

EU response to economic coercion by third countries

Impact assessment (SWD(2021) 371, SWD(2021) 372 (summary)) accompanying a Commission 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

This briefing provides an initial analysis of the strengths and weaknesses of the European Commission's [impact assessment](#) (IA) accompanying the above-mentioned [proposal](#), submitted on 8 December 2021 and referred to the European Parliament's Committee on International Trade (INTA). This initiative was included in the [Commission's 2021 work programme](#) as well as in the [Joint Declaration](#) on EU Legislative Priorities for 2022 (for more information, see EPRS legislative briefing).¹

In a context of rising geopolitical tensions and weaponisation of trade, the use and threat of economic coercion for geopolitical ends is on the rise. As highlighted in the IA, this coercion originates from a variety of countries and threatens to undermine the interests of the EU and its Member States. Against the backdrop of growing global instability and uncertainty, the pandemic further highlighted the interconnected nature of the EU's economy with third-country economies.

The European Parliament and several Member States have raised their concerns about the issue of **coercion**. This led in February 2021 to a [Joint Declaration](#) by the Parliament, Council and Commission, announcing the intention of the Commission to adopt by the end of 2021 'a proposal for an instrument to deter and counteract coercive actions by third countries'.

The ensuing initiative focuses on the EU's possible response to **economic coercion**. The proposal is also part of broader and complementary efforts made by the EU to preserve its open strategic autonomy and enhance its economic resilience, which is among the objectives of the EU's May 2021 [updated industrial strategy](#). In its January 2021 communication, [The European economic and financial system: fostering openness, strength and resilience](#), the Commission announced that it was also considering amending the [Blocking Statute](#) (Regulation [2271/96](#)), to further deter and counteract the unlawful extra-territorial imposition of sanctions on EU operators by third countries. The proposal relating to the present initiative is expected in the second quarter of 2022 (IA, p. 6).

Problem definition

The problem definition (IA, pp. 7-19), clear and detailed overall, analyses and defines the problem, its scale, drivers and likely evolution on the basis of stakeholders' contributions, illustrative examples and academic work, including policy briefs from the [European Council on Foreign Relations](#) (ECFR). The IA identifies **economic coercion** as the problem that this initiative aims to address.² It defines this as the 'pressure which foreign countries exercise towards the EU and/or its Member States through most often a **trade or investment** restriction with the objective of attaining a specific outcome falling within the legitimate policymaking space of the EU or a Member State' (IA, p. 7). This definition was further developed in the proposal,³ in particular the fact that pressure can be exerted 'by applying, or threatening to apply, measures affecting trade or investment'.

The IA defines further key elements relating to coercion: its intention, target, author, manifestation, and types (explicit, disguised, silent, boycott, etc.). The IA also specifies that extra-territorial sanctions 'where they do not have coercive effects towards the EU or Member States', and coercion against private actors 'purely related to these operators' activities in that third country and unrelated to the public policy of the EU or a Member State, fall outside the definition (IA, p. 10).

According to the IA (p. 11), **stakeholders affected** by the problem include:

- the 'addressees' of the coercion: the public authorities of the EU and/or Member States;
- EU private actors, especially businesses engaged in trade or investment in the non-EU country in question, that are affected directly;
- consumers within the EU, who are affected indirectly.

The IA describes the negative (mainly) economic **impact of coercion** for these stakeholders. It also lists various sectors and areas that may be targeted by a coercive non-EU country, such as energy, new technology, raw materials, the financial sector, transport, health, textiles, agri-foods, etc (IA, p. 11). The IA illustrates the '**size**' and **cost** of economic coercion with a non-exhaustive, non-statistically representative list of examples (IA, p. 12).

The existence of the problem is recognised by all **stakeholders** groups (p. 15 and p. 19). The consultation also confirmed that coercion can be observed in current international relations and takes various forms, levels of intensity and degrees of formality (IA, p. 7).

The IA identifies the problem's underpinning **drivers** (IA, pp. 17-18) as follows:

- third countries' desire to impose their economic or political preferences to their benefit;
- geopolitical instability with increased tensions over economic governance;
- an interconnected world economy and enhanced ability to disrupt economic activities in other countries through restrictions on trade, investment or financial flows;
- insufficient deterrence on the part of the EU.

