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New is old? The EU's open, sustainable, and assertive trade policy

(Short-form: *EU's assertive trade policy*)

The European Commission presented its Open, Sustainable, and Assertive (OSA) trade policy strategy in early 2021, heralding the document as representing a new and strategic approach to countering dependency and strengthening resiliency. We analyse the OSA through policy paradigms, making two contributions to the trade policy literature. First, we show that embedded liberalism and fair trade – often presented as two trade paradigms — are rather elements of one, namely managed globalization (MG). Using qualitative and quantitative content analyses, we argue that MG has been more influential in shaping 21-century trade policy than heretofore recognized in the literature. Second, we show that the OSA represents a paradigmatic rebalancing, and complementarity, between the MG and realist trade-as-foreign-policy paradigm. The OSA represents an EU seeking to increase its capabilities in order to defend its values and interests, while simultaneously promoting the return to a rules-based liberal international trading order; the co-dominance of MG and trade-as-foreign-policy represent an evolution from managing interdependence to managing dependency.

1. Introduction

The rules-based international liberal order established after the Second World War is fragmenting, largely due to America's declining support for a liberal international order – especially under President Trump – and the blurring of security and economic objectives in the US as a response to China's emergence as a systemic challenger (Robert et al, 2019; Meunier and Nicolaidis, 2019). There is declining adherence to established rules of trade in key sectors, more protectionism, greater emphasis on geopolitical and security considerations in many countries' trade policies, and, increasingly, political coercion exercised against states, firms, and their intellectual property (especially, but not exclusively, by the Chinese state against Western firms). In short, there is a weaponization of interdependence, a weaponization of trade (Morales and Wigell, 2020; Reinsch, 2022)

The European Union's (EU) most recent (2021) trade strategy, the *Trade Policy Review - An Open, Sustainable and Assertive Trade Policy* (OSA) was thus conceived and presented amidst the most serious challenges to the international trading system in the 21st century. In this context one might therefore expect to find a change in narrative and direction vis-à-vis previous strategies. European Commission president von der Leyen declared in 2019 that hers was the first 'geopolitical Commission'; the EU is also developing more trade defence instruments in order to

defend European values and interests against unfair and discriminatory trade practices. Does this mean that the EU has embraced a ‘Europe First’ approach where trade policy is embedded with a geo-economic and national security focus, aimed – as French President Macron has advocated – at protecting certain industries and creating European champions?

As a political entity the European Commission (hereinafter Commission) may at times exaggerate, or re-cast existing ideas in order to convey that it is addressing challenges and, sometimes, public concerns. For example, Trade Commissioner Dombrovski asserted that the OSA was the first time the Commission was ‘explicitly putting sustainability at the heart of trade policy’ (Commission 2021b), yet sustainability was central to both Pascal Lamy’s and Cecilia Malmström’s tenures as Trade Commissioner. In the academic literature Jacobs et al (2022) argues that neoliberalism, little altered, continues to dominate EU trade policy; Schmitz and Seidl (2022) find (largely) the opposite. Thus we ask, is the OSA really new?

This paper assesses whether the OSA represents a paradigmatic shift in EU trade policy. Much of the literature argues that the EU has continuously pursued a liberalizing trade agenda driven by a neoliberal, free-trade paradigm, albeit with varying degree of measures to safeguard social and environmental policy space in the internal market.¹ Have the guiding ideas and goals of trade policy now shifted? In answering this we conduct a content analysis of the EU’s 21st century trade strategies, making two contributions to the trade policy literature. First, we show that embedded liberalism and fair trade – often presented as two separate paradigms the literature – are two sides of the same paradigmatic coin, namely managed globalization (MG), and that MG is continuously present in all trade strategies to a much greater extent than heretofore acknowledged in the literature. Second, we show how the OSA represents the renewed centrality of the MG paradigm in shaping EU trade policy, complimented by the increased prominence of the realist trade-as-foreign-policy (TaFP) paradigm; the neo-liberal free trade (FT) paradigm no longer dominates EU trade policy. We should thus expect a more assertive, targeted trade policy, where sustainability, labour and security interests dominate, and where free trade agreements aim to strengthen the rules of trade and improve EU resiliency vis-à-vis third-party dependency.

