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The Economic Burden of the Revised Product Liability Directive on EU and Non-EU Countries

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Brussels, 13 May 2026 - The European Union's revised Product Liability Directive (PLD) will act as a structural drag on the European economy, reducing GDP by up to 0.24 per cent and eroding household purchasing power by as much as €33 billion. Far from a routine consumer protection update, the revised PLD represents a paradigm shift that lowers EU economic output and raises new trade barriers with non-EU countries.

By reversing the burden of proof and expanding liability to include software, AI systems, and digitally integrated goods across complex global supply chains, the PLD forces manufacturers, innovators, and other economic operators to operate under a presumption of defectiveness. This landscape of unquantifiable liability could cause insurance premiums to surge by up to 40 per cent for newly covered sectors, diverting critical resources away from productive innovation and into defensive legal compliance. The resulting domestic economic loss is so severe that it entirely wipes out the projected economic gains from the EU's recent Free Trade Agreements with Japan or Mercosur.

"The EU is quietly passing legislation that will damage its own economy while punishing its closest trading partners", said Fredrik Erixon, co-author of the study and Director at ECIPE. ***"By combining a lowered evidentiary bar with mechanisms for large-scale redress, the Directive creates a fertile environment for speculative litigation, turning the European market into a structurally more expensive place to do business."***

The costs of this 'hidden tax' will not be absorbed by corporations but passed directly to European consumers. The study estimates an effective cost of €119 to

€163 per European household, representing a material reduction in the standard of living during a time of broader economic strain. Furthermore, the international fallout will be profound, bringing an additional €586 billion of annual trade into the PLD's scope. As foreign suppliers face severe new legal risks and higher insurance premium that raise the cost of trading with the EU, total EU imports are projected to fall by up to €36.5 billion, hitting strategic allies like the United States (€6.2 billion), Switzerland (€1.7 billion), and the United Kingdom (€1.5 billion) the hardest.

As the December 2026 deadline for national transposition approaches, the study warns that the true economic fallout of the Directive has been systematically underestimated. The responsibility now falls to national capitals. Both the EU and its Member States must tread very carefully as they transpose and implement the PLD into national law, to avoid irreparably harming innovation, economic competitiveness, and global alliances.

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