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Briefing on EU's TPR: Evidence from the Global Trade Alert

Friends of Multilateralism Group

30 May 2023



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Simon J. Evenett, Professor of International Trade &
Economic Development and Founder
30 May 2023

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This presentation will be in two parts

1. Key EU-wide legislative measures since the last TPR.
2. Scaling the significant developments in EU commercial policy since the last TPR.
3. The EU's stake in the World Trading System.
4. Questions raised by the evidence presented here.



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Significant EU-wide legislative developments

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How the EU characterises its commercial policy at present

- February 2021 Communication heralds an “open, sustainable, and assertive EU trade policy.”
- Key quote: “Reflecting the concept of open strategic autonomy, it builds on the EU's openness to contribute to the economic recovery through support for the green and digital transformations, as well as a renewed focus on strengthening multilateralism and reforming global trade rules to ensure that they are fair and sustainable. Where necessary, the EU will take a more assertive stance in defending its interests and values, including through new tools.”
- Internal transformations as response to changing external climate emphasised.

Words counts reveal much about differences between 2015 and 2021 EC communications on trade policy—as does sequence of material

Term(s) mentioned	Number of mentions in 2015 communication	Number of mentions in 2021 communication
Open or openness or related words	23	39
Enforcement	11	23
Sustainable	31	58
Digital	19	44
Resilience or resilient	0	24
Autonomy	1	10
China	14	11

Note: both documents are of comparable length.

Major EU policy initiatives with potential implications for trading partners



- COVID-19-related amendments to State Aid rules (various “temporary” frameworks).
- NextGenerationEU fund (series of COVID-19 recovery funds issued from June 2021).
- Net Zero Industry Act (March 2023 legislative proposal).
- Foreign Subsidies Regulation (entered into force on 12 January 2023).
- 11 sanctions packages on Russia (and to a lesser extent Belarus) plus REPowerEU fund.
- Directive on Corporate Sustainability Due Diligence (February 2022 proposal).
- Deforestation Free Regulation (December 2022 regulation; likely comes into force in 2025).
- CBAM (April 2023 regulation).
- Digital Services Act (December 2020).
- Digital Market Act (September 2022).

And plenty of proposals in the works:
Economic Security Paper, AI legislation etc



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Scaling EU Commercial Policy Developments

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Coverage of current EU commercial policy stance in the Global Trade Alert database



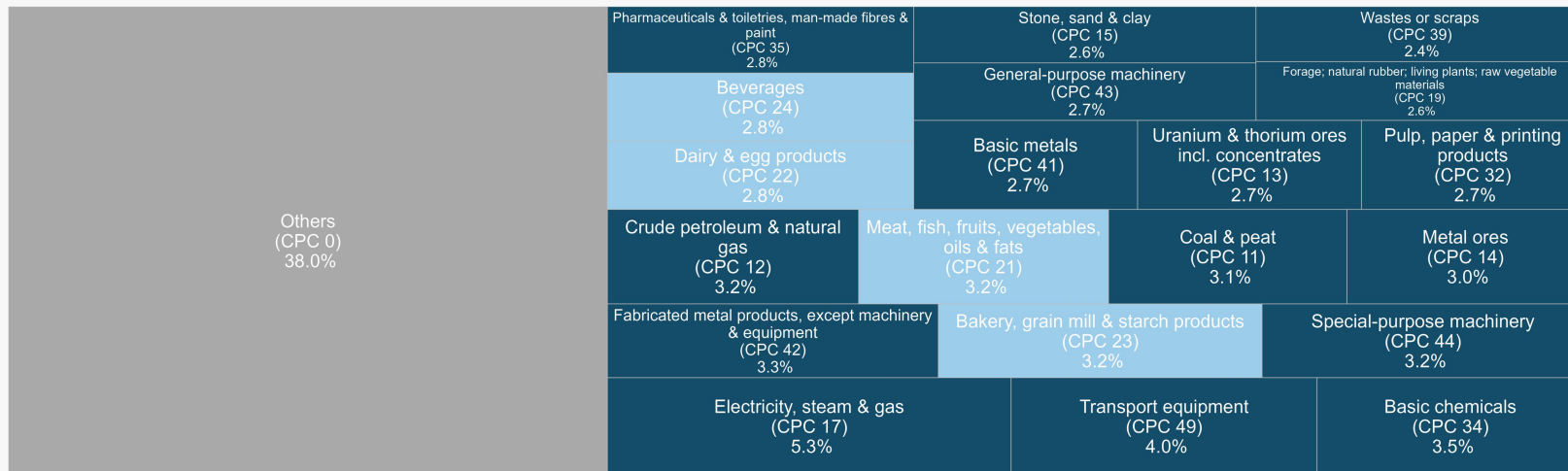
Metric	Last TPR (18.02.2020)	Now (25.04.2023)
Total number of policy interventions by the EU that harm the commercial interests of trading partners	5169	7726
Total number of commercial policy reforms by the EU	239	288
Total number of policy interventions by trading partners that harm the commercial interests of the EU	2775	3451
Total number of foreign commercial policy reforms likely to benefit the EU	495	673