In the next section we present our theory and methodology, followed by a section assessing the trade strategies leading up to the OSA. The fourth section looks at the OSA, revealing a shift away from the FT paradigm toward a balance of the MG and TaFP paradigms. The concluding section offers an interpretation of the identified changes in the paradigmatic balance underpinning EU trade strategies, while recognizing that its durability and end-state requires further research.

2. Policy Paradigms

A policy paradigm, as defined by Hall (1993, p. 279) is

a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing...this framework is embedded in the vary terminology through which policymakers communicate about their work.

Normative (what ought to be) and cognitive (what is) ideas are thus central, and help explain policy change. For Hall (1993) first order change refers to changing the calibration and intensity of existing policy instruments. Second order change entails using new instruments. Third order change, a paradigmatic shift, entails normative change, meaning a change in the hierarchy of goals policymakers pursue.

Paradigmatic consensus means that a single paradigm shapes and constrains the policy debate, contributing to policy stability. Alons (2020) shows that a paradigm may dominate a policy field (the Common Agricultural Policy of the EU), but also that an area may experience contestation and overlapping paradigms. Paradigmatic contestation (different policy actors championing different paradigms) and paradigm mixing (a diverse mix of policy based on different paradigms) allow policymakers to use different strategies in public policy and to achieve gradual change (that may result in paradigmatic shift over time) (cf. Streeck and Thelen, 2005). Paradigms may partly overlap and be commensurable at the political level, enabling relative stability while allowing for change. Thus, incremental shifts within a paradigm, or policy making within a group where competing paradigms reign and the underlying ideas as well as the end goals of a policy remain unaltered, does not constitute a paradigmatic shift (cf. Schild and Schmidt, 2023). A complete paradigm shift reflects a shift in underlying normative ideas and preferences (Daigneault, 2014).

In the case of trade policy, we view each paradigm as having a bandwidth, a stretchable path, the contours of which can be defined along an openness-security axis as shown in figure 1. This axis emerges from the widely accepted assumption that trade leads to interdependence. The more open the trade policy, the greater the interdependence with third countries. Liberal trade paradigms view economic interdependence as positive for both economic efficiency and peace. Conversely, realist paradigms view interdependence as a risk because dependence can be weaponized. Liberal paradigms call for market-led allocation of resources and the pursuit of absolute gains, while realists call for state-led allocation of resources and the pursuit of relative benefits (Roberts et al, 2019).

The trade literature usually identifies three liberal paradigms: the free trade (FT), embedded liberalism and fair trade (e.g. De Ville and Siles-Brügge, 2018; Orbie and DeVille, 2020). The FT paradigm entails pursuing economic welfare through liberalization. It stresses the greatest openness, with some rules-setting international regimes, but where market expansion and openness is the driving motivation. The embedded liberalism paradigm entails a balance between free trade and national sovereignty; it emphasizes providing international regimes (e.g. Bretton Woods system) and domestic institutional space to allow government policies to protect workers and the environment while promoting trade liberalization (Ruggie, 1982, 2022). Governments use social policy to counter certain adverse effects of global competition, thus creating an equilibrium between free trade and sovereignty that includes domestic economic development and social protection. The fair-trade paradigm further constraints openness by demanding the protection of values and a level-playing field. Fair trade aims to achieve both a level playing field across markets and sustainable development through countervailing measures and conditionality. We argue that the MG paradigm encompasses the ideas and goals of both embedded liberalism and fair trade; it is liberal, but entails better management, through

international regimes and domestic policies, of the interdependence resulting from flows of goods, capital, ideas and services across borders (cf. Abdelal und Meunier 2010, p. 352).²

