

An EPICENTER report

TRADE IN A TIME OF TARIFFS

Edited by Diana Năsulea,
Constantinos Saravakos,
and Christian Năsulea

February 2025



Contents

Summary	6
4.1. Shifting EU trade to a market-based approach	9
4.2. Tech sovereignty and market realities	20
4.3. Raising barriers to trade in the EU: Expanding free trade via new agreements	30
4.3.1. Identifying barriers to EU trade policy: A comparative assessment of the dynamics of EU trade liberalisation	32
4.3.2. EU trade agreements: What is in place and what is missing?	43
4.3.3. Economic benefits of enhanced EU-Taiwan trade relations	50
4.3.4. The EU's approach to trading with China	54
4.4. Trade and green policy: Evaluating and revising the current framework	62
4.4.1. The carbon border adjustment mechanism	63
4.4.2. Trade in agriculture	66
References	74

About the authors and editors

Carlo Stagnaro is the Director of Research and Studies at Istituto Bruno Leoni. He was previously the Chief of the Minister's Technical Staff at Italy's Ministry of Economic Development. He holds an MSc in Environmental Engineering from the University of Genoa and a PhD in Economics, Markets, and Institutions from IMT Alti Studi, Lucca. He is also a member of the Academic Advisory Council of the Institute of Economic Affairs and a Fellow of the Italian Observatory on Energy Poverty at the University of Padua's Levi-Cases Centre. He is a member of the editorial boards of the journals *Energia* and *Aspenia*. His main research interests include energy economics, competition policy, regulation, and digital markets.

Contact: constantinos.saravakos@kefim.org

Christian Năsulea (PhD) teaches economics at the Faculty of History at the University of Bucharest and is an associate lecturer at the Faculty of Business Administration in Foreign Languages at the Bucharest University of Economic Studies. He is also the executive director of the Institute for Economic Studies – Europe and a fellow of the Institut de Recherches Économiques et Fiscales. He holds a doctor's degree in management with a thesis on complex adaptive systems. His research interests revolve around economics and technology. In addition to his academic work, he is also a tech entrepreneur, currently holding CEO or CTO positions in several tech businesses.

Contact: c.nasulea@ies-europe.org

Eryk Ziędalski is a legal analyst at the Civic Development Forum (FOR). He is interested in the EU and competition law as well as in international politics and global affairs.

Contact: eryk.ziedalski@for.org.pl

Constantinos Saravakos is head of research at the Center for Liberal Studies – Markos Dragoumis (KEFIM) and a PhD candidate in International and European Studies at the University of Macedonia. His main research interests include regulation, political economy (poverty, inequality and prosperity), and political parties (democracy, populism, and political behaviour). He holds a master's degree in Political Science and Sociology (MA, hons) and a BSc in Philosophy and History of Science from the University of Athens. He has also received an MSc in Applied Economics and Administration from Panteion University. He serves as an expert for several research projects, including Varieties of Democracy (University of Gothenburg) and the Rule of Law Index (World Justice Project). He is also a fellow at the European Policy Information Center (EPICENTER).

Contact: constantinos.saravakos@kefim.org

Diana Năsulea (PhD) is programmes manager at the Institute for Economic Studies – Europe and a fellow of the Institut de Recherches Économiques et Fiscales. She is also a teacher of diplomacy and international relations. Her PhD thesis in economics focused on consumer behaviour in the Romanian collaborative economy. Her research interests revolve around topics such as the sharing economy, regulation, trade, and new technologies.

Contact: d.nasulea@ies-europe.org

Radu Nechita teaches microeconomics, globalisation and development, and European economic integration at the Babeş-Bolyai University in Cluj-Napoca, Romania. He is a member of the Department of European Studies there. His topics of interest gravitate around the institutional factors of development, with an emphasis on regulations and monetary and fiscal policies.

Contact: r.nechita@ies-europe.org

William Hongsong Wang (PhD) is the head of research at the Fundación para el Avance de la Libertad (Fundalib) and an assistant professor of economics and director of Official Master Degree of International Trade and Economic Relations at Universidad Europea de Madrid, Spain. His research interests include environmental economics (free-market approach), the history of economic thought, economic history, entrepreneurship, and public policy. He has served as a consulting author for many reports on Spanish and EU public policy for think tanks and frequently attends related events and conferences.

Contact: h.wang@fundalib.org

Summary

- On shifting EU trade to a market-based approach
 - The EU, traditionally a leader in global trade, is at a critical juncture. Its share of the world's GDP is projected to decline significantly by 2050 (pwc, 2017). This will necessitate a shift towards more competitive, market-driven strategies so that the EU can remain globally relevant.
 - Despite the rhetoric around deglobalisation, which reflects growing concerns over economic dependency, geopolitical tensions, and the desire for increased self-sufficiency, trade flows, particularly with China, remain robust. This reaffirms that rather than focusing solely on self-sufficiency, the EU must embrace a diversified trade approach that leverages global supply chains.
 - To enhance resilience, EU policies should prioritise market flexibility over rigid regulatory frameworks and reduce compliance costs that hinder competitiveness, particularly for small and medium-sized enterprises (SMEs).
 - A market-oriented trade strategy aligned with the EU's Green Deal can support industrial growth, innovation, and strategic autonomy while ensuring the EU's continued integration into global markets.

- On tech sovereignty and market realities
 - The EU's push for tech sovereignty aims to reduce its dependence on non-European providers and safeguard digital infrastructure. However, this presents challenges in balancing national security priorities with open market principles and international trade norms.
 - Key regulations, such as the General Data Protection Regulation (GDPR), the Digital Markets Act (DMA), and the Digital Services

-
- Act (DSA), impose significant compliance costs on businesses, especially SMEs, potentially reducing the EU's competitiveness and creating indirect trade barriers.
- The European Chips Act, 2023, aims to bolster the EU's semiconductor production to reduce foreign reliance. However, this could potentially lead to surplus production and, due to its protectionist implications, trade tensions – especially with key partners such as the US, China, Taiwan, South Korea and Japan.
 - Similarly, while the focus on cybersecurity and digital autonomy – particularly with regard to 5G infrastructure – underscores the EU's strategic approach, it could also strain diplomatic relations with trading partners by introducing potentially protectionist trade restrictions.
- On raising barriers to trade in the EU
 - The EU-27's average scores on trade indicators – as per the Economic Freedom of the World index – remain the highest compared to other important groups, such as BRICS and non-EU OECD countries. However, the EU-27 average score on tariffs and regulatory trade barriers has decreased since 2000 (Gwartney et al. 2024), highlighting the need to eliminate barriers to more free trade agreements (FTAs).
 - EU processes concerning the negotiating and ratifying of FTAs are complex due to the need for national parliamentary approvals, which may be delayed or face opposition driven by concerns over job security, environmental standards, and protectionist interests. Despite its efforts to expand its network of FTAs, the EU faces significant challenges in securing agreements with key partners, such as the Mercosur nations, the US (Transatlantic Trade and Investment Partnership), and Australia, due to political resistance within member states and protectionist tendencies. While FTAs with partners such as the Mercosur nations and Canada may help boost market access, they also expose EU farmers to competition from regions with less stringent regulations. This is further compounded by the EU's Farm to Fork Strategy and the Common Agricultural Policy (CAP), which impose high compliance costs, impacting the competitiveness of EU agricultural products.
 - The EU's trade liberalisation agenda is being increasingly hindered by internal divisions and external geopolitical tensions, particularly

with China and the US. This has led to missed opportunities to secure strategic economic partnerships that could enhance EU competitiveness.

- Policy recommendations include leveraging the European Court of Justice to overcome member state vetoes, formalising temporary trade measures (such as those with Ukraine) into permanent agreements, and engaging more proactively with potential FTA partners to secure long-term economic benefits for the EU.
- On trade and green policy
 - The carbon border adjustment mechanism (CBAM), introduced in 2023, aims to prevent ‘carbon leakage’ by imposing carbon taxes on imports from countries with less stringent environmental standards. The mechanism covers sectors such as cement, steel, aluminium, and fertilisers.
 - Despite its theoretical benefits, the CBAM faces practical challenges: high administrative costs for importers, limited coverage (excluding final goods), and potential competitiveness issues for EU exporters, who must absorb higher carbon costs than non-European rivals.
 - Recommendations include reducing administrative burdens, extending free carbon allowances to trade-exposed industries, and allowing carbon-cost rebates for exports to ensure that EU producers remain competitive globally.
 - Agriculture plays a central role in the EU economy, with exports reaching €228.6 billion in 2023¹. However, EU farmers face competitive disadvantages due to stringent environmental standards and compliance costs.
 - The war in Ukraine disrupted global agricultural supply chains, leading to increased EU imports of Ukrainian agricultural products, which has intensified competition and sparked protests from EU farmers.
 - Recommendations include gradually phasing out subsidies under the CAP, streamlining environmental compliance requirements, and fostering innovation in agricultural technology to enhance productivity and sustainability.

1 'EU agri-food trade achieved a record surplus in 2023', *European Commission*, 5 April 2024 (https://agriculture.ec.europa.eu/news/eu-agri-food-trade-achieved-record-surplus-2023-2024-04-05_en).

4.1. Shifting EU trade to a market-based approach

By Diana Florentina Năsulea, Radu Nechita, and Christian Năsulea

Since the early 1990s, the EU has been a leader in international trade; its market is among the largest in the world, with an estimated combined GDP of about €17 trillion as of 2023 (Eurostat 2024b). However, estimates show that by 2050, no EU member state will belong to the G7 group and that the EU's share of world GDP could fall below 10 per cent (Bauer and Pandya 2024).² Therefore, there is an urgent need for internal and external economic policies that enhance competitiveness and innovation.

Historically, EU trade policy has been centred on a regulatory framework that protects consumers while ensuring environmental sustainability and market stability for its member states. These standards, while conducive to manufacturing high-quality products and supplying sophisticated services, entail cumbersome procedural obligations, which leads to high compliance costs that can deter adaptability and reduce competitiveness in an increasingly fast-moving global economy.

Of late, there is a consensus that the world is breaking up into geopolitical and economic blocs.³ Globalisation appears to be on the retreat, largely due to geopolitical tensions, a growing wave of protectionist policies across the world, and disruptions brought on by the COVID-19 pandemic. In 2020, economist Douglas Irwin noted that the pandemic was forcing the world

2 'Securing the EU's place in the world' *Carnegie Europe*, 17 November 2020 (<https://carnegieendowment.org/research/2020/11/securing-the-eus-place-in-the-world?lang=en¢er=europe>).

3 'Economic fragmentation is rising as global tensions intensify, experts say', *World Economic Forum*, 26 June 2024 (<https://www.weforum.org/stories/2024/06/economic-fragmentation-global-tensions-experts/>).

economy to retreat from global economic integration. This narrative – supported by a vociferous chorus, including specialists present at the World Economic Forum meetings as well as the mainstream media – has actively influenced public opinion. As a result, many believe that deglobalisation is already significantly influencing the global economy, with investors and policymakers focusing on regional alliances and self-sufficiency.^{4,5,6} The Russian invasion of Ukraine marked another phase in the deglobalisation narrative, wherein new regulations and protectionist measures were justified by geopolitical concerns (World Bank, 2022).

However, closer examination reveals that the global economy may still be moving toward deeper integration in new and evolving forms. The strength of global trade, particularly in goods, has remained robust despite the market shocks caused by COVID-19. A major trading partner of the EU, China has accelerated its export activities; during 2019–23, its manufacturing surplus grew significantly, reflecting its increasing dominance of global supply chains in sectors such as electric vehicles, renewable energy components, and other high-tech products. Despite the theories about deglobalisation, the world remains interconnected, with China’s economic presence now surpassing that of traditional manufacturing powerhouses such as Germany and Japan.⁷

For the EU, these shifting trends in trade and economic orientation suggest that a market-oriented approach – one not fixated on self-sufficiency or isolation – offers greater resilience and strategic advantage. While economic integration within the EU focuses on strengthening ties between member states, the bloc’s industrial and production sectors remain heavily reliant on external supply chains, particularly those involving China. For example, China’s dominant position in the high-tech and green technology sectors has helped increase competitiveness and reduce costs for European industries, aligning with the EU’s Green Deal objectives by facilitating

4 ‘The pandemic adds momentum to the deglobalization trend’, *PIIE*, 23 April 2020 (<https://www.piie.com/blogs/realtime-economics/pandemic-adds-momentum-deglobalization-trend>).

5 ‘Deglobalisation: what you need to know’, *World Economic Forum*, 17 January 2023 (<https://www.weforum.org/stories/2023/01/deglobalisation-what-you-need-to-know-wef23/>).

6 ‘The dangerous myth of deglobalization’, *Foreign Affairs*, 4 June 2024 (<https://www.foreignaffairs.com/china/globalization-dangerous-myth-economy-brad-setser>).

7 ‘The global economy enters an era of upheaval’, *Bloomberg*, 19 September 2023 (<https://www.hinrichfoundation.com/research/article/trade-and-geopolitics/the-global-economy-enters-an-era-of-upheaval/>).

access to affordable renewable energy technologies and components. However, this dependence on imports also increases the vulnerability of European industries to external disruptions, such as supply chain bottlenecks or geopolitical tensions.. This level of dependence on imports underlines the need for a diversified and resilient trade policy. This will entail managing the complexities arising from globalisation and supporting the EU's industrial and environmental ambitions rather than retreating from it.

Recent changes in the structure and flows of foreign direct investment (FDI) have added nuance to this narrative of deglobalisation. Tax policy adjustments have altered investment flows into some European hubs, but overall, FDI stock in the EU has proven resilient. During 2013–22, the stock of direct investment from the rest of the world in the EU-27 rose from about €9.9 trillion to €14.6 trillion (Eurostat, 2024e), showing a continued, albeit gradual, rise in foreign capital inflows. Given its varied growth across member states, FDI also plays a critical role in shaping the varied landscape of the EU economy. For instance, Germany's FDI stock was valued at over €1 trillion in 2022, up from €701.7 billion in 2013 (Eurostat, 2024e) – a 43 per cent increase – illustrating its standing in terms of industry and economics within the bloc. In a similar vein, Ireland's FDI stock grew quite significantly from €300.7 billion in 2013 to €1.28 trillion by 2022 (Eurostat, 2024e) – up 326 per cent – reflecting its popularity as a key location for multinational enterprises. Spain and France also report high FDI growth; in Spain, FDI stock grew from €470.8 billion to €807.8 billion – an increase of 71.6 per cent – and that of France grew from €552.1 billion to €840.8 billion – up 52.3 per cent – within the same period (Eurostat 2024e).

Data on the internal and external trade flows of the EU shows that globalisation is still vibrant.⁸ Intra-EU trade flows reached volumes of more than €4 trillion in goods and over €1 trillion in services in 2023 (Statista 2024a). This dynamic underlines the critical need for the EU to rethink the balance between regulatory oversight and market flexibility. In light of global trade patterns, the EU's current strategic positioning contrasts isolationist policies, which may not be practicable or productive. Trade restrictions driven by nationalist interests might have obtained favour in some parts of the world, but the EU's ongoing dependence on integrated supply chains in the technology, renewable energy, and manufactured

8 'Deglobalisation: Risk or reality?' *The ECB Blog*, 12 July 2023 (<https://www.ecb.europa.eu/press/blog/date/2023/html/ecb.blog230712-085871737a.en.html>).

goods sectors highlights the importance of maintaining an open, market-driven economy. What may be more important for the EU's position in the global economy than this regional resilience is a responsive trade policy – one that will adapt to global supply and demand dynamics.

The current shifts in globalisation dynamics—marked by regionalisation, digital trade, and geopolitical tensions—signal that the EU should leverage its trade and industrial policies to increase competitiveness and innovation rather than pursue policies aimed at reducing external dependence. Despite increasing geopolitical tensions, such as the US-China trade war, heightened EU concerns over China's dominance in critical technologies, and global supply chain disruptions due to the COVID-19 pandemic and the Russian invasion of Ukraine, the EU's dependence on Chinese manufacturing and global supply chains is set to prevail at least as long as China continues to produce high-demand products at a scale that cannot be replaced by regional manufacturing. Instead of withdrawing from global supply chains, the EU requires a coherent trade policy that would allow for the balanced integration of diversified supply chains while nurturing internal capacities for innovation that would boost the EU's global competitiveness.

Reducing superfluous regulatory barriers will make European industries more competitive in world markets and improve internal competitiveness. This might strengthen the EU's position in terms of growth and integration into global supply chains. It would also help the EU respond to pressures from emerging protectionism while maintaining its strategic trade advantages.

Balancing competitiveness and regulatory integrity

The EU regulatory framework is renowned for its exceptionally high standards when it comes to environmental protection, consumer safety, and quality. While such standards benefit EU citizens and foster a high level of trust within the Single Market (SM), they pose significant compliance challenges – especially for small and medium-sized enterprises (SMEs), which make up 99 per cent of EU's businesses (European Commission, 2024c). Additional compliance costs and administrative burdens can hinder innovation and international expansion for these companies, affecting the EU's competitiveness in the internal market.

According to a report from the Centre for European Reform in 2024, European businesses are more likely to cite regulation as a major obstacle

to doing business than US businesses, which indicates that firms find market entry and expansion within the EU to be particularly challenging (Meyers 2024). This is especially relevant given the aggressive regulatory streamlining being undertaken in both the US and China, where faster and cheaper approval processes benefit the technology, pharmaceuticals, and energy industries. For instance, the US has announced its intention to reduce non-tariff barriers, particularly since 2018, to foster market entry and innovation in high-growth sectors (United States Trade Representative 2024).

In recent years, the European Commission has introduced several broad-based regulations, not least under the Green Deal, which introduced many laws that require companies to provide detailed reporting regarding their environmental and social impacts. On environmental issues alone, more than seventy laws were proposed between 2019 and 2024, placing immense administrative burdens on companies and costing them billions⁹. Such regulatory demands excessively strain the resources of companies, especially SMEs, which may make it difficult for them to compete both in the EU and global markets.¹⁰ This could, in turn, hinder innovation as well as economic growth since businesses will have to devote more resources to compliance than productive activities.

