



The EU needs a bigger playing field – not a level playing field

by Zach Meyers, 1 September 2022

Policy-makers in Brussels and EU capitals are increasingly worried that other countries are taking unfair advantage of the EU's open markets. They fret that EU firms are disadvantaged. In European markets, EU firms must compete with foreign firms who benefit from state support; and in foreign markets, EU firms are often locked out by protectionist regulations. The EU has had enough. It is finalising a toolkit which it hopes will level the playing field, by limiting some foreign firms' access to European markets.

In this Centre for European Reform policy brief, '[The EU needs a bigger playing field – not a level playing field](#)', senior research fellow Zach Meyers describes the EU's forthcoming tools, which include the Foreign Subsidies Regulation and the International Procurement Instrument. These tools were originally envisaged to make trade and investment between the EU and China more fair. But the West's rivalry with China is growing. The EU now has different priorities – it is focused on reducing its dependencies and building economic partnerships with countries that pose less political risk.

The policy brief assesses whether the 'level playing field' tools can be repurposed to help deliver the EU's new priorities. It explains that the tools risk weakening the EU's internal market, by hindering beneficial inward investment and making the EU a less attractive destination for trade. However, these risks could be worthwhile if the tools open up new opportunities for EU firms in countries like the US and India.

To minimise the risks and maximise the benefits of the new tools, the European Commission needs the flexibility to use them surgically and strategically, where they have the best chance of reversing economic protectionism in other countries. Fortunately, the tools are not as indiscriminate and inflexible as they first appear. However, the EU law-making institutions should tweak many of the proposals, to give the Commission more scope to compromise with foreign countries and take their interests into account. Without these changes, other countries may view the EU as dictating their sovereign policy choices. That would increase the risk of economic retaliation against the EU.

"The level playing field instruments carry risks but could also help the EU diversify away from countries which pose long-term political risks and unlock new opportunities for EU firms," said Zach Meyers. "To unlock those opportunities, the Commission needs to be able to reach pragmatic compromises with its trade and investment partners."

Note for editors:

For further information on the new research and to request an interview with Zach Meyers [@Zach_CER](#), please contact Rosie Giorgi in the CER press office on pressoffice@cer.eu or +44 (0) 20 7233 1199.

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