



Europe and the global economic order

by Aslak Berg, 22 January 2025

Europe is faced with an increasingly challenging global economic environment. Geopolitical rivalries, China's rise as a manufacturing powerhouse and political changes in the US have destabilised the legal order which underpins global trade. At the same time, Europe's global influence risks being diminished as its share of global GDP shrinks over time. In a new policy brief ['Europe and the global economic order'](#) from the Centre for European Reform (CER), research fellow Aslak Berg argues that the European Union should face these challenges through three priorities:

First, in order to retain influence Europe must prioritise economic growth through domestic reform whilst maintaining openness to trade. This would require a reassessment of regulatory priorities: in recent years the EU has enacted an array of regulations such as the Deforestation Regulation and the Corporate Sustainability Reporting Directive that have extraterritorial effect and are meant to encourage political change globally. While these reforms have laudable aims, the net effect is to make the EU less open to trade. By weaponising 'the Brussels effect', whereby other countries adopt EU regulation because they are the strictest ones, the EU risks undermining it.

Secondly, as the WTO weakens, the EU needs to double down on free trade agreements and its neighbourhood policy. While trade policy in the past has seen this strategy as weakening the WTO because they represent bilateral instead of global agreements, in the current climate any agreements compatible with the WTO should be seen as strengthening the global legal order. The ratification of Mercosur is a litmus test for the EU in this regard. The EU also take a more strategic view of its neighbourhood and embrace its role in leading a regional trade order with its neighbours.

Lastly, the EU must manage its relations with both the US and China well. Exports to the US has been a key driver of European growth in a situation where domestic drivers of growth have been stagnant. The combination of European economic and security dependency on the US means that Europe must maintain market access to the US. In the current environment, that may require finding new areas of alignment and co-operation. At the same time, the EU must manage its relations with China. There are areas, such as solar power, where Chinese imports are indispensable, but this must be balanced against three considerations: the impact on European labour markets, strategic risks connected to excessive dependency for certain goods, and the relationship with the United States.

Aslak Berg, research fellow at the CER said: *“This may be the most challenging global trade environment for the EU in decades. Europe will need a clear and coherent strategy to navigate it.”*

Notes for editors:

To discuss the policy brief or request an interview with Aslak Berg [@BergAslak](https://twitter.com/BergAslak) or [@aslak.bsky.social](https://bsky.app/profile/aslak.bsky.social) please contact Kate Mullineux in the CER press office on pressoffice@cer.eu or +44 (0) 20 7233 1199.

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