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A Forward-Thinking Approach to Open Strategic Autonomy: Navigating EU Trade Dependencies and Risk Mitigation

By Matthias Bauer, Oscar du Roy and Vanika Sharma, Director, Research Assistant and Junior Economist at ECIPE respectively.

Brussels, 8 November 2023 - The EU should seek greater economic interdependence with trusted partners as a proactive and forward-thinking strategy rather than resorting to defensive measures that could adversely impact the economies of Member States.

Political statements about EU trade dependencies are greatly exaggerated. Comprehensive trade data reveals that except for a few niche areas like minerals and energy commodities, the EU does not exhibit critical dependencies on products and services imported from outside the region. The EU and national governments should tailor policies to specific products and export countries, focusing on diversifying suppliers and increasing inventories for a few critical items.

Moreover, the EU significantly benefits from foreign technologies and innovation, which are crucial for Europe's future international competitiveness. EU policymakers should thus leverage the EU's economic interdependencies by boosting the block's export competitiveness. The EU and its Member States should also foster ties with trusted partners like the US and OECD countries.

"The EU should refrain from pursuing an excessively value-oriented policy with the effect of discriminating against foreign businesses," says Matthias Bauer, lead author of the study. ***"Inward-looking trade, investment, and industrial policies send a dangerous message to the global community, empowering foreign governments to impose***

additional trade and investment barriers. To improve the EU's export competitiveness, EU leaders should embrace much desired supply-side policies including competitive taxation, skills development, deregulation, and harmonisation towards a much better integrated EU Single Market."

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Contact the corresponding author: Matthias Bauer, matthias.bauer@ecipe.org

Media inquiries: info@ecipe.org or +32 2 289 13 50