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Geostrategy

What's at Stake in the EU Elections: Trade and Investment

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EU Election Series: The European Parliament elections in 2024 will shape the EU's political direction over the next five years and, therefore, constitute a defining moment. In this series, GMF experts discuss the impact the elections will have on EU policy in key areas, consider what can—and should—be done before the elections, and outline potential post-election scenarios. This piece looks at the trade and investment issues at stake.

Trade policy goes to the heart of the EU, which was founded on the belief that economic integration would prevent war from recurring on the European continent. Today, this ethos is under strain. The results of this year's European elections will indicate whether trade and economic integration are beginning to poison the European body politic rather than strengthen it.

This matters. The EU is the world's largest importer and exporter of goods and services, and it hosts and provides immense sums of foreign direct investment (including some \$2.5 trillion to the United States). This economic engagement long brought wealth and welfare to European consumers and workers, but the model has sputtered since the financial collapse of 2008. Relatively stronger growth in the United States and China underscored Europe's perceived weakness, which has been exacerbated by high energy costs stemming from the EU's ambitious climate policies and the disruption in oil and gas trade with Russia following its invasion of Ukraine.

The political strains in Europe of trade and economic integration have been growing steadily. They were hidden during the previous Commission by the tumult surrounding the failed US-EU free trade ("TTIP") negotiations and the noise of then-President Donald Trump's trade wars, including over European steel and auto exports. But that sensitized European politicians, who now focus more on the need to "protect" Europe's economy and workers from external threats, including growing Chinese competition and a US trade agenda that even under President Joe Biden emphasizes national security and domestic industry. The EU's inability to conclude trade agreements with Australia and Mercosur, the protests against agricultural imports from Ukraine, the emphasis on EU "strategic autonomy" and "economic security", the burgeoning use of antidumping and antisubsidy measures (including now against Chinese electric vehicles), and the levying of an "adjustment" fee on carbon-intensive imports from countries that are not doing as much as the EU to curb greenhouse gas emissions all underscore a defensiveness in trade policy.

Before June 2024: A Global Agenda

For the EU the main challenge going forward will be to ensure European citizens understand that trade and economic integration are truly fundamental to the bloc. Brussels also needs to respond to developments in the United States and China, where the historic focus on strengthening a multilateral trading system is waning. Among other things, the EU will need to work with countries such as Japan and Mexico to find ways to strengthen the rules-based multilateral trading order, including by finding ways to maintain the capabilities and relevance of the World Trade Organization (WTO).

To accomplish this, the EU needs to:

- **Rebuild consensus at home.** An overly defensive posture on trade plays into the hands of member-state politicians who emphasize national “sovereignty” over European integration. Having adopted new instruments to “protect” European workers, leaders must now reemphasize the benefits of openness to trade as a lever to promote European standards on labor and the environment overseas, and to promote growth in countries where the lack of opportunity spurs migration to Europe. An offensive strategy to push for lowering barriers to EU exports, especially in Mercosur, can also be stressed.
- **Press for WTO Reform** Itself a creation of international law, the EU supports the rules-based system that the WTO embodies. A perception in Washington that the WTO Appellate Body overstepped its bounds in constraining US antidumping practices led successive administrations to block appointments to that court, rendering it inoperable and thereby neutering the WTO. At the October 2023 US-EU summit, the two sides agreed to “work towards substantial WTO reform” before the organization’s February 2024 ministerial conference. The EU must urgently use this opening to promote real reforms. The window for reviving the WTO will close if Trump is reelected in November.
- **Establish a coalition to nudge Washington and Beijing:** The rule of law constrains the strongest, who might otherwise prefer that “might make right”. China’s subsidies and overcapacity, caused by its dependence on exports, distorts the global economy while the Biden administration’s retention of most Trump trade practices also harms the trading system. The EU cannot itself change the two, but it can use the goodwill its openness to trade generates and its efforts to reform the WTO to start building a coalition of countries that could have the weight to press Beijing and Washington to play more by the rules.

Scenarios and Risks: What Happens After the Elections?

EU and member-state elections this year may well see a splintering of the traditional European consensus on trade. That could lead to policy moves favored by those who promote national sovereignty and controls, even on intra-EU trade, and those who want barriers to foreign products not made according to European labor, environmental, and climate standards. This closing to trade could well be exacerbated should Trump return to the White House in November as EU policy could quickly be consumed by efforts to defend Europe from American tariffs and other challenges. A more affirmative EU trade policy, for which Europe’s citizens see the bloc use its openness to build international alliances in support of European interests, would rebuild support for trade and promote EU global leadership and stature.

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About the Author

Peter Chase joined GMF's Brussels office in September 2010 as a non-resident fellow and became a resident senior fellow in May 2016. His work focuses on the transatlantic economy with particular attention to trade and investment, digital and energy policies, and the EU's economic relations with third countries.

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