The IA also explains why coercion is a problem (IA, pp. 13-15) and describes how the situation is **likely to evolve without EU action** (IA, pp. 18-19). The IA reports that 'stakeholders observe that instances of coercion have been multiplying in recent years and the EU and Member States have been regular targets of coercion' (IA, p. 19). The design of an anti-coercion instrument (ACI) was already discussed in a 2021 ECFR [policy brief](#) that argued 'that there is a gap in the EU's defence that must be filled' (IA, p. 14). On that basis, the IA states that 'some actors such as China and Russia are using economic coercion as a foreign policy tool more frequently than they used to, whilst other countries have continued to resort to economic coercion'. The changing approach to international cooperation of successive US administrations is also difficult to predict (IA, p. 18).

Subsidiarity / proportionality

The IA considers [Article 207\(2\) TFEU](#), on the adoption of measures defining the framework for implementing the common commercial policy, 'to be a sufficient legal basis for the purposes of a policy intervention in the situations of economic coercion' (IA, p. 19). This proposal falls under common commercial policy, for which the EU has exclusive competence to act ([Article 3\(1\)\(e\) TFEU](#)). Therefore the principle of **subsidiarity** does not apply ([Article 5\(3\) TEU](#)).

The proposed **instrument** is a regulation establishing a framework for possible EU action under specific conditions, in compliance with international law. 'The EU's action takes place via subsequent secondary legal acts, if and when the instrument is used' (IA, p. 38). It is therefore proposed to empower the Commission to take action in response to third countries in cases of economic coercion, in the form of [implementing or delegated acts](#) under Articles 290 and 291 TFEU.

The IA did not assess the **proportionality** of the proposed instrument. The proportionality of the EU response was considered by the IA in the selection of possible EU countermeasure (see below).

Objectives of the initiative

The IA identifies three **general objectives** (IA, p. 20) that are directly linked to the problem:

- contribute to preserving the legitimate policy-making space of the EU and Member States;
- protect the international rights and interests of the EU and its Member States;

- protect EU economic operators' economic interests by preventing or limiting economic losses as a result of foreign countries' coercive actions.

These general objectives translate into four **specific objectives**, linked to the drivers (IA, pp. 21-22):

- deter coercion in a wider sense;
- de-escalate specific coercive measures;
- induce the discontinuation of specific coercive measures;
- counteract specific coercive measures (and/or their effects).

An **intervention logic** (IA, pp. 21-22) presents the general and specific objectives and how they address the problem and the underpinning drivers. It also shows how these objectives have fed into the design of the planned intervention. In turn, the intervention is expected to contribute to the intended changes, and to the result that 'the interests of the EU and of the Member States are protected from coercion'.

However, these objectives do not appear to fulfil the 'S.M.A.R.T.' criteria (in particular they are not very specific, measurable or time-bound), and the IA does not provide any 'operational objectives' (defining the deliverables of policy action), as recommended in the [Better Regulation Guidelines](#) (BRG, p. 20 and p. 67). This might affect monitoring and evaluation of their achievement later on. In the proposal, the four general objectives were revised in one broader and less specific objective,⁴ while the four specific objectives were also reformulated⁵ and no longer refer to de-escalation.

Range of options considered

In light of the objectives identified, the IA considers the following types of policy options (IA, p. 22):

- 1 *option 1: no policy change (baseline) – discarded at an early stage;*
- 2 **option 2:** a new legal instrument based on several design parameters;
- 3 *option 3: a 'resilience' office – discarded at an early stage.*

The IA explains clearly what would happen under the **baseline scenario (option 1)** and why it was discarded early on (IA, pp. 22-26). The IA concludes that the current legislative framework 'does not provide for instruments to deter and counter coercion in a prompt, coordinated and credible manner' (IA, p. 25). This was confirmed by most stakeholders in the public consultation, who noted that 'it would allow the coercion to continue and damage EU businesses, including SMEs, the EU's autonomy in decision-making and the EU's credibility on the international scene' (IA, p. 26).

The idea to create a dedicated entity within the EU institutions, with specific functions related to the deterrence and counteraction of coercion (i.e. 'resilience office') was initiated in a 2020 ECFR [policy brief](#). **Option 3** was supported by businesses and Member States in the public consultation. The IA considers this option as complementary to option 2 but 'rather a question of internal organisation for the Commission or between the EU institutions', which explains why it was discarded.

