



EuDA 2023 Annual Conference - “Blue Economic Actors and Assets, Critical to deliver Europe’s Open Strategic Autonomy”

EUDA 2023 ANNUAL CONFERENCE - 21 NOVEMBER 2023 **SUMMARY & KEY MESSAGES**

Blue Economic Actors and Assets, Critical to deliver Europe’s Open Strategic Autonomy

Conference’s Summary:

Following the global confinement due to the COVID pandemic and subsequently the war in Ukraine, Europe faced in a three-year period major disruptions of its supply chains and realised that many sectors of its economy, including the strategic ones, were too dependent on only few supplying nations, which do not necessarily share Europe’s core values. To sustain its economic growth, Europe needs to safeguard its supply chains, in particular, its most strategic transport assets and accesses to resources, and to further expand its geopolitical diversification.

Within the strategic assets and cornerstones of Europe’s global supply chain, waterborne transport infrastructures play a critical role. This was widely and repeatedly recognised during the recent crises. Therefore, with its Open Global Gateway, Europe intends to reinvigorate and secure its main multimodal trade routes, hubs and flows. Europe still has a global competitive advantage in building, operating and maintaining waterborne transport infrastructures. However, over the past decade, this European leadership has been progressively weakened and is now even under threat by the relentless and determined use of unfair trade practices.

State-owned Enterprises (SoEs) are the spearheading instruments used by some EU rival nations to fulfil their economic and geopolitical ambitions. This ‘aggressive’ use of economic power and resources to deliberately weaken and progressively eliminate competition in targeted markets is also known as hybrid warfare. When a stage of significant economic dependence is reached, the level of influence of the suppliers’ country is increased accordingly in the area.

In 2019, Europe realised that its relationship with China was multifaceted:

*“China is, simultaneously, in different policy areas, a cooperation partner [...], a negotiating partner [...], an economic competitor [...], and a systemic rival [...].
The tools and modalities of EU engagement with China should also be differentiated [...].”*

When addressing unfair trade practices, there is no silver bullet and the only effective approach for Europe is through a strategic toolbox of “differentiated” but complementary trade instruments. Since 2019, Europe has built new legislative instruments and equipped itself with trade tools to defend its internal market and its industries against the toxic effects of these practices.

During EuDA’s 30th Anniversary Conference, representatives from the European Commission, Academia and Industry presented their views on these multipronged threats to Europe, the possible opportunities as well as the corresponding EU initiatives to adequately tackle them: Economic Security, Foreign Subsidies Regulation and the Open Global Gateway. They will exchange their views on their respective strategies and the way to fill the remaining gaps. The floor was also opened for meaningful exchanges with the audience.



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EuDA’s 30th Anniversary Conference

Welcome and Opening

▷ **Mr Kees van de Graaf**, EuDA Vice-Chairman

Introduction to the Conference Theme and Speakers

▷ **Ms Eleonora Catella**, BusinessEurope Deputy Director for International Relations,
Conference Moderator

Trade Aspects of Europe’s Open Strategic Autonomy

▷ **Mr Denis Redonnet**, European Commission, Deputy Director General for Trade,
European Chief Trade Enforcement Officer

Concept of Economic Security

▷ **Prof. Dr Cind Du Bois**, Royal Belgian Military Academy, Head of the Chair of
Economics

EU Strategy on Foreign Subsidies Regulation (FSR)

▷ **Ms Silvia Selandari**, European Dredging Association, Director for Trade Affairs

EU’s Global Gateway

▷ **Mr Lénaïc Georgelin**, European Commission, DG INTPA Sustainable Transport and
Urban Development

European Dredgers’ Challenges Inside and Outside Europe

▷ **Mr Paris Sansoglou**, European Dredging Association, Secretary General

Way Forward for the Construction Contractors

▷ **Mr Karel De Gucht**, Former European Commissioner for Trade

Open Discussion and Conclusions

Summary of the Conference’s key messages:

1. Trade Aspects of Europe’s Open Strategic Autonomy

- Trade is a major vector of Europe’s economic growth, job creation and prosperity. However, Europe is facing significant trade challenges. There is a continuous degradation of the global economic context, where competition becomes more and more **aggressive** or biased by increasing **protectionist tendencies** outside the EU. Moreover, the level playing field is deteriorating globally under the distortive effects of **State Capitalism**. Indeed, China has implemented fundamental distortions in both labour and capital costs affecting the world economy. The Belt and Road Initiative (BRI), Chinese Foreign Direct Investments (FDI) and Chinese Export Credits system are the main channels for **Chinese Transnational Subsidisation**. Chinese State-owned Enterprises (SoEs), the spearheads of Beijing’s “*Going Global Policy*”, are becoming less and less transparent and more and more opaque. Finally, there is a **weaponisation of dependencies and vulnerabilities** (through economic measures), as some non-EU States take advantage of European vulnerabilities.
- The EU wants to take action with positive measures by concluding **Free Trade Agreements**, with key partners countries. In the cases of Vietnam and CETA, dredging markets were mutually liberalised. FTAs provide the EU with the opportunity to further promote/enforce **Level Playing Field** and to negotiate **Sustainability** commitments.
- Europe needs to restore the level playing field globally. The EU is not naïve anymore and started to also defend its interests vis-à-vis China (e.g. against IPR theft or forced technology transfers). The Commission intends to fully use the **autonomous trade policy instruments**, including Trade Defence Instruments such as anti-dumping, anti-subsidies and safeguards measures, the Foreign Subsidies Regulation and the Carbon Border Adjustment Mechanism. As the situation is worsening, especially in the **Green Tech Sectors**, the Commission has launched an anti-subsidies investigation on **Chinese electric vehicles**. Activation of these trade instruments can also depend on the level of granularity of the understood distortions. For instance, the EU is also equipping itself with an instrument against economic coercion (e.g. anti-lawsuit injunctions preventing technology holders to protect their rights under international laws).

2. Concept of Economic Security

- **Economic statecraft** is the use of economic instruments to achieve foreign policy objectives: e.g. **economic dependencies**, such as dependence on (strategic) minerals for green transition or on Russian fossil fuels, can be **weaponised**. On the global scale, the economic statecraft model entails risks for the unaware (or isolated) competitors: risks of economic coercion, risks to the resilience of supply chains, including energy security, risks to physical and cyber security of critical infrastructure, risks related to technology security and technology leakage.
- Europe’s economic growth is driven by the development of its knowledge base and technology. Therefore, a strong European technological and industrial base is also an important part of the strategy and individual companies need to be aware of the risks on technological security (e.g. forced technology transfers through a JV with a Chinese company). Critical infrastructures need to be defined and their associated economic security risks need to be identified and mitigated.
- Only recently has the EU been aware of the emergence of those risks globally and started to (re-)design its **European Economic Strategy** accordingly to include strategic autonomy, de-coupling or de-risking, supply chain security, ... The underlying idea of the strategy is to minimise risks to our economic security while preserving the open character of our economy. In the words of former EC-president Juncker: “*we need to protect our economy without turning into protectionism*”.

- With the loss of its simplistic confident view on globalisation, the EU came to realise that the **cheapest solution** also comes with **hidden costs**. Therefore, the **EU's Economic Security** is a necessary strategic response to these emerging new economic risks and priorities.
- **Economic Security** encompasses policy initiatives that will
 - ✓ protect the EU's economic fabric against negative external interferences,
 - ✓ promote the EU's competitiveness (invest in its innovation, technological and industrial base),
 - ✓ partner the EU with like-minded countries (e.g. Free Trade Agreements, Global Gateway, ...)
- The EU's Economic Security Strategy represents both challenges and opportunities for the European industries, including dredging. The resilience of energy and raw materials security will depend on alternative and reliable sources of these materials (such as deep-sea mining). Moreover, Strategic Autonomy cannot be limited to reducing dependency on a limited raw material sources. Considering Europe's reliance on its transport network, which opens Europe and connects it to the world, the European Strategic Autonomy should also include service operations such as port operation and shipping services (for which dredging is a critical enabler).