The impact of the EU's regulatory framework goes beyond purely sector-specific problems, the overall business climate, and the attractiveness for investment within the EU. Foreign investors are deterred by high compliance costs and slow approval processes; they may consider them hurdles to timely market entry and profitability. A report by OECD (2022a) identified that the administrative burdens across EU countries reduce the general competitiveness of the business climate. For this reason, most firms are expanding their businesses in regions with more streamlined regulatory settings. Further, regulatory complexity can also inhibit innovation, as companies may use resources to meet compliance requirements instead of investing them in research and development (European Commission 2023a). Given the aftermath of the COVID-19 pandemic, which disrupted supply chains and global trade, the ongoing energy crisis exacerbated by Russia's invasion of Ukraine, rising inflation rates, and growing geopolitical tensions, an approach that promotes the simplification of such regulations

9 'Is red tape strangling Europe's growth?' *Financial Times*, 8 September 2024 (<https://www.ft.com/content/4e8e6cde-d0ce-4f0a-a7ea-1c913d4dad50>).

10 'Is red tape strangling Europe's growth?' *Financial Times*, 8 September 2024 (<https://www.ft.com/content/4e8e6cde-d0ce-4f0a-a7ea-1c913d4dad50>).

– without posing significant risks to consumer protection or environmental safety – may turn the EU into an attractive destination for international business. This may, in turn, create an ecosystem at the EU level that promotes growth, innovation, and competitiveness in the SM.

Sector-specific analysis of regulatory impacts

Regulations in key sectors shape the European Union's (EU) competitiveness in the global market. While designed to ensure safety, sustainability, and consumer protection, they often pose challenges for businesses. Stringent agricultural rules, costly digital compliance under the GDPR, and lengthy drug approval timelines in pharmaceuticals hinder market efficiency and innovation. External pressures from trade partners like the US and China further expose the EU to global competition. This analysis explores how these regulations impact different sectors, balancing high standards with economic competitiveness in a globalized economy.

Agriculture and food safety

The EU's agricultural regulations are stringent and tend to be precautionary. Hence, they impose strict limits on pesticide residues, involve lengthy procedures approving the use of genetically modified organisms (GMOs), and mandatory organic labelling standards. Although these policies, in theory, protect the health of consumers and guarantee environmental sustainability, they become barriers to exporters from other countries.

The EU's process for approving GMOs is significantly longer when compared with the US: in the US, it takes less than two years while in the EU, it takes nearly six years from the time of submission until the final authorisation of a GM crop for import. This can hinder agricultural trade with key partners (CropLife Europe 2021).

These regulatory hurdles also hinder internal trade within the EU, where member states such as the Netherlands and Spain – the largest agricultural exporters in the EU – 'cannot meet the demands of the non-EU market at a competitive prices without compromising on domestic standards (Statista 2024b).

Digital services and technology

The EU is a pioneer in global digital regulation, having established groundbreaking legal frameworks, such as the General Data Protection Regulation (GDPR), Digital Services Act (DSA), and Digital Markets Act (DMA). These regulations intend to protect users' privacy, make platforms more responsible, and contain the monopolistic behaviours of certain market players. However, they do this at considerable compliance costs, especially for technology companies from outside the EU. Most importantly, the GDPR's strict standards for data protection create large compliance costs for business organisations under its purview. According to a 2017 report by the International Association of Privacy Professionals and Ernst & Young, corporations were planning to spend, on average, \$1.3 million (€1.2 million) in 2017 to ensure compliance with the GDPR and an additional \$1.8 million (€1.6 million) in 2018.^{11,12} For large firms, these expenditures were even higher, with some firms reporting having spent over \$10 million¹³. These high financial burdens can divert resources from innovation and expansion, which can impair the competitiveness of EU-based companies in the global marketplace.

Aside from financial consequences, the GDPR has also impaired the operational efficiency of tech firms. A recent study by Demirer et al., (2024) estimated that European firms, after the adoption of the GDPR, reduced data storage and processing by 26 per cent and 15 per cent, respectively, relative to their US counterparts. This decline further supports the argument that regulation has increased the cost of using data, forcing companies to decrease their data processing activities. This has reduced the ability of EU firms to utilise big data analytics and other digital tools to achieve competitiveness in today's data-driven economy (Demirer et al. 2024).

Compliance costs are, therefore, a major barrier to market entry for international firms. Meanwhile, US-based technology firms have identified regions with less strict data regulations for expansion and consequently

-
- 11 'Should vendors be able to pass along costs of GDPR compliance?' *IAPP*, 28 August 2018 (<https://iapp.org/news/a/should-vendors-be-able-to-pass-along-costs-of-gdpr-compliance/>).
 - 12 'What the evidence shows about the impact of the GDPR after one year', *Center for Data Innovation*, 17 June 2019 (<https://datainnovation.org/2019/06/what-the-evidence-shows-about-the-impact-of-the-gdpr-after-one-year/>).
 - 13 'Should vendors be able to pass along costs of GDPR compliance?' *IAPP*, 28 August 2018 (<https://iapp.org/news/a/should-vendors-be-able-to-pass-along-costs-of-gdpr-compliance/>).

consider the EU a less attractive digital economy (United States Trade Representative 2024).

Pharmaceuticals and health products

The pharmaceutical sector in the EU is highly regulated, with extensive safety and efficacy requirements extending into post-approval phases and often resulting in protracted timelines for the approval of new drugs and therapies. When compared to the US – which is also overregulated from many points of view – it takes EU drug manufacturers twice as long to get the same medication approved. In 2020, the median European Medicines Agency (EMA) approval time went beyond 400 days, while the US Food and Drug Administration (FDA) recorded a median of 244 days.¹⁴ Given this situation, the US Chamber of Commerce has asserted that the extended period pushes the EU into a comparative disadvantage since pharmaceuticals are likely to favour the US's faster-to-market approval system.¹⁵ It also means that European patients have to wait longer for access to new therapies, as the industry is less willing to seek the EU's approval due to the increased timelines and costs.

This regulatory environment puts the EU at a disadvantage in the global competition for investment in the life sciences. For instance, the US has taken advantage of its efficient approval process¹⁶ to become a more popular destination for new investments in medical devices and pharmaceutical manufacturing. According to a report by The Financial Times,¹⁷ companies that seek quicker access to the market may also focus on regions with less complex regulations. This means that only a few innovations reach European consumers in a timely manner. Over time, delays and administrative burdens could stand in the way of innovation or even lower the EU's competitiveness within the global life sciences industry.

14 'Innovation and access: Improving Europe's pharmaceutical regulatory framework', *Pharmaphorum*, 13 January 2022 (<https://pharmaphorum.com/views-and-analysis/innovation-and-access-improving-europes-pharmaceutical-regulatory-framework>).

15 'Government price controls limit access to medicine and stifle American innovation', *US Chamber of Commerce*, 21 April 2023 (<https://www.uschamber.com/health-care/government-price-controls-limit-access-to-medicine-and-stifle-american-innovation>).

16 'Gilead gets US FDA approval for inflammatory liver disease drug', *Reuters*, 14 August 2024 (<https://www.reuters.com/business/healthcare-pharmaceuticals/us-fda-approves-gileads-liver-disease-drug-2024-08-14/>)

17 'Regulatory challenges in the EU's life sciences sector: A competitive disadvantage?', *Financial Times*, 10 October 2023.

External competitive pressures from the US and China

While the EU maintains strict internal regulations, its trade partners, especially the US, are pushing for reforms on various regulatory issues to allow investors better access to its market. According to the United States Trade Representative's (2024) *2024 National Trade Estimate Report*, the EU's non-tariff barriers in agriculture, biotechnology, and digital trade have greatly obstructed US exports, creating tensions in many areas. For instance, the EU's precautionary approach to agricultural biotechnology has delayed market entry for US-origin agricultural products. Alongside complicated labelling requirements, these precautions constitute significant trade barriers.

The EU market also creates continuous competitive pressure in technology and data. The high standards set out by the GDPR, DSA, and DMA place significant compliance burdens on US firms to the benefit of EU-based companies, many would say (CSIS, 2021) since the latter are able to create operational barriers to limit international competitors.

China's influence in Europe, enhanced by its Belt and Road Initiative (BRI), brings forth additional competitive and strategic challenges for the EU. Often, state-subsidised Chinese companies have won major infrastructure projects across Central and Eastern Europe, increasing Chinese economic influence in certain countries. In addition, China's advances in AI, renewables, and 5G will fundamentally reshape global supply chains and increase the EU's dependence on Chinese technology in key sectors integral to the EU's Green Deal goals.¹⁸

Policy recommendations

As the European Union navigates a rapidly evolving global economy, marked by geopolitical tensions, shifting trade patterns, and rising protectionism, a strategic recalibration of its trade and regulatory framework is essential. While the EU has long been a champion of free trade and high regulatory standards, the increasing complexity of global supply chains and competitive pressures from major economies like the US and China demand a more balanced approach. To ensure continued growth, competitiveness, and resilience, the following recommendations focus on

18 'China's belt and road initiative is bringing new risks to Europe', *Euronews*, 28 February 2024 (<https://www.euronews.com/my-europe/2024/02/28/chinas-belt-and-road-initiative-is-bringing-new-risks-to-europe>).

reducing regulatory barriers, fostering innovation, and strengthening strategic trade partnerships.

- **Restate commitment to a global liberal economic order:** The EU should pursue policies that boost economic freedom, accountability on the part of governments, and an open international trade system. As the EU consolidates its position in the global markets by pushing liberalisation and free market principles within its trade policies, it reinforces the merits of an interconnected, rules-based economic universe. Thus, the EU will be fully prepared to adapt itself to geopolitical changes while contributing to a resilient economy.
- **Reduce regulatory complexity to encourage trade and investment:** The EU should simplify its regulatory environment by reviewing existing rules and eliminating those with high compliance costs whose benefits are not proven, especially for SMEs. A more systematic approach to reviewing regulations, as underlined by the Better Regulation agenda (European Commission, 2024g), would ensure that only regulations that are strictly necessary and highly impactful are retained. Regular reviews and updates of the existing rules would highlight those that (a) no longer serve the purpose for which they were originally meant, (b) create unforeseen consequences, or (c) impose an unjustified obstacle to market entry. By reducing the administrative burden and enhancing procedural transparency, the EU can create a business environment that is truly attractive in terms of investment and intra-EU trade and that also allows EU firms to be more competitive in the global arena.
- **Enhance global regulatory cooperation:** The EU should actively cooperate with international trade partners and pursue the mutual recognition and interoperability of digital and green technologies. Greater convergence with major markets will lower the costs of cross-border trade and place the EU in a stronger position vis-à-vis global competition. By setting global standards, the EU would meet its goals of global leadership in sustainability and digital transformation.
- **Promote targeted investment incentives:** To counterbalance the competitive pressures from the US and China, the EU should offer incentives for FDI, especially in green technology and high-tech manufacturing. Tax breaks or the simplification of procedures in green and digital projects would attract firms from across the world while maintaining the EU's sustainability goals. The EU can thus improve its status as a strategic investment destination by reducing financial barriers.

- **Engage in strategic trade partnerships:** The EU should lead a free trade and technology alliance with like-minded economies, including those in the OECD and G20. Such an alliance would lower the barriers to cross-border digital trade, ensure that technology standards are met, and decrease regulatory friction for emerging technologies. This way, the EU can stay competitive in digital and technological innovation, deepen its economic relationships with fellow democracies, and decrease its dependencies on non-aligned regions.

4.2. Tech sovereignty and market realities

By Diana Năsulea, Christian Năsulea and Radu Nechita

The EU's drive for tech sovereignty – its ambition to achieve strategic control over critical technology infrastructure and reduce its dependency on non-EU providers – has emerged as a cornerstone of its trade and digital policies. This shift aligns with European Commission President Ursula von der Leyen's 'geopolitical commission' agenda, which aims to position Europe as a global digital leader while protecting its values of privacy, fairness, and security in the digital age.¹⁹ However, as the EU intensifies its focus on autonomy in technology, it faces complex trade-offs between protecting digital sovereignty and maintaining the open-market principles that underpin global trade.

General Data Protection Regulation (GDPR)

Since 2018, the GDPR has set high standards of data handling, as it positions Europe as a global leader in data protection. Due to its wide-reaching, extraterritorial effect, the GDPR subjects every non-EU company handling EU citizen data to EU privacy standards, thus complicating trade due to cumbersome compliance practices. In particular, this complicates cross-border data flows with countries such as the US, whose data privacy laws are very different. For example, the GDPR requires businesses to obtain explicit consent before collecting personal data and grants individuals the right to have their data deleted under the 'right to be forgotten.' In contrast, the California Consumer Privacy Act (CCPA) in the US focuses

19 'Reenvisioning Europe's digital sovereignty', *Politico*, 23 September 2024 (<https://www.politico.eu/article/europe-ursula-von-der-leyen-tech-brussels-digital/>).

more on giving consumers the right to know how their data is being used and to opt out of the sale of their personal information, but it does not mandate prior consent for data collection. These differences complicate cross-border data flows, particularly with countries like the US, whose data privacy laws are less stringent and structured differently. As Naef (2023) highlights, while the stringent requirements under GDPR help reinforce the basic rights of information privacy, they also function as a kind of digital protectionism – they require non-EU businesses to bear high compliance costs, thus restricting their access to the international market. Moreover, the ‘adequacy’ standards imposed by the GDPR create trade barriers, especially in digital industries reliant on free-flowing data transfers; non-EU countries have to implement strict EU-compatible protections in order to obtain EU data.

Previous mechanisms, such as the EU–US Privacy Shield, have been annulled due to concerns about US government surveillance. This made the transatlantic flow of data challenging (Monteleone and Puccio 2018). The new EU–US Data Privacy Framework 2023 addresses these issues by introducing safeguards that limit US surveillance activities to what is strictly necessary and proportionate for legitimate national security purposes. It also introduces an EU citizen redress mechanism as an integral part of this agreement, allowing EU citizens to challenge improper use of their data (European Commission 2023b). However, some privacy advocates express doubts about its effectiveness.

Research on the effects of GDPR compliance suggests that its application is far from perfect, especially among SMEs (Härting et al., 2021). It was determined (Hjerpe, Ruohonen, & Leppänen, 2019) that the main impact of GDPR on businesses has been the increase in operational costs and their level of complexity; the level of compliance costs remains high as well. More recent estimates suggest that compliance could reduce profit margins by as much as 8 per cent and sales by 2.2 per cent, underscoring the financial pressure that smaller businesses face.²⁰ A recent study by Frey and Presidente (2024) emphasises the burden that GDPR causes SMEs by showing that compliance has resulted in a reduction in profits of 2.1 per cent among technology firms. This has a disproportionate effect on smaller businesses, as they lack the resources that large firms use to efficiently meet regulatory requirements. The more stringent requirements

20 ‘GDPR cost businesses 8% of their profits, according to a new estimate’, *Tech Monitor*, 11 March 2022 (<https://www.techmonitor.ai/policy/privacy-and-data-protection/gdpr-cost-businesses-8-of-their-profits-according-to-a-new-estimate>).

around consent under the GDPR and limitations on data processing have also meant that many businesses have had to scale back on their collection and use of data.

A study by Demirer et al. (2024) estimates that costs related to the storage and processing of data increased by 20 per cent for EU firms in 2023 and this has consequently reduced the availability of data to smaller businesses. Google and Meta, among other large corporations, have been accidental beneficiaries of this trend, as they can now use data flows across their internal services without seeking additional user consent. This is believed to give them a competitive advantage over smaller firms, who are forced to rely on third-party data with the onerous barriers of compliance (Demirer et al. 2024). According to Meddin (2020), the rigid requirements of the GDPR have driven the financial and administrative compliance costs too high for SMEs, which has forced some companies to leave the EU market. For instance, GDPR compliance requires organisations to have expensive legal and technical consultations, data management systems, and thorough documentation practices. This results in an uneven playing field, as big companies can afford such costs and are less affected than SMEs. Further, this limits opportunities for international trade and cross-border business operations.

The GDPR's 'Brussels effect' (Bradford, 2020) refers to the EU's capacity to shape global regulatory practices by setting high standards that other countries and companies adopt to maintain access to the EU market. This has influenced data privacy laws in countries like Japan, Brazil, and South Korea. However, how firms adapt to EU regulations varies widely, which has created a fragmented global privacy landscape with high compliance costs for multinational businesses (Bauer and Pandya 2024). This inequity exacerbates challenges for SMEs, hindering their international operations. Meanwhile, large tech firms with enough resources to implement compliance with the GDPR across their operations have adapted with ease and were able to further consolidate their market positions and reinforce competitive advantages in the wake of increasing regulatory demands (Geradin et al. 2021).

Digital Markets Act (DMA) and Digital Services Act (DSA)

Although the DMA and the DSA signal an aggressive approach to the regulation of digital platforms, their implications for trade are far more complex. First, the DMA focuses on 'gatekeeper' platforms – defined by

size, turnover, and user base – to prevent anti-competitive practices, notably from non-European giants such as Google, Meta, and Amazon. While these regulations create a level playing field in the digital world, they also impose stringent requirements that impact EU-based and international firms differently, raising concerns related to compliance costs and trade compatibility with the World Trade Organization's (WTO) principles (Meddin 2020).

The DMA may be an indirect trade barrier for non-European firms given the restrictions on data processing, self-preferencing, and interoperability. For instance, Article 5 imposes a high cost (European Union, 2022a) of operation on platforms by compelling them to obtain separate consent for every service, whereas in the past, non-EU tech giants have enjoyed the flexibility to combine data for competitive advantage. This reduces their scope of operation and likely creates an inequitable scenario, which makes the flow of international trade more complicated, especially for companies whose business operations are based on EU customer data.