The only option retained for further analysis is the creation of a new legal instrument to address the problem of economic coercion (Option 2), to fill the gap identified. The BRG (p. 23) requires a solid justification when only one option is assessed against the baseline. Although not stated explicitly or justified in the IA, the limited range of options analysed presumably derives from the political commitment made in February 2021 in the Joint Declaration between the Commission, Council and Parliament on an instrument to deter and counteract coercive actions by third countries and the [Trade Policy Review](#) announcing the future ACI. **Option 2** is supported by the majority of stakeholders but their views vary on the design of this instrument (IA, p. 27). Option 2 is broken down into **sub-options** ('policy options' in the IA) using possible parameters for the design of the instrument (A to G).⁶ The IA explains why these parameters are relevant in achieving the specific objectives of this initiative, and therefore important for the effectiveness of the instrument. For each sub-option, the IA describes the changes that would be implemented (IA, pp. 27-38).

Table 1 shows the policy options assessed in the IA, and the preferred options (highlighted in blue).

Table 1 – Overview of the policy options considered

Option No.		Design parameter (under option 2)	POLICY OPTIONS CONSIDERED		
Opt. 1	1		<i>Discarded at an early stage</i> – No policy change (BASELINE)		
Option 2: Creation of a new legal instrument	2-A	Triggers for action	A1 – Explicit, disguised, silent coercion and boycotts ⁷		A2 – (A1) without extra-territorial sanctions
	2-B	Threshold for action	B1 – Quantitative threshold (monetary or economic)		B2 – Qualitative threshold (on a case-by-case basis)
	2-C	Possible action	C1 – A two-step process: first resort actions (identification of coercion, negotiations, mediation or international adjudication, etc.) and if they fail, measures of last resort: countermeasures temporarily restricting trade or investment (IA, pp. 32-34)	C2 – (C1) plus additional countermeasures (IA, pp. 34-35)	C3 – (C2) plus financial compensation for affected EU economic operators (IA, p. 35)
	2-D	Selection conditions	Effectiveness, minimal collateral damage, minimal administrative burden, general EU interest		
	2-E	Decision-making	Power to take action stemming from the Treaties' framework: Delegated and Implementing acts		
	2-F	Activating the instrument	F1 – Complaint mechanism		F2 – Ex officio
	2-G	Stakeholders' involvement	G1 – More prescriptive approach		G2 – Case-by-case approach
	Opt. 3	3		<i>Discarded at an early stage</i> - A 'resilience office'	

Source: compiled by the author on the basis of the IA, pp. 19-76.

Assessment of impacts

The IA assesses the impact of a new legal instrument and its policy options against the baseline (IA, pp. 38-51). The analysis of options is fed with feedback from various consultations (see below).

In order to compare options, the IA takes a three-step approach to configure **policy packages** (IA, pp. 51-54). The IA identifies parameter (C) as the component that is most key to the design of the instrument, as it influences its potential impact most. The IA examines three policy packages, only differing in terms of possible EU action (option (C1) under policy package 1, (C2) in policy package 2, (C3) in policy package 3), all other parameters being constant (IA, p. 53-54).⁸ These policy packages include the same first resort measures 'but there is a progression in the level of ambition as regards the second step' (IA, p. 52). The IA compares all policy packages against the criteria of effectiveness (against the specific objectives), efficiency (cost-effectiveness) and coherence (with other EU policies), as recommended in the [Better Regulation Guidelines](#) (p. 28).

The **preferred option**, policy package 2 (in blue in Table 1 and described in the IA, pp. 58-61), proposes a two-step EU response under the instrument: non-interventionist measures in the first resort, and if not successful, a range of possible countermeasures compliant with international law, as a last resort. The proposed instrument would apply to a wide range of coercive measures (e.g. explicit, disguised, silent, boycotts, etc.), with a qualitative threshold to trigger action. The decision-making process, with delegated and implementing acts, is expected to contribute to the efficiency of the instrument, as 'speed of action has a value' (IA, p. 37). In individual cases, countermeasures would be selected so that the action taken is commensurate, targeted, does not go and does not last beyond what is necessary, and that it ensures EU general interest, smallest possible collateral

damage and administrative burden, in light of the **proportionality** principle. The application of the instrument would also take into account relevant economic interests raised by stakeholders.

