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The transformation of European trade policy in the new global disorder: instruments, objectives and challenges

Paolo Guerrieri *

ABSTRACT (IN INGLESE): *This paper analyses the transformation of European trade policy against the backdrop of emerging geo-economic trends, including strategic rivalries, selective fragmentation of value chains and the increasingly coercive exploitation of interdependence through tariffs, sanctions, export controls and investment restrictions. In this scenario, trade policy is increasingly being used for non-economic objectives, such as economic security, technology, industrial policy and the transition to a low-carbon economy, while multilateral governance is in a state of profound crisis. For the European Union, with its large, open and integrated economy, this change creates vulnerabilities in two areas: geo-economic (dependency on the United States for security and technology, and on China for intermediate inputs and critical raw materials) and economic (significant specialisation in medium-to-low technology sectors, exposure to external demand, and energy dependency). The paper discusses how European trade policy has evolved from an open, rule-based approach to a more integrated system of deterrence and enforcement. Preferential and sectoral agreements are supplemented by autonomous instruments, including anti-coercion measures, international procurement policies, countering foreign subsidies, and investment screening. There are also measures that convert climate and social standards into conditions for market access. These include the Carbon Border Adjustment Mechanism (CBAM), due diligence regulations, and 'clean trade' partnerships. The analysis discusses two structural aspects of European trade interdependence: the increasingly transactional, asymmetrical and unpredictable nature of the transatlantic relationship under the Trump presidency, which requires stabilisation mechanisms and ex-ante response capabilities, and 'functional coexistence' with China, based on selective de-risking, defence against distortive practices and targeted cooperation on global public goods. Consolidating the extensive network of European trade agreements with other countries is crucial for opening new markets and redesigning strategic interdependency links. In conclusion, a European trade strategy is emerging, but it is still largely incomplete. Its effectiveness will depend on cohesion among Member States, a clear hierarchy of objectives and implementation capacity.*

TITOLO IN ITALIANO: *LA TRASFORMAZIONE DELLA POLITICA COMMERCIALE EUROPEA NEL NUOVO DISORDINE GLOBALE: STRUMENTI, FINALITÀ E SFIDE*

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ABSTRACT (IN ITALIANO): *Il paper analizza la trasformazione della politica commerciale europea nel nuovo contesto geo-economico, segnato da rivalità strategiche, frammentazione selettiva delle catene del valore e crescente uso coercitivo dell'interdipendenza (dazi, sanzioni, controlli all'export e restrizioni agli investimenti). In tale scenario, la politica commerciale è sempre più impiegata per obiettivi non strettamente economici — sicurezza economica, tecnologia, politica industriale e transizione climatica — mentre la governance multilaterale attraversa una fase di profonda crisi. Per l'Unione europea, grande economia aperta e integrata, questo mutamento produce una duplice vulnerabilità: geo-economica (dipendenze dagli Stati Uniti per sicurezza e tecnologie e dalla Cina per input intermedi e materie prime critiche) ed economica (specializzazione ancora significativa in comparti tecnologici medio-bassi, esposizione alla domanda esterna, dipendenza energetica).*
Nel paper si ricostruisce la fase di trasformazione della "trade policy" europea: da un paradigma centrato su apertura e regole a un dispositivo più integrato di deterrenza ed enforcement. Accordi preferenziali e intese settoriali si affiancano a strumenti autonomi (anti-coercizione, procurement internazionale, contrasto a sussidi esteri, screening degli investimenti) e a misure che trasformano standard climatici e sociali, trasformandoli in condizioni di accesso al mercato (CBAM, normative di 'due diligence', partenariati "clean trade"). Vengono discussi due assi strutturali delle relazioni commerciali dell'Ue: la relazione transatlantica, indispensabile ma sotto la Presidenza Trump sempre più asimmetrica e imprevedibile, che richiede meccanismi di stabilizzazione e capacità di risposta ex ante; e la "convivenza funzionale" con la Cina, fondata su de-risking selettivo, difesa da pratiche distorsive e cooperazione mirata sui beni pubblici globali. Resta decisiva per l'Europa la finalità del consolidamento della rete europea di accordi commerciali bilaterali, già molto estesa, con altri paesi, non solo per aprire nuovi mercati, ma anche per ridisegnare legami strategici di interdipendenza. La conclusione è che una strategia commerciale europea complessiva è in formazione ma è ancora largamente da completare. Il suo consolidamento e la sua efficacia dipenderanno da un insieme di fattori: maggiore coesione tra gli Stati membri, più definita gerarchia degli obiettivi da conseguire e rafforzata capacità di implementazione.

1. The role of trade policy in the new global context

Growing geopolitical rivalry, primarily between the United States and China, is having an increasingly significant impact on the global economy. Power relations between countries are tending to prevail over multilateral rules and institutions. This has led to politics and security issues becoming central to economic decisions once again. In this context, trade relations and trade policies are a particularly revealing indicator of the profound changes taking place.

As well as facilitating growth and specialization, trade interdependence has become an increasingly coercive tool as evidenced by sanctions, export controls, investment restrictions and pressure on value chains and technological standards. This transition has been termed «weaponized interdependence», whereby the strategic use of nodes and infrastructure in global networks (finance, technology, and logistics) influences the behavior of other actors. Trump's introduction of a wave of new tariffs that are justified by a variety of direct and indirect motivations, in the name of America First, has further accelerated these trends. According to some estimates, these tariff measures have increased the «effective» average rate of US duties to around 14–15 per cent — the highest in a century. Beyond their specific values, these measures have had a disruptive systemic effect: the rules of the trade system have been radically weakened, restrictive measures have increased and all major economies have become more active in trade policy.