In a report by *Copenhagen Economics*, Næss-Schmidt et al. (2021) suggest that the regulations under the DMA when read against the WTO's principles of non-discrimination, could lead international firms to raise concerns about unfair targeting. The EU's targeting of 'Big Tech dominance' is evidence that some of its regulations are not aligned with the WTO guidelines of equal treatment and can invoke retaliatory measures by affected trade partners. If non-European companies can prove that they are disproportionately affected relative to EU-based digital companies and interoperability between digital platforms, this would alert the WTO to discriminatory practice. By forcing interoperability on digital platforms, the DMA disrupts the infrastructure. For instance, Article 6 (European Union, 2022a) mandates interoperable messaging, which places a burden on digital platforms to maintain secure and high-functioning environments. This technical requirement may lead to a reduction in the quality of service and, therefore, affect EU businesses relying on these platforms for international reach and price competitiveness. Similarly, small-scale exporters in the EU depend on easy access to data and digital services for market intelligence. Such requirements could make these SMEs ineffective in the world market and place them at a competitive disadvantage.²¹

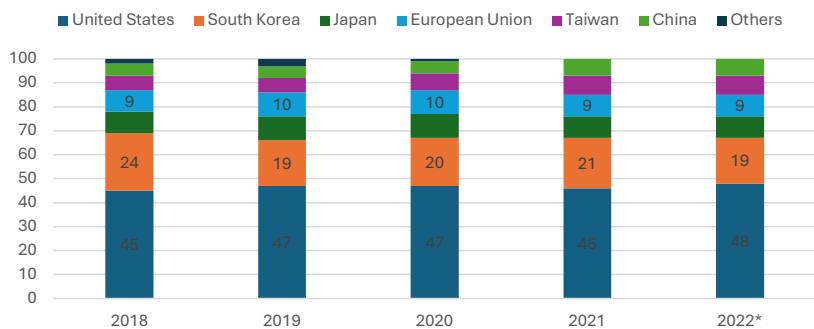
21 'The Digital Markets Act: An overview of practical aspects and recent developments', *Fieldfisher*, 30 April 2024 (<https://www.fieldfisher.com/en-be/locations/belgium/insights/the-digital-markets-act-an-overview-of-practical-aspects-and-recent-developments>).

Perhaps ironically, the consequence of compliance with the DMA and DSA is greater market concentration, as larger companies are better placed to implement the necessary changes – mostly at the expense of SMEs, which either fall behind or need to consider consolidation with larger players to survive. For instance, while transparency requirements in the DSA obligate platforms to disclose detailed algorithmic information, such disclosure would disproportionately complicate operations for a SME unless it gives up its proprietary benefits.

European Chips Act, 2023

The EU holds the fourth-largest market share revenue in the global semiconductor market (Figure 1). The European Chips Act (Eyríoeab – passed in February 2023 and operational since September 2023 – aims to double the bloc’s share in the global production of chips – from the current 10 per cent to 20 per cent – by 2030 (European Commission 2024d). This act will provide subsidies to incentivise domestic production and reduce dependence on foreign semiconductor suppliers, who are integral during global chip shortages, such as those during the COVID-19 crisis. It also plans to mobilise more than €43 billion in public and private investments by 2030 (European Commission 2023b).

Figure 1. Semiconductor market revenue share based on company headquarters worldwide by region in 2018–22 (%)



Source: Statista (2024b).

While the Chips Act attempts to reinforce EU resilience, it may simultaneously create trade frictions due to the EU's reduced dependence on imports from major producers both in Asia and the US. Critics say²² that it might lead to surplus production and cause tensions in trade since 'injured' or adversely affected countries may retaliate with protectionist policies of their own. China had already pledged, in 2022, \$150 billion over ten years, and the US about \$52 billion over five years.²³ In total, the support of the US, China, Japan, South Korea, and the EU is estimated to amount to \$721 billion – 0.9 per cent of the global GDP in 2020.²⁴ This competitive funding environment risks market distortions and reflects the challenges in maintaining multilateral subsidy controls, especially among allied economies competing for high-tech dominance. Increasingly, questions have been raised (Monsees, 2024) about how tech sovereignty will be possible in a global supply chain-intensive industry, such as that of semiconductors, where collaboration and free trade are crucial for a stable supply of components. The EU's approach assumes that semiconductor supply chains can move seamlessly into the EU without considering the overall complexity and possible disruptions associated with such relocation. The Chips Act can therefore create significant challenges, as it lacks responsiveness to market feedback.²⁵

Domestic production under the Chips Act may provoke retaliatory legislation from other countries. This could lead the EU to take countermeasures that could provoke protectionist responses from other countries, thereby creating a fragmented global market in which every region attempts to prioritise its own production capacity. This will be a disaster for the free trade landscape, where countries benefit from comparative advantages through their ability to trade across borders. From the perspective of the WTO, such an approach risks violating the principles of free trade and raising possible allegations of discrimination against non-European suppliers, which might complicate EU trade relations with partners such as the US and South Korea.

22 'Is the EU chips act the right approach?' *Bruegel*, 2 June 2022 (<https://www.bruegel.org/blog-post/eu-chips-act-right-approach>).

23 'China plans over \$143 bln push to boost domestic chips, compete with U.S.: sources', *Reuters*, 13 December 2022 (<https://www.reuters.com/technology/china-plans-over-143-bln-push-boost-domestic-chips-compete-with-us-sources-2022-12-13/>)

24 'Is the EU chips act the right approach?' *Bruegel*, 2 June 2022 (<https://www.bruegel.org/blog-post/eu-chips-act-right-approach>).

25 'Microchips subsidies: Protectionism, not security', *GIS*, 10 November 2022 (<https://www.gisreportsonline.com/r/microchip/>).

It could further alienate the EU's other Asian partners and give China a greater role in its trade relations.^{26,27} The semiconductor industry is a textbook example: Asian economies, especially Taiwan and South Korea, specialise in advanced chip manufacturing. But by trying to create an EU semiconductor hub, the Chips Act ignores comparative advantage in favour of self-sufficiency over specialisation. This is counterproductive, as it shifts investments to industries that the EU is not best positioned to lead rather than pulling them towards highly skilled tech innovation and software, where the EU already has a competitive advantage.²⁸

Critics of the Chips Act argue that independence in a sector as globally interdependent as semiconductors is merely a pipe dream for the EU (Camps and Saz-Carranza 2023). By its very nature, the supply chain in semiconductors is global, involving raw materials from one region, manufacturing in another, and assembling in yet another. The Act also ignores the benefits of a global supply chain, which shows more flexibility in response to disruption. From a liberal perspective, true resilience would come about through the diversification of trade partners and the sustenance of healthy international supply routes rather than by localising production at a considerably higher cost.

Cybersecurity and 5G security requirements

The EU has imposed stringent security measures on 5G infrastructure mainly due to concerns over potential surveillance from Chinese telecom service providers, particularly, Huawei. The recommended course of action from the EU 5G Cybersecurity Toolbox²⁹ is that member states restrict or exclude 'high-risk vendors' in their national networks, which practically means a restriction or full ban on Huawei. This measure forms part of the EU's strategy of digital sovereignty, whereby the bloc takes control of its critical infrastructure with no dependence on foreign suppliers that pose any risk.

26 'Microchips subsidies: Protectionism, not security', *GIS*, 10 November 2022 (<https://www.gisreportsonline.com/r/microchip/>).

27 'Reenvisioning Europe's digital sovereignty', *Politico*, 23 September 2024 (<https://www.politico.eu/article/europe-ursula-von-der-leyen-tech-brussels-digital/>).

28 'Part one: Chips acts go global', *Tech Insights*, 25 September 2024 (<https://cepa.org/article/chips-acts-go-global/>).

29 EU Toolbox for 5G Security, *European Commission*, accessed December 28, 2024. <https://digital-strategy.ec.europa.eu/en/library/eu-toolbox-5g-security>

Carrapico and Farrand (2024) highlight that this view is part of an emerging approach to policy that is often labelled ‘regulatory mercantilism’. It fuses security, sovereignty, and economic considerations into a single policy framework and focuses on internal security and autonomy. To this end, the EU tries to make its digital space resistant to foreign impact through the regulation of sectors sensitive to national security, such as telecommunication or data infrastructure. The NIS2 Directive exemplifies this shift by expanding cybersecurity requirements to a wide range of sectors, mandating cooperation and oversight across member states to address vulnerabilities and reinforcing resilience through measures such as vulnerability databases and coordinated disclosure mechanisms (European Union, 2022b). Nevertheless, this focus on ‘high-risk’ vendor restrictions brings implications for EU–China trade relations, as China could perceive such restrictions as protectionist and discriminatory.

Furthermore, the EU’s prioritisation of cybersecurity and digital sovereignty presents a strategic trade-off between the logics of autonomy and the open market. This can close access to its market for certain foreign companies and may even be deleterious in terms of diplomatic and economic relations with trading partners such as China. The EU’s infrastructural security consolidates its resilience in the face of cyber threats, but risks escalating tensions with other key global suppliers of similar technologies and attracting opposition from allies for whom open market access is a trade standard.

Policy recommendations

To navigate the complexities of technological sovereignty and maintain its global competitiveness, the European Union must adopt targeted policy interventions that balance regulatory objectives with market realities. The current regulatory landscape, while ambitious, imposes significant compliance burdens on businesses, especially SMEs, and risks creating inefficiencies in key industries. By focusing on fostering innovation, aligning regulations with global trade standards, and building strategic partnerships, the EU can address these challenges while safeguarding its values of privacy, security, and sustainability. The following recommendations aim to provide actionable strategies to enhance resilience, promote economic growth, and ensure the EU remains a leader in the global digital economy.

- **Ensure that data privacy regulations are proportionate and trade-friendly:** A tiered compliance framework would reduce burdens on SMEs, enabling cross-border data flows and fostering market diversity without compromising privacy standards.
- **Reduce direct subsidies and focus on incentivising private investment:** Instead of relying on lavish government subsidies for semiconductors, the EU should shift towards tax incentives and red-tape reduction to encourage private investment. Targeted subsidies, as recommended by the European Chips Act, will distort market competition by subsidising areas of the economy that do not have any natural demand, thus creating inefficiencies. However, market-driven incentives may lead to more sustainable growth while creating an investment environment where semiconductor companies can grow based on actual market needs. This would imply less use of state funds and a stronger position for long-term competitiveness.
- **Align digital regulations with WTO principles:** The reinstatement of the DMA and DSA to treat non-European companies fairly would surely enhance the EU's commitment to free trade. Rigorous demands – such as interoperability and the sharing of data – that the DMA places on so-called gatekeepers raise could have devastating effects on non-EU businesses. This can undermine the WTO rule of non-discrimination. A more workable, cooperative model – including partial waivers or exemptions for some international companies – would allow the EU to develop effective competition in its digital market without provoking a prospective trade conflict with the US or any other innovation-oriented economy.
- **Implement market-based cybersecurity standards to reduce trade barriers:** A voluntary, industry-driven approach towards harmonised cybersecurity standards with global best practices would lower compliance costs and facilitate market access for foreign entities. It would also complement free trade and security objectives. Recent regulations, particularly under the NIS 2 Directive, impose high compliance costs that may be challenging for smaller international firms to bear. Market-driven standards could further the EU's objective of achieving more stringent cybersecurity measures without placing restrictive burdens on its own market. They can nurture a competitive environment that will stimulate innovation and open access to the European market.

- **Focus on strategic partnerships and avoid protectionist policies:** Rather than pursue the complete localisation of its semiconductor supply chain, the EU should engage in strategic alliances with the world's leading chip manufacturers, such as Taiwan, South Korea, and the US. Full localisation is not only costly but highly complex, and strategic partnerships will allow the EU to benefit from each region's comparative advantage, thereby ensuring resilience through diversified supply.

4.3. Raising barriers to trade in the EU: Expanding free trade via new agreements

By Constantinos Saravakos

The negotiation and ratification of free trade agreements (FTAs) within the EU present both domestic and EU-level institutional challenges. On the one hand, the Commission leads the negotiations under directives from the European Council (hereinafter the Council), but ratification can require approval from national parliaments, which complicates the process. In 2012–19, the EU negotiated 16 FTAs, with only three bypassing national parliamentary approval (Hammond et al. 2021). This political resistance is often rooted in concerns over job security, environmental standards, and the influence of vested interests.

Resistance to free trade is often exacerbated by the asymmetry in the benefits of trade liberalisation, which, nonetheless, leaves all parties better off (Boudreaux 2018): while consumers gain through lower prices and greater choice, certain domestic producers face heightened competition, leading to concentrated losses (Olson 1965). To address these challenges, proponents of FTAs must counter interest groups' narratives by emphasising the long-term economic benefits of free trade, including increased growth and productivity. Building awareness through research dissemination and engaging with media and political stakeholders can help shift public opinion. Furthermore, compensatory measures for those adversely affected in the short term, as suggested by Rickard (2015), could mitigate opposition and foster broader support. Successful examples of liberalisation (such as in South Korea) demonstrate that initial resistance can give way to long-term benefits (Acemoglu and Robinson 2012). Highlighting these success stories and addressing

environmental and social concerns transparently can help overcome resistance and pave the way for smoother FTA ratifications.

We begin this section by exploring the trade areas that the EU is not liberalising at the same pace as before, in 2000, or compared to other jurisdictions identifying trade areas that need to improve. We then examine the current framework of EU trade agreements, both existing and pending, shedding light on how internal and external pressures complicate the EU's trade liberalisation agenda. By analysing key case studies, including the agreement with the Mercosur nations, pending ratification and the incomplete agreements with other strategic partners, we highlight the complexities of navigating member state vetoes and protectionist tendencies. Thus, this section addresses how the EU can balance its commitment to free trade while protecting its strategic interests in an increasingly protectionist world.

4.3.1. Identifying barriers to EU trade policy: A comparative assessment of the dynamics of EU trade liberalisation

The EU has a long history of promoting free trade, starting from the inception of the European Coal and Steel Community (ECSC) in 1951 and its subsequent transformations. Since the 1980s, significant global liberalisation efforts have emphasised free trade as a key driver of improved living standards worldwide and benefited all parties involved (Boudreaux 2018). Free trade and competitive markets, foundational to the EU, play a pivotal role in enhancing quality-of-life indicators by enabling individuals to freely exchange goods and services. Regulations must ensure fairness, not obstruct these voluntary exchanges. It is no coincidence that trade is the primary mechanism through which countries in the EU accession process increase their overall economic freedom (Schizas et al. 2020).

The current trend in EU trade liberalisation, largely influenced by participation in the SM and agreements with accession countries, stems more from the Union's deep-rooted tradition of free trade rather than from recent liberalisation initiatives. The pace at which the EU is liberalising its trade policy has recently come under scrutiny.³⁰ Populist rhetoric and the recent financial crisis have triggered significant economic downturns across Europe, leading to widespread criticism of EU policies, including its trade policy. This scrutiny may have slowed down the pace at which the EU is

30 'EU trade agreement fatigue slowing down ratification of deals', Euronews, 25 May 2023 (<https://www.euronews.com/my-europe/2023/05/25/eu-trade-agreement-fatigue-slowing-down-ratification-of-deals>).

liberalising its policy³¹ while other regions of the world are advancing towards more open trade.

This section explores the areas where EU trade policy is not liberalising at the same pace as before or in comparison to other world jurisdictions. Employing the latest dataset employed by the Fraser Institute's Economic Freedom index (Gwartney et al. 2024), which uses 2022 data, we examine the average performance of the current EU-27 countries, OECD non-EU countries, BRICS, and the rest of the world to identify trends in trade indicators (for countries included in each group, see Table 1). One of the five areas of composite indicators of economic freedom is the freedom to trade internationally, which conceives of trade restrictions as taxes or regulations limiting the cross-border exchange of goods, services, and capital. It includes the following five components:

- **Tariffs:** These measure trade tax revenue, average tariff rates, and variations, indicating economic central planning.
- **Regulatory trade barriers:** These measure non-tariff barriers and the time costs associated with importing/exporting.
- **Black market exchange rates:** These measure the discrepancy between official and black market exchange rates, rating countries based on currency convertibility.
- **Controls on the movement of capital and people:** These measure financial openness, capital controls, freedom of foreign travel, and protection of foreign assets.

We first assess the overall performance of each regional group in 2022 and then provide a detailed analysis of each component. This includes comparing a) the average performance of each group in 2022 against their 2000 performance (within-time group differences) and b) the performance of each group relative to others in 2000 and 2022 (between-group differences in time). This approach helps identify potential deficiencies in the EU's trade policies and its pace of liberalisation. Thereafter, we provide policy recommendations to address these challenges.

31 'Mercosur trade deal collides with EU anti-deforestation regulation', *Politico*, 27 December 2023 (<https://www.politico.eu/article/mercossur-trade-deal-eu-anti-deforestation-regulation-environment-agriculture/>).

