

# EU should ‘not aim for self-sufficiency’ after coronavirus, trade chief says

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## Coronavirus pandemic

Phil Hogan says recent surge in EU medical manufacturing is a crisis-response solution — not a permanent one



Phil Hogan, left, says the EU has to be more outward-looking and do more trade agreements around the world © Andrew Harrer/Bloomberg

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The EU should reject calls for mass repatriation of manufacturing to Europe in response to the coronavirus pandemic and press ahead with signing new trade deals to cut tariffs, the bloc’s top trade official has said.

In an interview with Trade Secrets, the Financial Times’ newsletter on globalisation, EU trade commissioner Phil Hogan said that ensuring a supply of medical equipment in a future crisis did not mean it should all be produced in Europe.

“Strategic autonomy does not mean that we should aim for self sufficiency,” he said. “Given the complexity of supply chains to the European Union, this would be an unattainable goal . . . we have to look at how to build resilience based on how we can diversify, not be totally reliant on one geographical entity for supplies of everything.”

Mr Hogan’s call runs counter to some of the rhetoric from European leaders including French president Emmanuel Macron and Thierry Breton, Mr Hogan’s fellow EU commissioner. Mr Breton suggested earlier this month that “globalisation has gone too far”, not just in medical equipment but all strategic industrial sectors and agriculture. Mr Macron said in an interview with the FT last week that offshoring had become “unsustainable” and that the EU should regain industrial sovereignty.

Earlier this week, Commission president Ursula von der Leyen and Charles Michel, president of the European Council, issued a paper saying there was a “pressing need to produce critical goods in Europe, to invest in strategic value chains and to reduce over-dependency on third countries in these areas”.

Mr Hogan said that some reshoring and nearshoring of production, together with stockpiling essential goods, could play a role in creating resilience to pandemics. But the recent huge increase in medical manufacturing in the EU was a crisis-response measure, not a permanent solution, he cautioned.

“Already in mask manufacturing alone we see we’ve gone from 12 companies in the EU manufacturing masks to 500,” he said. “This is the short-term reaction, but I think short-term reaction does not make for a solid policy into the medium and longer term.”



There has been a recent huge increase in medical manufacturing in the EU © Marco Bertorello/AFP/Getty

Mr Hogan said that the EU’s large web of bilateral trade treaties would benefit European exporters by improving access to foreign markets and allow suppliers to diversify value chains rather than relying on domestic output.

“We have 41 deals in 75 countries and I believe we should be doing more of these rather than less in the years ahead,” he said. “If we want to have the bounceability factor in the European Union and the recovery we have to be outward-looking and we have to do more free trade agreements across the board, right around the world.”

Pursuing a fresh crop of deals is likely to antagonise some EU governments such as France. Several member states including Mr Hogan’s native Ireland are already hostile to ratifying a pact with the South American trade bloc Mercosur, which they say will undercut European farmers and damage the environment.

The EU is seeking to regain the initiative on trade policy after being put on the defensive by sharp criticism from both inside and outside the bloc during the pandemic.

Germany was attacked by other EU governments for blocking some exports of protective gear to fellow member states, including Italy. The Commission then attracted global criticism by negotiating EU-wide restrictions on sales to countries outside Europe, worsening global shortages and fuelling an international procurement war.

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Mr Hogan defended the EU’s eventual response, saying initial protectionist instincts among the member states had given way to co-operation, and that the export restrictions were now being scaled back.



“This is a good lesson to be learned even at this [early] stage that we should resist the impulse to look inwards,” he said.

To prevent a recurrence of protective gear shortages, the commissioner backed the idea of a plurilateral deal between governments to cut import tariffs on medical products. The idea was originally mooted by New Zealand and Singapore, which have already organised a group of Asia-Pacific countries into an emergency pact to eschew all trade barriers on such equipment. But Mr Hogan did not commit to limit export restrictions as part of any plurilateral deal.

As a counterpart to its commitment to more trade deals, Mr Hogan said the EU should equip itself with stronger tools to combat unfair practices by trading partners. He said that a scheme for screening foreign direct investments into the EU for their strategic impact risked being undermined by different national arrangements.

“Only 14 member states are actually participating at the moment, so it is not a harmonised approach towards screening,” he said. “In my view we need to review this particular instrument with a view to strengthening it.”

The move towards tougher scrutiny has been prompted by concern about takeovers by Chinese state-subsidised companies. Mr Hogan said that he and Margrethe Vestager, the Commission executive vice-president with oversight of competition policy, would produce a joint white paper this summer on the foreign takeover issue.



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