Note: On April 25th 2023, the GTA database contained 8014 (=7726+288) reports on measures taken by EU that are currently in force. **Only 59 (less than 0.7%) such reports are based on non-official sources.**

62.0% of the EU's harmful measures are concentrated in 20 sectors

Most frequently affected sectors

Top 20 CPC 2-digit Sectors

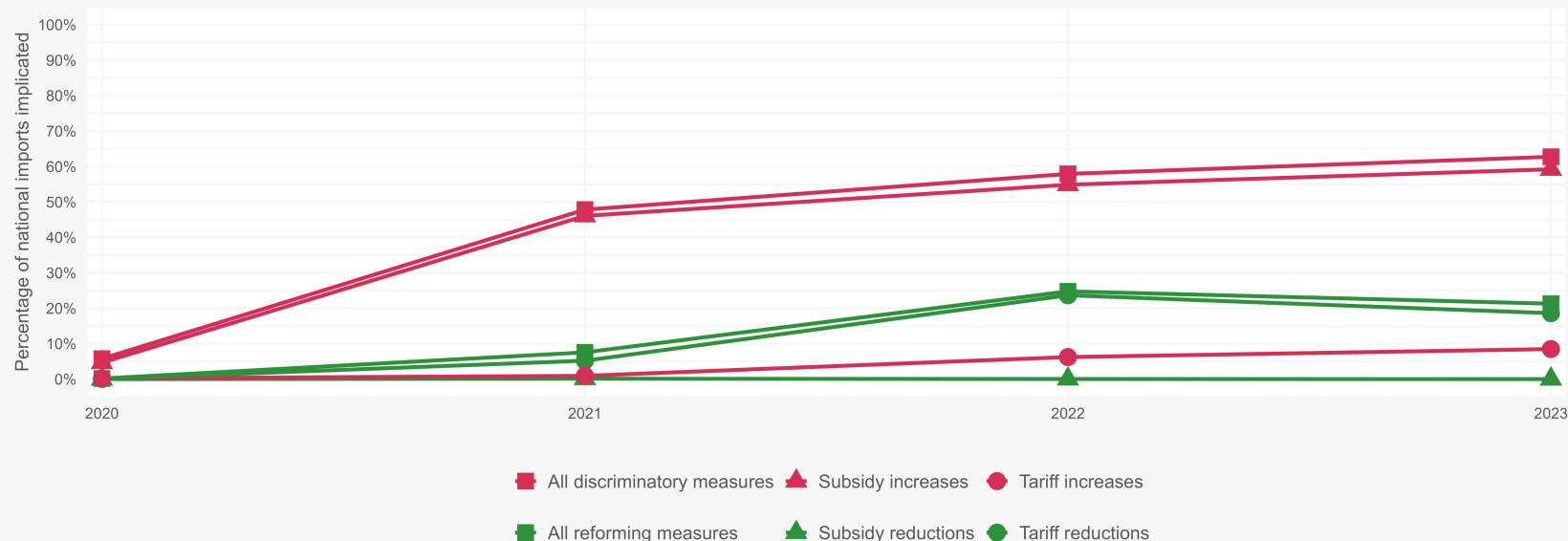


Food Manufacturing Others

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Goods market access changes since the last TPR: scale of harmful measures > reforms

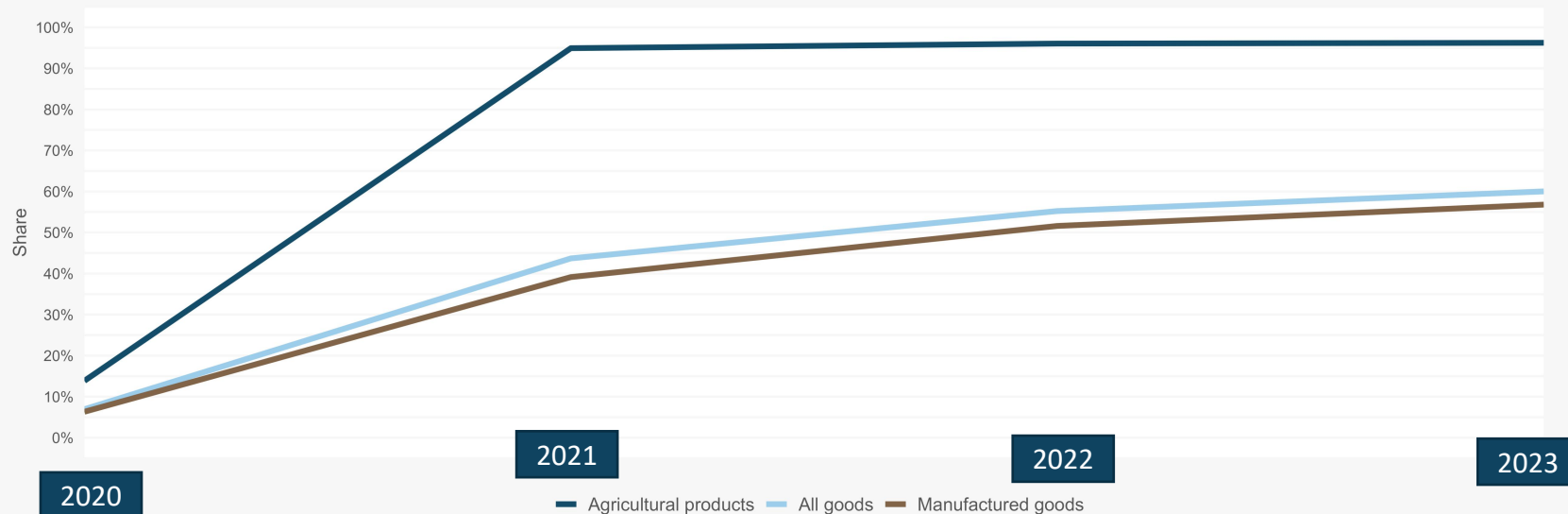
Major trade policy changes since last TPR - EU