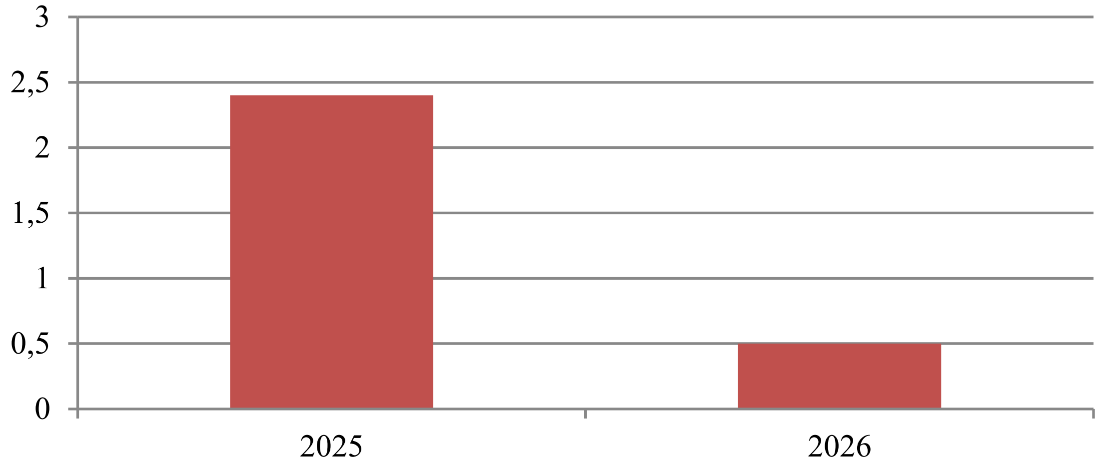
In this scenario, global trade is moving along two mutually reinforcing trajectories. The first is the fragmentation of trade relations. This encompasses more than just the decoupling between the United States and China; also involving the selective reorganization of ties. This includes the diversification of suppliers, friend-shoring, the regionalization of certain supply chains, and the growing influence of intermediate powers such as India, Brazil, Turkey, Indonesia and Saudi Arabia. These countries are adopting multi-alignment strategies and seeking margins of autonomy. A long-term quantitative indicator of this is the growth of South–South trade. The United Nations Conference on Trade and Development (UNCTAD) estimates that it will have reached around $6.2 trillion by 2024, accounting for around 26 per cent of world trade in goods (up from 11 per cent in 2000).

The second trajectory is the rise of protectionism, and the increasingly frequent use of trade policy for non-commercial objectives such as national security, technology, industrial policy and strategic competition, even among like-minded partners. Thus, the rules and institutions of global trade governance, particularly the World Trade Organization (WTO), are facing significant challenges due to the interventionist policies of major countries.

However, so far, fragmentation and protectionism have not led to a significant slowdown in global trade volumes. According to WTO forecasts, the volume of world trade in goods is expected to grow by 2.4% in 2025, which is an improvement on earlier estimates (see Fig. 1). Nevertheless, this resilience appears to be linked to favorable circumstances that are set to end (e.g. the normalization of anticipated trade being front-loaded). Consequently, global trade growth is expected to slow significantly in

2026, settling at a modest 0.5%, while trade flows will increasingly be subject to strategic competition between major powers.

Fig. 1 WTO forecasts — growth in world trade volume of goods



In this context, the European Union — a large, open economy that is deeply integrated into global value chains — must reconsider its international integration, as it is exposed to double vulnerability.

Firstly, it is vulnerable from a geo-economic perspective: the EU is highly dependent on the United States for security and a wide range of digital technologies. At the same time, it is heavily dependent on China for numerous intermediate inputs, critical raw materials, and essential products for green supply chains. Secondly, there is persistent economic vulnerability. European production remains relatively concentrated in medium-to-low technology sectors, the economy is still dependent on fossil fuels, and growth is closely linked to external demand and exports outside the EU.

To avoid being caught between the two major poles of strategic competition, the EU must act on two fronts simultaneously. Internally, it must gradually shift the focus of growth towards domestic demand and investment, complete the integration of the single market — particularly with regard to digital services and financial capital — and reduce critical dependencies through coherent industrial and infrastructure policies.

Externally, in a world where interdependence is a source of both prosperity and vulnerability, Europe needs a more autonomous and assertive presence to complement its internal strengthening strategy.

Ideally, this would entail a more effective common foreign and security policy. In the short term, however, the most viable area for action is trade, in which the EU has almost exclusive competence and negotiates «with one voice». From this perspective, trade policy remains a decisive tool for projecting European interests, although it cannot be conducted in isolation from the rest of international relations.

2. European trade policy is changing

For a long time, the European Union's trade policy has had a primarily economic focus: opening up markets, promoting multilateralism and establishing rules and standards. The idea was that, interdependence if governed by rules and multilateral institutions (primarily the WTO), would produce net benefits and help stabilize geopolitical competition.

The success of this strategy is evident in the EU's central role in global trade. In 2024, the EU was the world's second-largest exporter of goods after China, accounting for around 13.9% of global exports (excluding intra-EU trade), and was among the world's leading importers. In services, the EUs position is even more dominant: in 2024, it ranked first in the world for both exports and imports of commercial services (excluding intra-EU trade), with shares of 23.4% and 22.5%, respectively.

However, in recent years European trade policy has undergone profound changes, driven by a number of factors. Firstly, the crisis of multilateralism, characterized by the stalemate of the Doha Round and, more importantly, the paralysis of the WTO Appellate Body (which has been unable to appoint new judges since 2019), has weakened the multilateral system's ability to establish new rules and resolve disputes effectively. Secondly, the rise of China and the war in Ukraine have made it clear that dependence and risk go hand in hand, with energy and critical raw materials serving as strategic variables as well as «economic inputs». Thirdly, the resurgence of protectionism and geo-economic confrontation has revealed that even like-minded partners can exploit trade for political gain, as demonstrated by US tariffs on European exports.

In this context, trade policy has become one of the tools through which the EU attempts to reconcile conflicting objectives such as openness versus protection, markets versus security, growth versus sustainability, and economic interests versus geopolitical positioning.

The EU's goal is to remain one of the world's most open economies while reducing critical dependencies, increasing the resilience of value chains, and bolstering deterrence and defence capabilities.

As part of this transformation, the EU has expanded and improved its network of preferential agreements, which is now the largest among major economies. According to the Commission, there are currently 44 agreements in force, covering 76 partners (as of 2025).

The entry into force of the agreement with New Zealand on 1 May 2024 and the Economic Partnership Agreement (EPA) with Kenya on 1 July 2024 clearly illustrates how the economic dimension — opening up agricultural and industrial markets, services and public procurement — is intertwined with geopolitical logic, i.e. establishing footholds in the Indo-Pacific and East Africa.

Alongside «classic» free trade agreements (FTAs), the EU has begun to experiment with sectoral instruments. These include the digital trade agreement with Singapore, which was negotiated in 2024 and politically signed in 2025, and the sustainable investment facilitation agreement with Angola, which came into force in 2024.