Table 1. Group of countries included in the analysis

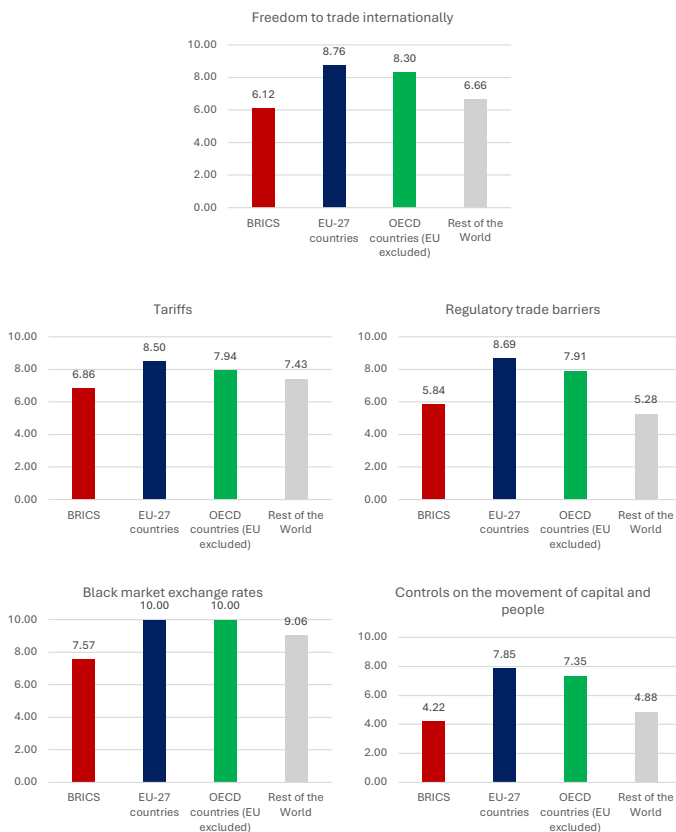
Group	Countries
EU-27 Group	Austria, Belgium, Bulgaria, Cyprus, Czechia, Germany, Denmark, Estonia, Spain, Finland, France, Greece, Croatia, Hungary, Ireland, Italy, Lithuania, Luxembourg, Latvia, Malta, Netherlands, Poland, Portugal, Romania, Sweden, Slovenia, Slovak Republic
OECD Countries (EU excluded)	Australia, Canada, Switzerland, Chile, Colombia, Costa Rica, United Kingdom, Israel, Iceland, Japan, South Korea, Mexico, Norway, New Zealand, US
BRICS	Brazil, China, Egypt, Arab Rep., Ethiopia, India, Islamic Rep. of Iran, Russian Federation, South Africa, United Arab Emirates
Rest of the World	Albania, Armenia, Angola, Argentina, Azerbaijan, Bosnia and Herzegovina, Barbados, Bangladesh, Burkina Faso, Bahrain, Burundi, Benin, Brunei Darussalam, Bolivia, The Bahamas, Bhutan, Botswana, Belarus, Belize, Dem. Rep. of Congo, Central African Republic of Congo, Rep. of Cote d'Ivoire, Cameroon, Cabo Verde, Djibouti, Dominican Republic, Algeria, Ecuador, Fiji, Gabon, Georgia, Ghana, Gambia, Republic of Guinea, Guatemala, Guinea-Bissau, Guyana, Hong Kong SAR, China, Honduras, Haiti, Indonesia, Iraq, Jamaica, Jordan, Kenya, Kyrgyz Republic, Cambodia, Comoros, Kuwait, Kazakhstan, Lao PDR, Lebanon, Sri Lanka, Liberia, Lesotho, Libya, Morocco, Moldova, Montenegro, Madagascar, North Macedonia, Mali, Myanmar, Mongolia, Mauritania, Mauritius, Malawi, Malaysia, Mozambique, Namibia, Niger, Nigeria, Nicaragua, Nepal, Oman, Panama, Peru, Papua New Guinea, Philippines, Pakistan, Paraguay, Qatar, Serbia, Rwanda, Saudi Arabia, Seychelles, Sudan, Singapore, Sierra Leone, Senegal, Somalia, Suriname, El Salvador, Syrian Arab Republic, Eswatini, Chad, Togo, Thailand, Tajikistan, Timor-Leste, Tunisia, Türkiye, Trinidad and Tobago, Taiwan, Tanzania, Ukraine, Uganda, Uruguay, Venezuela, RB, Vietnam, Yemen, Rep. of Zambia, Zimbabwe

Source: Authors' compilation.

Analysing the trends in EU trade policy during 2000–22

The overall performance of the EU-27 countries on the freedom-to-trade indicators in 2022 is notably strong, with average scores surpassing those of other OECD countries, the BRICS, and the rest of the world. As demonstrated in Figure 2, the EU-27 not only excels in overall performance but also across all four subcomponents of trade freedom, indicating a robust trade freedom policy. Although scores in the controls on the movement of capital and people are relatively lower than those of other subcomponents, the EU-27 still maintains higher ratings than the other groups.

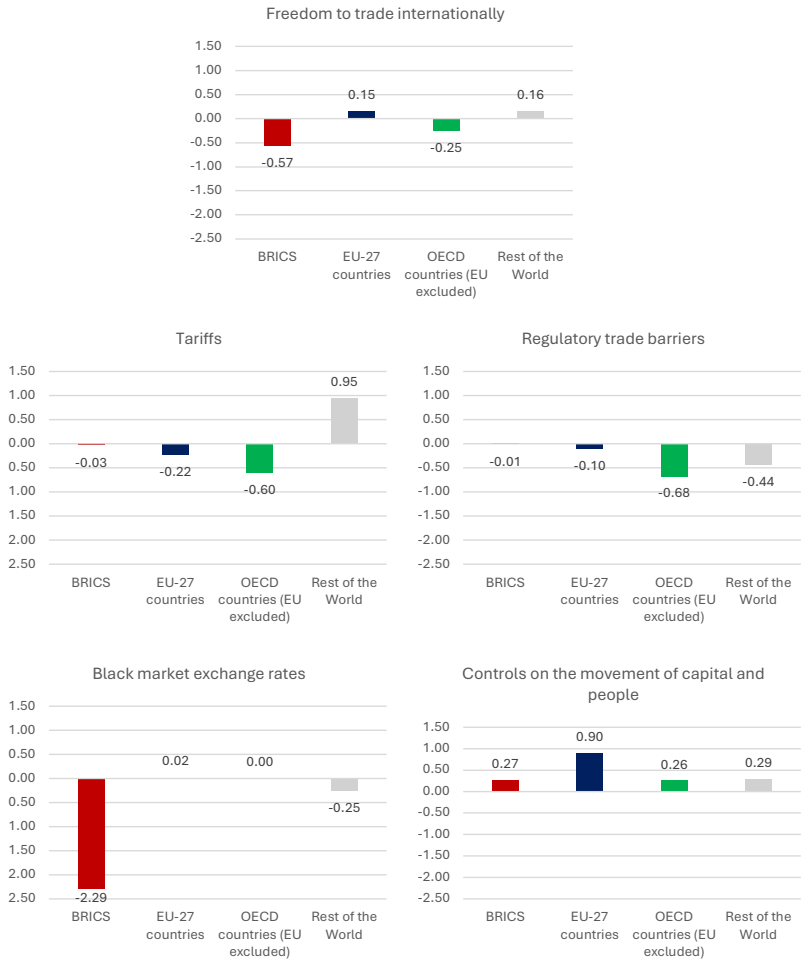
Figure 2. Freedom-to-trade area and subcomponents average score per regional group (2022)



Source: Gwartney et al. 2024; authors' analysis.

While the overall freedom to trade in the EU-27 has improved slightly since 2000, its growth has been marginal. Tariffs and regulatory trade barriers scores have decreased, with significant development only seen in controls of the movement of capital and people (Figure 3). In contrast, both BRICS and non-EU OECD countries have seen decreases in their freedom-to-trade averages, while only the rest of the world countries have improved slightly more than the EU. Notable changes include a decrease in black market exchange rates for BRICS, a decrease in regulatory trade barriers and tariffs for non-EU OECD countries, and an improvement in tariffs for the rest of the world countries.

Figure 3. Differences in the freedom-to-trade area and subcomponent averages by regional group for 2000–22



Note: Positive/negative values indicate that the country group's average increased/decreased in 2022 compared with 2000, respectively.

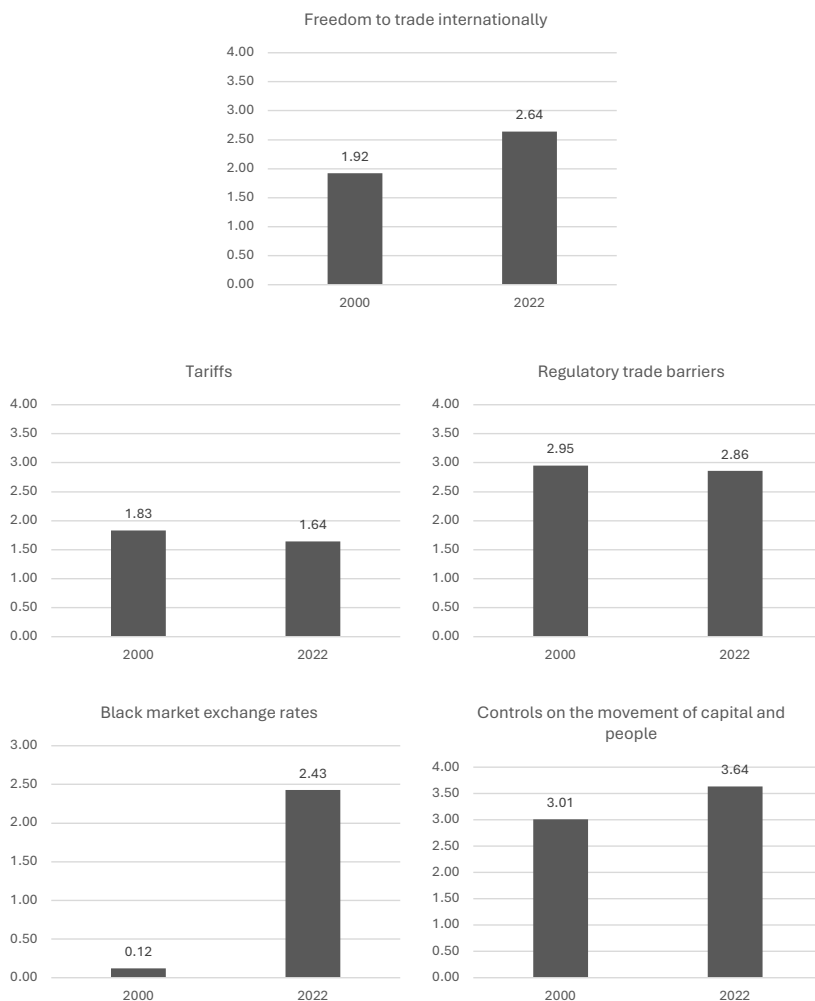
Source: Gwartney et al. 2024; authors' analysis.

The pace of EU-27 trade liberalisation compared to OECD, BRICS, and the rest of the world

When assessing the change in the difference between the average performance of the EU-27 and the BRICS in 2000–22, it is evident that the EU-27 countries increased their lead from 1.92 points to 2.64 points – a gain of 0.72 on a 10-point scale – as illustrated in Figure 4. This increase can primarily be attributed to a notable decrease in black market exchange rates in the BRICS in 2022 compared with 2000. Additionally, in the controls on the movement of capital and people, the EU-27 also managed to increase its difference by 0.63 points. Conversely, the BRICS narrowed the gap in tariffs and regulatory trade barriers by 0.19 and 0.09 points, respectively.

The average scores of the EU-27 compared with the differences of the countries in the rest of the world – a highly heterogeneous group – remained consistent across 2000 and 2022, indicating that both groups liberalised to a similar extent. However, a significant change occurred in tariffs, where the rest of the world group considerably narrowed its gap in relation to the EU-27 average, reducing their difference from 2.23 points in 2000 to 1.07 in 2022 (Figure 5). This decrease in the tariff gap is balanced by slight increases in the other subcomponents.

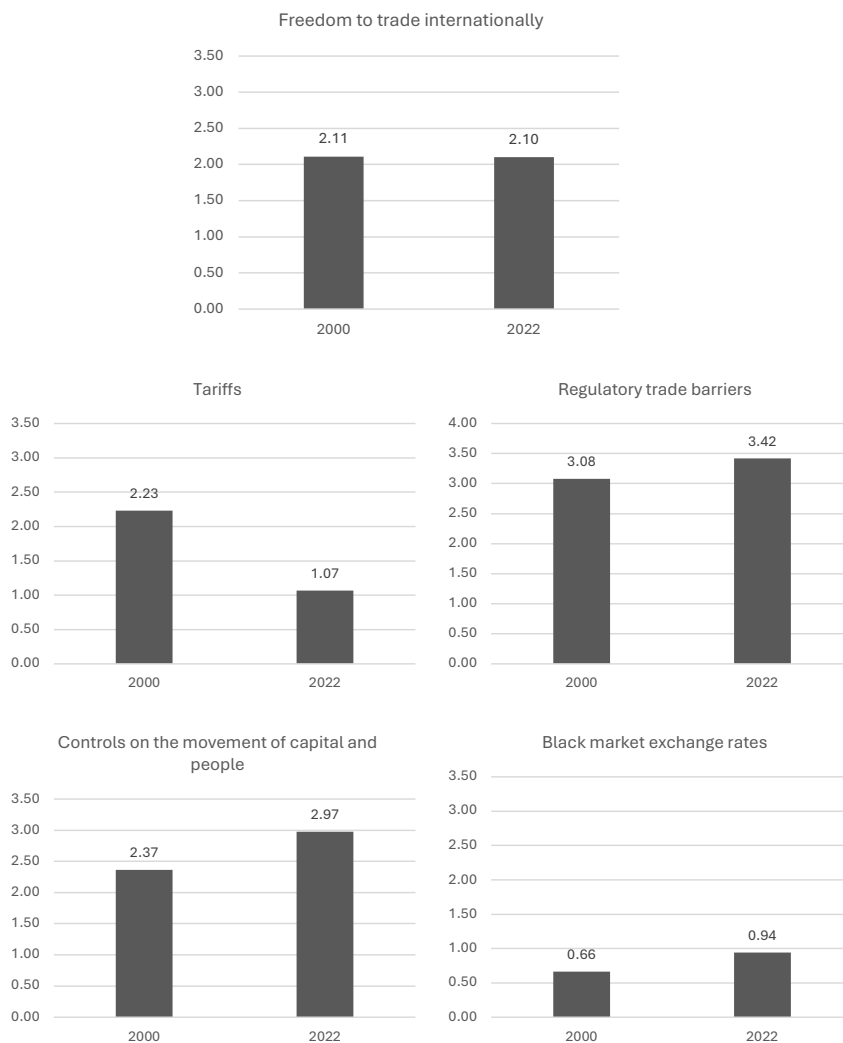
Figure 4. Differences in trade freedom indicators between EU-27 and BRICS averages



Note: Higher/lower values in 2022 indicate that the EU countries' differences from BRICS increased/decreased from 2000, respectively.

Source: Gwartney et al. 2024; authors' analysis.

Figure 5. Differences in trade freedom indicators between the EU-27 and the rest of the world averages



Note: Higher/lower values in 2022 indicate that the EU countries, on average, increased/decreased their difference from the rest of the world compared to 2000, respectively.

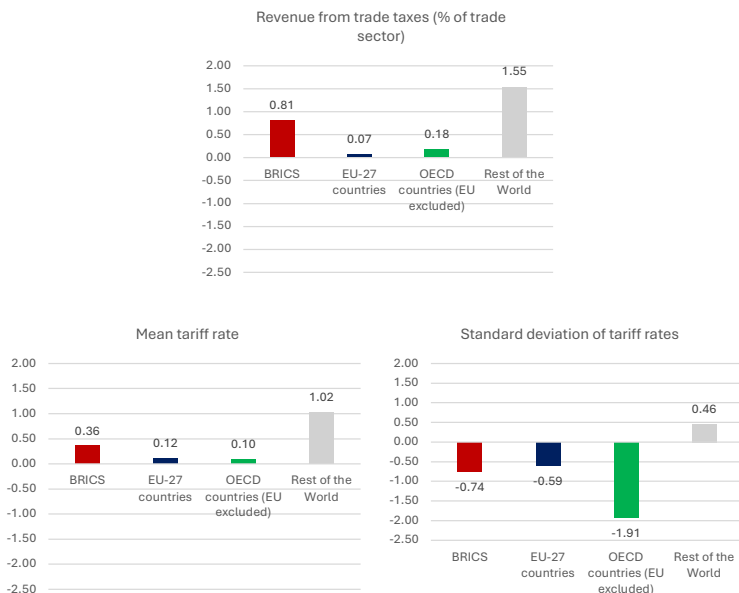
Source: Gwartney et al. 2024; authors' analysis.

The trends shown in Figures 4 and 5 indicate that the pace at which the EU-27 countries reduced tariffs and eliminated regulatory trade barriers was slower than that of the BRICS and the rest of the world during 2000–22.

Tariffs and regulatory trade barriers: The EU's main shortcomings

A more detailed examination of the specific indicators for tariffs and regulatory trade barriers provides further insight. Revenue from trade taxes (as a percentage of the trade sector) and the mean tariff rate in the EU-27 saw modest increases of 0.07 and 0.12 points, respectively, while the BRICS and the rest of the world experienced larger increases. However, in the standard deviation of tariff rates, the EU-27 witnessed a smaller decrease compared to the BRICS, but the rest of the world group achieved a significant improvement (Figure 6).

Figure 6. Differences in tariff indicators per regional group (2000–22)

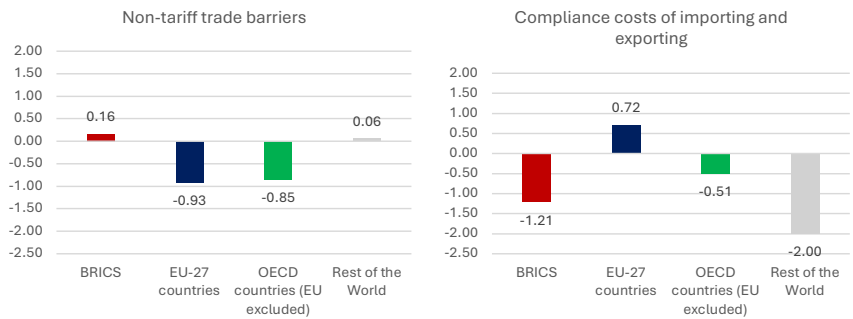


Note: Positive/negative values indicate that the country group increased/decreased its average in 2022 from 2000, respectively.

Source: Gwartney et al. 2024; authors' analysis.

In terms of eliminating regulatory trade barriers, the EU-27 countries experienced a notable decrease in non-tariff trade barriers during 2000–22, in contrast to both the BRICS and the rest of the world groups, which saw increases in their average scores. Conversely, the EU-27 was the only group to witness a significant increase in the compliance costs of importing and exporting. For all other groups, the average score for compliance costs decreased significantly (Figure 7).

Figure 7. Differences in regulatory trade barriers indicators per regional group (2000–22)



Note: Positive/negative values indicate that the country group average increased/decreased in 2022, as compared to 2000, respectively.

Source: Gwartney et al. 2024; authors' analysis.

Conclusion

Although the EU remains one of the most pro-free trade regions globally, there are specific areas of trade that require a more liberalised approach. In particular, controls on the movement of capital and people have lower free-trade scores than other subcomponents.