Global Trade Alert (2023)

Greater agricultural import exposure to harmful EU policy intervention

Share of extra-EU imports covered by harmful measures since last TPR



Global Trade Alert (2023)

How the EU characterises its subsidy regime: strong state aid control focus on COVID & environment/climate

Figure 2: Total State Aid expenditure by Member State, as % of 2021 national GDP, breakdown between COVID-19 and other State aid measures

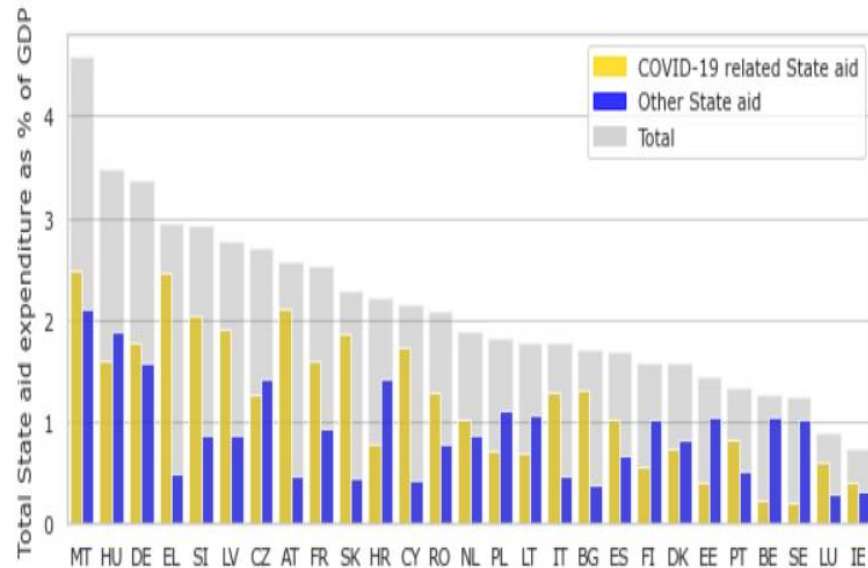
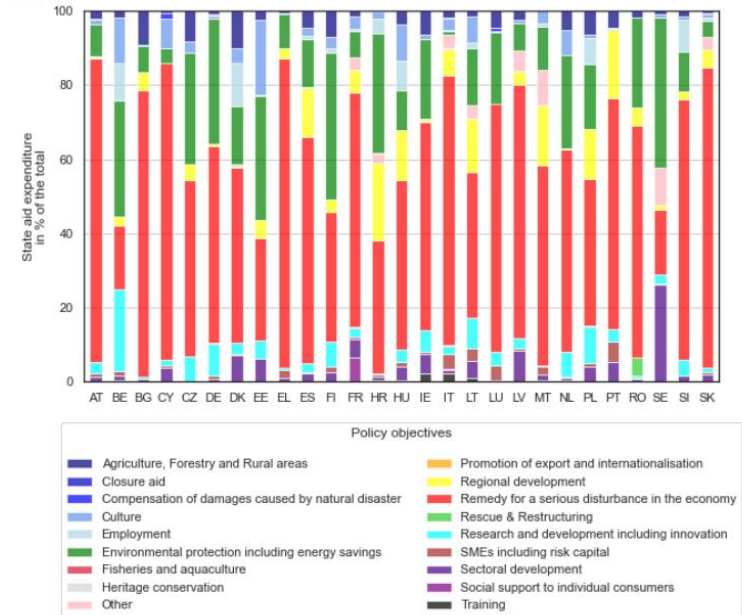


