

# “It was like seventy years of integration just disappeared in a couple of weeks”

The second #FlorenceLive Interview with Swedish politician Cecilia Malmström

#FlorenceLive Interview on Trade and Europe in Times of COVID-19, 24 June

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For the second #FlorenceLive Interview – part of the STG webcast series on the post-Corona world – Alexander Stubb (Director of the School of Transnational Governance, and former Prime Minister of Finland) welcomed Cecilia Malmström (visiting professor at the School of Business, Economics and Law at Göteborg University; former Swedish Minister of European Affairs and twice European Commissioner). In their forty-minutes conversation, they addressed the impacts and challenges of Covid-19 on day to day life; the situation in Sweden; the implications of COVID-19 on trade; the handling of the crisis of Europe, and the implications on foreign affairs and geopolitics.

## The Interview:

**Stubb:** Ladies and gentlemen, welcome. Today we have the privilege of having Cecilia Malmström here, who was in the limelight as a politician, MEP, and EU Commissioner for the better part of 25 years. So Cecilia, we’re all looking at Sweden, which is taking quite a different view on how to deal with COVID-19 than the Nordics and other Europeans. The jury is still out, but what’s your take on the Swedish approach?

**Malmström:** It’s hard to fully evaluate. We’ve had a very high level of death compared to many countries. So in that regard, it’s a failure. Every death is a failure. I think the original thought was to not lock down society too much, to make sure that the country would still function. Lots of things did close down: high schools, universities, events were cancelled, restaurants were told to keep distance. And most people who could work from home did so. But I think the great tragedy was not being able to predict the spread of the virus in care centres and elderly homes, where the vast majority of people caught the disease. And that is something we will have to evaluate and live with.

*Malmström: “Every death is a failure”*

**Stubb:** How is this going to impact trade in your mind, as a former Trade Commissioner?

**Malmström:** Well it has already had an impact. The WTO estimates that by the end of the year, global trade might go down 32%, which is enormous. But also in the internal market, exports and imports have gone down 25%. Global value chains are being interrupted, companies are realising that they’re maybe too dependent on one partner. Protectionism is growing. Some of that results from panic, feeling that we must stockpile medical equipment for the next crisis, which is a natural reaction. But it

is a worrying tendency. And then pre-existing conflicts, like the trade war between US and China, are blooming up as well. So trade wise, I think we should be concerned.

**Stubb:** How would you assess the early reactions of the EU, especially its member states, as far as the four freedoms are concerned? And the flexibilities in interpreting state aid rules, competition rules in general?

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**Malmström:** I think the first weeks of the crisis were not the most beautiful time in European history. Every country acted on their own, there was no coordination, borders were closed, there were prohibitions of exports of critical medical equipment... It was like seventy years

of integration just disappeared in a couple of weeks. That is maybe understandable: political leaders were panicking. People were dying. This big uncertainty was there. And the EU has no legal competence on health issues, people tend to forget that. So the first two weeks were miserable from a European perspective, but then the Commission tried to take charge. They tried to build up joint stocks and coordinate the different decisions. They lifted the internal export ban, which was good; but that resulted in an external export ban, which was bad.

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With the recovery, the different exceptions put on state aid, competition and budget rules will slowly have to go back to normal. And then we need to make sure that our leaders agree on the recovery fund and on the long-term budget, and that sum is put in sustainable investments for the future, that strengthen competitiveness. It is the main task of the Commission and the leaders to coordinate that, taking into account the scars of the first wave and the danger of a second wave.

*Malmström: "It is the main task of the Commission and the leaders to coordinate the recovery, taking into account the scars of the first wave and the danger of a second wave."*

**Stubb:** Yes, I don't envy Margrethe Vestager and Phil Hogan! I have some questions flowing in from the audience already, but before I go into those, may I ask you a little bit about the EU response: the recovery fund, the link to the MFF, the IAB, the ECB, the ESM, the Commission. Because for all

intents and purposes, if you compare it to the Euro crisis, this was pretty fast. The Euro crisis, it took four years to do the ESM, now it took basically four weeks to get things going. So how do you assess the role of the Commission and the rest of the EU at this stage?

