

# VIII. Beyond Growth and Competitiveness: Shaping EU Trade Policy for People and the Planet

by Dr. Burcu Kilic

Industrial policy fell out of favor across much of the world during the first decade of the twenty-first century, particularly in the United States, where people were even reluctant to discuss it because of the risk of being associated with European-style socialism. But times have changed. Industrial policy is no longer taboo—it's experiencing a revival not only in the US, but also globally. Policymakers and thought leaders increasingly embrace a robust industrial policy as crucial for securing future economic strength and competitiveness.

In an effort to catch up with this global shift, the European Union has unveiled a new, more proactive industrial strategy to make the EU more competitive, particularly in digital technologies and AI. The Draghi report on *The Future of European Competitiveness*<sup>153</sup> outlines ambitious plans to address Europe's economic challenges, proposing a large-scale industrial policy, an innovation-focused competition policy, and the strategic use of state aid.<sup>154</sup> It echoes some of the long-standing arguments advanced by tech companies and their allies, particularly regarding Europe's regulations, which, since the early debates on GDPR, they have argued are burdensome and costly. The report repeatedly references the US, comparing innovation and competitiveness between the US and the EU, and concludes that Europe should follow the US model, advocating for a rebalancing of European regulations and, to some extent, a shift toward deregulation—disregarding the Biden administration's strong stance, which emphasizes that markets need to be regulated to function properly.

This aspect of the report has dominated headlines, but the report offers more than just a critique of regulatory frameworks. What stands out as particularly groundbreaking is the

<sup>153</sup> European Commission, *The Future of European Competitiveness*, September 2024, [https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961\\_en?filename=The%20future%20of%20European%20competitiveness%20-%20A%20competitiveness%20strategy%20for%20Europe.pdf](https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en?filename=The%20future%20of%20European%20competitiveness%20-%20A%20competitiveness%20strategy%20for%20Europe.pdf).

<sup>154</sup> Cristina Caffarra, "Draghi's Real Message on European Competition Enforcement: 'Not Delivering on Innovation and Growth,'" VoxEU, Centre for Economic Policy Research (CEPR), September 18, 2024, <https://cepr.org/voxeu/columns/draghis-real-message-european-competition-enforcement-not-delivering-innovation-and>.

report's recognition of "hyper-globalisation" and the failure of policymakers to address its social consequences. The report also questions an overemphasis on GDP growth at the expense of labor income and economic resilience. It calls on policymakers to adopt a more inclusive approach, questioning who benefits from these policies and who is left behind. Draghi advocates for a robust social dialogue, encouraging collaboration between trade unions, employers, and civil society actors to set objectives and actions for transforming Europe's economy in a more inclusive and equitable manner.

The new strategy attempts to integrate trade policy into a broader European industrial policy through careful, case-by-case analysis rather than through adopting generic trade stances. However, it misses the point as it gets lost in the neoliberal trade narrative. It recommends maintaining low trade barriers for digital goods, services, and infrastructure with the US to ensure access to the latest AI models and processors. While low trade barriers may benefit Big Tech companies, especially those concerned about European regulations that protect privacy, workers, competition, and democracy—often claimed as nontariff barriers—it is unclear how this supports European industrial strategy or helps Europe break free from Big Tech's market dominance in AI.

The proposal overlooks a key point: industrial policy and the neoliberal trade agenda are not compatible. Trade policy has traditionally been designed to restrict the tools of industrial policy. In fact, what companies often label as "trade barriers" are the very measures industrial policy depends on. The neoliberal global trade system operates with a winner-take-all mindset, limiting the policy space countries need to develop their own industrial strategies and to protect workers, citizens, planet, and democracy.<sup>155</sup>

Since the 1980s, the neoliberal consensus, primarily driven by Washington, has shaped global trade. Trade agreements dismantled barriers to trade and financial flows, reduced regulation, and minimized government involvement in the economy. The World Trade Organization and trade policymakers treated industrial policy as taboo, rejecting market-shaping to serve national interests and values.<sup>156</sup>

Recently, in the United States, the Biden administration has moved away from traditional trade agreements that prioritize tariff liberalization and corporate interests. Instead, the administration ensures that trade policy goes hand in hand with domestic industrial policy aimed at reindustrialization, diversifying production (through friendshoring, nearshoring,

<sup>155</sup> Nancy Fraser, "From Progressive Neoliberalism to Trump—and Beyond," *American Affairs* 1, no. 4 (Winter 2017), <https://americanaffairsjournal.org/2017/11/progressive-neoliberalism-trump-beyond>.

<sup>156</sup> Kathleen R. McNamara, "The Politics of European Industrial Policy: How a Post-Neoliberal Shift Is Transforming the European Union," working paper presented to GRIPE, February 15, 2023, [https://gripe.polisci.ucla.edu/wp-content/uploads/sites/121/2023/01/GRIPE\\_S0702\\_McNamara.pdf](https://gripe.polisci.ucla.edu/wp-content/uploads/sites/121/2023/01/GRIPE_S0702_McNamara.pdf).

and reshoring) and creating a more resilient trade policy that centers American workers. This worker-centered trade policy challenges the long-standing assumption that what benefits US corporations automatically benefits Americans as a whole.<sup>157</sup>