3. EU Strategy on Foreign Subsidies Regulation (FSR)

- **EU State Aid Regulations** target the EU Member States and introduced a subsidy self-discipline in the internal market that eliminates economic distortions induced by EU subsidies. These regulations however do not apply to non-EU companies (operating in the EU) and this legislative gap led to a reverse discrimination against the EU companies. The global emergence of State Capitalism, spearheaded by non-EU State-owned Enterprises (SoEs), has multiplied cases of market distortions also across Europe and led Europe to revise its legislation to fill this gap. The **EU Foreign Subsidies Regulation (FSR)** was proposed in May 2021 (based on the 2020 white paper), adopted in June 2022 and in force in July 2023 (in a record-breaking timeframe).
- In the FSR, a '**Foreign Subsidy**' is defined as a direct/indirect financial contribution by a non-EU country, limited to one/more companies/industries and conferring a benefit to a company active in the EU Single Market. **Financial contributions** can take the form of interest-free loans, unlimited guarantees, capital injections, preferential tax treatment /tax credits, grants, provisions of goods / services, ...
- The **foreign subsidies**, most likely to be **distortive** in public procurement procedures, include: subsidies enabling an unduly advantageous tender, unlimited guarantees, subsidies to an ailing company without a restructuring plan, export financing not in line with OECD, ... The EU Single Market is **distorted** when the competitive position of the concerned undertaking is improved in the internal market and when this situation actually (or potentially) negatively affects competition on the internal market.
- The Foreign Subsidies Regulation is built around three pillars, that include **public procurement** bids with an estimated value of over €250m, **concentrations** with an estimated EU turnover of over €500m) and *ex officio* procedures for individual cases (below those thresholds) or to launch market investigations in sector / economic activity.
- To start the FSR procedure, the following information is required from the plaintiff:
 - ✓ amount, nature, purpose of the subsidy
 - ✓ situation of the undertaking or the markets concerned
 - ✓ level of economic activity of the undertaking in the EU
- Based on the information received, a **Balancing Test** will be done by the Commission to balance the negative effects on the internal market with the positive (e.g. effects related to policy objectives). Redressive measures or commitments can be decided otherwise there will be no redressive measures (e.g. when positive effects outweigh negative effects).

- In the case of public procurements, **remedies** include the prohibition of the procurement award to the subsidised bidder, structural / non-structural redressive measures (e.g. repayment of foreign subsidies, adapt governance structure) or commitments offered by the company.
- The **Burden of Proof** of these procedures cannot be underestimated as they require the complaining competitors to demonstrate that a determined amount of money was attributed to a non-EU company by a non-EU government/administration as an interest-free loans, capital injections, grants, preferential taxation (*constitutive of a subsidy*), for the purpose of obtaining the tender (allowing the non-EU company to make an *unduly advantageous bid*).

4. EU's Global Gateway

- The European Global Gateway consist in a change of paradigm for the EU's external relations and connectivity to the world: "*The Global Gateway Strategy is a template for how Europe can build more resilient connections with the world.*" Ursula von der Leyen, President of the European Commission.
- Based on **fundamental European principles and values**, such as democratic values, high standards, good governance, transparency, equal partnership, **green and clean**, security focused and **catalysing private sector investment**, the European Global Gateway was designed as a win-win partnership that aims to support investments in **sustainable quality infrastructures**, built with the highest environmental and social standards (not limited to the lowest price considerations), to promote **long-term reliable relationships** with like-minded partner countries and develop local capacities, to offer **advantageous financial conditions** with an ethical approach in terms of debt sustainability as well as to further promote and improve the **competitiveness of European businesses** as global leaders in the connectivity agenda.
- This new value-based approach to the EU's external action combines the **needs of partner countries** (Sustainable Development Goals – SDGs -, the Paris Agreement, etc.) with a **stronger assessment of the EU's strategic interests** to position the EU more prominently in an increasingly competitive world. In order to coordinate and align external investments and development aids with EU interests, it is important to identify the most strategic investments, with the biggest multiplier effect, that will most efficiently and effectively tackle the infrastructure investment deficit among the partner countries and support the green and digital transition globally. From this perspective, the Global Gateway can be realistically used as an incentive during trade negotiations.
- The "**Team Europe**" put together behind the Global Gateway includes the European Commission, the European Investment Bank, the European Bank for Reconstruction and Development, all relevant ministries from the Member States and the Member States development agencies, development finance institutions, export credit agencies and the private sector.
- The Global Gateway aims at creating **strong and sustainable links** between Europe and the world and at offering attractive investment and business-friendly trading conditions. The Global Gateway Strategy is the instrument through which the EU is prioritising its investments in physical **infrastructure** to **strengthen** digital, **transport** and **energy networks** responding to the EU's and its partner countries' interests. The Global Gateway also focuses on climate change, health, education and research.
- The **maritime sector** can positively contribute to the Global Gateway's objectives by upgrading or rehabilitating ports, by promoting technologies to decarbonise ships (incl. retrofitting), as well as incentivising the production of sustainable renewable fuels and create green shipping corridors.

