



By: *Pinelopi Koujianou Goldberg*

# Europe has a rare chance to benefit from America's global retreat



The United States is at a turning point. For reasons that future historians will debate – and that will leave many dumbfounded – the country is attacking the very foundations of its strength: its openness, its institutions, and its global engagement.

The shift began with President Donald Trump's tariffs. Their chaotic and inconsistent deployment in pursuit of ill-defined objectives has not only raised the cost of imports and disrupted global trade, but also undermined America's credibility as a reliable economic partner, prompting questions about the dollar's future as the world's reserve currency.

Then came the **attacks** on US universities, long a cornerstone of the country's scientific and technological leadership.

Cuts to research funding, higher taxes on endowments, and restrictive visa policies are weakening their ability to attract and retain top global talent. The result is a loss not just for academia, but for US innovation and thus the broader economy.

Meanwhile, the country's most dynamic sector – technology – has come under political and regulatory pressure.

Apple, Alphabet (Google), and Meta face intensifying scrutiny at home while their competitors abroad benefit from supportive industrial policies.

As most countries position themselves to compete in the twenty-first-century economy, the US has adopted a policy that reflects the past (reviving domestic manufacturing, **relaxing** child labor protections).

## Damaging the institutions

Behind all these recent policy shifts is a fundamental misreading of the positive spillovers that the US has historically generated.

American leadership in science, security, and innovation has certainly benefited others; but

rather than viewing this as a sign of strength, the Trump administration treats it as evidence of **exploitation**.

The response has been to withdraw, even if that means damaging the institutions that have enabled and sustained US global leadership.

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Rather than curbing the rise of other countries, America's retreat creates openings for them to advance.

Nowhere is this more evident than in continental Europe. Faced with longstanding economic challenges – low productivity growth, **aging** populations, and missed opportunities in the digital transformation – European policymakers increasingly regard America's inward turn as a chance to catch up.

## Europeans must act with greater unity and purpose

Two recent developments have given them hope. First, Germany's **relaxation** of its constitutional “debt brake” (a cap on annual deficits) has created fiscal space for sorely needed public investment.

Second, in the face of geopolitical and economic fragmentation, there is a growing political consensus that Europeans must act with greater unity and purpose.

But seizing the moment requires more than optimism. Four conditions are essential if Europe is to fill the void left by US disengagement.

First, the European Union must resist the Trump administration's divide-and-rule strategy by avoiding bilateral bargaining with the US by any member country.

## Only by presenting a united front can the EU leverage its market power and defend its interests

Only by presenting a united front can the EU leverage its market power and defend its interests.

Second, Europe must embrace openness, particularly to talent and trade. With the US becoming increasingly hostile to international students and foreign labor, Europe can **benefit** from the coming US brain drain by welcoming skilled migrants and researchers.

Further, since developing new technologies requires critical minerals and rare earths that are currently unavailable in Europe, it also must maintain productive trade relations with others – not least China.

That will require political will and a recognition that openness, managed well, is a source of strength.

## The momentum may pass

Third, Europe needs regulatory reform. While European standards for food safety, environmental protection, and labor rights are rightly admired, excessive or poorly designed regulations in other sectors have stifled investment and innovation and impeded productivity growth.

This is especially true when rules serve incumbent interests rather than broader societal goals. For example, qualified refugees are often unable to work because of bureaucratic hurdles.

To be sure, loosening such constraints will be difficult, particularly in countries where high living standards make change politically costly. Workers in Europe will not willingly log more hours, give up job security and long vacations, or take on unpleasant tasks.

But failing to make the necessary changes

would mean sacrificing future dynamism to preserve past achievements.



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Lastly, Europe must tackle its growing labor **shortages** through immigration policies that apply to skilled and less-skilled individuals alike.

Demographic decline and rising living standards mean that many jobs – especially in care, construction, and services – are going unfilled. There is no path to sustained growth or innovation if the workforce is stretched thin meeting basic household and social needs.

Reforming immigration policy does not mean accepting uncontrolled borders; but it does mean creating legal pathways for those willing to contribute.

Politically, this may be the hardest challenge of all, given the rise of anti-immigrant sentiment and far-right parties. But it is essential.

America's retreat from the global stage presents Europe with an opportunity it has not had in decades.

Whether it can rise to the occasion will depend on its ability to form a united front, remain open, modernize its regulatory frameworks, and embrace a pragmatic approach to immigration.

Otherwise, the momentum may pass once again to Asia, which has never stopped preparing for the future.

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