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Should the EU Pursue a Strategic Ginseng Policy? Trade Dependency in the Brave New World of Geopolitics

By Oscar Guinea, Senior Economist and Vanika Sharma, Researcher at ECIPE

Brussels, Belgium, 7th April 2022 - As the EU experienced first-hand after the Russian war on Ukraine in 2022, concentration of market power in the production of any product carries geopolitical risks. For that purpose, it is crucial to understand the nature of trade dependencies.

This policy brief presents indicators and a conceptual framework to measure trade dependency. From a total of more than 9,000 product categories, there were only 233 products that could be classified as dependent within this framework. In terms of values, they represented 1.5% of EU total imports or €50 billion. The major suppliers of these products to the EU were China, United States, Russia, and the United Kingdom. Imports of hydrocarbons from Russia are part of this list of trade dependencies, but so are many other goods which are not of strategic importance.

As stressed by Oscar Guinea, one of the authors of the study, *“Some may recall that France was mocked for running a ‘strategic yogurt policy’ in 2005 after some politicians blocked a foreign takeover of Danone. Just like France did not need a “yogurt strategy” then, the EU does not now need an industrial strategy to produce bamboo or a strategic ginseng policy.”*

“Focusing new industrial support on the 1.2% of EU total imports where there are some dependency risks simply does not make sense. Semiconductors are a good example of the political nature of trade dependencies. The shortage of microchips comes as a result of production not being able to keep up with demand, and not because of a natural disaster that has choked supply chains in Asia. Subsidising EU production of semiconductors is a political decision, but it cannot be motivated by the fear of import dependency” concludes Vanika Sharma, the other author of the study.

Given the small size of the EU imports in which the EU can be considered dependent, it is not advisable to base Europe's new industrial policy on a general fear of dependency. Many of these products are easy to substitute and the economy can function without them. For the select few products where dependency is an economic concern, this paper explores different measures that the EU can put in place to lower trade dependency, particularly through international trade.

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Media Contact: info@ecipe.org at +32 2 289 13 50