5. European Dredgers' Challenges Inside and Outside Europe

- Dredging is a problem-solving and solution-oriented sector, which remain competitive in the global markets against the low-tech, low wage and low added-value competitors by constantly demonstrating and increasing its high added-value.
- European Dredgers
 - ✓ provide key **enabling services** to the waterborne transport infrastructure, to the underwater communications infrastructure, to the offshore energy infrastructure, ...
 - ✓ contribute to improving **Europe's Strategic Autonomy**, by accessing strategic resources through deep-sea mining and aggregate mining.
 - ✓ contribute to **Climate Change Adaptation** by building coastal defences against storms and floods, protections against sea level rise.
 - ✓ contribute to **Climate Change Mitigation** by installing and maintaining offshore wind farms, by restoring damaged marine habitats (Blue Carbon).
 - ✓ are pioneers in implementing sustainability principles in projects through an ecosystem-based approach, **Building with Nature**.
- European Dredgers face serious threats from non-EU State-owned Enterprises.
- The most serious challenges around the world emanate from the Chinese SoEs, which benefit from a battery of government measures that
 - ♥ protect the domestic market (*de facto* closed to European Dredgers)
 - ♥ capture export markets through Chinese finance (tied financing schemes close markets)
 - ♥ capture foreign-financed export markets (subsidised unduly advantageous bids)
 - ♥ use of market dominance in exposed-captured export markets (impose higher prices)
 - ♥ acquire strategic assets and strategic companies (forcing knowledge/technology transfers)
- Inside Europe, the growing interest and successes of non-EU SoEs in bidding on public procurement tenders and in acquiring strategic assets were progressively tempered after the 2019 awakening of Europe to the threat posed by a global systemic rival.
- **China's trade strategy** is built on State-owned Enterprises (SoEs), implementing China's domestic and foreign economic policy and nurturing asymmetric trade relations. Overcapacity is initially designed as a domestic economy development policy which is recycled as a trade weapon in global markets when the domestic markets are saturated. The Belt and Road Initiative (BRI) is the long-term political framework to secure/control key export & resources markets.
- Knowing that under Chinese law, dredgers are considered as dual-use equipment (civil & military), that dredging project can justify the prolonged presence of such dual use vessels (with high-tech equipment onboard) in strategic geographical locations (near and around ports) and that any employee of Chinese SoEs gathers intelligence if requested, there are key questions Europe and the EU Member States should ask themselves, such as:
 - ❓ Should knowledge of the location of strategic infrastructures be shared with systemic rivals ?
 - ❓ Should building and maintenance of strategic infrastructures be entrusted to systemic rivals ?

"Unfair trade practices are like coastal erosion: if they are left untackled, they can wear out even the most resilient companies"

"The domestic market is the basis on which export markets are built"

6. Way Forward for the Construction Contractors

- In order to achieve its goals, Europe's Strategic Autonomy should aim at protecting its critical entities and at securing its accesses to strategic markets and resources. As the only global alternative to European dredgers is Chinese dredgers, special attention should be devoted to

protect Europe's maritime critical entities and its critical enablers (that provide strategic services to these infrastructures).