We also identify three trade paradigms on the realist side: trade as foreign policy (TaFP), Listian and mercantilism (De Ville and Siles-Brügge, 2018). TaFP entails achieving geopolitical and geo-economic objectives through strategic trade agreements and policy measures as part of the larger foreign policy toolbox. Trade policy used for structural, geopolitical ends is realist, and intended to achieve relative security gains. Mercantilism deems trade policy a tool of state power, where the purpose is to limit imports and foster exports, and the Listian (neo-mercantilism) paradigm aims to ensure economic development through import barriers, infant-industry protection, and state-led domestic industrial policies – though its end goal (at least theoretically) is trade liberalization. Schild and Schmidt (2023, ch. 2, ft. 7) equate a Listian paradigm with defensive economic nationalism. Of the three realist paradigms, the TaFP is closest to the liberal part of the continuum, followed by the Listian paradigm, while mercantilism is closest to autarky.

From this perspective, a shift in EU from a liberal to a purely realist-based trade policy would be evidence of a paradigm shift, while shifts within each ideological bandwidth would not. Because trade policy can simultaneously be based on different paradigms, a paradigmatic shift only occurs when there is a complete shift from the liberal side to the realist. We look for a shift from the liberal to the realist side of the spectrum because there is consensus that EU trade policy has been dominated by neo-liberalism, the FT paradigm (De Ville and Orbie, 2011, 2014; Orbie and De Ville, 2020). We look for evidence of a shift towards the TaFP paradigm because research indicates that this was the only realist paradigm present in previous trade strategies (De Ville and Siles-Brügger, 2018, table 2).

Figure 1. HERE

In assessing the OSA we look at whether there has been a displacement of the existing paradigm(s) underpinning policy in the EU's trade strategy narrative since 1999. We chose EU trade strategies as our corpus because they lay out the roadmap for EU trade, its direction and focus. Trade strategy represents a stance adopted by the Commission – with the support of the Council – that establishes priorities, sets goals, and guides policy, including the construction and use of instruments (cf. Schmitz and Seidl, 2022; Garcia-Bercero, 2022). We start our analysis in 1999 because the then Trade Commissioner Pascal Lamy introduced a trade doctrine outlining how globalization would be managed; this doctrine was a *de facto* trade strategy. The ideas were crucial to, and became embedded in the narrative of, the EU's trade strategy in the first few years of the 21st century (Meunier, 2007). Therefore, even though the practice of each Commission publishing a formal trade strategy first began in 2006, we take 1999 as our starting point in examining the evolution of the EU's trade strategy.

We use content analysis to identify which of the aforementioned paradigms dominate the Commission's trade strategy narrative. We assess the trade strategies using a frequency distribution of key words, phrases, and ideas (see tables 1 and 2), a quantitative content similarity assessment, and a qualitatively analysis. While the quantitative analysis provides a measure of the relative presence of each paradigm, the qualitative interpretation of the texts enables the contextualization of key words and phrases, strengthening reliability. For example, 'an improved business environment' has a different meaning than 'an improved environment needed to ensure sustainable trade.'

Table 1. HERE

3. Before OSA

The results of our content analysis indicate that the decision to introduce MG in 1999 locked in expectations of continued attention to containing and balancing the forces of neoliberal globalization, and levelling the playing field on trade. A frequency distribution of key words in five EU trade strategies (table 2) indicate that, until 2021, the Commission's narrative was predominantly on the liberal side of the continuum, representing a balance between MG and FT. The TaFP paradigm appeared in very limited form in the 2006, 2010, and 2015 trade strategies. Moreover, as shown below, this conclusion is consistent with the results of the qualitative analysis of the strategies.

Table 2. HERE

1999 Managed Globalization

MG was introduced by Pascal Lamy (Trade Commissioner from 1999 to 2004) in his confirmation hearing in the European Parliament in September 1999. Stating that globalization must be 'mastered and managed' he envisioned that alongside economic interests and trade liberalization, social standards, employment rules, and the promotion of 'a conception of society reflecting universal values' (encompassing the environment, health, culture, etc) were important in the context of trade (European Parliament, 1999: np). In other words, trade liberalization must be balanced with domestic manoeuvrability (as in the embedded liberalism paradigm) and common rules and sustainability (the fair-trade paradigm).

