Overview

In reaction to the need for change triggered by the surprise resignation of Trade Commissioner, Phil Hogan, President von der Leyen has opted for a surgical reshuffle which may none the less have implications for what businesses can expect from Brussels in the near to medium term.

Having made clear that it was unlikely that any Irish nominee would continue to hold the trade portfolio, the President insisted on receiving two names, one woman and one man, reinforcing the emphasis she has previously placed on gender balance. As was widely expected, she selected the woman candidate, Mairead McGuinness, currently a Vice President in the European Parliament. Having put Executive Vice-President Dombrovskis temporarily in charge of trade, and, in spite of rumours that she might use the opportunity for a wider reshuffle, President von der Leyen opted for a simple swop, confirming Dombrovskis on trade–in addition to his other responsibilities- and proposing McGuinness to take over his financial services portfolio.

A Somewhat Surprising Mini-Reshuffle

Whereas the selection of McGuinness offers little surprise - she is a respected and astute politician and has strong EU credentials having served as a European Parliamentarian since 2004 and von der Leyen made no secret of her wish to improve the gender balance – von der Leyen’s swift announcement of a mini-Commission reshuffle took some observers off-guard. A reshuffle of some sort had been expected, but it was nevertheless a surprise that von der Leyen would award the financial services portfolio to McGuinness. This is so for at least two reasons. McGuinness has distinguished herself as an expert on agricultural policy issues, but has a limited track record in the financial services area, and the Commission financial services department DG FISMA is headed by Director-General John Berrigan, who is an Irish compatriot of McGuinness. While this is not without precedent, it is generally rare that a Commissioner and the Director-General under them share the same nationality. To make the reshuffle possible, Valdis Dombrovskis will transfer the financial services portfolio to Mairead McGuinness and take over Phil Hogan’s trade portfolio. However, in his function as Executive Vice-President of the Commission he will continue to oversee general policy developments in the financial services sector, alongside his many other responsibilities.

What to Expect in EU Trade Policy

In trade, there will certainly be no major change of direction. In appointing Dombrovskis, von der Leyen has left the portfolio in the hands of a center right, generally pro trade politician and avoided any suggestion of a more protectionist approach.
Many of the EU’s trade partners will without any doubt have noted with a certain relief that the trade portfolio did not go an outspoken supporter of a more aggressive or protectionist trade policy, or an increased “on-shoring” of essential industries.

Dombrovskis now combines trade with his overall responsibility for economic policy including taxation which puts him at the center of the difficult debates on trade, tax and digital issues with the US. He is an Atlanticist but has never been afraid to defend EU interests strongly. While not being a supporter of a “Fortress Europe,” Valdis Dombrovskis has nevertheless made a reputation for himself of being a defender of the EU internal market, as he has for example demonstrated in the lengthy trade and institutional discussions with Switzerland. In an early interview, he signaled an ambitious but tough stance regarding the investment negotiations with China. Aircraft subsidies disputes with the US, ratification of a free trade deal with Mercosur and securing EU consensus over the support of a single candidate to the WTO Director General post are the other files allowing him to show his strength and wisdom on trade topics once he officially takes the trade chief chair.

Regarding Brexit, there are currently no indications that Valdis Dombrovskis will play a more active role in the negotiations with the UK than his predecessor Phil Hogan. Accordingly, the EU Chief Negotiator Michel Barnier, together with the EU Member States, will continue to be center stage.

There have been some questions about how he will manage the demands of his new portfolio given the range of responsibilities he now holds. The role of the Director General for Trade, Sabine Weyand, will be even more influential. Dombrovskis also has a very different personal style to that of Phil Hogan, being a man of relatively few words while Hogan was talkative and very outspoken at times.

What to Expect in EU Financial Services Regulation

For financial services, McGuinness is expected to be a steady pair of hands notwithstanding her lack of experience in the field.

Her nomination may result in an even stronger emphasis on sustainable finance, a topic that is close to the heart of many European Parliamentarians. Beyond that, it is difficult to predict where she will put the priorities. Without any doubt, this will become clearer as her nomination process proceeds, since she will have to answer questions in the European Parliament and present a mission letter to President von der Leyen.

It will fall to her to handle the vexed issue of equivalence for UK-domiciled banks and insurance and reinsurance companies, particularly if the Brexit talks fail.

Several commentators have also pointed out that Irish nationals now hold a number of key posts in the financial sector: in addition to McGuinness and Berrigan, the Irish Finance Minister, Paschal Donoghue is President of the Euro Group and Philip Lane is Chief Economist in the ECB.

What Consequences for Non-EU Businesses

The reshuffle is surgical and serves to underline the continuity of von der Leyen’s agenda. She has increased the gender balance (13/14 after these changes), asserted her own authority (making clear that no country has a claim on a portfolio), managed relations with the main parties and generally ensured that her overall policy thrust will be maintained.

Although the reshuffle is dictated by internal European policy considerations, it will have important consequences for non-EU businesses. This is not only the case in the trade sector, but also in the financial services sector, because of the global nature of the financial services industry and the indisputable importance of London as the pre-eminent European financial services center, which will soon be located outside the EU.

The hearings with the two Commissioners in the European Parliament are expected to be held swiftly, allowing the formal confirmation of McGuinness’ appointment by the Council.

All eyes will now focus on von der Leyen’s State of the Union address which she will deliver to the Parliament next week.

Practices
EU Trade
Trade Policy & Negotiations
Financial Services
Insurance & Reinsurance