In particular, the EU has not liberalised at the same pace as other regions where tariffs and regulatory trade barriers are concerned. The political destabilisation seen in groups such as the BRICS has provided the EU countries with a comparative advantage, reflected in indicators such as the black market exchange rates and the tax burden on international trade as a percentage of exports and imports. However, non-tariff trade barriers that hinder the competitiveness of imported goods in the domestic market

are being liberalised at a slower pace or even lagging behind those in the BRICS and the rest of the world.

This analysis is subject to certain limitations, including the disparities and heterogeneity between country groups (Archontas and Saravakos 2023). Additionally, comparing average scores – even when measured as changes in differences and disaggregated extensively – can obscure more nuanced approaches to specific policies that could address identified problems. Nevertheless, this analysis offers a comparative perspective on trade freedom trends among groups of countries in international organisations and the rest of the world, highlighting EU policies that are behind in pace and in need of accelerated liberalisation.

Policy recommendations

- **Establish an FTA observatory:** To monitor the progress of domestic votes and lobby to accelerate this process.
- **Enhance the external movement of human and financial capital:** This will help maintain competitiveness in the global market and facilitate the inflow of investment to the continent, which could significantly enhance innovation.
- **Streamline regulatory processes:** Simplify the procedures for trade across EU borders by reducing bureaucratic requirements. This will help reduce both tariff and non-tariff barriers and speed up the overall process of liberalisation.
- **Increase transparency in trade policy:** Enhance transparency in trade negotiations and policymaking processes to build trust and support among EU member states and trade partners. This could involve more open consultations and greater public access to negotiation documents and trade agreement drafts.

4.3.2. EU trade agreements: What is in place and what is missing?

By Eryk Ziędalski

The EU was founded on the freedom of trade within the bloc. The four types of freedom it grants – freedom of movement of goods, labour, capital, and establishing and providing services – together with the SM, emanate this principle. Although Article 5 of the Treaty on the European Union (TEU) says, ‘In its relations with the wider world, the Union shall uphold and promote its values and interests and contribute to the protection of its citizens. It shall contribute to [...] free and fair trade’ (European Union, 2024a), the EU’s commitment to free trade only extends to its member states. The EU negotiates trade agreements on behalf of the entire bloc, as trade policy falls under the Union’s purview. Articles 207 and 218 of the Treaty on the Functioning of the European Union (TFEU) outline the roles of the Council and the Commission in this process. The Council authorises negotiations while the Commission conducts them, which gives the Commission significant influence over the content and influence of trade agreements.³²

Yet, as one may say, ‘with great power comes great responsibility’, especially in the aftermath of the 2024 US presidential election, which may cause the newly elected Commission to go to another trade war with the US.³³ Additionally, the ongoing trade disputes with China – e.g., over

32 ‘The consumer benefits of trade agreements: Evidence from the EU trade policy’, *CEPR*, 12 March 2018 (<https://cepr.org/voxeu/columns/consumer-benefits-trade-agreements-evidence-eu-trade-policy>).

33 ‘Europe and US extend trade truce over Trump tariffs’, *BBC*, 19 December 2023 (<https://www.bbc.com/news/business-67758395>).

state subsidies for its electric vehicle manufacturers and the EU's retaliatory duties³⁴ – and the internal divisions over and vocal opposition to the proposed agreement with the Mercosur³⁵ complicate the EU's agenda. These challenges highlight two major obstacles: security concerns with potential adversaries and rising protectionist tendencies across the western world.³⁶ Nonetheless, the perils of protectionism do not limit themselves to economic matters – they extend to geopolitical ones (Mises 2010). Strengthening economic ties with like-minded countries is essential to navigating these complexities and ensuring that the EU's strategic interests are safeguarded.

EU's currently existing free trade agreements

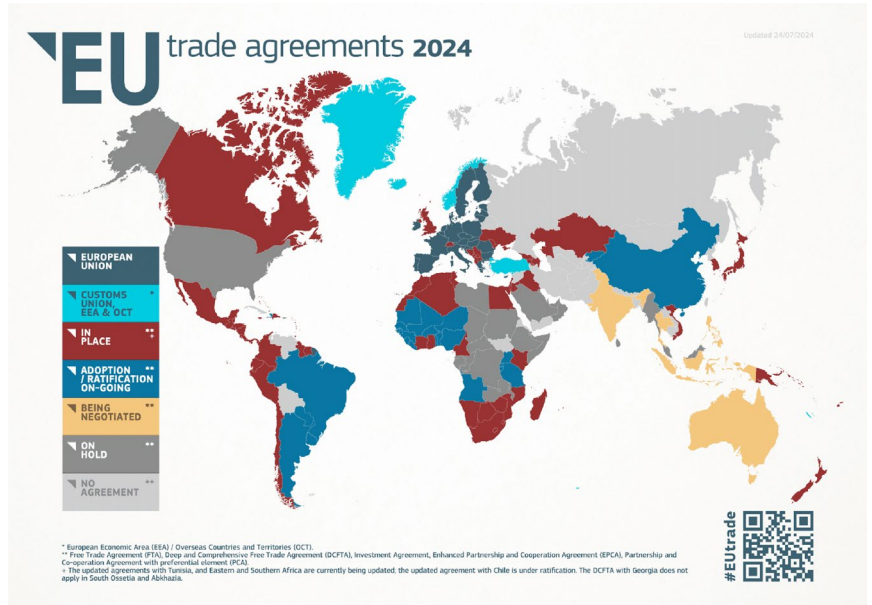
To arrive at a complete picture of where the EU currently stands when it comes to trade policy, it is worth taking a look at the existing FTA between the EU and its partners.

34 'EU imposes duties on unfairly subsidised electric vehicles from China while discussions on price undertakings continue', *European Commission*, 29 October 2024 (https://ec.europa.eu/commission/presscorner/detail/en/ip_24_5589).

35 'France to EU: Don't seal South America trade deal against our will', *Politico*, 30 October 2024 (<https://www.politico.eu/article/eu-france-dont-seal-latam-trade-deal-sophie-primas-trade-minister/>).

36 'The case for open trade', WTO, n.d. (https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact3_e.htm).

Figure 8. Existing trade agreements between the EU and other countries (2024)



Source: Department of Enterprise, Trade and Employment (n.d.).

As shown in Figure 8, the EU is part of multiple FTAs with more than 70 countries, some of which are the largest economies of the world – such as Japan, the UK, and Canada – and generally represent almost 32 per cent of the EU’s external trade (Department of Enterprise, Trade and Employment n.d.). However, not all of these FTAs have been fully implemented. Some, as in the case of the EU-Canada Comprehensive and Economic Trade Agreement (CETA), apply only provisionally,³⁷ with multiple member states still to notify respective agreements. For instance, in the case of the aforementioned CETA, this has yet to be done by 11 member states as well as Canada (European Council, 2017).

Nevertheless, these FTAs already impact the everyday lives of EU citizens, who benefit from reduced tariffs on desired commodities and an overall

37 “EU-Canada Agreement”, European Commission – Trade Policy, (https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/canada/eu-canada-agreement_en).

improvement in the quality of imported goods. For example, during the first year of the EU-Japan Economic Partnership Agreement (EPA), EU exports to Japan went up by 6.6 per cent compared with the previous year. Japanese exports to the EU have also grown by more than 6 per cent.³⁸ Since the EPA has come into effect, European exporters managed to save almost €1 billion in duties. It is projected that thanks to the agreement, annual trade between the EU and Japan may increase by almost €36 billion.³⁹ Finally, there has been a reduction of regulatory restrictions, with simplified procedures being installed to facilitate trade.

However, achieving all of this required reaching a consensus during negotiations, adoption, and ratification processes. From ideation to implementation, this process spanned three years in the case of the EPA.⁴⁰ However, the process is not always this swift. For instance, the EU-Vietnam Trade Agreement – the most recent EU trade deal with a country of such significance⁴¹ – was negotiated for five years before coming into force.⁴² In contrast, while the negotiations of the EU-Mercosur agreement ended in 2019, the agreement is yet to be adopted by the Council. This highlights the most critical problem that every Commission faces – the ‘politicized decision trap’ (Gheyle 2022), which reduces the EU’s capacity to adopt and implement new trade agreements significantly.

Major free trade agreements the EU is missing

Despite its extensive network of trade agreements, the EU still lacks strategic free trade partnerships with several key global markets – agreements that could significantly improve its economic influence, access to resources, and competitiveness on the global stage. The cases of the

38 ‘Trade: First year of the EU-Japan Economic Partnership Agreement shows growth in EU exports’, *European Commission*, 31 January 2020 (https://ec.europa.eu/commission/presscorner/detail/en/ip_20_161).

39 ‘Trade: First year of the EU-Japan Economic Partnership Agreement shows growth in EU exports’, *European Commission*, 31 January 2020 (https://ec.europa.eu/commission/presscorner/detail/en/ip_20_161).

40 ‘EU-Japan agreement: Negotiation process’, *European Commission*, n.d. (https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/japan/eu-japan-agreement/negotiation-process_en).

41 Vietnam in 2023 was the EU’s largest trading partner in goods in the Association of Southeast Asian Nations (ASEAN) ‘EU-Vietnam Trade Agreement’, *European Commission – Trade Policy*, (https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/vietnam_en).

42 ‘Summary of Vietnam-EU Free Trade Agreement (EVFTA)’, *WTOCenter*, 15 January 2016 (<https://wtocenter.vn/chuyen-de/12781-summary-of-vietnam-eu-free-trade-agreement-evfta>).

Mercosur FTA and the CETA illustrate this. Part of the problem is how certain FTAs are negotiated. Before 2017, almost all EU FTAs were concluded as mixed agreements, which gave the member states the opportunity to block their adoption. This was the case for the CETA, wherein, in October 2016, the parliament of the Walloon region in Belgium decided to veto the agreement, thus creating an international crisis.

Still, the EU and its member states are not to blame entirely. Such an example remains in the form of the most crucial unrealised EU trade agreement – the Transatlantic Trade and Investment Partnership (TTIP) with the US. This FTA would have involved the world's two largest economies⁴³ and had a profound impact on the daily lives of 784 million people. Unfortunately, it did not come to fruition, as both the EU and the US have fallen into the 'politicised decision trap' as a result of growing protectionist tendencies – a tendency that has only solidified after the election of pro-Atlanticist Joe Biden as US president in 2020.

The list of missing EU trade agreements does not stop here. Notably, another otherwise like-minded country that has yet to enter into a FTA with the EU is Australia. Negotiations between the EU and Australia began in 2018 but have not culminated as of now. Nevertheless, this potential trade deal serves as a good starting point for discussing how the EU – and especially the new Commission – might navigate around member states' vetoes concerning FTAs.

One potential approach could involve referring contentious agreements to the European Court of Justice (ECJ), with the hope that the ECJ will rule that such agreements – or at least significant parts of them – fall exclusively under the EU's jurisdiction. This happened in the case of the EU-Singapore FTA, wherein the ECJ found that all provisions referring to trade and foreign direct investment liberalisation were exclusively the EU's prerogative. This initiated a trend wherein FTAs were now split into two: one concerning the areas that fell under the EU's exclusive competence and the other covering the rest. These 'mixed agreements' are yet another way of circumventing potential deadlocks. Further, they give the Commission leverage to pursue a more proactive trade policy.

43 'The European Union and its trade partners', *European Parliament*, n.d. (<https://www.europarl.europa.eu/factsheets/en/sheet/160/the-european-union-and-its-trade-partners>).

The other approach would be to involve member states' parliaments in the FTA negotiations to defuse any potential crises through compromise. However, this could make the negotiation phase longer. Therefore, the Commission should focus on mixed trade agreements to liberalise trade with more partners.

Free trade agreement with Ukraine?

Another FTA of note is the EU-Ukraine Association Agreement (AA), which faces several issues vis-à-vis the current EU trade policy. Even though implementing the AA was not an easy task, its economic component – the Deep and Comprehensive Free Trade Area (DCFTA) – has been provisionally active since 2016.⁴⁴ However, the AA almost fell into a politicised decision trap with the Netherlands, which nearly blocked the agreement following a strongly politicised referendum⁴⁵. In response to the Russian invasion of Ukraine in 2022, the EU fully liberalised trade with Ukraine, albeit temporarily.⁴⁶ The adopted measures were renewed twice subsequently, and the current ones will remain in force until 5 June 2025.⁴⁷ While this is certainly a positive step, the temporary nature of these adopted measures adds unnecessary uncertainty for the entrepreneurs on both sides. Further, some member states have been reluctant to comply⁴⁸ with the temporary regulations, thus violating the rules of the internal market as well as the EU law. Therefore, the EU should consider making these measures permanent.

This case highlights yet another issue with the current EU trade policy: at present, the Commission lacks the will and initiative to enforce the EU law and refer such cases to the ECJ. None of the EU member states responsible for introducing the unilateral bans on Ukrainian agricultural goods were penalised for their actions. Such a lack of action on behalf of the Commission

44 'EU-Ukraine deep and comprehensive free trade area', *European Commission*, n.d. (<https://trade.ec.europa.eu/access-to-markets/en/content/eu-ukraine-deep-and-comprehensive-free-trade-area>).

45 'The Dutch 2016 Referendum: Voice, No Exit, History & Policy', 2024, *History and Policy* (<https://www.historyandpolicy.org/opinion-articles/articles/the-dutch-2016-referendum-voice-no-exit>)

46 'Ukraine', *European Commission*, n.d. (https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/ukraine_en).

47 'Ukraine', *European Commission*, n.d. (https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/ukraine_en).

48 'Poland, Hungary, Slovakia impose own Ukraine grain bans as EU measure expires', *Politico*, 16 September 2023 (<https://www.politico.eu/article/poland-hungary-slovakia-extend-grain-bans-despite-blocs-lift/>).

is troublesome, given its position as the 'guardian of the treaties' (Article 17 - European Union, 2024a). This attitude could prompt other member states to adopt similar unilateral measures, thus bringing an effective end to the common commercial policy of the EU.

Policy recommendations

The European Union's trade policy is one of its key tools for fostering economic growth, global competitiveness, and strategic partnerships. Built on the principles of free trade within its internal market, the EU's trade agenda extends globally, supported by a vast network of agreements with over 70 countries. However, while these agreements have brought significant benefits, challenges such as geopolitical tensions, protectionist tendencies, and internal divisions among member states often complicate their implementation and negotiation. To navigate these hurdles and strengthen its global economic influence, the EU must address structural issues in its trade policy, focusing on overcoming deadlocks, securing strategic partnerships, and ensuring coherence in its approach to free trade agreements.

- **Convert temporary trade measures with Ukraine into permanent agreements:** The EU should consider making the current temporary trade liberalisations with Ukraine permanent, especially given the ongoing geopolitical tensions and Ukraine's critical role in the region. The EU's current approach of renewing temporary measures as needed introduces uncertainty for businesses on both sides, deterring long-term investments and economic planning. The EU must consider the potential competitive barriers that are being imposed on the EU producers in key domains such as agriculture, as a consequence of this approach.
- **Leverage the ECJ to circumvent member state vetoes:** To overcome the politicised deadlock that often stalls trade agreements, the EU should more actively refer contentious FTAs to the ECJ. This would help clarify which aspects of FTAs fall exclusively under the EU's ambit, thereby reducing the need for ratification by national parliaments. A precedent for this was set with the EU-Singapore FTA, wherein the ECJ ruled that provisions related to trade and foreign direct investment were under the EU jurisdiction. By adopting mixed agreements, the Commission can accelerate the ratification process and pursue a more proactive trade policy.

4.3.3. Economic benefits of enhanced EU-Taiwan trade relations

By William Hongsong Wang

In recent years, the EU has aimed to diversify its trade partners and reduce reliance on the SM for critical goods, notably, high-tech products. Taiwan – a key player in advanced manufacturing and technology – offers a unique opportunity for the EU to secure a resilient supply chain and deepen economic ties with a partner that has similar objectives. This section examines the rationale and benefits of enhancing EU-Taiwan trade relations, focusing on the potential for economic growth, innovation, and supply chain security.

Access to advanced semiconductor technology

Taiwan is home to the world's largest and most advanced semiconductor foundries, including the Taiwan Semiconductor Manufacturing Company (TSMC), which produces over half of the world's semiconductor supply (Chung and Wang 2023). Semiconductors are critical for the EU's automotive, electronics, and telecommunications industries. By enhancing trade with Taiwan, the EU can secure access to the high-tech components vital for these sectors. This would reduce its vulnerability to supply chain disruptions, such as the one in 2022, when the EU experienced shortages in semiconductor supplies, leading to an estimated €100 billion loss for the automotive sector alone, as

production was severely impacted across key manufacturers⁴⁹. Strengthening ties with Taiwan could mitigate such risks and support the EU's digital transformation and green transition initiatives.

Economic complementarity and market synergy

Taiwan's economy is highly compatible with the EU's, particularly when it comes to technology, green energy, and information technology services. Enhanced trade can lead to increased investment in these sectors, fostering innovation and economic growth on both sides (Huang and Cheng, 2023). Moreover, Taiwan's focus on sustainable development aligns well with the EU's Green Deal, which makes it a promising partner in renewable energy technologies. In 2023, Taiwanese companies collaborated with European firms to advance offshore wind projects, highlighting the potential for international cooperation in green energy. For instance, Associated British Ports (ABP) and Taiwan International Ports Corporation (TIPC) signed a memorandum of understanding to share information and explore joint business opportunities related to floating offshore wind projects⁵⁰. Similarly, Danish renewable energy developer Ørsted secured financing for the Changhua 4 wind farm in Taiwan, supported by export credit agencies from countries including the UK⁵¹. These initiatives underscore the growing collaboration between Taiwan and European entities in fostering advancements in renewable energy technologies and infrastructure. Such partnerships could advance the EU's climate goals and support its transition to a low-carbon economy.

