

Economic coercion by third countries

2021/0406(COD) - 03/10/2023 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 578 votes to 24, with 19 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on the protection of the Union and its Member States from economic coercion by third countries.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amends the Commission proposal as follows:

Subject-matter

This Regulation establishes:

- a framework for the Union to **respond to economic coercion** with the objective of deterring economic coercion or obtaining the cessation of economic coercion, whilst enabling the Union, as a last resort, to counteract economic coercion through Union response measures;
- a framework for the Union to seek **reparation** for the injury to the Union, where appropriate.

Economic coercion

For the purposes of this Regulation, economic coercion exists where a third country applies or threatens to apply a third-country measure affecting trade or investment in order to prevent or obtain the cessation, modification or adoption of a particular act by the Union or a Member State, thereby **interfering in the legitimate sovereign choices of the Union or a Member State**.

In determining whether the conditions are met, the Commission and the Council should take into account the following:

- (a) the intensity, severity, frequency, duration, breadth and magnitude of the third-country measure, including its impact on trade or investment relations with the Union, and the pressure arising from it on the Union or a Member State;
- (b) whether the third country is engaging in a pattern of interference seeking to prevent or obtain particular acts from the Union, a Member State or another third country;
- (c) the extent to which the third-country measure encroaches upon an area of the Union's or a Member State's sovereignty.

Examination of third-country measures

The Commission may, on its own initiative or at a justified request, examine any third-country measure. In principle, the examination will last no longer than **four months**. The Commission will make available to the public a secure tool to facilitate the transmission of information to the Commission.

If the Commission concludes that the third-country measure fulfils the conditions set out in the Regulation, it will present to the Council a **proposal for an implementing act** determining that the third-

country measure constitutes coercion. The proposal must provide for an indicative period allowing the Commission to assess whether the conditions are met. This period must not exceed six months, unless a longer period is justified.

In its proposal for an implementing act or in a subsequent proposal for a Council implementing act, the Commission will propose, where appropriate, that the Council determine that the third country is liable to make good the damage caused to the Union.

Prior to presenting its proposal for an implementing act, the Commission should, without prejudice to any dialogue with the third country concerned, invite the third country concerned to submit its observations within a **reasonable period of time**. It should also inform the European Parliament of the conclusions of its examination.

The Council will have eight to ten weeks to decide -by a qualified majority- whether coercion exists.

Engagement with the third country

Following the adoption of an implementing act, the Commission should provide adequate opportunity for **consultations with the third country** with a view to obtaining the cessation of the economic coercion and reparation of the injury to the Union.

In the course of such consultations, the Commission may explore options with the third country, including the following: (a) direct negotiations; (b) submitting the matter to international adjudication; (c) mediation, conciliation or good offices by a third party to assist the Union and the third country in their efforts.

Union response measures

Members enhanced the deterrent aspect of the instrument by including all means at the EU's disposal to react, including:

- introducing or increasing **restrictions on the import or export of goods**, including, where appropriate, goods subject to export controls;
- the exclusion from **public contracts** of goods, services or suppliers of goods or services from the third country concerned, or the exclusion from public contracts of tenders whose total value represents more than 50% of goods or services originating in the third country concerned;
- introducing measures affecting the **access of foreign direct investment to the Union**, which may amount, where necessary, to the non-fulfilment of applicable international obligations;
- increasing restrictions on the possibility to place on the Union market goods falling under the Union **sanitary and phytosanitary legal acts**.

The EU may seek compensation from the third country responsible for the coercion. The Commission will also be able to apply measures to impose these remedies.

The Commission will evaluate the EU's response measures within **six months** of their cessation.

Single point of contact

The Commission will provide a single point of contact within the Commission for the application of this Regulation and its coordination with any relevant Union legal acts and for gathering information and providing cost and data analyses with a view to determining the nature of the economic coercion.

Information to Parliament

The Commission will keep the European Parliament and the Council informed, regularly and in a timely manner, of relevant developments in the application of this Regulation throughout the examination of third-country measures, including the start thereof, the engagement with the third country and the international cooperation, and during the period in which Union response measures are in force. The European Parliament may express its views via any appropriate means.