The repositioning of trade policy was then consolidated by the adoption of the European Economic Security Strategy (2023) and subsequent packages (2024–25). These expanded the EU's arsenal of autonomous instruments to include the monitoring of inbound and outbound investment, export controls, and research and critical technologies. These instruments aim to defend the European economy from risks related to unfair practices, supply chain vulnerabilities, and coercive or unilateral actions. They go beyond traditional trade defence instruments. Examples include the Anti-Coercion Instrument (Regulation (EU) 2023/2675), which has been in force since 27 December 2023 and primarily serves a deterrent function (it has not yet been invoked), the Foreign Subsidies Regulation (Regulation (EU) 2022/2560), which aims to counter the distorting effect of non-EU subsidies in the internal market, and the International Procurement Instrument (Regulation (EU) 2022/1031), which aims to promote reciprocity in access to public procurement.

While not formally targeting any specific country, these instruments address the structural issue of the imbalance between the EU's open economy and the potential for states, particularly autocratic regimes such as those in China and Russia and, more recently, the United States, to exploit European dependencies for coercive purposes.

Another objective is to use trade policy to support climate goals and social standards. In this area, both continuity and discontinuity exist. On the one hand, there is the tradition of European «regulatory power»; on the other hand, there is a strategic choice linked to the Green Deal's industrial transition and maintaining internal consensus.

The most relevant instruments include the Carbon Border Adjustment Mechanism (CBAM) (Regulation (EU) 2023/956), which links market access and carbon pricing, and the Deforestation Regulation (Regulation (EU) 2023/1115). Application of the latter has been postponed (until the end of 2026 for large operators and the middle of 2027 for SMEs) following political debates about burdens and traceability. Other relevant instruments include the Corporate Sustainability Due Diligence Directive (Dir. (EU) 2024/1760), which came into force in 2024, but was subject to a «simplification» package (Omnibus I) in 2025. This package included restrictions on the scope and postponement of certain deadlines.

These instruments have a significant impact on non-EU partners, primarily in the Global South, where most territorial emissions are currently concentrated. According to estimates based on income group, non-high-income countries are responsible for around two-thirds of global CO_2 emissions in 2023.

Consequently, the most recent bilateral agreements tend to have more extensive and, above all, more «operational» chapters on trade and sustainable development including systematic references to the Paris Agreement, commitments on biodiversity and deforestation, and a greater emphasis on implementation and enforcement following the 2022 revision, including the possibility of trade measures in specific cases.

In short, European trade policy has gone well beyond the goal of market access. It is now focused on risk mapping, critical technologies, investment and export controls, which require close coordination with industrial, climate and digital policies. As will be discussed in the following pages, European trade policy must continue to integrate economic and political-strategic objectives at multiple levels. This includes managing the complex relationship with the United States, responding to the Chinese challenge in terms of reciprocity and competition, consolidating a network of relations with the Asia-Pacific region, Africa and Latin America to reduce dependencies and using security and the environment as negotiating tools. Finally, there is the ongoing trade strategy, the outcome of which remains uncertain.

3. EU-US trade ties: between dependence and the need for resilience

The relationship with the United States is vital yet problematic for Europe (see Fig. 2). In terms of trade, the data confirm a very high level of interdependence. According to Eurostat, the EU exported goods worth €531.6 billion to the United States in 2024 and imported goods worth €333.4 billion, resulting in a surplus of around €198 billion for Europe. Meanwhile, official US estimates suggest that, in 2024, imports from the EU accounted for around one-fifth of the country’s total goods imports (amounting to approximately $3.267 trillion).

European exports to the United States are highly concentrated in certain sectors. According to Eurostat's SITC classification, the top three items — medicinal and pharmaceutical products, motor vehicles and industrial machinery — accounted for around 38–39% of EU exports to the US in 2024. Similarly, there is a high level of concentration on the US side: EU imports from the United States are driven by petroleum and petroleum products, medicinal and pharmaceutical products, and energy-producing machinery, which together accounted for around 39% of the total.

During the first year of Trump's second term, transatlantic relations evolved within a turbulent geopolitical context. This was characterized by recurring tensions that culminated in a serious crisis over Greenland, when the United States attempted to acquire the Arctic island, pitting it against Europe, who defended its sovereignty. More generally Europe was no longer treated as a natural ally, but as an inconvenient partner. The US approach appeared to be more transactional and unpredictable than in the past, with the persistent use of trade levers such as tariff increases and pressure on regulatory issues — as tools for negotiation and influence.

Fig. 2 US trade with various partners (billions of dollars)

This dynamic did not end with the political agreement reached in summer 2025. This «framework» agreement left several issues unresolved and set a basic tariff of 15% on most EU goods, with exceptions for certain sectors. High tariffs of 50% remained in place for metals (steel and aluminium) pending further negotiations. In response to the new tariffs, the EU unilaterally committed to removing tariffs on imported US industrial goods.

The July agreement was viewed negatively in much of the European debate for two main reasons: its content was perceived as heavily biased in favour of US interests, and the negotiations were conducted in a manner that left the EU in a defensive — and even supine — position in the face of erratic and sometimes contradictory demands from the other side.

Europe's difficulty was certainly compounded by the structural challenge of maintaining full cohesion among the 27 member states. However, the main factor was the strategic constraint. Europe's persistent reliance on the US for security reduced the political space for a retaliatory strategy and potentially affected other important issues, ranging from deterrence on the eastern flank to support for Ukraine.

This dependence cannot be reduced in the short term and will therefore continue to affect the EU's negotiating capacity. Nevertheless, this does not mean that Europe should remain passive. Given the tendency of the relationship with Trump's America to be unstable and unpredictable, Europe's objectives should be twofold: to stabilise where possible and to deter where necessary.

Firstly, with regard to the agreed framework. The absence of clear implementation and review mechanisms is concerning, as is the potential for new disputes regarding digital taxation and the regulation of digital markets. Furthermore, recent developments demonstrate how quickly the US can link tariffs to other issues. For instance, the US has offered to relax metal tariffs in exchange for digital regulation and has threatened to impose tariffs ranging from 10% to 25% on goods from eight European countries in retaliation for their deployment of troops to Greenland.

In this context, the EU could propose a mini-package in the coming months to «secure» the July agreement, including: (i) a standstill clause freezing the introduction of new tariff measures and distortive subsidies; (ii) a review schedule with verifiable deadlines and targets; (iii) agreed management of sectoral exemptions (tariffs and extraterritorial measures) to reduce uncertainty for businesses; and (iv) a joint technical committee with rapid de-escalation procedures to prevent technical disputes from escalating into political crises.