Strategic and geopolitical considerations

Enhancing trade with Taiwan aligns with the EU's 'open strategic autonomy' policy, which aims to reduce dependency on single sources for critical products, especially in the high-tech and manufacturing sectors (European Commission 2023e). By strengthening ties with Taiwan, the EU can reduce

49 Allianz Trade, *Missing chips cost EUR100bn to the European auto sector*. 13th of September 2022 (https://www.allianz-trade.com/en_global/news-insights/economic-insights/european-automotive-semiconductor-shortage.html)

50 Associated British Ports, ABP and TIPC lay foundations for international collaboration on floating offshore wind. 17th of January 2023 (<https://www.abports.co.uk/news-and-media/latest-news/2023/abp-and-tipc-lay-foundations-for-international-collaboration-on-floating-offshore-wind>)

51 Global Trade Review, *ECAs power latest Taiwan offshore wind deal*. 22nd of February 2023 (<https://www.gtreview.com/news/asia/ecas-power-latest-taiwan-offshore-wind-deal>)

its reliance on China and secure alternative supply chains, particularly in sectors where China currently dominates. For instance, Taiwan's semiconductor sector offers an alternative to China's growing presence in the global technology market. By establishing a more robust trade relationship with Taiwan, the EU can diversify its supply sources and reduce exposure to geopolitical risks in Asia-Pacific (Lo and Chang 2023). Taiwan's commitment to democracy and human rights aligns closely with the EU's values, distinguishing it as a trustworthy partner in the region. Taiwan's stability and rule of law make it a reliable trade partner, which is essential for the EU, as it seeks to foster relationships with countries that share its commitment to a rules-based international order (European Parliament 2023). In 2023, the European Parliament passed a resolution advocating for stronger EU-Taiwan ties, underscoring the importance of democratic values in trade partnerships (European Parliament 2023). A closer relationship with Taiwan would reinforce the EU's dedication to promoting democracy globally and provide an alternative to authoritarian states in Asia.

By strengthening trade with Taiwan, the EU can contribute to Taiwan's broader integration into the global economy. Supporting Taiwan's participation in international organisations – such as the World Health Organization (WHO) and the Asia-Pacific Economic Cooperation (APEC) – aligns with the EU's commitment to inclusive economic policies. Enhanced trade relations can serve as a foundation for advocating Taiwan's inclusion in more multilateral forums, promoting a balanced and inclusive regional order. Taiwan's active participation in pandemic response efforts demonstrated its capacity and willingness to contribute to global public goods. Greater EU support for Taiwan's economic integration could bolster Taiwan's role in global health and economic resilience (World Health Organization 2023).

Policy recommendations

While enhancing trade relations with Taiwan offers significant benefits, potential challenges must be addressed. The EU should consider the following policy recommendations:

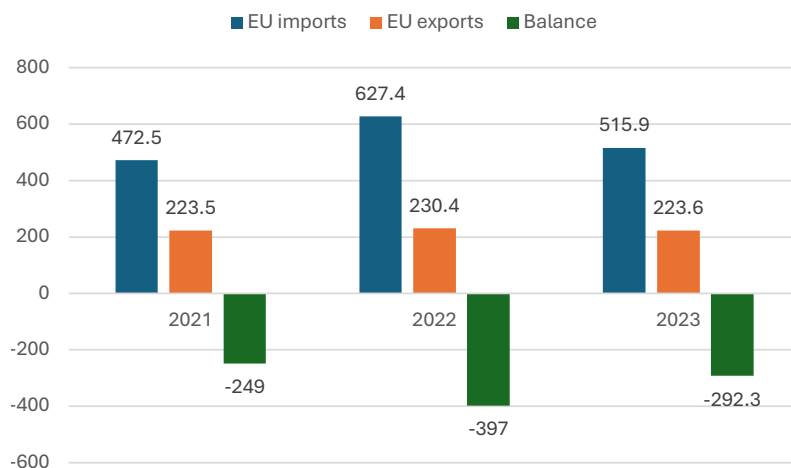
- **Develop a comprehensive EPA:** Establishing an EPA with Taiwan would formalise trade relations, reduce tariffs, and address non-tariff barriers. Such an agreement would help EU firms access Taiwan's market while ensuring fair competition and transparency.

- **Strengthen bilateral investment mechanisms:** The EU should prioritise investment in Taiwan's high-tech industries, such as semiconductors and renewable energy. Investment frameworks that offer protection for EU firms could encourage private sector engagement in Taiwan.
- **Encourage industrial and R&D cooperation:** The EU should foster joint R&D initiatives with Taiwan, particularly in green technology and digital innovation. Facilitating partnerships between European and Taiwanese research institutions could accelerate technological advancements beneficial to both economies.
- **Engage in diplomatic dialogue to promote peace and stability in the Taiwan Strait:** The EU should continue advocating for peaceful relations in the Taiwan Strait. Enhanced trade ties with Taiwan should be framed as an economic decision that benefits all parties and does not escalate tensions in the region.

4.3.4. The EU's approach to trading with China

By Diana Năsulea, William Hongsong Wang, Radu Nechita, and Christian Năsulea

In 2023, the trade in goods between the European Union (EU) and China amounted to approximately €739 billion, making China the EU's largest partner for imports and its third-largest for exports (European Commission, 2024a). However, this high-volume trade relationship has its challenges. While China is the main origin of imports to the EU and its third-largest export market, the relationship has transformed from one of strategic engagement to one clouded by apprehensions over competition, systemic asymmetries, and geopolitical tensions. When China joined the WTO in December 2001, it committed to opening its economy to foreign competition, reducing tariffs, and aligning with global trade standards (World Trade Organization 2024). However, over two decades later, China's selective implementation of these commitments has contributed to the systemic imbalances in its trade relationship with the EU. Restricted market access, opaque regulatory practices, and inconsistent enforcement of intellectual property rights (IPR) are some key issues that undermine the EU's ability to compete with Chinese firms on equal footing (European Union Chamber of Commerce in China 2023; Chen and Lin 2022).

Figure 9. Trade in goods (€, billions)

Source: European Commission (2024a).

In 2019, the EU labelled China a ‘partner, competitor, and systemic rival’ to recognise their relationship’s multidimensionality, while Beijing was enhancing its international economic reach (European Commission 2019). For instance, Beijing has deepened economic ties with countries like Iran, with which the EU has strained relations due to sanctions and disagreements over nuclear policy. Despite China’s commitments under the WTO framework, market access in sectors such as finance, telecommunications, and energy remains limited for European companies, which are compounded by joint venture requirements and ownership caps. These barriers restrict the operational autonomy of European firms, while Chinese firms benefit from substantial state subsidies and favourable policies under initiatives such as ‘Made in China 2025’ (OECD 2022b; Gao and Shaffer 2023). The 2022 Russian invasion of Ukraine further complicated matters, as China’s response to the scenario was to extend Russia’s economic lifelines rather than support the western sanctions. Alignment with Russia – as evidenced by China’s support of the BRICS initiatives and the personal relationship between Presidents Xi Jinping and Vladimir Putin – has caused the EU to consider the security risks of China’s political alignment with authoritarian regimes. The EU foreign policy chief, Kaja Kallas, has expressed support for a paradigm change vis-à-vis the EU–China relationship, asking for the perspective to shift from one of partnership to competition and further

recommending that EU security and values should be at the forefront of future engagement with China.⁵²

Additionally, China's non-transparent regulatory environment continues to disadvantage foreign businesses, particularly in strategic sectors such as digital technology. The lack of predictability and differential treatment for foreign firms, as evidenced by strict data localisation laws and inconsistent IPR enforcement, contravene the WTO principles. For example, many European firms report being pressured into technology transfers as a condition for market access – a practice that undermines trust and stifles innovation (United States Trade Representative 2023; European Chamber of Commerce in China 2022).

Structural trade imbalance and strategic dependencies

The trade deficit of the EU with China declined from €396 billion in 2022 to €292 billion in 2023 but was still indicative of an entrenched imbalance (European Commission, 2024a). The EU imported goods from China valued at €515.9 billion, mainly consisting of telecommunication equipment, electrical machinery, and electric vehicles (EVs). On the other hand, exports to China totalled €223.6 billion and mainly comprised motor vehicles, pharmaceuticals, and machinery industries (Figure 9; European Commission 2024a).

This deficit reflects the competitive advantages of China in this trade relationship, especially in the high-volume and high-tech manufacturing sectors. For instance, the European market is flooded with the more affordable Chinese EVs, which places pressure on the European manufacturers that operate without similar state support. The Commission then levied tariffs of as high as 35.3 per cent⁵³ on some Chinese EV models to level the playing field and protect the European industries, citing concerns about subsidised pricing practices. However, this decision has received criticism from countries such as Germany and Spain, which have expressed fears that this might harm its automakers and, ultimately,

52 'China won't like the sound of EU commissioner hearings. Here's why', *Politico*, 29 October 2024 (<https://www.politico.eu/article/eu-commission-braces-tougher-relationship-china-trade-kaja-kallas/>).

53 'EU adopts extra tariffs of up to 35.3% on Chinese EVs', *France24*, 29 October 2024 (<https://www.france24.com/en/live-news/20241029-eu-adopts-extra-tariffs-of-up-to-35-3-on-chinese-evs>).

consumers. This, in turn, could affect the overall trade with China, possibly culminating in a trade war. Industrial policies, particularly those supporting state-owned enterprises (SOEs), play a significant role in this distortion. SOEs, which are enterprises owned or heavily supported by the government, often benefit from subsidies, preferential financing, and other forms of state backing. These advantages allow them to compete aggressively in global markets, often undercutting foreign competitors and challenging European producers who operate in a more regulated and competitive environment.⁵⁴

Subsidies granted to Chinese firms under the ‘Made in China 2025’ programme – which promotes domestically produced goods in high-tech industries – have allowed Chinese firms to enter foreign markets at competitive prices. For instance, Chinese telecommunications and EV firms receive state support not available to European companies. This brings a deluge of underpriced goods into the EU markets, thereby decreasing competition. Moreover, China’s policies for high-tech sectors further strain the reciprocity of EU–China trade.⁵⁵ The European Union Chamber of Commerce in China has documented how EU businesses operating in China are confronted with regulatory barriers, forced technology transfers, and burdensome licensing requirements – indicating restricted access to Chinese markets as well as a systemic lack of fair competition (European Union Chamber of Commerce in China, 2023). These state regulatory practices signal the pursuit of ‘import substitution’ and self-sufficiency by China – another layer of distortion in the global trading environment.

Supply chain risks: Critical raw materials and the EU’s green transition

China’s dominance of critical raw materials – especially germanium and gallium – creates a very serious vulnerability for the EU given its renewable energy and technological goals: both metals are crucial for high-efficiency solar cells, fibre optics, semiconductors, and other key technologies at the heart of Europe’s green transition. The fact that China produces nearly 80 per cent of the world’s germanium and over 90 per cent of the world’s gallium underlines the risk of dependency

54 ‘EU greenlights tariffs for Chinese electric vehicles’, *Deutsche Welle*, 10 April 2024 (<https://www.dw.com/en/eu-greenlights-tariffs-for-chinese-electric-vehicles/a-70399689>).

55 ‘Is ‘Made in China 2025’ a threat to global trade?’ *Council on Foreign Relations*, 13 May 2019 (<https://www.cfr.org/backgrounder/made-china-2025-threat-global-trade>).

when EU technological and energy needs increase due to decarbonisation goals (Vandermeeren 2024).

Decoupling from China will not be cheap. According to the Kiel Institute for the World Economy, complete decoupling could reduce the EU's GDP by approximately €136 billion annually due to disrupted access to critical imports – a function of the economic weight carried by China's monopoly over such materials (Sandkamp 2024). This control makes it possible for China to influence prices and supplies, thus affecting the European industries dependent on such inputs for green technology and digital transition. To address these vulnerabilities, the EU should strengthen its alliances with key global partners such as the US, Japan, and ASEAN nations. These partnerships can play a vital role in creating a unified front against the challenges posed by China's state-led economic model. Coordinating strategies on supply chain diversification, critical raw materials, and technological innovation would help reduce dependence on China while enhancing shared security standards. For instance, the EU-US Trade and Technology Council has already begun aligning approaches to critical sectors like semiconductors and cybersecurity⁵⁶. Such collaborations not only enhance economic resilience but also promote a rules-based international trade system that counters China's non-transparent practices. Recent export restrictions by China on gallium and germanium in response to geopolitical tensions further underline the need for the EU to secure diverse and reliable alternative sources⁵⁷.

In response, the EU has taken steps – such as under the European Raw Materials Act – to identify and secure alternative supply chains for these critical raw materials. This Act pinpoints several strategic objectives for the diversification of critical materials, including germanium, gallium, and lithium – a few of the resources important for the EU's energy, automotive, and technology sectors (European Union, 2024b). Key elements of this strategy include partnering with Australia, Brazil, and Canada – countries rich in resources – to secure and diversify supply lines of these materials. However, trading critical minerals with these countries will be costlier and logistically challenging..

56 'US, EU to Deepen Cybersecurity and Supply Chain Cooperation', Transport Topics, accessed December 28, 2024 (<https://www.ttnews.com/articles/us-eu-cybersecurity>).

57 'China restricts exports of two metals that the EU considers of strategic importance', *Euronews*, 4 July 2023 (<https://www.euronews.com/my-europe/2023/07/04/china-restricts-exports-of-two-metals-that-the-eu-considers-of-strategic-importance>).

Digital security and cyber threats

The primary cyber threats vis-à-vis EU–China trade pertain to data security, intellectual property, and stability of infrastructures. In particular, Chinese companies in sensitive industries – such as telecommunications and cloud computing – may be compelled under Chinese national security laws to supply data at the request of government authorities. This is a risk of potential access by a government that imposes a threat to confidentiality, especially when sensitive information is transferred across borders. Moreover, China’s expertise in emergent technologies, including AI and 5G, calls for concern regarding intellectual property theft and manipulation of software or hardware used within the EU. These are significant vulnerabilities, considering the EU’s reliance on safe digital infrastructure to support energy, finance, and public services, which are critical sectors. These are risks that could point toward cyber espionage and competitive disadvantage if not supervised properly, undermining trust in cross-border digital trade.

The EU has consequently implemented embedding strict cybersecurity and data localisation standards in trade agreements as a way of minimising risks from Chinese companies with state affiliations. These will ensure that digital transactions comply with EU privacy standards and that no unauthorised access to sensitive data is made. Such requirements attach additional layers of regulation, which may discourage some companies from engaging in cross-border digital trade. At the same time, they may inadvertently increase compliance costs and, in the process, limit market competition and innovation within the EU’s digital economy. Some experts note that an ideal approach would involve focusing on transparent data handling and consumer choice to enable firms to compete on their practices of data security rather than laying down uniform yet strict requirements that could inhibit efficiency and competitiveness.⁵⁸ This would, in turn, enhance a competitive digital market without stern regulatory frameworks that would ultimately curb the benefits of digital trade openness.

A potential solution would be harmonising cybersecurity standards through international cooperation on standards. This would facilitate easier and cost-effective compliance by businesses on both ends. Instead of relying on one-sided cybersecurity standards, the EU could work more closely with international organisations to build common data security and privacy standards in collaboration with other digital economies around the globe,

58 ‘Cybersecurity and digital trade: Getting it right’, *Brookings*, 18 September 2019 (<https://www.brookings.edu/articles/cybersecurity-and-digital-trade-getting-it-right/>).

including China. Such collaborations would reduce trade friction and build an environment where security is a norm driven by market needs rather than a burden imposed by regulations. Additionally, investment in the research and development of adaptive cybersecurity measures – such as advanced encryption, decentralised ways of handling data, and innovative technologies for data privacy – will provide businesses with flexibility in meeting data protection needs while also enabling digital trade and ensuring open and vibrant competitive markets.

Policy recommendations

In light of the foregoing, managing EU–China trade vagaries to protect market principles and economic security, the following policy recommendations will cover the protection of intellectual property, supply chain resilience, and digital trade standards:

Building supply chain resilience and industrial autonomy

- **Diversifying critical raw material sources:** The EU relies on Chinese imports of materials such as lithium and rare earths, without which it will be difficult to develop green technologies. In this regard, the EU should prioritise signing trade agreements with countries such as Australia and the Mercosur nations. These alternative sources shall reduce strategic dependence upon China as a source of renewable energy materials.
- **Encourage regional production through European Chips and Raw Materials Acts:** The European Chips Act aims to develop high-tech manufacturing infrastructure in Europe, which will enhance the EU's autonomy. It is equally relevant that such factories receive material inputs from diversified sources. This does not have to be in the form of heavy subsidies for the creation of European factories and the relocation of manufacturing to Europe. Instead, private investments in chips and semiconductors should be incentivised through tax breaks and infrastructure.

Enhancing digital security and data localisation in trade agreements

- **Secure data trade frameworks:** The EU should ensure that trade agreements with China address high standards on data protection to decrease risks linked to data security. This would provide the highest level of protection for critical information while ensuring

all digital transactions conform to the EU's regulatory standards, thus enhancing digital autonomy

- **Cybersecurity protocols for open digital markets:** The inclusion of cybersecurity protocols in the agreements for digital trade between the EU and China will help establish secure digital channels that respect the standards of security and privacy while fostering a free digital market. This will minimise risks in sharing data with Chinese companies, especially those connected with the state.

Promoting multilateralism and strategic alliances

- **Deepening transatlantic and regional partnerships:** The EU should strengthen alliances with the US, Japan, and ASEAN to build a unified front against the challenges posed by China's state-led economic model. Working in close coordination with these allies will enhance shared security standards and strengthen economic resilience.
- **WTO-led reforms for fair trade:** The EU should be at the forefront of WTO efforts to demand stricter rules on subsidies and state interference, which are a general cause of distortion in world markets. Such reforms make the market more transparent and non-anti-competitive, as the rules used in international trade benefit all WTO members.

Fair trade based on WTO principles

- **Enhanced anti-subsidy measures:** The EU should intensify the use of anti-subsidy measures against Chinese products benefiting from state support. This would involve consistent monitoring and imposition of tariffs on products and/or sectors wherein state subsidies are evident.
- **International cooperation and WTO reform advocacy:** The EU should work with the US and other WTO members to strengthen rules on subsidies, market access, and transparency. A renewed push for WTO reform could help create a fairer trade environment.