**Malmström:** I think all these institutions and acronyms deserve credit and praise. And our American friends and others are quite impressed with the speed with which the EU mobilised funds of different kinds and came up with an amended proposal to the long-term budget, the MFF. This huge, historical recovery fund is now on the desk of the Prime Ministers and will be subject to lots of difficult discussions. The Commission has presented many visionary papers on the digital economy, on a new industrial policy, on new trade policies, on artificial intelligence, on the

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Green Deal, that they are trying to include in the recovery package, baking sustainability and smart investments into the recovery. On the global level, the IMF has tried to mobilise, but other

*Malmström: "I think overall, the EU has not done that badly. Our American friends and others are quite impressed with the speed with which the EU mobilised."*

organisations like the UN, the G7, the G20 have only formulated a few press releases and nothing substantial. So I think overall, the EU has not done that bad.

**Stubb:** Let me move towards the questions coming from the audience and put it in two directions. First

one is, how do you see the future of EU-US relations, especially from a trade perspective? And the second one is, what are the implications of Brexit negotiations with the UK?

**Malmström:** US and Europe relations had been tense for quite some time. We are each other's most important trading partners, we trade for billions every day. But we don't have a trade agreement, and now we have tariffs and threats of tariffs. That is very unfortunate. Because we should be able to sort out our own trade relations, cooperate when it comes to reforming the multilateral system, the WTO, and have a strong view on certain issues vis-à-vis China. There has been little progress since I was Trade Commissioner. I know that my friend and successor Phil Hogan is continuing to try to find a small, but constructive agenda with our American partners. But that's quite difficult for the moment, and there is very little time remaining until the US elections. It is in both our interests to continue to facilitate trade and cooperate on regulation. We share some of the American critiques of the WTO, and we need it to push China to be more responsible on the global scene. But I don't really see that happening right now.

*Malmström: "We should be able to sort out our own trade relations with the US, cooperate when it comes to reforming the WTO, and have a strong view on certain issues vis-à-vis China. There has been little progress since I was Trade Commissioner."*

**Stubb:** Can I just poke you a bit on the WTO? What kind of profile would you think necessary for the new secretary-general? Because the WTO has been rather dormant for two and a half decades.

**Malmström:** It has to be someone who can really take a political fight, who can gain, if not the friendship, at least the trust of both the US and China, and also of Africa. Someone who can gradually take steps forward with Europe and the like-minded to reform this organisation and make sure it works. It's not perfect, but without it, it would be totally "rule of the jungle", and that's damaging for Europe and for small, developing countries. Institutional reforms will have a lot of resistance, because it's a consensus, membership-led organisation of 164 countries. But there are several things that can be concluded, like the discussions on a digital agreement that have been going on for a long time, dormant negotiations on environmental goods, on services and others that could be picked up. But we need to have both the Chinese and the US around the table. The fact that the US trade representative is proposing to intensify tariffs, and that there are voices in Congress to withdraw from the WTO, is extremely worrying. It's not an enviable task for whoever takes over.

**Stubb:** The EU had a tele-summit with China with quite tough language on both sides over the pending investment screening agreement. Europe stands at a crossroads between the US and China: how should it play with China?

**Malmström:** Europe has to be united vis-à-vis China. Because our problem in the past is that we have been divided, in the EU and in the UN. This division has been beneficial for China and very bad for us. China is a gigantic country with whom we share many different important relations and imperatives to cooperate, not least on the Paris agenda and reform of the multilateral system. But having said that, we have a big difference in values. We have to be very clear on that. So when it comes to choosing between China and the US, there is no doubt that value-wise, we are with the US. But that doesn't mean that we, as Europeans, can accept coercive measures from the US.

We need to find some sort of positive agenda with China while also being tough. The investment agreement has been in negotiations since 2013, due to some very aggressive investments in key critical infrastructure. We're building up capacity to deal with that as well: not a protectionist instrument, but a way to say no sometimes, to show China that we are serious. Some changes have also been proposed this week in state aid and competition rules, in order to make sure that China doesn't have a disproportionate advantage when they seek to invest in Europe. We need Chinese investment, we should welcome them. But there have to be certain lines.

*Malmström: "We need Chinese investment, we should welcome them. But there have to be certain lines."*

**Stubb:** If you were still Trade Commissioner and grappling with Margrethe Vestager over digital issues and key future industries, what would be your advice to your fellow Commissioners?

**Malmström:** It's a tricky balance. What I think we need to do is to roll out the auctions on G5. We are lagging far behind Asia and the US in our digital investments. And we need to make sure that we set joint standards in Europe, fixing our own digital market. You cannot avoid cooperating with China. Brussels can't say that you should never use Huawei or others. But you should be aware of the risks, and we should compare notes and discuss.