In parallel, the EU should equip itself with an ex-ante tariff response mechanism — a «negative list» ready to be activated automatically in the event of unilateral US tariff increases. The Union could also draw on its arsenal of geo-economic defence tools in this context, including the Anti-Coercion Instrument. Despite the conditions for its use being met, this instrument has not yet been activated partly due to a lack of consensus among Member States. The aim would be to provide credible, proportionate and reversible deterrence, rather than punishment. This would involve targeting a range of politically sensitive US exports, with the possibility of removing the measures if and when constructive negotiations resume.

Europe also needs to quickly prepare an operational plan on the economic commitments linked to the 2025 framework, which includes approximately $600 billion of European investment in the United States and $750 billion of US energy purchases by 2028. This is necessary to prevent the other party from unilaterally determining the allocation of such huge resources, and to avoid Europe being exposed to a drain on capital and productive capacity without adequate returns in terms of market access, shared standards, and technological collaboration.

In short, the objective is not to choose between breaking away, which the Union can hardly afford in the short to medium term, and passive alignment. The objective is to establish a stronger and more resilient European position, cooperating where convenient, preventing and defusing trade crises before they escalate, and being robust enough to negotiate without descending into permanent conflict or subordination.

Strengthening internal capacities — both economic and security-related — is crucial to balancing and reducing the asymmetry of the transatlantic relationship. In practice, Brussels should accelerate the removal of remaining barriers in the single market to support European exporters, while simultaneously diversifying through targeted agreements (including sector-specific ones) with new partners to reduce exposure to peaks of volatility in US trade policy. However, this must be done while bearing in mind that the Union's diversification strategy could provoke negative reactions from the US administration leading to the reactivation of punitive measures, putting Europe again under pressure.

Regarding the first point (removal of barriers in the single market), there is significant potential: in 2024, intra-EU exports of goods amounted to around €4,135 billion — approximately eight times the EU's exports to the United States (around €532 billion). It has been calculated that even modest growth of 1.3% in intra-EU trade could offset a 10% loss in EU exports to the US. While this is not a definitive solution, it suggests that Europe's primary trade security lies in the potential of its internal market.

4. The EU and China: in search of a «functional coexistence»

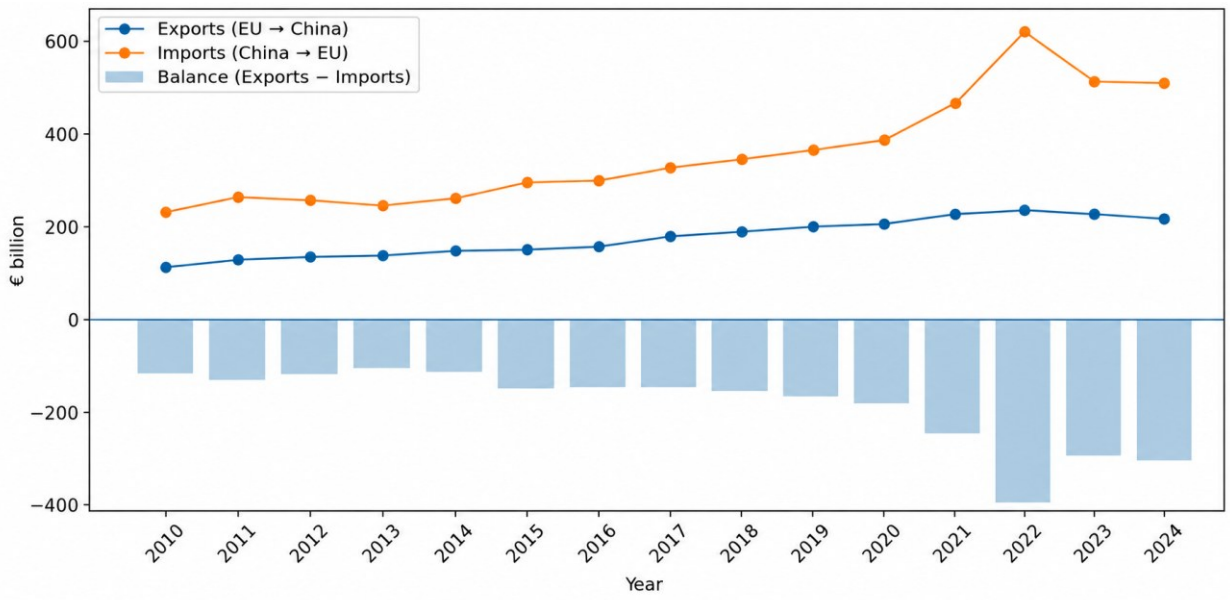
China remains an important partner, competitor and systemic rival of the EU. Brussels formalized this triad as early as 2019, and it remains a useful way of describing the ambivalence of the relationship. However, the relationship has deteriorated further in recent years.

In economic terms, European exports to China have fallen steadily since 2020, while imports from China have increased. This has resulted in significant deficits in the European balance of goods. In 2024, this deficit was around €306 billion, following a record €397 billion in 2022 (see Fig. 3). At the same time, Europe's dependence on essential products and technologies has grown.

From a geopolitical perspective, the EU views China as a destabilising force for European security. Beijing has strengthened its alignment with Russia and has become more overt in its use of economic leverage as a political tool on a global scale.

Trump's systematic weakening of traditional multilateral structures, particularly the transatlantic alliance, has rekindled the prospect of closer ties with China, including in the area of trade, as a means of countering American pressure.

Fig. 3 EU trade with China (2010-2024): imports, exports, and balances



However, closer alignment with Beijing would expose Europe to the risk of Chinese products flooding foreign markets, particularly in the fastest-growing green and digital sectors. This does not appear to be either realistic or desirable. Conversely, a decoupling-style confrontation would be costly; due to its market size, industrial instruments and internal political constraints, the EU is less well prepared than the United States to sustain it in the long term.

Therefore, a more autonomous European strategy is needed, based on the Union's specific interests (which only partially converge with those of the United States) and recognition of China's systemic weight (it accounts for around 14–15% of global merchandise exports) and its key role in the environmental transition. The objective should be to manage the relationship in a differentiated and selective manner depending on the issue at hand in order to reduce vulnerability and defende against Chinese unfair or rule-breaking practices while making the most of opportunities for cooperation where possible. This could be defined as a «functional» strategy, to be articulated on three levels.

The first level concerns security. China remains a source of strategic risks for the EU. Rather than decoupling, a derisking approach must be adopted and implemented, with critical dependencies being reduced selectively — particularly in green and digital production (e.g. batteries, solar panels and electronic components) — through supplier diversification and strengthening of internal production capacity. It is important to recognize that European dependence on Beijing has paradoxically increased in some of these areas in recent years, which highlights the limitations of the initial phase of the European economic security strategy in reducing dependencies, particularly on China.