4.4. Trade and green policy: Evaluating and revising the current framework

The intersection of trade and sustainable development has emerged as a critical agenda in the EU as it steadily moves towards aligning its economic policies with its ambitious climate objectives. In a world where the dynamics of global trade and green policy objectives are changing at an incredible pace, the EU is being stretched by the dual imperatives of fostering open markets as well as adhering to stringent environmental standards. This section reflects on the framework within which the EU currently integrates trade and green policies, focusing on the mechanisms used to balance these, sometimes, competing objectives. The section begins with an analysis of the pioneering approach taken by the carbon border adjustment mechanism, commonly known as CBAM, which seeks to reduce carbon leakage while protecting fair competition. It then proceeds to highlight the complexity of agricultural trade, where the EU's sustainability goals often run contrary to the grain of global competitiveness. Both these sections, taken together, illustrate the tightrope walk that the EU will have to perform in its efforts to move both its trade and environmental agendas forward in an increasingly complex world.

4.4.1. The carbon border adjustment mechanism

By Carlo Stagnaro

The carbon border adjustment mechanism (CBAM) is a tool introduced by the EU in 2023 to put a price on the carbon emitted during the production of goods produced abroad, in jurisdictions that do not have credible commitments and policies to achieve carbon neutrality.⁵⁹ Under the CBAM, importers must report the carbon footprint of goods entering the EU with regard to a) direct emissions – the so-called Scope 1; b) indirect emissions from the consumption of heat and energy – Scope 2; and c) other inputs or intermediate goods – Scope 3. Currently, the CBAM covers the following sectors: cement, iron and steel, aluminium, fertilisers, electricity, and hydrogen products.

The implementation of the CBAM is divided into two phases. In the transitional phase – 2023–2026 – importers must report the carbon content embedded in their imports. In the definitive regime – from 2026 onward – based on the reported emissions, importers will also have to pay an amount equivalent to, or indexed to, the cost of carbon allowances they would have had to surrender had the same emissions been produced within the EU. Starting from 2026, the EU will also phase out the free distribution of carbon allowances to energy-intensive, trade-exposed producers. This clause was introduced to prevent carbon leakage, i.e.:

the situation that may occur if, for reasons of costs related to climate policies, businesses were to transfer production to other countries with laxer emission constraints. This could lead to an increase in

⁵⁹ Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism.

their total emissions. The risk of carbon leakage may be higher in certain energy-intensive industries.⁶⁰

The CBAM attempts to mitigate the consequences of the asymmetric application of climate regulations and targets. While EU producers must account for the cost of carbon emissions, their foreign competitors do not necessarily have the same obligations or may be exposed to lower carbon prices. This acts as a competitive disadvantage for European producers. The CBAM is intended to level the playing field in the internal market, insofar as both European and foreign products are subject to the same costs for the emissions released in the production process.

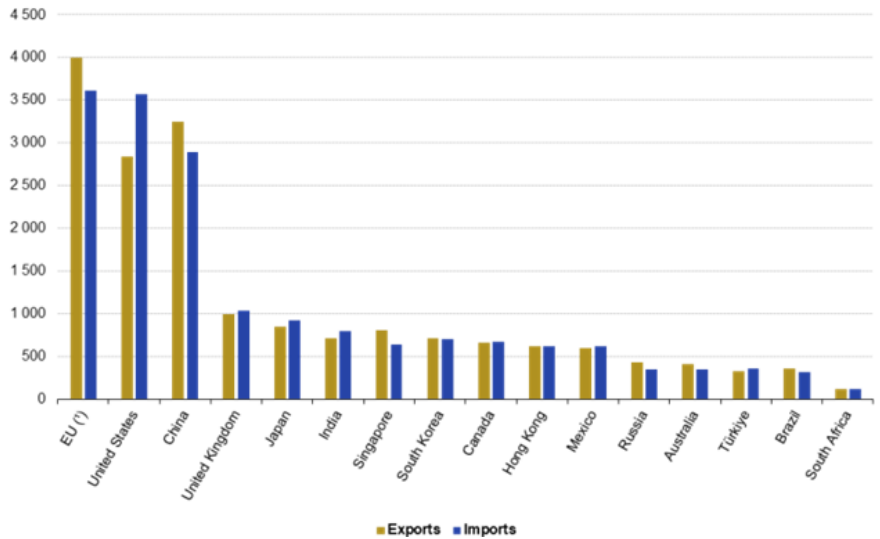
While the CBAM appears to be a perfect solution on paper, it has shortcomings when brought into practice. Despite the attempts to fix some of the most visible issues within the CBAM framework, at least three concerns remain to be addressed and possibly cannot be addressed:

- Importers are subject to high administrative costs to collect the required information from suppliers. Additionally, and more importantly, they may not be able to verify this information. For example, information about the generating mix underlying their electricity consumption. Nonetheless, it is the responsibility of importers to report these emissions.
- The CBAM applies to some intermediate goods, but it does not – and probably cannot due to administrative complexities – apply to final goods. This may create a perverse incentive to import finished goods, such as wind turbines, rather than their components, such as steel. This would result in no, or negative, effect on overall emissions but will be damaging to the European economy.
- The CBAM can at best level the playing field in the domestic market by imposing the same carbon costs on domestic and foreign importers. However, European manufacturers do not see their products in the domestic market alone: they compete with foreign companies in non-EU markets as well. The EU is an industrial powerhouse and the largest exporter of goods and services in the world (Figure 10). If free allowances are phased out as the CBAM enters into force, the cost of carbon allowances will be borne by European producers but not by their foreign competitors, putting them in a situation of competitive disadvantage. This may still fuel carbon leakage and result in higher

60 'Carbon leakage', *European Commission*, n.d. (https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets/free-allocation/carbon-leakage_en).

rather than lower carbon emissions since foreign producers that operate in less climate-friendly economies will gain market shares in the foreign markets at the expense of EU exporters.

Figure 10. Value of International trade in goods and services in select countries (2023, € billion)



Note: Ranked on the total value of exports and imports.
¹ Extra-EU trade.

Source: Eurostat (2024d).

For these reasons, the CBAM should be reviewed carefully during the transitional phase to reduce administrative costs, simplify the collection of information by the importers, and limit their liability for the information they cannot verify. Further, the CBAM should be reformed in a way that it does not incentivise the import of finished goods. Exporters should be shielded from the unintended consequences of the CBAM, for example, by allowing them to rebate the cost of carbon allowances related to the carbon embedded in exported goods. Given the complexity of the CBAM, a longer distribution period and free allowances to certain energy-intensive, trade-exposed sectors, such as steel, cement, aluminium, and fertilisers, should be considered.

4.4.2. Trade in agriculture

By Diana Năsulea, Christian Năsulea and Radu Nechita

Agriculture remains a strategically important sector in the EU, even though its direct contribution to GDP has declined over time. While the EU agricultural trade policy is primarily based on free market principles and open trade relations, its actual implementation faces considerable problems in view of increasing environmental requirements, import competition, and a complex geopolitical situation. Farmers in Europe have recently complained about their competitive position⁶¹, squeezed as it is by high regulatory standards at home and low ones elsewhere, which might begin to have implications both for trade agreements and sector resilience.

The structure of EU agricultural exports and imports

The EU is one of the world's largest exporters of agricultural goods (Guinea and Capuzzi, 2024). Underpinning this trade is a complex network supported by more than 24,000 agri-food businesses, 94% of which are SMEs (Eurostat 2024c). In 2023, EU agri-food exports totalled €228.6 billion, while imports stood at €158.6 billion, underlining its export capacity in such products as wine, dairy, and processed foods.⁶² European agricultural exports include high-value products such as dairy, wine, and processed foods, which showcase these sectors' competitive advantages in quality and brand reputation globally. However, agricultural imports

61 'French farmers protest EU-Mercosur deal that will increase South American imports', AP News, accessed December 28, 2024 (<https://apnews.com/article/france-farmers-protest-eu-mercosur-c3e28b8005655b3fedf2a4ed68529ea4>).

62 'EU agri-food trade achieved a record surplus in 2023', *European Commission*, 5 April 2024 (https://agriculture.ec.europa.eu/news/eu-agri-food-trade-achieved-record-surplus-2023-2024-04-05_en).

are crucial for supporting production, especially imports of essential commodities such as soybeans, oilseeds, and feed inputs, which allow European farmers to maintain cost-efficiency while specialising in higher-value production lines.

The Commission says the self-sufficiency rates of the EU are high for several of its agricultural products. For example, beef and poultry produced within the EU meet 102 per cent and 108 per cent of the internal demand, respectively, with the sector's output being robust (Guinea and Capuzzi, 2024). Nonetheless, imports of certain other commodities are crucial. For example, about a quarter of cereals, oilseeds, and protein crops that the EU consumes originate from countries that are not member states of the EU, such as soybean imports, which come into the EU duty free because of their critical feedstock role (European Commission 2023d).

Free trade agreements and competitive concerns

EU farmers have raised concerns regarding international competition facilitated by the EU's FTAs with countries such as Australia, New Zealand, the Mercosur nations, and others.⁶³ Farmers argue that the EU's stringent food production regulations, particularly concerning environmental sustainability, put them at a disadvantage compared with foreign competitors not subject to comparable standards. However, the Commission maintains that trade agreements offer significant benefits by granting EU products access to new markets and diversifying sources of essential imports, which can strengthen resilience in times of market disruption.

The EU–Mercosur Association Agreement exemplifies this trade-off.⁶⁴ The agreement includes tariff rate quotas for sensitive products such as beef and poultry, permitting limited imports at reduced tariffs without entirely liberalising the sectors. For example, the EU allows a 7.5 per cent tariff on imports of the first 54,000 tonnes of fresh beef from Mercosur, but any further imports face steep tariffs, which helps shield EU producers from potential market displacement (European Commission, 2024f). The provisional enforcement of the CETA between the EU and Canada since 2017 has

63 "'Sowing despair and misery": Farmer protests denounce EU's free trade agreements', *The Brussels Times*, 27 February 2024 (<https://www.brusselstimes.com/941763/farmers-protest-denounces-eus-free-trade-agreements>).

64 'Questions and answers on the EU-Mercosur partnership agreement **', *European Commission*, 6 December 2024 (https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercotur/eu-mercotur-agreement/agreement-explained_en).

favoured the increased trade between the two parties. Agri-food exports from the EU to Canada went up by 25 per cent in 2023, driven significantly by wine, cheese, and processed foods.⁶⁵ The EU-Japan EPA has been in force since 2019, lifting tariffs from a wide range of agri-food products and boosting EU exports of wine, pork, and dairy products to Japan (EU-Japan Centre n.d.). In 2022, the EU agri-food exports to Japan reached a value of €6.5 billion, up 20 per cent compared to 2018 (European Commission 2024e).

Ukraine war and agritrade

The Russian invasion of Ukraine has disrupted global agricultural trade massively and sent ripples throughout the EU's agricultural sector. Traditionally, Ukraine is one of the world's largest exporters of grains and oilseeds⁶⁶; however, estimates show that the war has reduced its production and export capacity⁶⁷. This has consequently driven up global commodity prices, negatively affecting the EU's imports as well as exports (Welsh and Glauber 2024).

In response to the blockade of the Ukrainian ports, the EU established the so-called 'solidarity lanes' to assist in the overland transportation of Ukrainian agricultural products into Europe. This, among other reasons, was to ensure that the Ukrainian economy would be stabilised and not exacerbate global food insecurity. The solidarity lines have supported a substantial inflow of Ukrainian agricultural products into the EU market. For instance, Ukraine's exports of corn seeds to the EU increased from \$22 million in 2021 to \$121 million in 2023, taking a 10 per cent share of the EU corn seed market today.⁶⁸

65 'All you need to know about CETA, the controversial EU-Canada trade agreement', *Le Monde*, 21 March 2024 (https://www.lemonde.fr/en/les-decodeurs/article/2024/03/21/all-you-need-to-know-about-ceta-the-controversial-eu-canada-trade-agreement_6639822_8.html?utm_source=chatgpt.com).

66 'The State of Agricultural Commodity Markets 2022', Food and Agriculture Organization of the United Nations (FAO), accessed December 28, 2024 (<https://openknowledge.fao.org/server/api/core/bitstreams/3d62caef-1749-404e-8217-6ac4783a135b/content>).

67 'Ukraine farm sector indirect losses may reach \$83 bln due to Russian invasion, analysts say', *Reuters*, 3 October 2024 (<https://www.reuters.com/markets/commodities/ukraine-farm-sector-indirect-losses-may-reach-83-bln-due-russian-invasion-2024-10-03/>).

68 'Ukrainian corn seed flows to Europe in further farm trade shift', *Reuters*, 24 October 2024 ([https://www.reuters.com/markets/commodities/ukrainian-corn-seed-flows-europe-further-farm-trade-shift-2024-10-24/#:~:text=PARIS%2FKYIV%2C%20Oct%2024%20,\(is%20unfair%20competition%20from%20Kyiv.\)](https://www.reuters.com/markets/commodities/ukrainian-corn-seed-flows-europe-further-farm-trade-shift-2024-10-24/#:~:text=PARIS%2FKYIV%2C%20Oct%2024%20,(is%20unfair%20competition%20from%20Kyiv.))).

At the same time, the presence of Ukrainian agricultural produce in the EU market has made for fierce competition for farmers in Europe. Ukrainian goods are always cheaper because of lower input costs – such as large farmlands and low labour costs – which means they can be sold at more competitive prices. This price gap has sparked protests from EU farmers, who claim the recent surge in cheap Ukrainian imports has taken away their market share and livelihood.⁶⁹ These protestations were enough for the EU to reinstate the tariffs on certain agricultural imports from Ukraine. For instance, in July 2024, tariffs were imposed on Ukrainian sugar, oats, and eggs to prevent EU farmers from being undercut by cheaper imports.⁷⁰

These measures are not intended merely for the protection of the agricultural sector within the EU but also beg the difficult balancing act of keeping the EU farmers competitive while supporting Ukraine during the war. Under less rigid regulatory conditions, Ukrainian farmers do not have to bear many of these costs and, hence, can offer their commodities relatively cheaply in the EU market. On the other hand, other requirements for EU farmers include being in line with the EU's Farm to Fork Strategy, which places environmental objectives over and above the traditional growth in agricultural production and, therefore, can slow down the growth of the EU's agricultural sector for the sake of longer-term environmental interests.

The Russian invasion of Ukraine has created significant disruptions in global fertilizer markets, initially leading to supply chain challenges and price volatility due to sanctions and trade restrictions on Russia, a major exporter of fertilizers. However, by 2024, Russian fertilizer exports to the European Union rebounded, increasing by 43% year-on-year to 3.3 million tons⁷¹. This influx was driven by rising production costs within the EU, prompting European buyers to seek cheaper alternatives. While these imports provided short-term relief for farmers facing high input costs, they have raised concerns within the EU fertilizer industry. Lower-priced Russian fertilizers have increased competition, undermining local production and

69 "“Flood” of cheap Russian fertiliser risks Europe's food security, industry says', *Financial Times*, 30 June 2024.

70 'EU reintroduces tariffs on Ukrainian eggs, oats and sugar', *Le Monde*, 4 July 2024 (https://www.lemonde.fr/en/economy/article/2024/07/04/eu-taxes-ukrainian-exports-of-eggs-oats-and-sugar_6676616_19.html).

71 'Russian fertilizer exports to EU jump 43% year-on-year', *The Moscow Times*, 9 October 2024 (<https://www.themoscowtimes.com/2024/10/09/russian-fertilizer-exports-to-eu-jump-43-year-on-year-a86633>).

potentially threatening the long-term sustainability of the sector. Additionally, the EU's reliance on Russian fertilizers poses strategic risks amidst ongoing geopolitical tensions, highlighting the delicate balance between immediate economic benefits and long-term vulnerabilities⁷².

Challenges from regulatory standards and environmental policies

The EU's commitment to high regulatory standards, especially on environmental sustainability and food safety, has deep implications for trade competitiveness. Farmers in Europe are subsequently compelled to go through tight controls with respect to pesticides, the welfare of animals, and greenhouse gas emissions. While such policies are indeed sound and in tune with the EU goals on sustainability, they jack up the cost of production and make EU products relatively more expensive than those from regions with less stringent standards. For example, sugar beet production in the EU will likely decrease over time due to impacts brought on by climate change and regulatory restrictions on various plant protection products (European Commission 2023c). Additionally, high production costs of climate-friendly energy, inflation, and labour are causing farmers to suffer. All these factors raise the unit cost of production, further complicating the situation with respect to competitiveness, especially among small-scale producers since their absorption capacity is limited.

The EU's Common Agricultural Policy (CAP) has undoubtedly been one of the leading forces for agricultural development and changes within its member states. While the CAP was designed to support farmers, ensure food availability, and improve environmental sustainability, it has received much criticism for the many adverse impacts it exerts on trade and competitiveness. The CAP's subsidy and tariff system has created trade distortion both for members and non-members of the EU. The subsidies accorded to EU farmers under this policy enable them to sell their products at prices below those needed to produce them, hence making it impossible for producers in other countries to compete.

72 'As Russia shifts from gas exports to fertilizers, it is time for the EU to act', *Euractiv*, 14 September 2024 (<https://www.euractiv.com/section/agriculture-food/opinion/as-russia-shifts-from-gas-exports-to-fertilizers-it-is-time-for-the-eu-to-act/>).

Such subsidies have widely been seen as undermining the principles of free trade⁷³ and leaving farmers in developing countries at a disadvantage. For instance, the Commission report on the performance of the CAP underlines how this policy has caused certain sectors to overproduce, leading to surplus exports that can suppress global prices and hurt farmers in other nations (European Commission 2024e). Usually referred to as 'dumping', this can disrupt global markets and become a source of dispute in international trade. Furthermore, the European Court of Auditors has pointed out that the CAP's subsidy system may distort both the EU's internal market and global trade, enabling EU farmers to sell products at prices below production costs, which disadvantages non-EU producers (European Court of Auditors, 2021).

Some would further argue that the CAP, in its emphasis on subsidies and not on innovation, is harmful to competitiveness within the EU. A study by Barral and Detang-Dessendre (2023) has shown that the policy emphasises direct payments, which demoralise farmers from adopting efficient and more innovative practices. Instead, farmers end up depending on subsidies rather than market growth.

