

# Balancing act: EU trade policy review

Blog post by Associate Alessandro Gangarossa, 24 February 2021

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The EU's new trade strategy unveiled last week has the ambition to guide Brussels' trade policymaking for the next decade. But what is notable about it is the way that it actually struggles to set out a clear and unequivocal direction for policy. Instead, it tries to strike a difficult balance between two conflicting impulses on free trade and growing inward-looking pressures. Two of these balancing acts stand out.

The first is the way the European Commission presents a clear change of emphasis from bilateral liberalisation initiatives towards multilateral and plurilateral efforts. Sector- and issue-specific initiatives, such as on digital trade, environment and green trade, life science and pharmaceuticals, are the core of its 'open' trade agenda. However, what is important here is that all of these agenda are weak on new market opening and largely contingent on a fractious WTO membership. By contrast, the commission is slow-peddling bilateral initiatives where it might drive genuine trade opening outcomes because of a reduced EU political appetite for new bilateral trade agreements. But this means that the emphasis on opening is strongest in the areas least likely to deliver it.

Second is the language on policy solutions to reduce external overdependencies in strategic sectors. On one hand, the strategy pushes back broadly on growing calls for re-shoring as a way of reasserting the EU's 'autonomy'. Instead, the commission looks at the European neighbourhood to reduce the extension of global value chains and diversify its supply lines, with opportunities for greater cooperation with Africa, Eastern Europe and, potentially, the UK. However, the strategy doesn't close the door to new tools and policies. The direction here is likely to follow the path set by the recent initiatives from certain EU capitals - in particular Paris and Germany - for greater public support for industrial development and a tougher approach to import competition. The Important Projects of Common European Interest in areas such as microchips, cloud computing, and batteries will be key here.

As such, the whole strategy is to a large extent a balancing act which allows the commission to leave the door open for substantially different, and potentially conflicting, policy and political choices. The strategy suggests the EU will adopt a new "mind-set" - but it doesn't suggest the EU has made its mind up. In fact, it leaves a lot of room for EU trade officials to remain simultaneously committed to free trade and a more defensive policy centred on EU's perceived interests and industrial ambitions. What really matters here however is that while the 'liberalisation' agenda is tied to potentially undeliverable WTO aims and vague generalities about openness, the 'strategic autonomy' element is far more detailed and concrete. It seems likely that the latter is where the most immediate and practical implications of the strategy for businesses will emerge.