- There is clearly **no silver bullet** to tackle unfair competition practices in trade in services (very wide ranging, e.g. banking, transport, construction services, ...). Step by step, Europe is heading in the right direction, by further developing and refining its trade disciplining and market connecting instruments. Since 2019, the EU has enriched its Strategic Trade Toolbox with the International Procurement Instrument (IPI), the Regulation on Foreign Subsidies (FSR), the Foreign Direct Investment Screening Regulation (FDI), the Anti-Coercion Instrument (ACI). However, the main issue with these instruments is that they are not administered and operated at European level but mostly at national level.
- Considering the recent Regulation on Foreign Subsidies (FSR), the chosen approach is close to the Trade Defence Instruments (TDI) for goods, covering the subsidy cases. The FSR, however, does not cover the dumping cases, which are much easier to demonstrate in practice than subsidy cases. Regarding the FSR pillar dealing with acquisitions, the threshold seems right as it captures the most relevant ones (>500M€). There are fundamental questions that arise though, including **whether FSR can be used as effectively for services as the anti-subsidy TDI for goods**, whether FSR will provide the right protection to our market against distortions or whether the remaining grey zones that could be exploited by Chinese SoEs to the detriment of the EU industry. Moreover, not all procurement is public, **quid of the private procurement ?**
- For the Construction and Dredging Contractors, the way forward to improve level playing field probably entails a more comprehensive tool, covering private and public procurement: **Trade Defence Instruments for Construction Services**. This new trade instrument should:
 - ✓ be administered and operated at European level;
 - ✓ also be initiated by private business;
 - ✓ cover both price discrimination by foreign service providers ("anti- dumping") and subsidies received by foreign service providers ("anti- subsidies") (like TDI for goods);
 - ✓ cover both public procurement and private business;
 - ✓ apply to both covered and non-covered procurement (WTO-GPA);
 - ✓ be sector specific (significant differences between e.g. banking and construction);
 - ✓ have redressive measures that follow the concept of Regulation (EU) 2019/712*.
**Regulation (EU) 2019/712 on safeguarding competition in air transport.*
- Additionally, a European export-credit system (e.g. re-insurance products offered at European level) is needed and could also be considered in the Toolbox as a positive measure.

Conclusions

- Despite the complexity and variety of the unfair practices it is faced with, Europe should remain open, further connect with like-minded partners implementing Level Playing Field, secure its critical entities and further diversify its export and supply markets. However, the **EU's Economic Security Strategy** cannot become a "*fig leaf for protectionism*". A strong European technological and industrial base is also an important part of the strategy.
- To do so, Europe should continue to develop its **Global Gateway** and its **Strategic Trade Toolbox**, to nurture its trade markets and guarantee level playing field in its domestic market. **Current and future legislative gaps** should be continuously monitored and filled as the inventiveness of unfair competitors in creating new market distortive measures (hybrid warfare, *de facto* distortions, ...) should never be underestimated. We need to stay alert, as Europe's Strategic Trade Toolbox is not and cannot be ever expanding. The **existing rules** in the book should be both used and **enforced**.
- Major progress was achieved as unfair bids seem to be less successful in the recent years. However, **Europe still needs more effective and comprehensive Trade Disciplining Instruments for its strategic sectors, such as Services.** The Commission Staff Working Document on China and Russia regarding the TDI for goods should be enlarged to cover services. Moreover, Trade Defence Instruments for Construction Services may be the most suitable to tackle "*foreign subsidies induced price depression*".
- The **Global Gateway can be the right EU answer** to some of these issues however, the EU should clearly determine its ambitions with the Global Gateway and make sure it has the means to its end: "*Show me the money !*".
- **Dredging is a strategic enabler of Europe's Blue and Green Economy:** the unique knowledge and expertise of its dredgers allows Europe to remain open and connected with its global supply and export markets.



Having celebrated its 30th Anniversary in 2023, the European Dredging Association (“EuDA”) was founded in 1993 as a non-profit industry organisation for European dredging companies and related organisations to interface with the various European Union’s (“EU”) Institutions and also some International Organizations (such as IMO, HELCOM, OECD or ILO). EuDA members employ approximately 25,000 European employees directly “on land and on board of the ships” and more than 48,300 people indirectly (through the suppliers and services companies). The combined fleet of EuDA’s members counts approximately 750 seaworthy EU-flagged ships.

Dredging activities are not well known by the wider public, but as a matter of fact, the European dredging companies, members of EuDA, are world market leaders with about 80% share of the worldwide open dredging market and a turnover of 10.6 bn Euro in 2022. Although 70% of operations take place outside Europe, 90% of the returns flow back to Europe.

The Association assists its members with all kinds of requests related to dredging issues, presently strongly focusing on Social, Environmental, Technical, Tax and Trade issues. These issues are coordinated by the Secretariat and executed by its specialised working groups composed of experts from the member companies.

EuDA has registered as Interest Representative Nr. 2492574893-58 under the EU transparency register. The Association will pursue its goals by endorsing policies to create fair and equitable conditions for competition; commits to respecting applicable national, European and international rules and regulations; commits to operating its fleet safely, effectively and responsibly.