Though the environmental regulations of the CAP aim to render farming more sustainable, broadly, they have increased compliance costs for EU farmers. Such policy measures inflate the cost of production and make agricultural commodities less competitive in the world market. The Commission's report on the performance of the CAP acknowledges that though environmental measures are highly essential, they can result in increased costs for farmers and may, therefore, hamper their competitiveness (European Commission 2024b).

The CAP has also been debated in the context of international trade relationships. The recent anti-dumping investigation into European dairy imports from China was considered an act of retaliation against the EU tariffs on electric vehicles originating from China. Such disputes create uncertainties and disruption to the markets for exporters from the EU.⁷⁴

73 'EU urged to overhaul €387bn farm subsidies regime', *Financial Times*, 5 October 2024 (<https://www.ft.com/content/967f6ed7-5690-408c-a840-8c3ec9a7c92c>).

74 'China hits back at EV tariffs with European dairy probe', *Financial Times*, 21 August 2024 (<https://www.ft.com/content/6848d459-2d70-4519-a4b8-3c0262b514db>).

While these measures contribute to long-term sustainability, they concurrently create short-term competitive pressures by making farmers adapt to new standards. In this respect, the EU's position of keeping high regulatory standards and simultaneously engaging in FTAs needs to be balanced so as to protect domestic agriculture while fostering trade.

Policy recommendations

The EU agricultural sector faces a unique set of challenges that demand targeted policy interventions to ensure its long-term sustainability and competitiveness. While the Common Agricultural Policy (CAP) has historically played a pivotal role in supporting farmers and ensuring food security, it has also introduced significant trade distortions and regulatory burdens. Combined with external pressures, such as international competition, climate change, and the geopolitical disruptions caused by events like the Ukraine war, these challenges have placed EU farmers at a disadvantage. To address these issues effectively, policy measures must balance environmental sustainability with economic competitiveness, fostering resilience and innovation within the sector.

- **Phase out subsidies gradually and shift to market-based pricing:** The EU must start phasing out direct subsidies offered under the CAP. Subsequently, the market mechanisms will encourage farmers to take more global market signals upon action, leading to competition. The support could be shifted to build resilience through insurance or risk management instruments instead of production subsidies so that EU farming can thrive on efficiency and productivity grounds rather than on subsidy.
- **Streamline environmental compliance requirements:** The EU FTAs yet to be negotiated should aim for reciprocity and reduction of tariffs rather than protectionist quotas or restrictions on sensitive products. Harmonisation of rules of origin and a reduction in non-tariff barriers for FTAs increase market opportunities for EU farmers and exporters. In this way, the EU will be allowing EU products to compete with foreign products on the basis of quality rather than subsidised price cuts. This would allow the EU to enhance its value-added products and brand names in world market positions.
- **Promote innovation and private investment in agricultural technology:** Facilitate private investment in agricultural technology and innovation by minimising regulatory barriers to emerging technologies.

Tax incentives will encourage private sector R&D in agri-tech, including precision farming and climate-smart practices, which will drive up productivity while driving down costs. Market-driven investments will raise competitiveness not just within the EU but also position EU agricultural products as premium produce in the global marketplace, where goods produced sustainably are becoming increasingly attractive to consumers.

- **Reduce regulatory costs through a ‘light touch’ environmental policy:** A less rigid, light-touch approach could ensure that the EU meets its environmental goals and does so without unduly burdening farmers. Reducing the administrative burden on farms or businesses working toward environmental compliance will enable farming businesses to be more productive. Furthermore, periodic reviews of regulations for currency- and cost-effectiveness will establish a more business-friendly environment in the EU, which will help balance sustainability with competitiveness. This would further attract private interest, reduce production costs, and render EU farmers more competitive globally.

References

- Acemoglu, D., and Robinson, J. A. (2012) *Why nations fail: The origins of power, prosperity, and poverty*. Crown Publishers.
- Archontas, G. and Saravakos, C. (2023) Economic freedom in EU periphery: Recent developments of disparities in economic freedom areas between center and periphery countries. *Region & Periphery* 15: 5–22.
- Barral, S. and Detang-Dessendre, C. (2023) Reforming the common agricultural policy (2023–2027): Multidisciplinary views. *Review of Agricultural, Food and Environmental Studies* 104(1): 47–50.
- Bauer, M. and Pandya, D. (2024) EU autonomy, the Brussels effect, and the rise of global economic protectionism. Occasional paper 1/2024. Brussels: European Centre for International Political Economy.
- Boudreaux, D. J. (2018) Free trade and how it enriches us. *Institute of Economic Affairs Discussion Paper*, Issue 94.
- Bradford, A. (2020) *The Brussels Effect*. New York: Oxford University Press.
- Camps, J. V. and Saz-Carranza, A. (2023) The European Chips Act: Europe's quest for semiconductor autonomy. *IESE Insight* 159: 45–57.
- Carrapico, H., & Farrand, B. (2024). *Cybersecurity Trends in the European Union: Regulatory Mercantilism and the Digitalisation of Geopolitics*. *Journal of Common Market Studies*, 1–12. Advance online publication. <https://doi.org/10.1111/jcms.13654>

Chen, L. and Lin, Y. (2022) Market access barriers in China's financial sector. *Journal of International Trade Studies* 56(3): 98–115.

Chung, T. and Wang, L. (2023) The role of Taiwan in the global semiconductor supply chain. *Journal of Global Technology Studies* 34(1): 45–62.

CropLife Europe (2021) Position paper on the approval of genetically modified crops in the EU. Position paper POS/21/PQ/34045. Brussels: CropLife Europe.

CSIS, 2021, Implications of the Digital Markets Act for Transatlantic Cooperation, (https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/210915_Broadbent_Implications_DMA.pdf?VersionId=xiVAF5jjSEdwakIvtNE3v2dSWIVdIUTG)

Demirer, M., Hernández, D. J., Li, D., and Peng, S. (2024) Data, privacy laws and firm production: Evidence from the GDPR. *National Bureau of Economic Research*: w32146.

Department of Enterprise, Trade and Employment (n.d.) Free trade agreements (<https://enterprise.gov.ie/en/what-we-do/trade-investment/free-trade-agreements/>).

EU-Japan Centre (n.d.) About the EU-Japan EPA. *EU-Japan Centre*. <https://www.eu-japan.eu/eubusinessinjapan/procedures/economic-partnership-agreement/about-eu-japan-epa>

European Chamber of Commerce in China (2022) European business in China position paper 2022/2023. Beijing: European Chamber of Commerce in China.

European Commission (2019) *EU-China – A strategic outlook*. Strasbourg: European Commission (<https://commission.europa.eu/system/files/2019-03/communication-eu-china-a-strategic-outlook.pdf>).

European Commission (2023a) *European Innovation Scoreboard 2023*. Brussels: European Commission (https://research-and-innovation.ec.europa.eu/knowledge-publications-tools-and-data/publications/all-publications/european-innovation-scoreboard-2023_en) .

European Commission (2023b) Commission Implementing Decision EU 2023/1795 of 10 July 2023 pursuant to Regulation (EU) 2016/679 of the European Parliament and of the Council on the adequate level of protection of personal data under the EU-US Data Privacy Framework (notified under document C(2023)4745). Brussels: European Commission (https://eur-lex.europa.eu/eli/dec_impl/2023/1795/oj) .

European Commission (2023c) *EU agricultural outlook 2023-2035*. Brussels: European Commission (https://agriculture.ec.europa.eu/system/files/2024-01/agricultural-outlook-2023-report_en_0.pdf).

European Commission (2023d). *Assessment of the European agricultural sector: Autumn 2023*. Retrieved December 28, 2024, from https://agriculture.ec.europa.eu/system/files/2023-11/efscm-assessment-autumn-2023_en.pdf

European Commission (2023e). *Strategic foresight report 2023: Sustaining Europe's global leadership*. Retrieved December 28, 2024, from https://commission.europa.eu/document/download/ca1c61b7-e413-4877-970b-8ef619fc6b6c_en?filename=SFR-23-beautified-version_en_0.pdf

European Commission (2024a) China. EU trade relations with China. Facts, figures and latest developments. (https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/china_en).

European Commission (2024b) Common Agricultural Policy – Performance (https://commission.europa.eu/strategy-and-policy/eu-budget/performance-and-reporting/programme-performance-statements/common-agricultural-policy-performance_en).

European Commission (2024c) *Entrepreneurship and small and medium-sized enterprises (SMEs)*. Brussels: European Commission (https://single-market-economy.ec.europa.eu/smes_en) .

European Commission (2024d) European Chips Act (https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-fit-digital-age/european-chips-act_en).

European Commission (2024e) Agri-Food Trade Statistical Factsheet. Brussels: European Commission (https://agriculture.ec.europa.eu/system/files/2023-05/agrifood-extra-eu27_en.pdf).

European Commission (2024f) *EU-Mercosur partnership agreement: Opening opportunities for European farmers*. (https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercotur/eu-mercotur-agreement/factsheet-eu-mercotur-partnership-agreement-opening-opportunities-european-farmers_en)

European Commission (2024g) *Better regulation: Why and how the European Commission plans and proposes law*. (https://commission.europa.eu/law/law-making-process/planning-and-proposing-law/better-regulation_en)

European Council (2017) Comprehensive Economic and Trade Agreement (CETA) between Canada, of the one part, and the European Union and its Member States, of the other part (<https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2016017>).

European Court of Auditors (2021) *Common Agricultural Policy and Climate*. Luxembourg: European Court of Auditors (https://www.eca.europa.eu/Lists/ECADocuments/SR21_16/SR_CAP-and-ClimatE_EN.pdf)

European Parliament. (2023). *European Parliament resolution of 13 December 2023 on EU-Taiwan trade and investment relations (2023/2829(RSP))*. (https://www.europarl.europa.eu/doceo/document/TA-9-2023-0472_EN.html)

European Union (2022a) *Regulation (EU) 2022/1925 of the European Parliament and of the Council of 14 September 2022 on contestable and fair markets in the digital sector (Digital Markets Act)*. Official Journal of the European Union, L 265, 1–66. (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022R1925>)

European Union (2022b). *Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union (NIS2 Directive)*. Official Journal of the European Union, L 333, 80–119 (<https://eur-lex.europa.eu/eli/dir/2022/2555/oj>)

European Union (2024a). *Consolidated version of the Treaty on the Functioning of the European Union (TFEU)* (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02016M%2FTXT-20240901>)

European Union (2024b) Regulation (EU) 2024/1252 of the European Parliament and of the Council of 11 April 2024 establishing a framework for ensuring a secure and sustainable supply of critical raw materials and amending Regulations (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1724 and (EU) 2019/1020 (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202401252)

European Union Chamber of Commerce in China (2023) *European Chamber calls for urgent action to restore business confidence*. (https://www.europeanchamber.com.cn/en/press-releases/3560/european_chamber_calls_for_urgent_action_to_restore_business_confidence)

Eurostat (2024a) EU direct investment positions, flows and income, by countries (BPM6) (https://ec.europa.eu/eurostat/databrowser/view/bop_fdi6_geo/default/table).

Eurostat (2024b) GDP and main components (output, expenditure and income) (https://ec.europa.eu/eurostat/databrowser/view/nama_10_gdp/default/table?lang=en).

Eurostat (2024c) Trade by NACE Rev. 2 activity and enterprise size class (https://ec.europa.eu/eurostat/databrowser/view/ext_tec01/default/table?lang=en).

Eurostat (2024d) World trade in goods and services - an overview (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=World_trade_in_goods_and_services_-_an_overview).

Eurostat (2024e) EU direct investment positions, flows and income, by countries (BPM6) (https://doi.org/10.2908/BOP_FDI6_GEO)

Frey, C. B. and Presidente, G. (2024) Privacy regulation and firm performance: Estimating the GDPR effect globally. *Economic Inquiry* 62(3): 1074–89.

Gao, H. and Shaffer, G. (2023) WTO compliance and non-compliance: China's intellectual property law. *Law and Global Economy Journal* 15(2): 200–18.

Geradin, D., Karanikioti, T., and Katsifis, D. (2021) GDPR Myopia: How a well-intended regulation ended up favouring large online platforms - the case of ad tech. *European Competition Journal* 17(1): 47–92.

- Gheyle, N. (2022) Evading vetoes: Exiting the politicized decision trap in EU trade policy. *Journal of Common Market Studies* 60(6): 1724.
- Guinea, O., & Capuzzi, B. (2024). *Grumbling in the fields: EU agriculture and trade*. European Centre for International Political Economy. Retrieved December 28, 2024, from <https://ecipe.org/blog/grumbling-in-the-fields-eu-agriculture-and-trade/>
- Gwartney, J., Lawson, R., and Murphy, R. (2024) *Economic Freedom of the World: 2024 Annual Report*. Toronto: Fraser Institute.
- Hammond, A., Gómez Hernández, A., Hewson, V., Kamall, S., O'Mullony, A., Saravakos, C., Stagnaro, C., & Turillazzi, A. (2021). *Raising Barriers: Transforming attitudes to trade in Southern Europe*. Brussels: EPICENTER.
- Härting, R.C., Kaim, R., Klamm, N., Kroneberg, J. (2021). Impacts of the New General Data Protection Regulation for Small- and Medium-Sized Enterprises. In: Yang, X.S., Sherratt, R.S., Dey, N., Joshi, A. (eds) Proceedings of Fifth International Congress on Information and Communication Technology. ICICT 2020. Advances in Intelligent Systems and Computing, vol 1183. Springer, Singapore. https://doi.org/10.1007/978-981-15-5856-6_23
- Hjerpe, K., Ruohonen, J., & Leppänen, V. (2019). *A survey on GDPR compliance: The case of software development*. Proceedings of the 27th International Requirements Engineering Conference, 232–243. <https://doi.org/10.1109/RE.2019.00036>
- Huang, Y. C. and Chen, C.T.(2023) Institutional pressure, firm's green resources and green product innovation: evidence from Taiwan's electrical and electronics sector, *European Journal of Innovation Management*, 26(3), pp. 636-664 (<https://doi.org/10.1108/EJIM-04-2021-0217>).
- Lo, P. and Chang, S. (2023) EU-Taiwan trade relations amidst rising geopolitical tensions. *International Relations Quarterly* 18(4): 201–18.
- Meddin, E. (2020) The cost of ensuring privacy. *American University International Law Review* 35(4): 997–1036.
- Meyers, Z. (2024) *Better regulation in Europe*. London: Centre for European Reform.

- Mises, L. (2010) Germany's Rubicon. In *Omnipotent Government: The Rise of the Total State and Total War*. New Haven: Yale University Press.
- Monsees, L. (2024). The paradox of semiconductors—EU governance between sovereignty and interdependence. *Cambridge Review of International Affairs*, 1–19. <https://doi.org/10.1080/09557571.2024.2405915>
- Monteleone, S. and Puccio, L. (2018) *The privacy shield: Update on the state of play of the EU-US data transfer rules*. Brussels: Think Tank.
- Naef, T. (2023) *Data Protection without Data Protectionism* (Vol. 28). New York: Springer International Publishing.
- Næss-Schmidt, S., Basalisco, B., Rølmer, S., Poulsen, K., Hansen, M. M., Münier, L. L., Virtanen, L., Lutz, J., and Bech, S. (2021). *The implications of the DMA for external trade and EU firms*. Copenhagen: Copenhagen Economics.
- OECD (2022a) *Better Regulation Practices across the European Union 2022*. Paris: OECD.
- OECD (2022b), *OECD Economic Surveys: China 2022*, OECD Publishing, Paris, <https://doi.org/10.1787/b0e499cf-en>.
- Olson, M. (1965). *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge: Harvard University Press.
- Pwc (2017) The Long View. How will the global economic order change by 2050? (<https://www.pwc.com/gx/en/world-2050/assets/pwc-the-world-in-2050-full-report-feb-2017.pdf>)
- Rickard, S. J. (2015) Compensating the losers: An examination of congressional votes on trade adjustment assistance. *International Interactions*, 41(1), pp. 46–60. DOI: 10.1080/03050629.2015.954697.
- Sandkamp, A. (2024) *EU-China Trade Relations: Where Do We Stand, Where Should We Go?* Kiel: Kiel Institute for the World Economy.

Schizas, E., Vidali, M., and Saravakos, C. (2020) Does accession process to European Union lead to more economic freedom? Empirical evidence on the EU enlargement between 2000 and 2017. In Saravakos, C. (ed.), *EU Accession and Economic Freedom: An empirical analysis of the effect of EU membership and its antecedents on economic freedom*. Athens: European Liberal Forum (ELF) and Center for Liberal Studies (KEFIM).

Statista (2024a) *Intra-EU International Trade. Statistics report about Intra-European Union International Trade.* (<https://www.statista.com/study/134556/intra-eu-international-trade/>)

Statista (2024b) Semiconductor market revenue share based on company headquarters worldwide from 2018 to 2022 (<https://www.statista.com/statistics/510374/worldwide-semiconductor-market-share-by-region/>).

United States Trade Representative (2023) *2023 Report to Congress on China's WTO Compliance*. Washington DC: United States Trade Representative.

United States Trade Representative (2024) *2024 National Trade Estimate Report on Foreign Trade Barriers*. Washington DC: United States Trade Representative.

Vandermeeren, F. (2024) Understanding EU-China economic exposure. Brussels: European Commission.

Welsh, C. and Glauber, J. (2024). *Food as the "Silent Weapon": Russia's Gains and Ukraine's Losses*. Washington DC: Center for Strategic & International Studies.

World Bank. (2022). *World Development Report 2023: Trade and Tensions in a Fragmented World*. Retrieved from <https://documents1.worldbank.org>

World Health Organization (2023) *Taiwan's Contributions to Global Health: A Case for Inclusion*. WHO Publications.

World Trade Organization (2024) *Trade Policy Review: China*. Geneva: World Trade Organization.

Legal acts

Treaty on the European Union (C 202/1).

Treaty on the Functioning of the European Union (C 202/1).

Regulation (EU) 2024/1392 of the European Parliament and of the Council of 14 May 2024 on temporary trade liberalisation measures supplementing trade concessions applicable to Ukrainian products under the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Ukraine, of the other part.