**Stubb:** Can I come back to the question on the UK: what should we do with the UK at the moment?

**Malmström:** I think both sides should swallow their pride a bit. We need more time, because of the Corona crisis, because meeting in person is now impossible, because we both wish to have a truly comprehensive agreement. Prime Minister Johnson has said there will be no prolongation of the negotiations, so both sides are now intensifying their work. They have good teams, but there is so much to talk about. And if we really want a comprehensive deal, that is basically impossible to do for October. We are responsible people, so there is little risk of a total collapse, but there is a risk that we get a quite limited deal. We need a plan for the potential harm to our businesses and our relationship, on both sides of the Channel. I hope that we could depoliticise this a little bit. We've just come through a terrible crisis.

**Stubb:** Yes, I think that would be a fairly good reason for a slight delay. I mean, you look at the economic figures from the UK in the first quarter, it's an economy that has plummeted roughly 25%. It's a good excuse to say okay, it's not all the fault of Brexit, so let's at least try to get Brexit right.

*Malmström: "Our British friends are our friends, neighbours, allies. We will have to work in a variety of areas in the future. So we need for all of us to get a good deal."*

**Malmström:** Yes. But you have to respect the vote of the British citizens. We can find that unfortunate, but that's democracy. Yet, having said that, I think we have joint interests. Because our British friends are our friends, neighbours, allies. We will have to work in a variety of areas in the future. So we need for all of us to get a good deal.

**Stubb:** Indeed. I have other questions coming in on multilateralism and the UN system and especially the WHO. Where do you see them going?

*Malmström: "It's always better to be part of something and reform it. That's the European way, to sit around the table and try to find a way forward, instead of just walking out and slamming the door."*

**Malmström:** Well, WHO has done some very important work. And we should thank them for that. There's been different criticisms, whether they're too China-biased or whether they were too slow or whether they're partial to this or that. I can't really judge that as a non-expert. But I think when the crisis is over, we will have to look at the WHO and see how they handled the

crisis, what they could have done better. It's unfortunate that the US is withdrawing. It's always better to be part of something and reform it. That's the European way, to sit around the table and try to find a way forward, instead of just walking out and slamming the door. And what to do with the United Nations? Well, that's a too big question for me, I think. I've just been very sad to see that they've been totally quiet during this crisis, which is truly, truly global. And maybe we haven't seen the worst of it, in Africa for instance. The UN World Food Programme talked about starvation of biblical proportions that could be coming up later this summer. I don't know if that is true or not. But there's certainly a role there for the UN.

**Stubb:** Another question coming from the audience: is there still hope to save the EU-Mercosur agreement, what with the approval of motions against the agreement in the Dutch and Austrian parliaments, in addition to President Bolsonaro's policies in the Amazon?

*Malmström: "The UN World Food Programme talked about starvation of biblical proportions that could be coming up later this summer."*

**Malmström:** Well, I hope there is. I think the translations and the legal scrubbing are just about finalised, so that it will be ready later this fall. It is an important agreement. However, I fully understand the concerns voiced about the Amazon. Brazil has pledged to obey their commitments in the Paris agreement and work on a lot of concrete issues nationally in order to comply. If it does not, it will risk a "no" in the European Parliament or national parliaments. Brazil still has a lot of things to do. And I saw that very recently there was an appeal from big businesses all around the world to Brazil, saying that if you don't keep your promises we will not trade with you, because we owe it to our customers. So the pressure is really there.

**Stubb:** I'll finish off with two comments. One is a sort of a thank you, as a European citizen and an avid promoter of free trade. Your term as Commissioner saw Europe shifting from its attempts to push for endless multilateral trade agreements to bilateral trade agreements, and I think that was exactly the right thing to do for a regulatory superpower. The second one returns to the first question: will Sweden's COVID approach have a long-lasting implication on Nordic cooperation? My answer to that is absolutely not. This is just a blip in epidemiological history between our countries. But what is your take?

**Malmström:** I hope that this will not be very long, that the borders will fully open again soon, so that we can say that the pandemic is over, or at least under control. And that this will be a parenthesis in history. Because we have too much in common.

**Stubb:** A wonderful way to finish our FlorenceLive interview. Thank you very much for joining us, Cecilia. And for our audience, thank you very much for being with us.

**Online reactions:** *On Facebook, a global audience followed the livestream with viewers tuning in from across Europe, the US, and from Kosovo, Brazil, or Afghanistan. The video was viewed 1.100 times (as of 30 June).*

**(Re)watch the conversation at [stg.eui.eu/events/FlorenceLive](https://stg.eui.eu/events/FlorenceLive)**