

Valdis Dombrovskis

Vice-President: An Economy that Works for People / Trade

Hearing due to be held on Friday 2 October at 13.00 hours.

EP Committee responsible: International Trade (INTA)

Valdis Dombrovskis has been Executive Vice-President of the European Commission for an Economy that Works for People, with direct responsibility for the financial services portfolio, since December 2019. In August 2020, he was also given temporary responsibility for the trade portfolio, formerly assigned to Commissioner Phil Hogan, who resigned. Between 2014 and 2019, Mr Dombrovskis was European Commission Vice-President for the Euro and Social Dialogue; from 2016 on, he was also in charge of Financial Stability, Financial Services and Capital Markets Union. Alongside his institutional role, Dombrovskis co-chaired the European People's Party (EPP) Economic and Financial Affairs



Ministers' Meeting, which brings together the EPP ministers ahead of meetings of the Economic and Financial Affairs Council (Ecofin).

Mr Dombrovskis was elected a Member of the Latvian Parliament in 2002 and served as Minister for Finance from 2002 to 2004. He was a Member of the European Parliament from 2004 to 2009, and then returned to national politics as Prime Minister of Latvia from 2009 to 2014. In 2014, he was again elected to the Latvian Parliament, and subsequently to the European Parliament, where he sat in the EPP Group.

Born in 1971, Mr Dombrovskis holds a Bachelor's degree in economics for engineers and a professional Master's degree in customs and tax administration, both from Riga Technical University. He also holds a Master's degree in physics from the University of Latvia. He worked as a senior economist and chief economist at the Bank of Latvia from 1998 to 2002. In 2011, he co-authored the volume *How Latvia came through the financial crisis*.

This Briefing concerns a portfolio change in the European Commission in mid-mandate and takes the same format and approach as those Briefings published in September 2019 to give Members of the European Parliament an overview of major issues of interest in the context of the Hearings of the Commissioners-designate.

Background

The European Union has recently been [confronted](#) not only with rising protectionism in the global trading environment, but also with serious internal challenges, such as the departure of the United Kingdom (UK) and public debates about the possible impact of trade agreements. The severe [economic](#) and [trade downturn](#) following the coronavirus crisis brings new and unprecedented challenges. A stable and predictable multilateral rules-based trading system, including the reform of the World Trade Organization (WTO), is crucial for global economic recovery. Trade agreements can also play a key role. Moreover, EU industry and business need a [level playing field](#) in the single market and beyond, and [better export conditions](#), with a focus on fairer and more responsible trade and digital transformation.

While taking over the Commission's trade portfolio permanently, Mr Dombrovskis would keep his position and responsibilities as Executive Vice-President of the Commission, including as the Commission's representative on the Eurogroup. The change of responsibility for the trade portfolio takes place at a key moment, as a review of EU trade policy is ongoing. He [has been tasked](#) by President Ursula von der Leyen with ensuring that that review focuses on swift and sustainable socio-economic recovery from the coronavirus crisis, strengthens EU competitiveness in a challenging environment, contributes to the twin green and digital transitions, and promotes EU values and standards. Helping EU exporters to reap the benefits of the network of trade agreements and improving the enforcement of sustainable development commitments, notably as for the climate agenda and labour rights, has also been set as a priority in his mission letter.

Recent developments

Under the previous Commission, the EU addressed the issue of unfair trade practices. For instance, an [EU framework](#) to screen foreign direct investment (FDI) was adopted in 2019, and [trade defence instruments](#) (TDIs) have also been modernised. The current Commission put forward, in December 2019, a proposal to upgrade the [Enforcement Regulation](#), and, in June 2020, a [white paper](#) on levelling the playing field as regards foreign subsidies. Moreover, a Chief Trade Enforcement Officer (CTEO) post has been created to [strengthen](#) the implementation and enforcement of EU trade policy. As the WTO Appellate Body (AB) ceased to function in December 2019, the EU and a number of WTO members notified the creation of a multi-party interim appeal arrangement ([MPIA](#)) in April 2020, to ensure the continuity of the dispute settlement system.

