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The Good, the Bad and the Ugly: Taking Stock of Europe's New Trade Policy Strategy

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Brussels, Belgium, 26th April 2021 - This Policy Brief takes stock of the EU Trade Policy Review – the Commission's proposed strategy for trade. Despite appearances, the Review doesn't come close to its billing as a strategy for the new geopolitics of trade. In fact, the Review is weak on key geopolitical developments and rather gives the impression that the EU doesn't have an ambition to shape outcomes. Obviously, the Review is anchored in Europe's general economic climate: defensiveness on globalization, competition and digitalization. It follows that Europe is getting increasingly detached from world developments.

There are several good parts in the Review. The Commission wants to revive and reform the World Trade Organisation, and it's clear about what factors that have made the Geneva-based trade body dysfunctional. The Review also acknowledges that the EU will seek a closer alliance with the United States and use that for constructive purposes. Finally, it is welcome that the Commission proposes some new instruments for dealing with market distortions caused by foreign subsidies and protectionism in government procurement. All these initiatives can achieve good outcomes. However, they all require that Europe makes changes in its own policies and positions.

The bad parts in the Review are Europe's weak agenda for getting better market access in the growth regions in the world and its continued passivity on matters related to China. Europe's main trade-policy challenge in the next decade is to ensure that businesses and consumers in Europe get better integrated with a world-market dynamism that predominantly will come from the Asian region. Absent a realistic and medium-term strategy for dealing with challenges connected to the rise of China, Europe will have difficulties getting the EU-China Comprehensive Agreement on Investment approved. Europe needs an actionable agenda for addressing bilateral frictions with China and problems that occur outside bilateral trade.

Finally, the ugly part of the trade strategy are all the commercial policies in the EU – with strong effects on trade – that aren't recognized or only casually mentioned in the Review. The latter category includes the ambition to introduce an autonomous carbon border tax on imports. Such a policy comes at a high political and economic cost, and the measure's effect on reducing global carbon emissions is at best very negligible.

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