

Presidency issues note for the informal ECOFIN Ministers' working lunch

How to strengthen the European Union's economic power on the world stage?

An international context marked by increased competition between the major powers

The European Union is the world's second largest economy and third largest population. In an evolving international context, marked by the affirmation of the Chinese economic model, whose weight in the world economy has increased from 9% to 17% of world GDP over the last decade, compared with 18% for the European Union and 25% for the United States, the EU must take account of the reality of the economic, technological and financial challenges of the 21st century in order to best adapt the European economic model.

China is seeking to strengthen its skills and ambition to be a leader in a number of key technologies, including new information technologies and green technologies, by relying on a proactive and state-owned industrial policy and by preserving its domestic markets for the benefit of its national champions.

At the same time, the US has reaffirmed its commitment to strengthening its industrial and technological competitiveness and the resilience of its value chains, implementing a range of autonomous measures to increase US sovereignty in a number of critical sectors.

These developments and evolutions have consequences for European economic players, with the challenge of reconciling openness and international economic opportunities with the preservation of European knowledge, know-how or critical technological elements. The failure to respect level playing field, or extraterritorial measures that can hinder the development of European economic players, emphasize the need for the EU to find the means of action that will enable it to assert its role as a global economic power.

Faced with this situation, the major challenge for the European Union is to assert its unity and its strategic and economic autonomy by investing in disruptive technologies, by developing trade instruments to defend European interests, by asserting multilateralism and by promoting the values that make the European Union rich and unique. This is necessary for European States, citizens and businesses in order to preserve, promote and disseminate our European model, which is based on ambitious norms and standards, particularly in the climate and social fields.

The health crisis we have been through has demonstrated the ability to adapt and to act distinctive and unique feature as well as the added value of the European Union. The 27 Member States reacted quickly and effectively by adopting the *NextGenerationEU* recovery plan in July 2020, which is a historic step forward and a strong signal of coordination and solidarity in times of crisis. Member States have also deployed the necessary safety nets to protect citizens and businesses from the consequences of the health and economic crisis. The solidity of our social model, which is a distinctive and unique European feature, should be a source of pride for Europe. Finally, the European Commission has also put forward ambitious proposals to meet the challenges of tomorrow in terms of industrial, trade and environmental policy.

However, coordination between Member States can be further strengthened so that the European Union can assert itself as an independent and sovereign power with the necessary means to avoid falling behind the other major powers, to cope with global economic tensions and to be able to address the challenges of green and digital transition.

Strengthening European strategic autonomy

Faced with the risks posed by this international environment where external and industrial policies are linked and more assertive, the European Union also has several levers at its disposal to reassert its strategic autonomy while guaranteeing the openness of its economy.

This calls for a coherent articulation of economic policies, targeted industrial policy measures, instruments to fight unfair practices and an external policy to take advantage of the opportunities offered by international trade to diversify our value chains. Maintaining trade openness will help secure our supply chains and strengthen our economic resilience.

In order to cope with supply tensions, it is crucial to promote better European coordination of industrial policies aimed at strengthening our common competitiveness. In this respect, important projects of common European interest are decisive levers.

The European Commission's proposals on trade policy also need to be implemented quickly so that the European Union has the means to defend itself when faced with unfair practices. These include the instrument to combat the distorting effects of foreign subsidies on the internal market, the instrument to respond to coercive measures and the instrument to introduce more reciprocity in public procurement.

In parallel, it remains important to promote an agenda with China on some global issues where dialogue and coordination are crucial, such as the fight against global warming, international taxation or coordinated debt treatment for over-indebted countries.

The affirmation of the European Union's strategic autonomy will also require maintaining a strong ambition regarding the European financing support to third countries in order to provide an alternative to the financing offers of our competitors, in particular through the full implementation of the *Global Gateway* initiative, which will enable the European Union to strengthen its links with its partners and to assert its open strategic autonomy.

Finally, it seems crucial that the European Union quickly reaches agreements on key issues, for example on the carbon border adjustment mechanism or on extra-financial *reporting* by companies, in order to promote its standards and its unique growth model in the world.

Questions for discussion :

- What are the main risks to our economies and businesses posed by the global context?
- How to prevent the risk of the European Union lagging behind on the world economic stage?
- What levers can be activated to strengthen Europe's economic power, ensure its open strategic autonomy and promote its economic model?