Of particular relevance is Europe's extreme dependence on China for certain critical raw materials such as 97% of magnesium and 100% of heavy rare earths, which are vital for producing batteries, turbines, aircraft, semiconductors, and precision weapons. In October 2025, China introduced stricter export rules for rare earths and related products, requiring special licences for items containing even trace amounts of Chinese rare earths. This measure was also intended to strengthen China's negotiating position with the United States, which has had a negative impact on Europe and highlighted the vulnerability of major European companies such as Airbus, Vestas and Volkswagen.

In 2024, the EU approved the Critical Raw Materials Act, setting self-sufficiency targets of 10% extraction, 40% processing and 25% recycling by 2030 (Regulation 2024/1252). However, implementation is proceeding slowly despite these ambitious targets, and resources are limited compared to the scale of the problem. Therefore, accelerating the launch of new projects and the signing of alternative supply contracts is a priority, while China's most stringent measures remain suspended for one year (until November 2026) under a tactical agreement between Xi Jinping and Donald Trump.

The second level concerns trade. The EU-China relationship could remain positive if the EU addresses asymmetrical access to the Chinese market as well as the kind of distortive competition that penalizes European companies due to discriminatory practices, localization requirements and restrictions on public procurement practiced by Beijing for years. There is also an immediate threat that some Chinese exports blocked by US tariffs will flood European markets, as is already happening to some extent. This is the result of China's neo-mercantilist model of economic growth, which is based on excessive investment and exports. The Chinese authorities have reiterated their intention to continue pursuing this model.

In order to counter these trends, the EU must apply the instruments at its disposal consistently: trade defence instruments (anti-dumping and anti-subsidy measures), the Anti-Coercion Instrument and foreign investment monitoring and conditioning mechanisms. This should begin with screening (Regulation 2019/452) and the promotion of aligning foreign direct investment (FDI) with climate, industrial and security objectives. In particular, the fragmented approach of Member States to foreign investment must be corrected, as highlighted by the dynamics of Chinese investment in electric vehicles in Europe. A first step in this direction was the provisional agreement reached in December last year between the Council and Parliament to update the framework and make the adoption of national mechanisms for monitoring foreign investment in sensitive sectors more uniform.

However, this «defensive» response must be accompanied by coherent industrial and supply policies, such as diversifying suppliers (including in the Indo-Pacific region), supporting the European industrial and technological base, and developing strategic stocks of the most exposed materials and technologies.

The third level concerns global public goods, where China's scale makes effective solutions difficult to implement without Beijing's involvement. In terms of climate policy, for example, China is responsible for around 32% of global CO_2 emissions (estimated for 2024), yet it is also the leading investor in renewable energy and green technologies. In light of the United States' recent withdrawal from the Paris Agreement once again, EU-China cooperation on standards, climate finance, value chains and emissions reductions is essential. However, this cooperation should be made more «contractual», linking it to transparency, reciprocity, and reducing risks of technological dependency.

In order to implement a three-tier strategy, the EU must forge alliances with partners who recognize the need to reduce their vulnerability to China. While the United States remains an important interlocutor, the current phase of US trade policy and the Trump–Xi agreement of late October 2025 make a coordinated approach with American allies unlikely. This increases the incentive for Europe to develop its own instruments and coalitions.

Nevertheless, the biggest obstacle remains within the EU itself, in the form of divisions between member states regarding policies towards China. These divisions stem from their disparate national interests in areas such as industry, exports, investments, and geopolitical sensitivities. Beijing has historically exploited these divisions by offering differential treatment and maximizing the leverage of its market and investments.

5. The «defensive» architecture of trade policy: deterrence, enforcement and instruments of power

Between 2024 and 2025, the nature of European trade policy changed, evolving from a mere series of tariff negotiations or «technical» chapters into an integrated risk management mechanism. In this mechanism, agreements, defensive instruments and internal regulations — often with extraterritorial effects — converge under a common logic of reducing strategic vulnerabilities without sacrificing openness. The introduction of ACI, IPI and CBAM, the more sophisticated use of trade defence instruments and the coordination of investment screening and export controls all point towards the growing integration of trade and economic security. As Maria Demertzis summarises, «trade lies at the heart of the new European economic security doctrine».

The first application of IPI in 2025 against China signals this new stance. In response to non-reciprocal access conditions and discrimination on the Chinese market, the Commission has decided to exclude Chinese companies from EU tenders for medical devices worth more than €5 million. This demonstrates that procurement — traditionally considered an internal policy area — is now fully part of the geo-economic and trade toolbox.

In 2025, the European response to pressures from global overcapacity and distortions affecting energy-intensive and strategic sectors was also strengthened. The steel dossier is emblematic because it links trade, production capacity, and industrial objectives. In autumn, the Commission proposed reducing duty-free import quotas by almost half and applying duties of up to 50% on excess quantities. The objective was to preserve a «viable» European production base in a context of distorted competition and external tariff pressure. Furthermore, in December 2025, the Council adopted a negotiating mandate for a new regulatory framework to manage the commercial effects of overcapacity and replace the current safeguard measure, which is set to expire on 30 June 2026. This is not an emergency measure, but rather a sign that the «structural» protection of certain sectors is once again a stable policy issue.

Like other major players, the EU recognises — albeit belatedly — that certain production capacities also constitute security capacities, including those relating to energy, defence, infrastructure and technology. If the global market does not guarantee comparable competitive conditions, then EU policies — including trade policy — must determine how much «strategic» industry Europe can and intends to maintain within its borders.

Also in 2025, on 3 December, the Commission announced a new European economic security doctrine. This aims to encourage the transition from mere risk identification to effective mitigation and reduction strategies by proposing the proactive and systematic use of available instruments.

Excessive dependence on strategic imports is recognised as posing a risk to the EU economy as restricting access to such imports would strengthen the coercive power of supplier countries. Meanwhile, US super-tariffs and restrictions on certain chip exports suggest that the United States could also endanger the Union’s economic security.

Therefore, the political challenge lies in balancing restrictive and defensive measures with the advantages of openness and non-negotiable European objectives such as the net-zero transition, competitiveness, and cohesion.

The most realistic approach, particularly with regard to the US and China, is to de-risk operations by reducing critical dependencies, diversifying, strengthening the single market and its innovation capacity, and using agreements and partnerships to stabilise supply chains and standards while remaining ready to respond to coercion and distortive practices, rather than disarming unilaterally or decoupling.