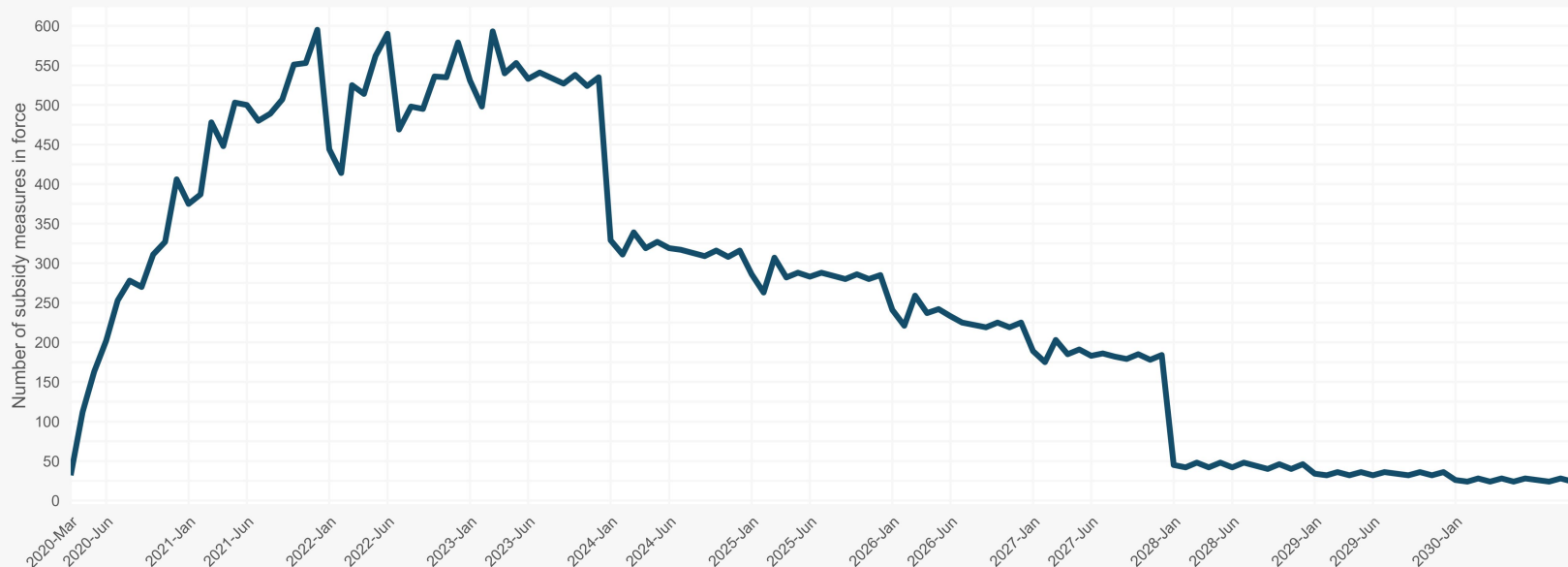
Figure 10: Total State Aid expenditure by Member State, by policy objective, in percentage of the total.



Source: European Commission, *State Aid Scorecard 2022*, April 2023

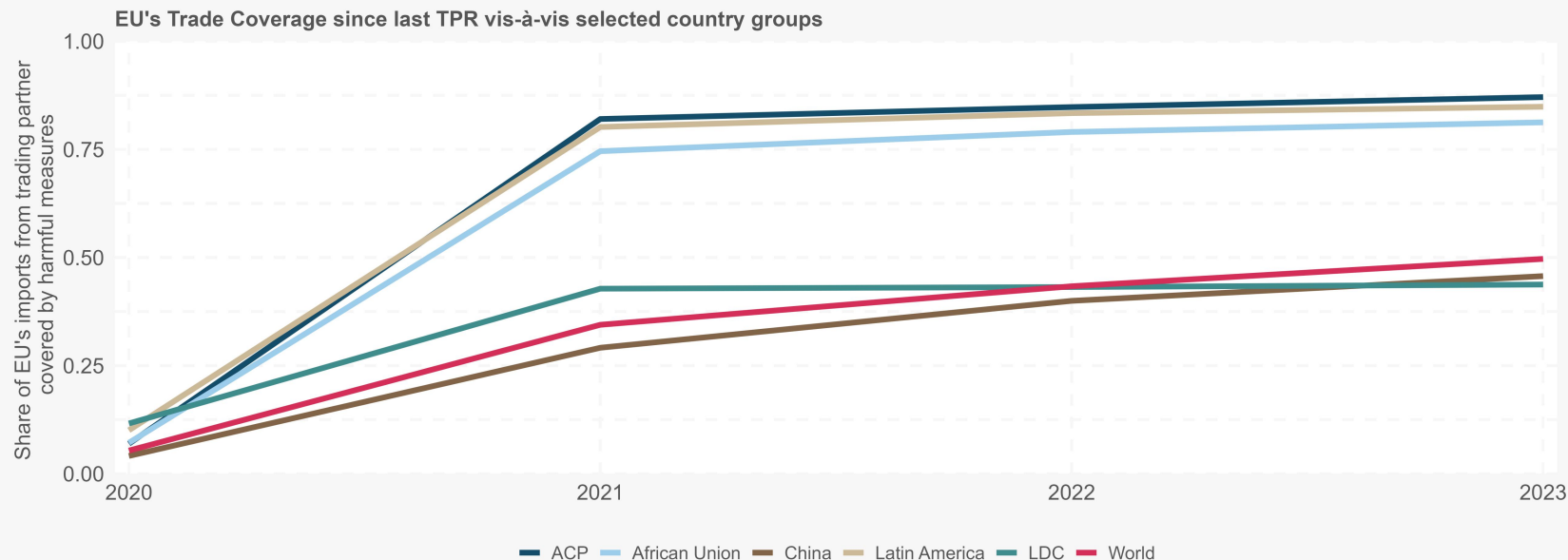
Most crisis-era subsidies begin fading out in 2024, but could be renewed