Trade agreements that entered into force under the previous Commission [include](#) those concluded with [Japan](#) and [Singapore](#). Both came into force in 2019. Trade parts of the EU-Canada Comprehensive Economic and Trade Agreement (CETA) have been provisionally applied as of 2017. Moreover, an [agreement in principle](#) was reached with Mercosur in 2019. In the current term, the trade deal with [Vietnam](#) entered into force in August 2020. Following Parliament's consent, investment protection agreements (IPAs) with Singapore and Vietnam await ratification by Member States. While negotiations with [Mexico](#) were concluded in April 2020, [talks](#) on trade deals with Australia, Chile, Indonesia and New Zealand are under way. [Negotiations](#) aimed at reaching a broad agreement (including an FTA) with the UK are ongoing.

Although discussions with the US on conformity assessment are ongoing, trade relations, due to, for instance, [aircraft subsidy disputes](#) and the [US blockage of the WTO AB](#), have remained strained. In August 2020, an EU-US agreement on a package of tariff reductions was [announced](#), as a step towards improving trade relations, and are the first negotiated EU-US reductions in more than two decades. The EU has also strived to develop more balanced and reciprocal [economic relations](#) with China, encouraging the latter to engage in the modernisation of WTO rules. Negotiations on a comprehensive [agreement](#) on investment (CAI) are ongoing, and an [agreement](#) on the protection of geographical indications (GIs) was [signed](#) in September 2020.

In 2017, the Commission launched a debate on the trade and sustainable development (TSD) chapters of EU trade deals, and published a [15-point action plan](#) in 2018 to make TSD chapters more effective. The CTEO is also tasked with improving the enforcement of TSD commitments. Furthermore, efforts

to increase the transparency of EU trade policy have resulted in a [number of measures](#) since 2017, for instance, more information is made available on elements of ongoing negotiations.

In the midst of the coronavirus outbreak, the EU [committed](#) itself to keeping trade flowing and supply chains functioning. It also took some short-term measures, for instance on [export authorisation requirements](#) and [duty-free imports](#) of essential goods. However, the crisis has turned the spotlight on the fragility of supply chains and the need to better prepare for potential future shocks.

Priorities and challenges

A [May 2019 Special Eurobarometer Survey](#) showed that six in ten respondents perceived international trade as beneficial. There has been much debate on free trade over recent years, however. Concerns include a lack of transparency in trade negotiations; the risk of governments' regulatory rights being restricted with a negative impact on environmental and labour conditions; the risk of lower standards; risks to personal data protection; and demand for more ethical trade and more equal distribution of international trade benefits.

In June 2020, the Commission launched an [EU trade policy review](#) to shape its medium-term direction. The review will also [assess](#) how trade policy can help strengthen the EU based on an '[open strategic autonomy](#)' model, which means keeping trade open, while ensuring a level playing field for European firms and people and building up resilience. Developing ways to address strategic autonomy, notably through improved supply chain resilience and sustainability, is of key relevance.

A strengthened EU trade toolbox is needed to address unfair trade practices, support EU competitiveness and contribute to security. As regards Commission proposals, the Council has yet to agree on its negotiating position on the international procurement instrument ([IPI](#)). The proposals on the upgraded Enforcement Regulation, allowing for economic counter-measures when third countries adopt illegal measures and simultaneously block the WTO dispute settlement, and on the [recast](#) of the regulation on the export control of dual use goods are currently in interinstitutional negotiations. After an [action plan on critical raw materials](#) presented by the Commission in September 2020, a due diligence legislative initiative for supply chains is [expected](#) in 2021. In July 2020, the Commission launched a [public consultation](#) on the creation of a border carbon adjustment mechanism as part of its planned [initiative](#) on this issue.