The IA shows how the **main stakeholders** are likely to be affected by the initiative (IA, p. 72): EU and Member State public authorities, non-EU countries, consumers and EU businesses. The IA splits the latter two between those affected by the coercion and/or by the EU's action (IA, p. 43).

The IA also analyses in **qualitative** terms the expected costs and benefits of the preferred options, which are summarised in Annex 3 (IA, pp. 72-73). According to the IA, there are no direct, indirect or enforcement **costs** for any of the identified groups that are expected to arise from the instrument's creation and existence. Costs would arise only from the instrument's use and in particular from the application of countermeasures, which depends on the specific countermeasure, its duration and the third country concerned (IA, p. 43), and cannot be estimated in the design phase (IA, p. 72). The IA states that it is 'only if the first resort measures (with relatively fewer costs) fail, that the EU will proceed with countermeasures (relatively more costs)' (IA, p. 40).

The IA expects important **benefits** for EU economic operators and consumers from the creation, existence and use of the ACI (IA, p. 48). Further direct benefits highlighted in the IA are EU authorities able to adopt policies without external pressure, and a more predictable environment in the sphere of trade policy, with lower costs for EU exporters, EU investors and EU importers (IA, p. 72-73).

The impacts assessed are mainly **economic**. In particular, the IA analyses the consequences of the instrument's creation and existence on trade and investment flows. It states that 'medium- to long-term economic effects on trade and investment flows will be positive, in particular because reductions and distortions in trade or investment flows can be avoided. More generally, the instrument will increase the perception of stability in the international trading system, fostering confidence in and of economic operators' (IA, p. 48). **Social, environmental** and likely impacts on **fundamental rights** are analysed briefly in dedicated sections. By protecting the EU from economic coercion, the IA expects the instrument to protect the EU from related adverse effects on income, employment and the environment. The IA also expects it to contribute to the EU's capability to set ambitious social, environmental standards and promote fundamental rights (IA, pp. 50-51).

SMEs/ Competitiveness

Based on various consultations, the IA indicates that coercion may have long-term effects on businesses' growth and development. 'Ultimately, economic costs may distort **competition** and have a spill over effect on the markets' (IA, p. 11). It could therefore be expected that by deterring and counteracting coercion its negative impact on competition could be prevented.

According to the IA, **small and medium-sized enterprises** (SMEs) engaging in international trade 'would experience similar type of impacts as other EU economic operators, with the possible difference that because of their smaller size they would be less exposed to being used by third-country governments as symbolic examples'. However, they may experience this impact more severely, as 'they are also less capable of directly voicing their interests vis-à-vis foreign and their home governments and of sustaining losses (less resources at their disposal)' (IA, p. 48).

Relations with third countries

Addressees of the instrument are 'third countries that use or contemplate using coercion towards the EU or Member States'. The IA describes in dedicated sections (IA, pp. 39-43) the potential economic impact of the creation and existence of the instrument on **coercing countries** (IA Section 7.2.1) and on relations with **non-EU countries in general** (IA Section 7.2.2).

The potential detrimental effect of the instrument on **international relations** was highlighted by stakeholders. Some of them argued that 'third countries may perceive the instrument as harming political or economic international relations, or perceive it as protectionist' (IA, p. 42). The IA explains how the 'careful design of the instrument manages these risks' (IA, p. 43). The IA also shows why the EU's creating an ACI does not represent a 'challenge to **multilateralism** or to the perception of the

EU as strong supporter of multilateralism' (IA, p. 43). The IA explains that coercive practices fall outside the World Trade Organization (WTO) framework. 'WTO dispute settlement, therefore, is no substitute to the creation of an anti-coercion instrument' according to the IA (IA, p. 23).

Simplification and other regulatory implications

Based on the general principle of **simplification**, the design of the instrument seeks the 'smallest possible administrative burden for implementation and application of measures by EU national authorities' (IA, p. 36). According to selection conditions for countermeasures (design parameter D), specific measures that are less burdensome should be preferred (IA, p. 49).

Coherence and complementarity with related instruments (such as the Blocking Statute) are analysed in Annex 5, where the IA explains why they are not overlapping (IA, pp. 76-78).