As many dependencies can only be reduced in the medium term, strategies that will discourage coercive actions in the short term must also be developed. From this perspective, the new instruments (ACI, IPI and screening) will only be credible if the EU demonstrates that it can use them consistently and promptly while accepting the associated political and diplomatic costs. In other words, unlike last year, the EU should not hesitate to use its autonomous instruments against Beijing and Washington if they attempt to exert undue pressure on the Union through trade again.

More generally, the ACI should not be considered only as a measure of last resort. It enables the EU and its Member States to respond to measures or threats that seek to influence their sovereign choices. Failure to respond to coercion would undermine the EU's credibility as a geopolitical actor.

Last year's political mandate for the Commissioner for Trade and Economic Security, Maroš Šefčovič, explicitly prioritised developing an economic security doctrine, implementing the European Economic Security Strategy, and collaborating more closely on export controls, monitoring foreign direct investment (FDI), and mitigating risks associated with critical technologies.

This institutional formalisation highlights a fundamental point: trade policy and security policy are no longer separate areas. While 20^(th)-century European trade policy was primarily a tool for opening up (and, to some extent, for regulatory projection), it has more recently begun to reposition itself within a tougher context of geo-economic competition between large blocs, where coercion, overcapacity, technological control and material shortages are structural elements.

This is relatively new territory for the EU, requiring a change of pace. Europe must develop an economic security doctrine that incorporates trade as a multiplier of power. This doctrine must provide deterrence, when necessary, ensure reciprocity, offer targeted protection for critical capabilities, and foster partnerships to reduce dependencies without disrupting value chains. It is not just a question of «enforcing the rules», but of demonstrating public capacity in a context where access to markets and compliance with standards are becoming areas of strategic competition.

The challenge lies in avoiding two opposing extremes: fragmentation (many instruments, little consistency) and inertia (ambitious goals, slow implementation). The success of the new European stance will not be measured by the number of regulations adopted, but by the ability to implement measures while maintaining a balance between openness and competitiveness, ensuring resilience of critical supply chains and maintaining political legitimacy, with clear criteria, proportionality and coordination between Member States.

From this perspective, critical points in supply chains should also be identified in light of «reverse dependencies» — chokepoints under EU control — and used to ensure the targeted activation of defence instruments if necessary.

In a world where interdependencies can be — and are — «weaponised», and where openness without security leads to vulnerability, Europe cannot afford to cling to the nostalgia for free trade or to close itself off through protectionism. It must learn to trade as other major players do, not against the market but recognising that the market is also a domain in which countries' security is managed.

6. The EU and countries of the Global South: trade policy as a tool for strengthening competitiveness and strategic security

The United States remains a key market and ally, but it is no longer able to determine the trajectory of world trade on its own, given its relative weight. Today, Washington accounts for around 13% of global imports: a significant share, but insufficient to «govern» the entire system. For a highly open economy such as Europe's, it is crucial that around 80% of the Union's trade takes place outside of transatlantic relations. This creates real scope for diversifying partners and value chains, thereby reducing exposure to cycles of US protectionism and Chinese coercion, without decoupling entirely.

As previously mentioned, the EU enters the mid-2020s with an already extensive international network. A significant proportion of European foreign trade - around half - takes place «under preferences», including with the main preferential partners.

However, the change is not only quantitative, but also qualitative. New-generation agreements are not just about «opening markets», but also about redesigning interdependencies in a way that is consistent with three priorities that are now inseparable: economic security, the climate transition and standards and governance. In this sense, agreements become the infrastructure of economic statecraft, building coalitions, anchoring supply chains, setting rules on sustainability and competition, and increasing resilience in a context where multilateral governance is struggling. The Commission also explicitly acknowledges this in its official narrative on sustainability clauses, presenting agreements as levers for sustainable growth, labor protection, and the green transition.

The second von der Leyen Commission has moved to strengthen and expand this network by relaunching negotiations with key partners in the Asia-Pacific and Latin America regions. The push towards the Indo-Pacific responds to a clear logic: the region accounts for an increasing proportion of global demand, and above all, it is home to critical supply nodes (raw materials, components and manufacturing capacity). The CEPA with Indonesia is the most emblematic case. EU-Indonesia negotiations, which began in 2016, took a political turn on 13 July 2025 with the announcement of a political agreement by von der Leyen and President Prabowo Subianto. The negotiations were concluded on 23 September 2025. The strategic value is clear: Indonesia is central to transition supply chains, particularly those involving nickel and the battery ecosystem, and the agreement is also presented as a tool for diversification and risk reduction in value chains.

Negotiations with India, which were relaunched in 2022, concluded in January 2026 with the signing of a free trade agreement. This agreement is ambitious and commercially significant and represents the largest ever concluded by both parties. Following a more «industrial» phase in the final year, involving frequent rounds and the conclusion of technical chapters, the negotiations concluded with a specific focus on establishing an «economically significant» market access package for goods, rules of origin, services, and investments.

The agreement is expected to double EU exports of goods to India by 2032 by eliminating or reducing tariffs on 96.6% of EU exports to India. Overall, tariff reductions will save around €4 billion in duties on European products each year. The benefits to Europe are twofold: access to a continental market and the development of a strategic partnership in Asia, which will also help to diversify away from China. This highlights the «non-commercial» nature of European trade policy: when climate standards, industrial regulations, and politically sensitive sectors come into play, the line between trade and domestic economic policy becomes blurred.

In addition, the EU has managed to «scale up» with two highly strategic dossiers in Latin America. After years of deadlock with Mexico, on 17 January 2025 the EU announced the conclusion of negotiations on the modernization of the Global Agreement. On 3 September 2025, the Commission adopted proposals for Council decisions on the signing and conclusion of the agreement, including an «interim» trade agreement. The modernization expands the 2000 framework to incorporate services, procurement and investment, as well as a more robust sustainability architecture. In this case, the agreement also functions as a tool for resilience and European positioning between North America and Latin America.