This idea originated in the context of contestation in the late 1990s by Civil Society Organizations (CSOs), both against the Multilateral Agreement on Investments and the 1999 World Trade Organization (WTO) Ministerial in Seattle. While the protests at the time were not directed at the EU, they fed into ideas ensconced in the French civil service (in which Lamy served), and supported elsewhere in Europe, namely that untethered globalization was not welcomed (Abdelal and Meunier, 2010; Gordon and Meunier, 2001). In Seattle, Lamy argued that economic growth must be reconciled with human and environmental concerns (Commission, 1999a), and he later emphasized the essentiality of addressing the impact of globalization on workers, the environment, and development, and to add new participants (developing nations),

‘The combination of new topics and new participants opens up very rich prospects for progress towards properly managed globalisation.’ (Commission, 1999b, p. 2). The idea was to tame globalization through proper trade policies, while also calming internal EU tensions between those advocating trade liberalization and those primarily concerned with the preservation of EU public standards, including demands for trade protection; satisfying both was also crucial ‘for sustaining public support for an overall strategy of relatively open-access to EU markets’ (Meunier & Nicolaïdis, 2006, p. 922).

The idea of managing globalization was to balance competition with labour and consumer provisions, and the commitment to MG locked in expectations of continued attention to these issues in subsequent trade strategies. Although Lamy’s successor Mandelson (2004-2008) refrained from explicitly referencing MG, its ideas and rhetoric appear, to a varying degree, in subsequent trade strategies.

2006 Trade Strategy: Global Europe.

By 2006 the economy was booming. The US was disgruntled with the Doha Round at the WTO and began pursuing bilateral preferential trade agreements. The EU likewise abandoned its moratorium on bilateral agreements; EU trade policy was now focused on ‘creating markets abroad for European companies’ (Meunier, 2007, p. 916), where ‘economic factors must play a primary role in the choice of future FTAs.’ (Commission, 2006, p. 2, 9). The Commission undoubtedly tread the liberalization path by stressing the need to tackle non-tariff barriers (NTBs), seize opportunities, and not shield companies or sectors from inevitable change. Nevertheless, and contrary to some other research (e.g. De Ville and Orbie, 2014), we find that the ideas of the MG paradigm, while less explicit than under Lamy, was conspicuously present in the Commission’s concerns with globalization. The latter requires ‘fair conditions for trade abroad’, and ‘an integrated and coherent approach to domestic and to global challenges’, where the EU will ‘promote our values, including social and environmental standards [...] around the world’, because ‘Our aim should be to influence the forces driving change, to seize the opportunities of globalisation and to manage the risks.’ (Commission, 2006, p. 3, 4, 7).

There is an emphasis on helping workers, sectors, and regions impacted by global competition (embedded liberalism), and a need to balance openness and competitiveness with rules (fair trade). Having previously promulgated the need to manage the negative effects of increased competition, the 2006 strategy reflects the continuation – albeit weakened – influence of the MG paradigm.

2010 Trade Strategy: Trade, growth and world affairs.

By 2009-10 the financial crisis is in full-swing in Europe, and free-market capitalism is questioned by various parties and groups, from Greece to Finland. The Commission continues emphasizing trade liberalization as a path to growth, ‘...whilst remaining vigilant to adjustment costs, Europe must seize the triple benefit from more open trade and investment’ (Commission, 2010, p. 2). The Council calls for the Commission to ‘secure ambitious Free Trade Agreements [especially with the largest and fastest growing markets], secure greater market access for European business and deepen regulatory cooperation with major trade partners’ (p.11). The Commission also continues engaging mostly with those that actually conduct trade, privileging input from certain actors

(business) while limiting input from others (CSOs), thus reinforcing existing emphases, with seemingly few options for alternative ideas (cf. DeVille and Orbie, 2011; Siles-Brügge 2011).