Impacts on national budgets and administrations

The IA expects no costs for **public authorities** from the instrument's creation and existence. But direct, indirect or enforcement costs may arise from its use. If imposed as a last resort, national administrations may be involved in the application of specific countermeasures. These possible measures already exist, so the IA concludes that it is unlikely that this would require substantial additional resources. The IA also notes that the design of the ACI implies limited use (IA, p. 49).

Monitoring and evaluation

To monitor the functioning of the instrument, the IA mentions that data will be collected by Commission services on coercive measures identified, considered and adopted.

To monitor the impact of the existence of the instrument, the IA acknowledges that 'it will be more difficult to measure, as the counterfactual (i.e. the situation that would have prevailed in the absence of the instrument) will be difficult to establish'. The Commission plans to continue engaging with stakeholders 'to monitor their experiences and views' of the impact of the instrument (IA, p. 61).

The performance indicators are listed in the proposal. However, these indicators are not linked to the objectives, which makes it difficult to measure progress towards their respective achievements. Indicators and monitoring provisions would therefore benefit from being further detailed.

The IA also suggests carrying out 'a **review**, within a reasonable time, on the functioning and application of the instrument', with reporting obligations to the Parliament and Council (IA, p. 61). The review's provisions and timeframe are further detailed in the proposal (Article 16, p. 23).⁹

Stakeholder consultation

On several occasions, the Commission provided opportunities for relevant stakeholders and citizens to express their views on this initiative. The feedback collected was used throughout the IA and Annex 2 gives an overview of the results of various consultations (IA, pp. 67-71). The [consultation strategy](#) was built on several consultation activities taking place between March and June 2021: 1) inception impact assessment for [feedback](#) receiving 22 submissions; 2) online stakeholder meeting for the launch of the public consultation; 3) targeted consultations with specific groups; 4) ad hoc submissions; and 5) an [open public consultation](#).

The latter ran over 12 weeks in line with the BRG, until 15 June 2021. With only 48 contributions, from 16 (mainly EU) countries and mostly from business associations, 'representing hundreds of companies and industries at national or EU level' (IA, p. 70), it is thus of limited representativeness. [Detailed results](#) with breakdowns by groups and a [summary report](#) are publicly available.

The majority of stakeholders is supportive of a new policy instrument. According to the IA, their input contributed to the design of the proposed instrument (IA, p. 71). In particular, the following points of convergence among stakeholders were used as basis for the preferred option (IA p. 70):

- economic coercion is an increasing problem for the EU and Member States and needs an appropriate response. Many examples of coercive measures, from multiple sources (mainly China, Russia, Turkey, and the US), have been reported by stakeholders;
- the deterrence function of the instrument must be predominant for its design;
- in the event of coercion, countermeasures should be taken only as a last resort;
- the collateral costs of countermeasures should be taken into account when deciding on EU action;
- the EU should consider the risk of conflict escalation and the consequences for international cooperation, multilateralism and the rules-based order.

Supporting data and analytical methods used

The IA is based on various **sources of information** that are referenced clearly (IA, pp.63-66): 1) stakeholders' contributions received during the consultation period; 2) research from academia and think tanks, including ECFR policy briefs; 3) exchanges of views with academics and policy experts; 4) internal knowledge and expertise within DG TRADE and other Commission services. The IA clearly acknowledges **limitations** for the assessment of likely impacts. The IA explains that the impact of the instrument's use will depend on the duration of EU action in individual cases and on the frequency of its use in general (itself depending on the rapidity in producing the desired effects), which makes it difficult to assess with sufficient precision at this stage. The IA therefore focuses on a qualitative assessment of impacts linked to the instrument's creation and existence (IA, p. 39).

Analytical methods envisaged at the design stage (to assess economic impacts in individual cases) are described in Annex 4, and mainly rely on an in-house partial equilibrium model (IA, pp. 74-75).

Follow-up to the opinion of the Commission Regulatory Scrutiny Board

The draft IA received a positive [opinion](#) with reservations on 19 October 2021. The main shortcomings raised by the Regulatory Scrutiny Board (RSB) as needing to be addressed concern 1) the connection with international law; 2) the articulation with the Blocking Statute and other existing instruments and legislation; 3) the presentation of policy choices and analysis of their efficiency and effectiveness; and 4) triggers, conditions and criteria for launching specific actions under the mechanism. As recommended by the BRG (p. 40), the IA explains in a table how and where each recommendation was addressed (IA, pp. 62-63). While most of the RSB's comments appear to have been taken on board, the connection with the Blocking Statute can be ensured only when the amending proposal is adopted.