The most significant and controversial dossier remains that of Mercosur. A political agreement was reached with Argentina, Brazil, Paraguay and Uruguay on 6 December 2024. Described as one of the largest agreements ever negotiated by the EU, this historic milestone followed over 25 years of negotiations and could generate tariff savings of around €4 billion per year for European exporters in the industry and agri-food sectors. However, the agreement entered its most delicate phase in the last year. The Commission proceeded with institutional steps, including proposals for signature and conclusion, as well as the possibility of an interim agreement. However, due to a disagreement between Member States regarding guarantees for the agricultural sector, ratification was postponed at the December summit. It was then approved in January of this year by the European Council by means of a qualified majority vote, despite opposition from a group of countries led by France. However, in January of this year, the European Parliament narrowly voted in favor of referring the matter to the Court of Justice of the European Union to verify the legal compatibility of the Mercosur trade agreement with the Treaties. The Court's ruling will take at least a year, but the Commission may allow the temporary application of the trade parts of the agreement in the meantime. While this would be desirable, it would not negate the reputational and political consequences of the protracted impasse. Mercosur symbolises Europe's ambition to build a network of «friendly» interdependencies, but also highlights its internal fragility when trade, agriculture, the environment and political consensus conflict.

Furthermore, the EU should aim to build a broad coalition of countries committed to rules-based trade and the modernization of global rules, rather than proliferating bilateral agreements. This approach involves strengthening existing agreements with partners such as Canada, Australia and Switzerland, as well as establishing a more structured agreement with the member countries of the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership). These countries represent a significant share of the global economy (13% of world GDP) and trade (15% of world trade).

On 20 November last year, the first step in this direction was taken when the trade ministers of the two blocs met and issued a joint statement expressing their intention to strengthen cooperation with the common goal of supporting rules-based trade at this particularly difficult time. This could include the possibility of plurilateral agreements open to other countries. The statement also supports WTO reform. This is an important objective, particularly for the EU, which has already promoted specific initiatives such as the Multilateral Agreement on Investment (MPIA), the Joint Statement on E-commerce (JSI) and the EU Enforcement Regulation. However, it must be considered in the medium term, as the political conditions for its relaunch are lacking in the short term. Safeguarding open markets and dynamic international trade can be achieved today through a set of bilateral and plurilateral agreements between countries with converging interests. This is, in fact, the path taken by the Union.

In short, the bilateral and plurilateral agreements are not just free trade agreements (FTAs) for the EU; they are attempts to build a network of interdependencies that can withstand a more conflictual world and a climate transition that is reshaping value chains. However, EU strategy depends on three things: internal consistency among

Member States, credibility with regard to timing and ratification, and perceived fairness — in other words, the ability to accompany the export of standards with adequate incentives for partners. Many countries in the Global South are now more assertive and less inclined to automatically accept the European «value-based» approach. While the EU is mandated by the Treaties to guide external relations based on its own values, tension between geopolitical interests and regulatory conditionality is inevitable when agreements become instruments of strategic security.

The real alternative is not between «values» and «realism», but in favor of a pragmatism that can link standards and transitions with credible investment, technology, access, and industrial partnerships. At stake are not only economic objectives such as export support, growth, market access, the reduction of non-tariff barriers, opportunities for services and investment, and the protection of geographical indications and intellectual property, but also: (i) the EU's ability to remain a «regulatory» player rather than becoming merely a market subject to the rules of others; (ii) to reduce dependencies without closing itself off; (iii) and to transform the green transition into an area of cooperation rather than allowing it to become yet another North/South divide.

In an era of geo-economic competition, this network of agreements is an essential part of European security and defence. However, it is also a test: if the EU fails to transform its market power into credible partnerships, others, primarily China, will fill the space with standards, supply chains and alliances that do not necessarily converge with European interests (and principles).

7. Trade policy and sustainability

Over the last two years, European trade policy has stopped treating climate and social rights as an afterthought: they are now conditions for market access and criteria for competition. This is a substantial shift. The EU is using its trade leverage to open markets and reduce the risk of «climate dumping», as well as to protect its industrial base during the transition and encourage its partners and companies to adhere to higher standards throughout their supply chains.

This evolution is particularly evident in the most recent agreements. The Economic Partnership Agreement (EPA) with Kenya, for instance, is said to be the most ambitious agreement ever concluded with an African country in terms of sustainability. It includes commitments on climate, labor, biodiversity, combatting illegal logging and fisheries, and gender equality. The modernization of the agreement with Mexico is also part of a package put together by the Commission that combines competitiveness, resilience, and sustainability. This package incorporates climate protection and labor rights and includes enforceable commitments and monitoring tools such as Domestic Advisory Groups. In the case of Mercosur, the political leap is even more pronounced: the Paris Agreement is described as an essential element of the agreement, and suspension is possible in the event of a serious violation or withdrawal. There is political resistance to this in both Europe and Latin America.

Alongside the «negotiated route», there is a «unilateral route» that extends the extraterritorial footprint of the single market. The CBAM is a prime example of internal regulation with external effects, imposing carbon measurement and cost standards along global value chains, thereby prompting third-party companies and governments to adapt in order to maintain access to the European market. Following a transitional period from 1 October 2023 to 31 December 2025, the CBAM will take effect on 1 January 2026. The aim is to ensure that the carbon price of imports is equivalent to that of EU production subject to the ETS. It should also be noted that Regulation (EU) 2025/2083 introduces simplification and strengthening measures ahead of the definitive regime's launch. This includes postponing the start of CBAM certificate sales to 1 February 2027, although these relate to emissions embedded in imports in 2026.

Against this backdrop, and partly in response to competitive and environmental concerns, the European Commission presented a reinforcement package in December 2025. This included a proposal to extend the scope to include steel- and aluminium-intensive «downstream» products, scheduled to take effect on 1 January 2028 pending legislative approval. The package also encompasses anti-circumvention measures and stricter controls against under-reporting of embedded emissions, including the increased use of default values in cases of unreliable data.

Politically, the EU is not merely «defending» businesses but attempting to raise the global bar by shifting competition towards regulatory and climate metrics. This capacity for regulatory projection aligns with the concept of «regulatory power», but today it assumes a more overtly strategic significance: standards and rules serve as both values and tools for industrial positioning and dependency management.

However, structural frictions are emerging. The more binding these measures become, the greater the risk that strategic partners will perceive them as «green protectionism» or a unilateral transfer of the costs of transition. The dialogue with India illustrates this: New Delhi requested an exemption from the CBAM, which Brussels rejected, knowing that the credibility of the instrument depends on the universality of the rules, and the difficulties this causes when concluding bilateral trade negotiations. It should also be noted that the EU is currently undergoing a period of internal reorganization, with a cycle of «simplification» and relaxation of certain corporate sustainability rules beginning in 2025–2026. This provides partner countries with the argument that Europe is demanding externally what it struggles to uphold internally.