However, the trade strategy also hedges against identified social costs, with social and labour concerns balancing the liberalization push (‘market opening has to be accompanied by policies that equip people to adapt to these changes’); addressing (generally) the negative consequences of globalization are ‘chief ingredients of the trade policy agenda’ going forward (Commission, 2010, p. 4, 7). Citing Eurobarometer surveys showing support for globalization, the Commission recognizes Europeans’ worries about ‘potential consequences’, especially jobs; the Global Adjustment Fund (established in 2006) is again touted as one way of addressing some of the negative consequences (p. 8).³ A section is devoted to climate change and sustainable growth, while the 2009 Lisbon Treaty – which provides the European Parliament a veto on trade agreements and legislation – is said to enhance trade policy transparency and legitimacy (p. 4-5).

The rhetorical path embarked on in 1999 is thus identifiable in the 2006 and 2010 EU trade strategies. While not disagreeing with the general trajectory identified by DeVille and Orbie (2014), who argue that the Commission’s trade liberalization discourse moved from defensive (desirable) in 1999, to offensive (necessary) by 2006, and thereafter to a nuanced ‘necessary but no longer sufficient’ by 2010, we find the rhetorical support for managing or harnessing globalization to be more than mere afterthoughts – there is a clear continuation of the ideas embodied in the MG paradigm.

2015 Trade Strategy: Trade For All.

MG was introduced in an era where the dominant belief was that as long as states could regulate domestic social and environmental policies, commercial interdependence brought continued openness, more competition, democracy and, with that, enhanced international security. That is, the benefits of trade and interdependence could be harnessed if properly regulated. As the expansion of commercialization appeared to generate huge benefits, with large markets like China appearing to liberalize, the ‘managing’ part of globalisation was less of a concern, before re-emerging with gusto during negotiations on the Transatlantic Trade and Investment Partnership (TTIP) in the aftermath of a global financial crisis. TTIP prompted CSOs to reawaken and re-emphasize ideas and issues pertaining to fair trade, globalization, and transparency last stressed – though with less fervour – in the late 1990s. Trade was now intensely politicized (Gheyle, 2019; Young, 2017; Garcia-Duran et al, 2020), and there were protests and anti-TTIP campaigns across continental Europe and Britain (DeVilleville and Siles-Brügge, 2016). CSOs were mounting opposition campaign focusing on specifically chosen issues, while framing their arguments in ways that maximized their intended effect on the public, and indirectly, public officials and political parties (Eliasson and Garcia-Duran, 2019).

The engagement had a visible influence on the trade strategy (Commission, 2015, p. 5; Eliasson and Garcia-Duran, 2019, p. 84-87). Answering Europeans’ concerns over TTIP specifically and neoliberal globalization generally resulted in the 2015 strategy representing a rebalancing between the FT and MG paradigms, in favour of the latter. It includes the need for enhanced civil society dialogue, increased engagement with legislators, strengthened transparency (publishing negotiation proposals) and sustainability clauses in Free Trade Agreements (FTAs), and calls for modernized investment protection provisions – it also guarantees that FTAs would never lower environmental, consumer or health standards (Commission, 2015, p. 16-21, 23).

The strategy includes a focus on the social consequences of market opening, where ‘key policies for the future of Europe’s integration into the world economy, like investment and regulatory cooperation, must support, not undermine, the EU’s broader objectives of protecting people and the planet’ ... [and] ‘Essential to meet all of these objectives is a trade policy that remains ambitious in its effort to shape globalization’ (p. 26). The shift toward MG, and directed policies, was then further fortified a 2017 Commission paper on ‘harnessing globalization’, which explicitly recognizes that ‘The aim is to reconcile the *means* of globalisation — opening markets and technological progress — with its *ends* — projection of rights and increased human well-being’ (Commission, 2017, p. 13). The link between internal and external policies is clear: strengthening the internal cohesion and social policies in the EU will help make globalization and competition more palatable (p. 18-22).

