

EU trade

EU agrees trade defence tool against China

Anti-coercion mechanism allows bloc to retaliate when one of its members is pressured with import bans



EU trade commissioner Valdis Dombrovskis says the tool will 'deter economic intimidation' © AFP via Getty Images

Andy Bounds 8 HOURS AGO

The EU has agreed a new trade defence tool allowing it to retaliate against countries using punitive measures such as China's block on Lithuanian imports over the Baltic state's relationship with Taiwan.

The anti-coercion instrument is the latest in a series of recent unilateral measures Brussels has adopted after declaring China a "systemic rival" in 2019.

"This is a vital tool to deter economic intimidation and defend EU interests in an increasingly volatile world," said Valdis Dombrovskis, trade commissioner. The political agreement between the European parliament, member states and the European Commission was reached on Monday night and is still subject to final approval in the coming weeks.

The bloc historically used the [World Trade Organization](#) to settle disputes but is increasingly disillusioned as the Geneva-based body's dispute process has been hamstrung by the US's refusal to participate in it fully.

"This instrument aims to deter third countries from targeting the EU and its member states with economic coercion through measures affecting trade or investment," said the council of EU member states.

Among the measures that could be applied are increased customs duties, the withdrawal of import or export licences and restrictions in the fields of services and public procurement.

Once the legislation enters into force — expected in about six months — any member state can ask the European Commission to investigate a case of coercion.

If it determines that a country is coercing the member state, and the other governments agree, the commission can draw up a list of potential countermeasures which would be adopted unless a qualified majority of the 27 member states blocks them.

The commission is obliged to take into account the impact on businesses.

In late 2021, China began an informal embargo on all [imports from Lithuania](#) and those from the EU with Lithuanian components after Vilnius allowed Taiwan to open a representative office there. The EU eventually complained to the WTO and the case is ongoing.

The commission has said there were several instances every year of economic coercion against EU members.

Among other measures targeting Chinese companies, the EU recently set up a mechanism allowing it to penalise companies receiving [foreign subsidies](#) that “distort” the internal market and another aimed at forcing open other countries’ public procurement markets. It has also proposed a ban on products made with forced labour.