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ECIPE PRESS RELEASE — NEW POLICY BRIEF

The Impacts of EU Strategy Autonomy Policies – A Primer for Member States

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Brussels, Belgium, 29th November 2022 - TEU governments should be much more sceptical and critical of the EU's strategic autonomy agenda and the new polices intended to achieve the EU's "long-term" industrial and technological ambitions. The long-term costs for Member States' economies and the process of economic convergence are largely ignored by the agenda. Negative impacts of strategic autonomy on trade openness and the international rules-based trading system are also greatly understated.

Many EU strategic autonomy ambitions are inherently guided by a "European Union First" impulse. Policymakers follow the assumption that EU values are superior to those in other parts of the world and EU regulation should be different from third countries. Major strategic autonomy aspirations represent a relapse of the EU to the old policy of EU member states designing and enforcing their own laws without considering the economic and political costs of regulatory fragmentation and economic disintegration from others.

Recent strategic autonomy policies are estimated to create income losses in the EU of between 0.08% and 0.15% of EU27 GDP. These losses correspond to short-term economic harm resulting from changes in the use of productive resources in the EU. Long-run impacts, which reflect losses to productivity and innovation, could be up to 3 to 5 times higher with national income per capita falling by up to 0.5% to 0.75%. The costs are not evenly distributed across the EU27. Larger countries like France and Germany are less impacted than smaller ones, notably Ireland and the Baltic states. The impacts on Ireland, for example, are close to 4 times bigger than they are for France, the impacts on Estonia close to twice those on Germany.

Strategic autonomy ambitions have failed to account for negative impacts on developing countries. To the extent that the EU's policy stance further fragilizes rules-based multilateralism, there are longer-term impacts stemming from a less certain legal environment and higher barriers for cross-border trade and investment. EU strategic autonomy policies have the effect of empowering vested interests in developing countries to engage in lobbying for their own protectionist policies. Accordingly, EU strategic autonomy policies risk encouraging the diffusion of protectionist policies globally, particularly in countries with weak institutional capacity.

EU Member States should examine their options and ask themselves whether there are better long-term strategies to pursue than those currently proposed at the EU level, strategies guided by the spirit of an open society – a society embracing the principles of free trade, non-discrimination, and economic freedom. Europe's policymakers should aim for closer market integration and regulatory cooperation with trustworthy international partners such as the G7 and the larger group of the OECD countries. It is in the EU's self-interest to advocate for a rules-based international order with open markets. It is neither in the EU's economic nor its political interest to disintegrate from partner countries.

Publication details:
The Impacts of EU Strategy Autonomy Policies – A Primer for Member States,
ECIPE Policy Brief No. 9/2022

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