4. The OSA

The OSA represents both continuity and change in the evolution of the EU’s trade strategy narrative. Change, because the TaFP paradigm is more prevalent in the OSA than in any previous strategy, but also (for the first time) more represented (39%) than the FT paradigm (16%). Continuity, because MG paradigm remains persistently prominent (45%). The trend towards MG and TaFP is further evidenced through a content similarity assessment across the five strategies, where we find the lowest similarity score (1%) between the 1999 and 2006 strategies, the highest (40%) between the 2015 and 2021 strategies, and only 13% similarity between the 2006 and 2021 strategies.⁴

While trade is still heralded as vital for economic growth in the OSA ‘the three core objectives of EU trade policy’ (supporting the internal transformation to a green and digital economy, promoting a more sustainable and fairer globalization, and improving the EU’s capacity to pursue its interests and enforce its rights, p. 9-10) contain more emphasis on enforcement than expansion (Commission, 2021a, p. 10,13,19). The *need* for open markets is accompanied by an insistence that the EU *must* ensure openness using all available means, including regulatory cooperation and political dialogue. Moreover, the insistence on openness is consistently balanced with ensuring that benefits flow to EU firms, workers, and citizens (p. 6, 8,10), because ‘EU trade policy should use all the tools at its disposal to support social fairness and environmental sustainability’ (p. 11). Reforming the WTO (multilateralism), and liberalizing energy markets and raw materials is coupled with sustainability and green technologies; market opening with labour and human rights (p. 11-14); and services and digital trade (p. 12, 23) with the enforcement of FTAs and proactive engagement with international standard setting bodies and allies (p. 16). That is, consistently more MG than FT.

However, contrary to previous trade strategies, the OSA includes language not only on the necessity of addressing the negative aspects of globalization (MG paradigm), but also on the EU using economic tools to pursue strategic interests (TaFP paradigm). The focus is on building resilience and strengthening the EU’s autonomy (the words resilient and resilience appear 23 times, mostly in relation to a strong economy and function market), yet it is carefully balanced to avoid conveying the idea that trade policy is becoming a part of an *offensive*, geopolitical, foreign policy. The OSA explicates the EU’s intention to defend itself against external changes threatening its values and interests, while simultaneously continuing to promote revisions to international

regimes (WTO rules, not replacing the organization itself). OSA positions trade as part of EU foreign policy proper by pursuing and defending EU geo-economic interests, along with improved trade defence instruments to counter the weaponization of commerce. MG as represented in the OSA entails a more encompassing management of globalization (cf. p. 5), embedding it fully with EU foreign policies. The OSA thus represents the continued influence of the MG paradigm, but now with a tilt toward the non-liberal, realist-based, side of the trade paradigm continuum, with more market-directing (such as industrial and investment policy) rather than market-opening policies.⁵ It is about managing an increasingly precarious trading system, rather than weaponizing trade (which would indicate a normative change).

The overall language reflects a desire to defend EU interests and manage global forces through a more assertive application of trade defence instruments (p. 8). These include better screening of FDI (to prevent state-owned or supported enterprises from acquiring investments that could be used to exert pressure on governments or the EU), and working ‘with Member States’ authorities to ensure the effective implementation of the modernized Export Control Regulation’ (p. 20). That geo-economic interests overlap industrial policy, fairness, and competition is evident in the Commission’s intention to explore ‘an EU strategy for export credits’, including a credit facility (p. 22). The Parliament and Council had raised concerns about other countries’ coercive practices, and the OSA makes clear that the EU intends to defend its economic and strategic interests against ‘coercive action by third countries’ and ‘distortions caused by foreign subsidies on the EU’s internal market’ (p. 20-21). The 2022 proposal for an anti-coercion regulation was accompanied by a new International Procurement Instrument (agreed in March 2022) aimed at countering distortions faced by EU firms in third countries by requiring reciprocity in the procurement market. These two new instruments complement the recently (February 2021) revised Trade Enforcement Regulation (654/20151) which gives the Commission the right to suspend trade benefits (‘suspend concessions or other obligations under international trade agreements’) even if the dispute settlement process in the WTO is not completed.