EU Subsidies in effect and issued since 01.01.2020, by month



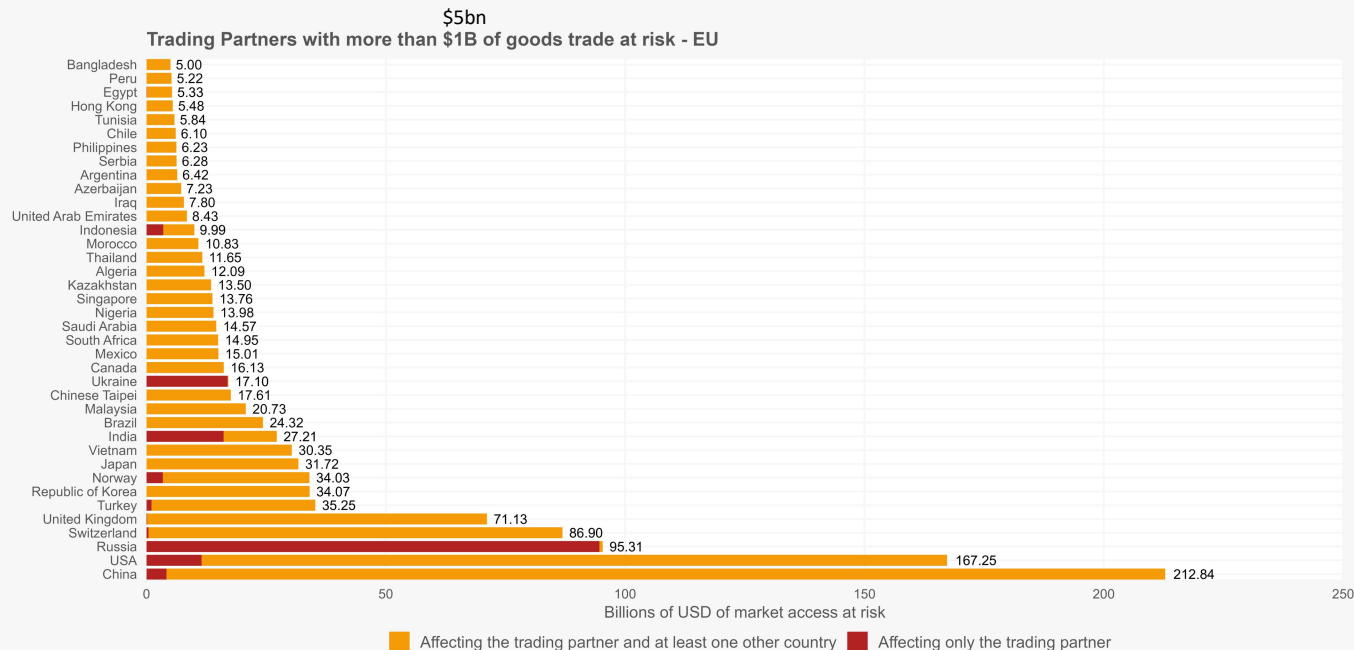
Statistics relate to subsidy interventions with announced phase out dates. Assumes phase out occurs on schedule.

Since its last TPR EU harmful measures cover Chinese and LDC exports the least



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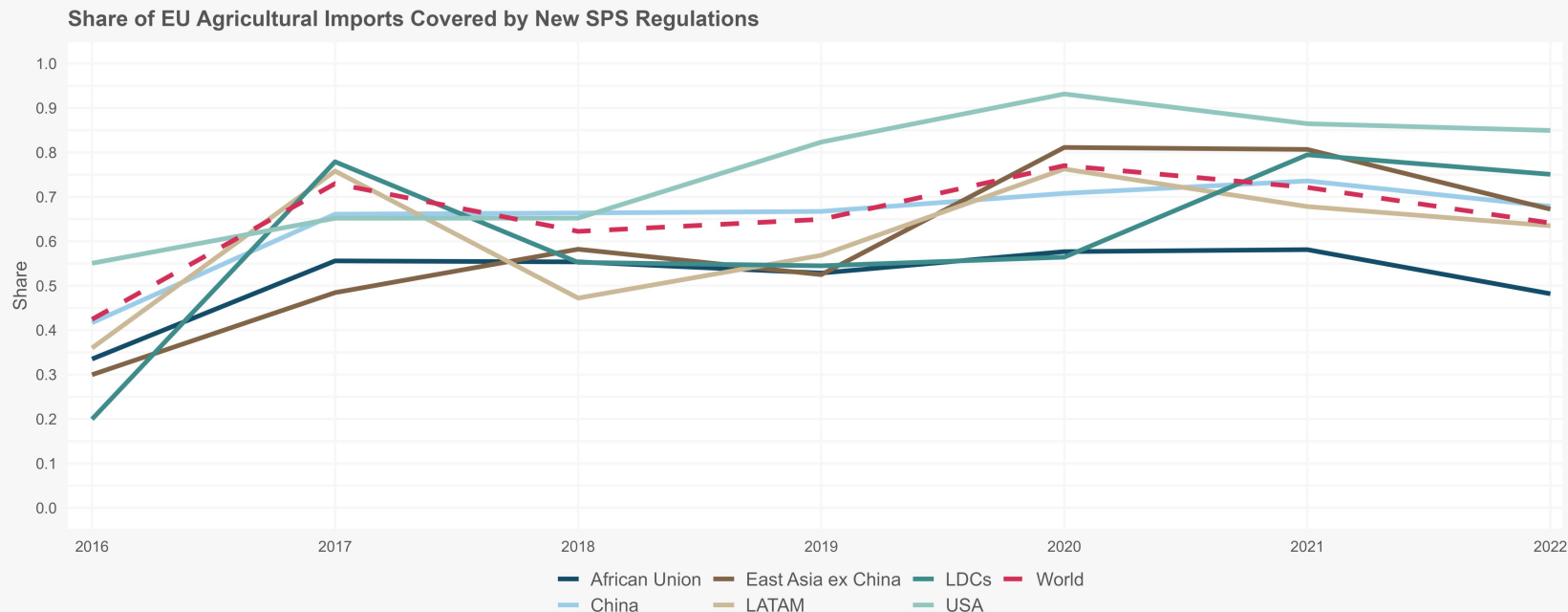
50 trading partners have >\$5bn exports at risk from EU's harmful policy changes since last TPR