Historically, US trade policies have been heavily influenced by corporations—often at the expense of workers, small businesses, farmers, and the environment—driven by a trickle-down mentality. Today, effective trade policy requires understanding the global competitive landscape, including how digital technologies, market concentration, and unfair competition disadvantage workers. It also demands addressing the urgent climate crisis. Incidentally, this is precisely what we have seen in the US under the Biden administration: The United States Trade Representative (USTR) now prioritizes close collaboration with labor, civil, environmental, and human rights groups to guide trade policy.<sup>158</sup>

This shift in trade policymaking is especially evident in digital trade. Rather than simply championing American innovation and competitiveness, the USTR now challenges the unchecked power of tech companies, emphasizing the need for responsibility and accountability in the digital economy and the importance of giving small and medium-sized enterprises (SMEs) a fighting chance. This highlights the increasing importance of digital trade for domestic policymaking. US digital trade policy prioritizes the country's ability to shape the digital economy. It seeks to complement, not override, domestic regulations and industrial policies, aiming to balance the interests of big tech companies, SMEs, workers, consumers, and the broader public.

The EU's digital trade policy, on the other hand, has long taken a neoliberal approach, promoting tech-driven globalization while remaining disconnected from broader EU policies and priorities. The only significant exception has been privacy,<sup>159</sup> which benefits both from being a long-standing European value and from the efforts of the Directorate-General for Justice and Consumers (DG Justice) to protect privacy as a fundamental right in trade agreements.<sup>160</sup> Beyond that, DG Trade takes a technocratic approach, overly focused on addressing so-called trade barriers, often reinforcing the ad-driven surveillance-capitalist business model of dominant US companies in EU trade

<sup>157</sup> Office of the United States Trade Representative, "Fact Sheet: In Year 2, Ambassador Katherine Tai and USTR Continued to Execute President Biden's Vision for Worker-Centered Trade Policy," March 2023, <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2023/march/fact-sheet-year-2-ambassador-katherine-tai-and-ustr-continued-to-execute-president-bidens-vision-worker>.

<sup>158</sup> Office of the United States Trade Representative, "Fiscal Year 2025 Budget," March 2024, <https://ustr.gov/sites/default/files/foia/USTREY2025CongressionalBudget.pdf>.

<sup>159</sup> Burcu Kilic, "As Global Trade Goes Digital, Trust Becomes Critical," Centre for International Governance Innovation, February 29, 2024, <https://www.cigionline.org/articles/as-global-trade-goes-digital-trust-becomes-critical>.

<sup>160</sup> European Commission, "Horizontal Provisions on Cross-Border Data Flows and Personal Data Protection," May 18, 2018, <https://ec.europa.eu/newsroom/just/items/627665>.

agreements. After the US shift in digital trade,<sup>161</sup> the EU, along with Singapore, Japan, and Australia (perhaps in exchange for billions of tech investments<sup>162</sup> in data centers<sup>163</sup>), became the guardians of surveillance-capitalist digital trade rules, most notably in the World Trade Organization's Joint Statement Initiative on Electronic Commerce.<sup>164</sup> These rules have far-reaching consequences, affecting not only the economy but also digital infrastructure, balance of power, information ecosystems, society at large, and democracy worldwide.

Modern industrial policies require coordination across multiple fronts. To be effective, industrial, competition, and trade policies must be aligned.<sup>165</sup> They need to work together as part of a unified strategy that prioritizes supporting European innovation, social inclusion, and core European values such as democracy, equality, the rule of law, and human rights, rather than supporting the surveillance-capitalist business model of big tech companies, which concentrates both economic and political power, thereby posing risks to democracy. The EU's trade policy should reinforce and complement European industrial policies and regulations that protect European rights and values, not undermine them.

Draghi suggests that the EU should follow the US example in boosting productivity and growth. This suggestion should extend to trade policy, particularly digital trade, encouraging a rethinking of EU trade policies to implement positive and durable change that prioritizes people and the planet. What truly matters most is the consequences of growth, not growth *qua* growth. Growth that focuses solely on increasing per capita GDP can undermine key objectives like social inclusion and protecting the planet, workers, people, and democracy. Ultimately, it is not just trade—it is also about who gets to define the rules of the global digital economy and whose interests those rules will serve. European workers and citizens should have a voice in this, just like American workers and citizens do.

<sup>161</sup> Burcu Kilic, "Washington Takes a Step Toward Greater Openness in Digital Trade," Centre for International Governance Innovation, November 16, 2023, <https://www.cigionline.org/articles/washington-takes-a-step-toward-greater-openness-in-digital-trade>.

<sup>162</sup> Matthew Gooding, "Brad Smith: Microsoft to Spend \$2.9bn on Japanese Data Centers," Data Center Dynamics, April 9, 2024, <https://www.datacenterdynamics.com/en/news/brad-smith-microsoft-to-spend-29bn-on-japanese-data-centers>.

<sup>163</sup> "Microsoft To Establish Nine New Data Centers in Australia," Bloomberg News, October 24, 2023, <https://www.datacenterknowledge.com/hyperscalers/microsoft-to-establish-nine-new-data-centers-in-australia>.

<sup>164</sup> Ministry of Economy, Trade and Industry (METI), "Stabilised Text Achieved in WTO Joint Statement Initiative on Electronic Commerce," press release, July 26, 2024, [https://www.meti.go.jp/english/press/2024/0726\\_001.html](https://www.meti.go.jp/english/press/2024/0726_001.html).

<sup>165</sup> European Commission, "EU Competitiveness: Looking Ahead," September 2024, [https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-looking-ahead\\_en](https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-looking-ahead_en).