Coherence between the Commission's legislative proposal and the IA

While the legislative proposal generally reflects the preferred option, some elements differ from the IA. In particular, the proposal offers broader objectives and a wider definition of economic coercion. The decision-making process is also further developed. The proposal's range of countermeasures is refined and a distinct procedural step added on international cooperation with other third countries affected by the same or similar measures of economic coercion (Article 6, p. 16).

This initiative focuses specifically on the issue of economic coercion and the EU's possible response, aiming to preserve the EU's open strategic autonomy and policy-making space. The IA clearly defines the problem, its underlying causes, and the objectives to address it. The creation of a new legal instrument to deter and counteract economic coercion is the only type of option retained for analysis. This presumably follows on from the political commitment made in early 2021 (although this is not stated explicitly in the IA). This option was broken down into several policy options based on possible parameters used for the design of the instrument. The IA is substantiated by academic work, stakeholders' contributions and examples. The majority of stakeholders support a new policy instrument and their input contributed to the design of the proposed instrument. The IA focuses mostly on economic impacts, while social and environmental impacts are assessed briefly.

Important benefits are expected from the instrument. Costs are expected only from its use, in particular from the application of countermeasures. The IA focuses on a qualitative assessment of impacts linked to the instrument's creation and existence, acknowledging that the impacts linked to the instrument's use are difficult to estimate at the design stage. Adequate monitoring and evaluation of the use of the instrument and of progress made against the objectives will therefore be important aspects that would have benefited from further detail in terms of indicators and provisions. The proposal generally reflects the preferred option of the IA, although some elements differ from the IA, such as the objectives and definition of economic coercion.

ENDNOTES

- ¹ M. Szczepanski, [Proposed anti-coercion instrument](#), EPRS, European Parliament, March 2022.
- ² As raised by stakeholders consulted, this problem could potentially overlap partially with those identified by the related initiative amending the EU Blocking Statute, whenever extra-territorial sanctions are applied with the intention to coerce EU or Member States' public authorities (IA, p. 6 and p. 24).
- ³ The legislative proposal COM(2021) 775 (p. 1) defines **economic coercion** as 'a situation where a third country is seeking to pressure the Union or a Member State into making a particular policy choice by applying, or threatening to apply, measures affecting trade or investment against the Union or a Member State'.
- ⁴ According to COM(2021) 775 (p. 24), the **general objective** of the proposal is 'to protect the interests of the Union and its Member States by enabling the Union to respond to economic coercion'.
- ⁵ According to COM(2021) 775 (p. 24), the **specific objective** is 'the Union response, or its mere availability, aims to dissuade third countries from engaging in economic coercion, in the first place, or to dissuade them from continuing the economic coercion, if economic coercion occurs. As a last resort, the Union may counteract the economic coercion'.
- ⁶ These concern the scope of application (A) and the conditions of application of the instrument (B), the range of possibilities for EU action where the instrument is used (C), the range of conditions to select possible countermeasures in individual cases (D), the decision-making procedure (E), options to activate the instrument (F) and stakeholder involvement in the decision-making process under the instrument (G).
- ⁷ This option includes instances of coercion also through extra-territorial sanctions, except those merely used to pressure EU private economic operators which are addressed exclusively by the Blocking Statute.
- ⁸ For design parameters B – threshold, F – activation, and G – stakeholder involvement, the IA explains why B2, F2 and G2 are the most viable options and have been chosen as constant parameters. The remaining two components (D – selection conditions, E – decision-making) do not envisage alternative policy options and are thus also constant.
- ⁹ The proposal establishes an obligation for the Commission to evaluate the effectiveness of any EU response measure adopted six months after its termination. The review of the proposed regulation and its implementation is proposed no later than six years after its entry into force or three years after the adoption of the first implementing act.

This briefing, prepared for the European Parliament's Committee on International Trade (INTA), analyses whether the principal criteria laid down in the Commission's own Better Regulation Guidelines, as well as additional factors identified by the Parliament in its Impact Assessment Handbook, appear to be met by the IA. It does not attempt to deal with the substance of the proposal.

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