Note: Calculations based on trade weights for 2020.

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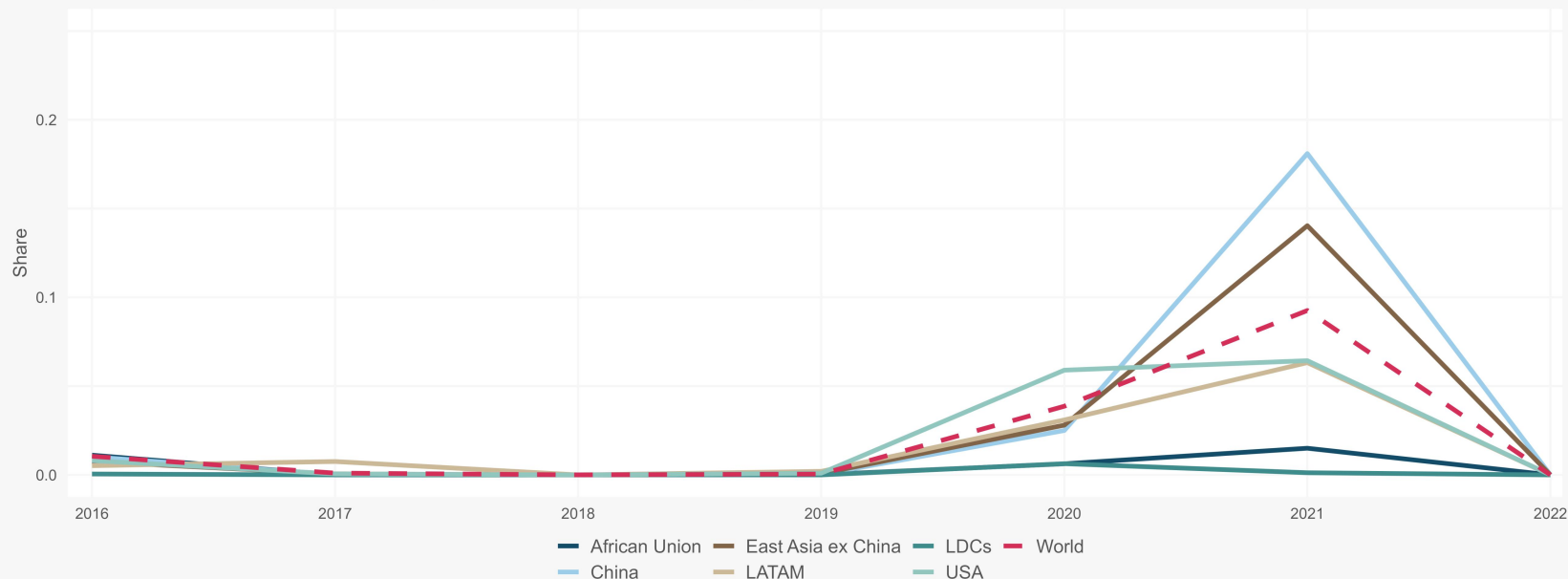
Extra-EU imports covered by new EU SPS regulations, by year



Source: EU notifications to ePing database combined with UN COMTRADE data.

