

Europe in the Age of Geoeconomics

Can 'Buy European' Strengthen Europe's Competitiveness and Resilience?

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In addition to countervailing duties, international alliances and innovation promotion, 'Buy European' is being discussed as a tool for strengthening European industry. However, 'Buy European' should be a last resort and only applied in narrowly defined areas. A combination of targeted countervailing duties in cases of unfair competition and an ambitious free trade agenda would be more effective.

'Buy European Mainstreaming'

What do economic and trade policies look like in the age of geoeconomics? The EU has provided various answers to this question so far, including defensive mechanisms such as the *Anti-Coercion Instrument (ACI)* and initiatives to reduce critical dependencies such as the *Critical Raw Materials Act (CRMA)* and the *Critical Medicines Act (CMA)*. Another approach that is gaining traction in Brussels is 'Buy European'. It describes criteria that give preference to domestic industry over international suppliers. The aim is to strengthen the competitiveness of Europe's own industry and make the European economy as a whole more resilient. In response to the question of how this should be implemented, a veritable 'Buy European mainstreaming' can be observed. It could be implemented through public procurement under the *Industrial Accelerator Act (IAA)*, through the Competitiveness Fund of the next *Multiannual Financial Framework (MFF)* or – as demanded by Volkswagen and Stellantis – through crediting against the fleet-wide emission targets of the automotive industry. How narrowly or broadly the sectors or technologies to which 'Buy European' should apply are defined remains as controversial as the instruments for implementation.

Free Trade Agenda Comes First

It is undisputed that the EU cannot continue to play football while major trading partners play rugby. However, the EU must not allow this approach to undermine its international trade agenda. Why should the EU conclude trade agreements with the Mercosur countries, India and Australia and then restrict market access for them again through the back door? 'Buy European' can create a false sense of European competitiveness – competitiveness on the European market, but not globally. However, export-oriented industry in particular must take the global market as its benchmark and view competition as a fitness centre. Also, with a view to strengthening resilience, more international partnerships with reliable partners must be the answer, especially in critical areas such as raw material supply.

Questionable Implementation

The implementation of 'Buy European' also raises a number of questions. Would it apply only to procurement offices or to all institutions that use public funds? Which product groups would it cover? What percentage of a product's content must be 'Made in Europe' for it to be considered

'European'? Last but not least, there is the question of how the necessary documentation can be reconciled with the goal of reducing bureaucracy.

Application in a Narrowly Defined Area

What role can 'Buy European' play in times of geoeconomics? It could be deployed as one of several instruments in a catalogue of measures in narrowly defined areas. Through public procurement, a certain industrial capacity in the EU could be maintained for strategic reasons. For example, a core capacity for steel production in Europe could be secured for security reasons – in the event that international competition threatens to lead to the closure of large parts of European steel production.

resort, as it largely excludes international partners. International alliances (Made with Europe), for example with a floor price for critical raw materials, would be preferable. Targeted countervailing duties, on the other hand, are more open, as they continue to allow trade with all other partners. For example, countervailing duties on electric vehicles from China partially offset the unfair competitive advantage they enjoy as a result of subsidies, tax advantages and an undervalued renminbi. In contrast to 'Buy European', the European market remains open to other manufacturers and suppliers and thus part of the international division of labour and the associated efficiency gains.

The Instrument Mix is Crucial

The geoeconomic toolbox also includes targeted countervailing duties, international alliances to reduce critical dependencies, and the promotion of innovation in strategic sectors. Within the framework of this catalogue of measures, 'Buy European' (Made in Europe) would be the last

Imprint

Konrad-Adenauer-Stiftung e. V.

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