecessary regulatory burdens, removing barriers in the Single Market and creating the conditions for investment, innovation and industrial growth.

These measures are fundamental to ensuring that European manufacturers can compete successfully in global markets, regardless of where their competitors are based, but the challenge extends beyond the EU market as European companies also face growing Chinese competition in export markets, where they are increasingly being displaced. This risks weakening Europe's manufacturing base, undermining investment and innovation, and progressively eroding its industrial capacity.

Trade defence should therefore complement, rather than replace, broader competitiveness policies. Indeed, stronger trade defence in the EU would not restore competitiveness on export markets. For this we must improve the framework conditions of competitiveness, including addressing energy prices, reducing regulatory burden, concluding Free Trade Agreements with third countries, and so on. However, a stronger industrial base will make European companies more resilient to external shocks, better equipped to compete internationally and less vulnerable to unfair trade practices.

9. What is Orgalim calling on the European Commission to do?

Orgalim welcomes the European Commission's recognition of the challenges facing European industry and its commitment to addressing unfair competition. However, acknowledging the problem is not enough. The EU needs to translate this recognition into concrete and ambitious policy action.

We call on the European Commission to:

- Make more effective use of existing anti-dumping, anti-subsidy and safeguard instruments where appropriate;
- Develop new, targeted trade defence tools to address broader and systemic market distortions that existing instruments cannot adequately tackle;
- Ensure that trade defence procedures are accessible and proportionate, particularly for SMEs that lack the resources to initiate lengthy and costly investigations;

- Maintain its focus on improving Europe's competitiveness through affordable energy, a reduced regulatory burden and a well-functioning Single Market.

Europe's technology industries do not seek protection from competition. They seek the conditions to compete fairly. A more ambitious trade defence policy, combined with strong competitiveness measures, is essential to safeguarding Europe's industrial capacity, resilience and long-term prosperity.

Orgalim represents Europe's technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU's largest manufacturing sector, generating annual turnover of over €2,972 billion, manufacturing one-third of all European exports and providing over 11,9 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.