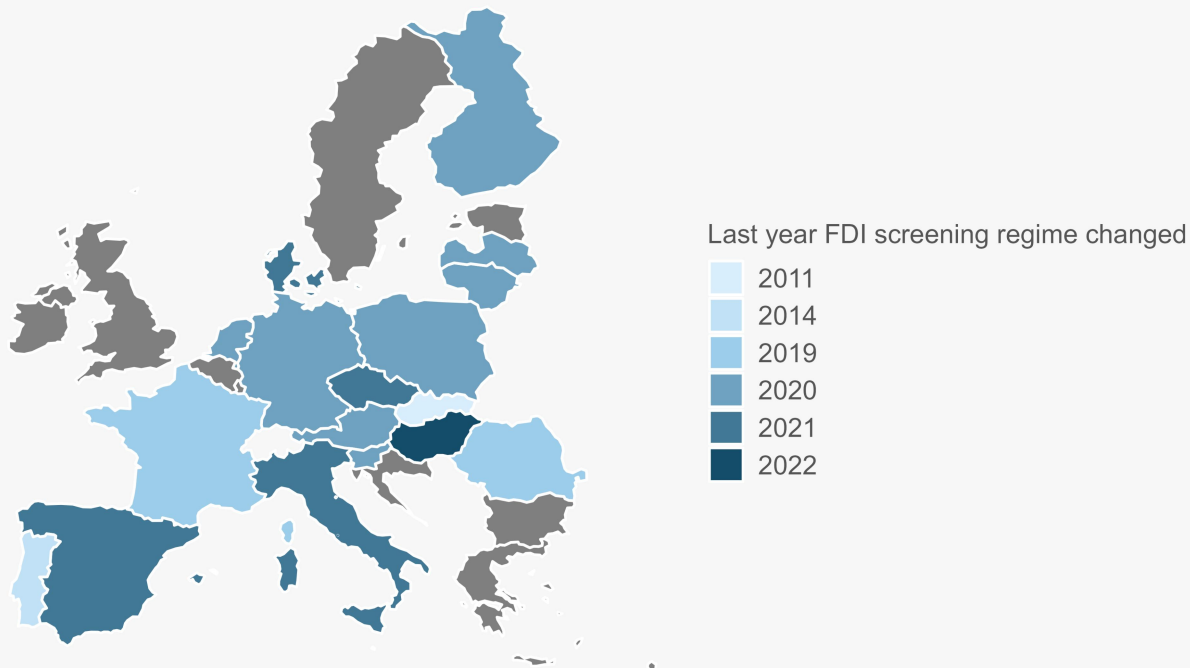
Extra-EU imports covered by new EU TBT regulations, by year

Share of EU-27 Non-Agricultural Imports Covered by New TBT Regulations



Source: EU notifications to ePing database combined with UN COMTRADE data.

Many EU Member States reformed their FDI authorisation regimes since the last TPR



Information on FDI screening regimes changes is available at [EUR-Lex](#), which currently contains information on 18 EU members.



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EU's Stake in the World Trading System

