

Research Institute of Economy, Trade and Industry (RIETI)
And EU-Japan Centre for Industrial Cooperation (EUJC)
Co-organized online seminar

Friday, July 21, 2023 16:00-17:00 (Tokyo)

Europe's Response to the US' Inflation Reduction Act (IRA) (Summary)
(Summary by EUJC secretariate)

The seminar was started by the moderator Tanabe, MD EU-Japan Centre for Industrial Cooperation. It was followed by a presentation delivered by Zettelmeyer, Head of Bruegel.

- Summary of the presentation by Zettermeyer

Multilateral trade rules that protect trade are beneficial not only for the EU, but also for its trading partners. The challenges we face are decarbonization, economic security, and the rise of nationalism in developed countries (IRAs, etc.). However, state intervention and economic nationalism are not the same thing. While Intervention may be necessary, economic nationalism is rarely efficient except for temporary situations in developing countries. Moreover, economic nationalism and economic security are opposing concepts.

Looking at recent EU actions, the Net Zero Industries Act (NZIA), the Critical Raw Materials Act (CRMA), and the Temporary Crisis and Transition Framework (TCTF) have been enacted. These initiatives raise concerns such as the lack of CN technology, insufficient tools and funds, potential for protectionism, loss of competitiveness, delay in decarbonization and weakened international cooperation, etc. The EU needs to recognize the following issues: aiming for growth without compromising decarbonization; establishing a clearer and measurable definition of economic security; taking account of supply and demand elasticity; acknowledging the negative impact of economic nationalism on decarbonization, growth and foreign policy; and maintaining competition and preserving the EU single market, even though a vertical industrial policy is necessary. Achieving this will require strong EU-level governance and funding.

Tamura, RIETI Consulting Fellow then made a comment.

- Summary of comment by Tamura

Economic nationalism and economic security have different directions. The former is oriented domestically, while the latter is oriented towards building external alliances. However, I understand that legal and systematic backup is essential for ensuring security through alliances. Regarding alliances, Japan-EU and Japan-US partnerships



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are progressing well, but I have the impression that the situation between the US and the EU is slightly different. I would like the EU to consider joining the TPP in the future so that the alliance can have legal foundation.

In response, Zettermeyer said that it would be possible to reach an agreement in the future regarding relations with the United States. At least with President Biden in office, as opposed to the previous administration, there is a possibility of overcoming the issues related to nationalism in the steel industry and resource matters and forming an alliance.

After that, Zettermeyer answered the following questions from the audience, and Tanabe closed the seminar (see the recorded video for details).

- How does the EU see Japan in comparison to the US and China?
- Isn't international cooperation vulnerable in the face of nationalism?
- How do you see the EU's industrial policy, in comparison to Japan, the US, and other countries?
- Does the relaxation of regulations lead to an outflow of technology?
- What is the EU's stance toward China?
- Is decarbonization economically viable when considering energy costs?

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