[WTO reform](#) and the need to resolve the WTO dispute settlement mechanism crisis and renegotiate key WTO rules to minimise market distortions (e.g. on subsidies) will remain a priority. In the context of the EU trade policy review the Commission will put forward a WTO reform initiative, and it has already set out ideas concerning an [international initiative](#) for trade in healthcare products that could lead to updated WTO rules. The EU will also be active in ongoing negotiations, notably on e-commerce. A new WTO Director-General should be nominated in the coming months.

The reinforcement of transatlantic trade relations remains a [priority](#). The EU will also continue to engage with China on ensuring a level playing field for EU industry and business. Although the EU and China intended to conclude a CAI in 2020, the chances of doing so are now low. Ongoing negotiations with Australia and New Zealand are well advanced; however, the conclusion of the EU-Mercosur Agreement's trade pillar, given the significant [criticism](#) it has sparked, is likely to be difficult. Close attention will also be paid to [strengthening](#) trade and investment relations with Africa as well as with neighbouring countries. A key priority is the conclusion of a broad agreement on future relations with the UK; however, there is a risk of the current transition period ending without an agreement, because time is now running out for negotiations to be concluded and an agreement to be ratified before the end of 2020.

European Parliament

[Article 3\(1\) of the Treaty on the Functioning of the European Union](#) (TFEU) establishes common commercial policy as an exclusive EU competence. [Article 207 TFEU](#) contains specific rules on EU trade policy, making Parliament a fully fledged co-legislator for all trade and investment-related EU legislation, under the ordinary legislative procedure. [Article 218 TFEU](#) outlines how international agreements with non-EU countries are to be negotiated and concluded. EU trade agreements are also subject to this procedure, which requires Parliament's consent. Parliament has to be regularly informed at all stages of the negotiation.

The European Parliament will continue to follow developments in the WTO very closely, and play an active and leading role in the parliamentary bodies flanking the WTO. It will continue to monitor trade talks and perform scrutiny through the consent procedure for international agreements. The Parliament has also attached growing significance to following implementation of trade deals. The Committee on International Trade (INTA) has recently [adopted](#) a draft report on the Enforcement Regulation, and is now dealing with the EU-China GIs agreement. One of the next broad trade deals that the Parliament will be debating is likely to be the EU-Mexico Global Agreement.

As regards legislative work, aside from ongoing trilogue negotiations, the Parliament is now considering proposals on the [elimination](#) of tariffs on certain products between the EU and the US, and on the [prolongation](#) of autonomous trade measures to western Balkan partners. The Parliament has consistently promoted [values-based trade](#) and has paid particular attention to the social and environmental aspects of trade-related legislation. For instance, work is currently taking place on corporate due diligence and corporate accountability, and on sustainable corporate governance files.

As regards the UK, the Parliament [approved](#) the Withdrawal Agreement in January 2020, and has closely monitored its implementation. It has also actively followed the negotiations for future relations, presenting recommendations in a [resolution](#) of February 2020. A [resolution](#) of June 2020 emphasised its strong support for the EU Chief Negotiator, while regretting the lack of real progress.

The Parliament has also paid attention to the coronavirus crisis and its consequences. For instance, in an April 2020 [letter](#) to the Trade Commissioner, the INTA committee urged extension to the western Balkan countries of the exemption from the EU export authorisation scheme. The Commission [took into account](#) this concern in the regulation. In an April 2020 [resolution](#), the Parliament stressed the need for more competitive and resilient [industry](#) and backed the reintegration of supply chains in the EU; in a May 2020 [resolution](#) it requested that recovery investment focus on the Green Deal, the digital agenda and European sovereignty in strategic sectors, with a matching industrial strategy.

In September 2020, the INTA committee [voted](#) a report on the implementation of the Common Commercial Policy, and the Parliament is also following closely the ongoing trade policy review.

FURTHER READING

[International trade policy](#), EPRS, European Parliament, 2020.

[Consultation note on a renewed trade policy for a stronger Europe](#), European Commission, June 2020.

[Hearings of the Commissioners-designate: Valdis Dombrovskis – Vice-President: An Economy that works for people](#), EPRS, European Parliament, September 2019.

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