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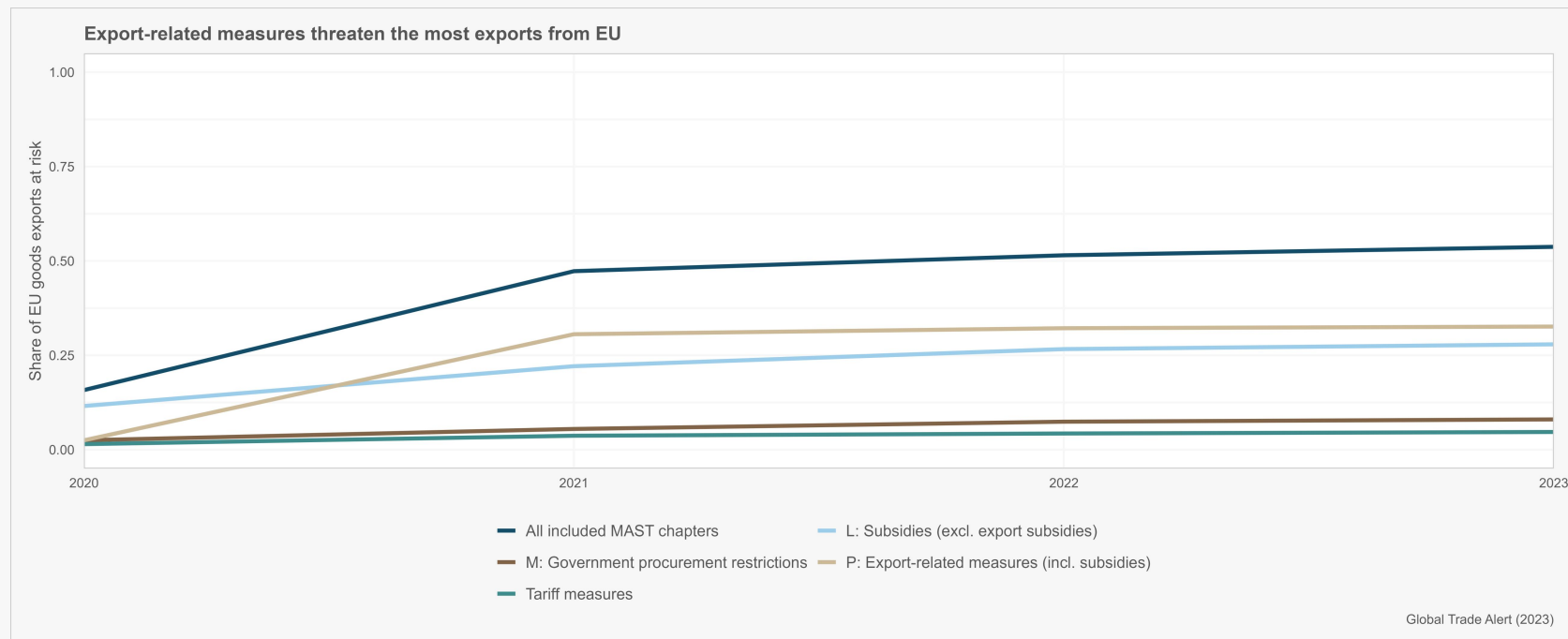
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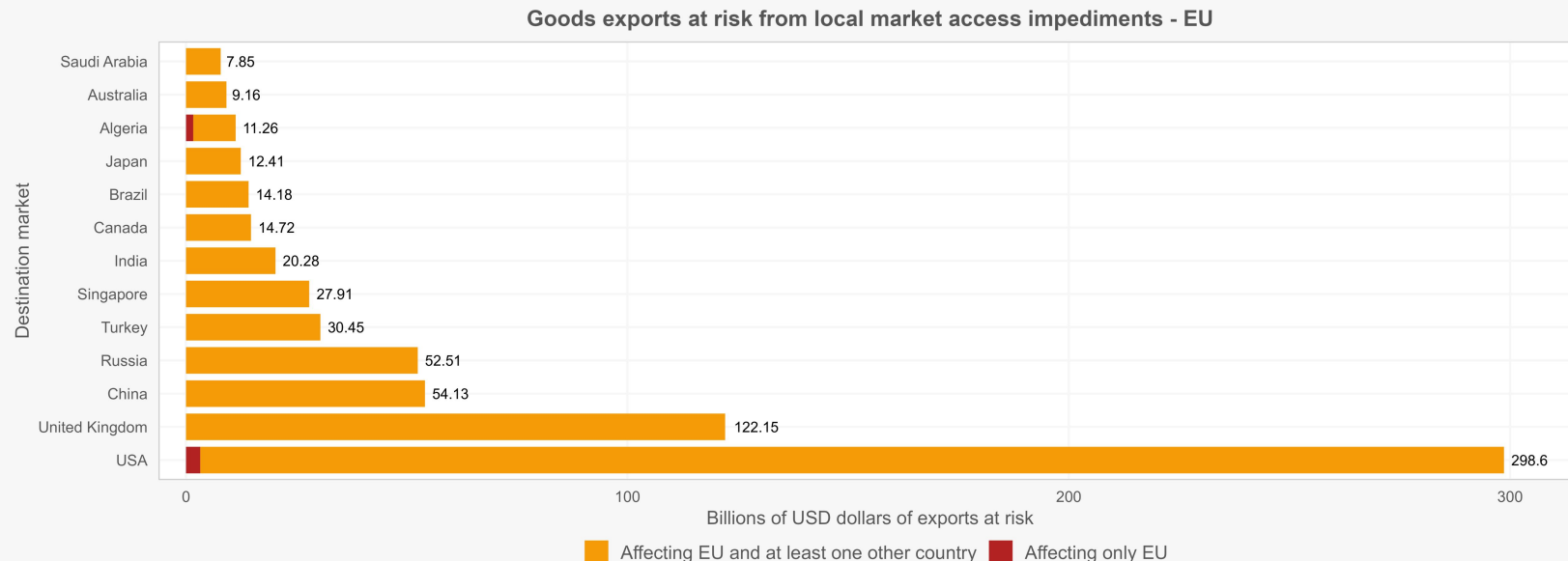
A summary of the factual observations in this section

- Since its last TPR in 2020, trade reforms abroad have occurred in products and markets that created opportunities for around 10% of EU exporters (by value).
- Over half of EU's goods have seen foreign market access conditions deteriorate since its last TPR—largely on account of awards of corporate subsidies.
- Since its last TPR, 13 of the EU's trading partners have taken steps that threaten more than \$7bn of its goods exports.
 - 11 of these 13 trading partners are G20 members.
- Foreign state provided export incentives now cover just under 70% of intra-EU trade.

Export-related measures are the most pervasive threat to EU's goods exports



Market access threats to EU's exports are concentrated in 13 trading partners



Note: Destination countries are only included if more than USD 5B of exports from EU are affected by harmful interventions.

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Calculations based on trade weights for 2020



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Questions Arising From the Evidence Presented Here

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Questions raised by the evidence in this presentation

- The EU and its Member States make frequent resort to corporate subsidies. What steps are taken to limit “green washing” and other misuses of subsidy policy?
- What steps are being taken to build confidence of trading partners in the EU’s burgeoning regulation of private sector-run supply chains?
- Must high shares of extra-EU imports of agricultural goods be subject to annual changes in SPS regulations? Could a more stable regime be implemented?
- What steps is the EU taking to make its regulation of the digital economy interoperable with those of trading partners?
- Intra- and extra-EU exports compete more and more against subsidised rivals. How is this informing the Commission’s position on subsidy reforms at the WTO?