The international context in which the OSA was devised differed from previous periods. President Obama (2009-2016) deemed China both a competitor and a possible rival to America’s global hegemony. His strategy was to try to isolate the Asian giant through the negotiations of mega-regional agreements with allies, both Asian (the Transpacific Partnership, TPP) and European (TTIP). The Trump Administration rejected this policy of deepening trade liberalization with allies, and, lumping friends with foes, claimed that the US was the greatest victim of free trade (Narlikar, 2020). Trump adopted several measures challenging the WTO, and started several trade wars (ostensibly for national security reasons); it brought the Appellate Body of the WTO to a standstill by vetoing the renewal of its members, and challenged the WTO rules of non-discrimination and bound tariffs by raising protectionist tariffs on more than 60% of Chinese products. The Chinese retaliated and the tariff escalation only stopped with the so-called Phase One agreement, which entered into force on 14 February, 2020. The Biden administration has maintained tariffs and continued pressuring China to comply with its WTO commitments and Phase One agreement. The Chinese in turn has also invoked the importance of ‘self-reliance and sufficiency.’ (Roberts et al, 2019, p. 664, 668).

Referencing international changes Commission President von der Leyen stated that the EU’s capabilities must be ‘fit for today’s world’ (Inside US Trade, 2020), and a veteran EU lead-negotiator commented that the OSA is a ‘deliberatively strategic document...on how the EU places

itself in a geopolitical environment.’ (Garcia-Bercero, 2022). The OSA contains clear recognition of international developments, and the challenges to the rules-based international trading system. While the EU’s preference for how the world *ought to be* remains intact, with a functioning WTO at the heart of a multilateral, rules-based trading system (p. 9-10), there is more scepticism of its viability. Material and geo-economic interests explicitly balance normative goals (p. 1, 8-9), because ‘in order for the EU to continue reaping the benefits of international opportunities, it must assertively defend its interests, protect the EU’s economy from unfair trade practices, and ensure a level playing field.’ (p. 5). Lamy’s experience in President Mitterand’s government presupposed him to recognize a role for social interventionism as reflected in MG; today, with stronger challenges to globalization and rules-based trade, one can again identify the internal clash over the meaning and purpose of strategic autonomy, between French ‘*dirigiste* interventionism’ and the Northern European penchant for free market competition (cf. Lavery, McDaniel and Schmid 2022, p. 12).

The OSA represents both a continuation and revamping of MG, reflective of solidified, preferences for consumer and labour rights and environmental standards amidst dramatic changes in the external environment. There is simultaneously a rebalancing toward TaFP, reflected in greater political assertiveness of interests and improved autonomous capabilities. Economic tools and trade defence instruments have been developed so the EU can pursue security and geographic interests in a system rife with corporate interpenetration, increased (sectoral) dependency, and the weaponization of commerce and commercial links. Empirically, this rebalancing manifest itself when the EU agreed (in 2021) to two WTO-incompatible agreements with the US (a ‘truce’ on illegal airplane subsidies and a tariff rate quota ‘arrangement’ on steel), followed a year later by the adoption of a large-scale industrial policy to subsidize and protect its semi-conductor industry, and then a European Sovereignty Fund to subsidize high-tech industry generally and to counter American and Chinese subsidies.⁶

5. Conclusion

This paper has assessed continuity and change in the development of EU trade strategies through the lens of trade paradigms, and their positions along the openness-security axis. Our contribution to the literature is twofold. First, we show that the continued impact of MG (fair trade/embedded liberalism concerns) was greater than heretofore acknowledged in the literature. After its emergence and dominance in the early part of the 21st century (cf. Meunier, 2007), its ideas remained influential while the neoliberal FT paradigm dominated the 2006 and 2010 strategies. By 2015 the MG paradigm was again dominant, only to solidify its influence six years later – although now balanced by more realist ideas. Secondly, we identify a rebalancing rather than a wholesale shift in the underlying paradigms guiding EU trade strategy, visible in the normative continuity of the Commission’s world view. Rather than a complete paradigm shift we find paradigmatic rebalancing and complementarity, where a revamped MG (with a re-embedding of space for social policies, cf. Ruggie, 2022) exerts influence alongside more realist-based ideas through the TaFP paradigm. Our work complements research on paradigmatic layering (Wilder, 2015; Streeck and Thelen 2005), supports work showing paradigmatic balancing (Schild and Schmidt, 2023), and buttresses claims of the EU’s more assertive turn (cf. Schaus, 2022). Our research also complements work on hegemonic narratives (Schmitz and Seidl, 2022, find that neoliberalism no longer dominates trade policy), while challenging scholarship arguing the continued dominance of neoliberalism (e.g. Jacobs et al. 2022; Orbie and De Ville, 2020).