In conclusion, if the EU wants the «green» dimension of its trade policy to be sustainable in the long term, it must complement its standards with a credible partnership strategy, particularly with regard to countries in the Global South. It is not enough to make market access conditional; convergence must be made convenient — and financially viable. In this regard, Clean Trade and Investment Partnerships (CTIPs), conceived in the Clean Industrial Deal Plan (2025), are a faster, more targeted instrument than FTAs for integrating supply chain security, industrial cooperation and decarbonization.

CTIPs are particularly useful in relations with African countries — a continent of strategic importance to the EU — where agreements are needed to increase trade flows, strengthen value chains in critical sectors and secure energy and raw material supplies. This differentiates the European approach from that of China, offering concrete economic advantages and including investment projects to promote local industries. The first CTIP, signed with South Africa on 20 November 2025, explicitly embodies this approach by promoting «clean» value chains, access to raw materials, local value creation and the Just Energy Transition through trade and investment.

In short, European trade policy is becoming part of climate policy, and vice versa. The stability of this paradigm depends on striking the right balance: environmental standards, enforcement processes, and control mechanisms must advance alongside investment, technology transfer, and cooperation, in order to prevent the «External Green Deal» from being perceived as a protectionist barrier. If the EU succeeds in transforming the CTIP and sustainability chapters into a true convergence architecture, rather than merely a list of obligations, the European market could become a regulatory frontier and a platform for industrial and climate coalitions that can unite decarbonization, development and trade openness.

8. Europe's geopolitical ambition and strategic autonomy

European trade policy is undergoing a profound transformation, which can be seen particularly clearly in the current negotiation dossiers. The focus is no longer just on outlet markets, but also on Europe's ability to act with greater autonomy in an unstable and competitive geopolitical context. Ultimately, strengthening the network of agreements and partnerships means investing in the competitiveness, resilience and sustainability of the European economy.

From this perspective, trade policy forms part of a broader project of European autonomy. This does not mean a return to autarky but rather reducing dependencies that could potentially be exploited by other countries for political leverage in the future. This concept is often referred to as «open strategic autonomy» in the European context: striking a balance between safeguarding economic and technological assets and maintaining vital integration into international markets. Trade policy thus becomes a means of building coalitions, gaining negotiating leverage and supporting broader economic security objectives.

In this perspective, the design of European trade policy as a whole should take into account geographical and sectoral priorities, as well as the combined use of «offensive» instruments, such as agreements and partnerships, and «defensive» instruments, such as anti-coercion measures, trade defence, procurement, and integration with the green agenda and economic security. The Commission's official documents on implementation and enforcement also explicitly describe trade as a cross-cutting lever for competitiveness, security and sustainability.

However, a realistic assessment must recognize that the trade strategy is still incomplete and fragile. There are at least three critical issues.

The first concerns divisions between Member States. Although trade policy is an EU competence, the political legitimacy of many agreements continues to depend on national (and sometimes sub-national) balances. This makes the process vulnerable to delays, additional conditions, and «blocking coalitions». The Mercosur case is paradigmatic: precisely because it is the most far-reaching and strategically significant agreement, it is proving the most difficult to finalize, as it affects agricultural interests and internal environmental sensitivities. This reveals a broader structural limitation: a «geopolitical» trade strategy requires speed and cohesion, whereas the European decision-making process tends to produce slow and often unstable compromises. There is a systemic tension between external ambition and internal political costs.

Secondly, objectives and instruments are heterogeneous. Even when files progress, the resulting agreements do not take a consistent approach: some are driven by sustainability (Kenya); some by the management of sensitive sectors (Mercosur and agri-food); some by the security of value chains and investments (Indonesia); and some by the modernization of rules, services, and procurement (Mexico). While this variety can be interpreted as flexibility, from the outside it risks appearing as a disparate set of initiatives rather than a coherent plan. Therefore, the «geopolitization» of European trade policy — that is, using trade as a foreign policy and power tool — increases the demand for consistency. If trade policy is to have strategic effects, a clear hierarchy of objectives and selection criteria must be communicated, as well as shared red lines. Otherwise, the EU will appear very active procedurally yet lacking in terms of a recognisable strategy.

Thirdly, there remains a discrepancy between the EU's geopolitical ambitions and its ability to realize them. There is a discrepancy between the narrative of a «geopolitical Commission» and its actual ability to translate this narrative into power. The speed at which the United States and China are acting — through massive subsidies, economic security agreements, and aggressive industrial and trade policies — is putting pressure on the more cautious, fragmented, and internally disputed European model. Furthermore, many decisive levers (fiscal, industrial and security-related) remain either national or fragmented despite the fact that integrated management is required to achieve the objectives. Finally, when the EU announces «scale agreements» and then leaves them suspended for years, it signals uncertainty to its partners. Those who claimed that postponing and then suspending the ratification of the agreement with the Mercosur countries damaged the Union's international credibility put forward this argument. The issue is not the difficulty of the negotiations themselves, which is normal for complex agreements, but the growing discrepancy between the strategic importance placed on these issues and the ability to swiftly achieve results.

This leads to a realistic assessment. European trade policy is not merely a collection of unrelated bilateral agreements. A clearer conceptual framework, using the network of agreements as a diversification infrastructure, introducing instruments consistent with economic security and a negotiation geography geared towards de-risking and integration with the green and digital agenda would outline a framework with strategic features. However, this is a strategy that is still under construction: it is powerful in regulatory terms, but vulnerable in terms of political decision-making and implementation. It is a project to transform trade policy into an instrument of power and security.

If the EU wants to prevent this ongoing project from remaining an unfinished mosaic, the priority must be to reduce the gap between ambition and capacity rather than adding slogans or new instruments. This requires three policy choices: (i) more robust internal conflict resolution mechanisms, such as compensation, credible safeguards, and management of short-term losers; (ii) a clear objective hierarchy, such as security, climate, and competitiveness, to avoid inconsistencies and perpetually «open» negotiations; and (iii) a quantum leap in implementation, because strategic trade policy is only as effective as its implementation and defence.

Trade policy has certainly become one of the central issues in the debate on Europe's role in the world. In this context, current European trade policy can be viewed as a testing ground for the EU's evolution from a «regulatory power», centered on rules, to a «geo-economic power», capable of leveraging trade to defend interests, promote values and forge alliances. Whether this testing ground results in a comprehensive design or remains a series of partially coordinated experiments depends on future political decisions, particularly the ability to credibly align trade policy, industrial policy and external action. In an era of bloc competition, Europe cannot afford a «half-hearted» trade policy. It must either become a systemic lever of strategic autonomy or remain a set of advanced instruments that are incapable of generating external results. In this case, the strategy will not fail due to a lack of ideas, but due to a lack of capacity.