

# TDI redux: do two political problems make a political solution?

Blog post by Adviser Daniel Capparelli, 11 May 2016

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TDI redux. The EU's trade defence instruments (TDI) reform package was officially put back on the agenda by the Dutch EU presidency today after having been shelved in 2014. However, this apparent new impetus behind TDI reform is not the result of a sudden new consensus on merits of the Commission's 2013 proposal in itself - which died a slow and mangled death in Trialogue between the Council and the European Parliament - but of another problem that needs a solution. That problem is the question of how or when or if the EU awards China 'Market Economy Status' (MES) in 2016.

The MES designation is important because of its role in calculating the costs of production in markets subject to EU anti-dumping and anti-subsidy investigations. Its impact would be material on some sectors currently exposed to Chinese import competition and benefiting from trade defence tariffs, such as textiles, ceramics and steel. These are also the sectors that pushed hardest for TDI changes in 2013 - strongly backed by the EP. The bottom line is that the Commission believes it has to offer China something in December because of commitments made in 2001, but what exactly, and with what mitigating measures has been the question. It has been going around for a while that merging parts of TDI reform - faster duties and less self-restraint on the EU side - with the MES file was one way to potentially win over sceptics.

The position of the Germans and the UK will be crucial - the Port Talbot steel problems have suddenly converted the UK into a much more pragmatic user of TDI on China, and it wants MES, but it was a big sceptic of the 2014 package. For its part, Germany is likely to support a TDI Redux proposal, having led the efforts to broker the 2014 compromise on TDI. The Parliament remains largely opposed to granting China MES but it has signalled that it could work with the Commission on a stringent version of a compromise option, with the tough stuff from the 2013 package.

The Commission's instinct to formally link two politically divisive dossiers is to some extent a political gamble, since failure to reach a compromise in one dossier would very likely derail the other. The Dutch Presidency's decision to revive the TDI debate suggests it thinks it has a shot and is a signal to the Commission to move on a MES recommendation in June with a flanking push on TDI from the Council. The question will be whether combining two political impasses partially unlocks them both.