Balancing MG and TaFP is possible because one objective of the OSA is protection (security logic: ensuring the supply of certain strategic goods and shielding its economic capabilities) rather than protectionism (economic logic: to prevent imports from more competitive economies). The instruments in place, as well as those proposed (to defend EU economic interests and respond when others violate the agreed rules for trade), are primarily defensive rather than offensive; they are supportive and reactive, aimed at enforcing rules, levelling the playing field, and securing economic interests around the world. Adriaensen and Potnikov (2022, p. 7) define geo-economics as ‘the manipulation of one’s position within the global networked economy in pursuit of strategic objectives.’ Operationally, this is *realpolitik*; it is what international actors rationally pursue (utility maximization), and this is now part of EU trade policy. This could, over time, lead the EU to also weaponize trade (a potential highlighted by Adriaensen and Postnikov, 2022). However, guided by the OSA, the EU currently pursues a dual track of seeking out international agreements and enforcement when possible, for example on data transfers and security, while defending interests and ‘preserving its regulatory autonomy’ (Commission, 2021a, p. 15) – the re-embedding of social space.

Whether the OSA represents the beginning of a change in the ideational basis of EU trade policy – leading to a more decisive realist turn – will be influenced by, among other things, the evolution of the tri-part relationship of the EU, US and China, and the EU’s internal debate on the right ‘balance of dependence’ on China (safeguarding strategic interests while safeguarding the economy; see e.g. Morales and Wigell, 2020, p. 9). Unless all major parties reach agreement on common rules limiting the use of geo-economics, including through WTO reforms (cf. Narlikar, 2021) and agreements on common provisions for the digital economy (cf. Foster and Azmeh, 2019), we are stuck with a classic prisoner’s dilemma where everyone has an incentive to shift toward such practices. In the meantime, the EU is increasing its resilience and autonomy in order to defend its values and interests and manage (inter)dependence – in other words, manage globalization; all while continuing to promote reforms at the WTO in hopes of a return to a rules-based liberal international trading order.

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¹ Jacobs et al, 2022; Orbie and De Ville, 2020; De Ville and Siles-Brügge, 2018; van Appeldorm, 2002.

² Schild and Schmidt (2023, ch. 2 ft 7) criticise De Ville and Siles-Brügge for vagueness, and instead distinguish only between a liberal internationalist economic paradigm (which includes embedded liberalism and where ad hoc globalization and managed globalization are two sub-types) and an economic nationalist/mercantilist paradigm (with sub-types defensive and offensive mercantilism). However, Schild and Schmidt’s ideological distribution, when including subtypes, closely resemble the five paradigms we outline here.

³ In 2010, when trade Commissioner De Gucht explained why the EU would be competitive in a globalized world, he pointed to Germany, a trading giant with extensive social welfare and labour protections, whose companies compete on quality, not price, as a model (De Gucht, 2010).

⁴ Based on cosine similarity, which controls for documents’ varying size. Stop words and single letter words are removed. A raw overlap similarity assessment showed a 2% (1999-2006) and 33% (2015-2021) similarity respectively. We used RapidMiner Studio Text Processing.

⁵ [Thank you Timo Seidl for this distinction, in a personal exchange.](#)

⁶ As Schild and Schmidt (ch. 2, p. 5) observe, ‘The more foreign economic policy changes run in parallel to changes in neighboring and related policy fields, such as industrial and technology policy, regulation of high-tech products and competition policy, the more likely it is that they share common underlying ideational drivers of change.’