



Background note: EU Trade Policy in an Uncertain World

Regardless of the criticism that Enrico Letta¹ has raised against the single market, and Mario Draghi² against Europe's competitiveness, the European single market is one of the world's largest economies, alongside the USA and China. For example, the EU27 ranks second globally in terms of exports.³ The EU has traditionally been among the most prominent advocates for a rules-based world order, including within the arena of trade. But this very rules-based world order has been challenged in recent years. This applies regardless of whether we are talking about the EU's bilateral trade agreements with third countries or the plurilateral system within the WTO.

Guiding Questions for the Discussion in the session:

- How is the trade relationship with the US being managed? Does the Commission President's agreement with the President of the US represent a positive step towards stability in trade relations, or a one-sided deal that solely benefits the United States?
- What is the best possible way to safeguard the rules-based global order within the framework of the WTO? How can the EU safeguard its trade-policy interests through bilateral agreements without undermining the WTO system? And how can progress be ensured in the work on a dispute settlement system?
- What priorities should the EU have in its efforts to conclude new free trade agreements? Does the EU-Mercosur agreement sufficiently take into account the interests of European farmers, and does it include adequate measures to ensure compliance with international climate agreements and human rights?
- How can the best level of balance be ensured between the economic interest in concluding free trade agreements and other considerations, such as human rights – including labour rights in partner countries?

¹ Enrico Letta: Much More Than A Market: <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>

² Mario Draghi: The Future of European Competitiveness: https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en

³ DG Trade Statistical Guide, August 2021: <https://op.europa.eu/en/publication-detail/-/publication/c6755ec7-1761-11ec-b4fe-01aa75ed71a1>



EU–USA

On 27 July 2025, the President of the European Commission Ursula von der Leyen and the American President Donald Trump reached an agreement on tariffs and trade. This agreement was confirmed in a joint statement made on 21 August 2025. It includes a 15% cap on US tariffs on a range of European products, while a number of products are exempted completely or almost completely. It was also agreed that the parties will jointly address the challenges of global steel overproduction, implement the liberalisation of exports from the US into Europe, and reduce non-tariff barriers. Finally, the agreement also includes cooperation on economic security and provisions for European purchases of American energy sources.

While the Commission emphasises that the agreement contributes to stability in trade relations between Europe and the United States, and thereby helps to safeguard jobs and key industries⁴, it has been widely criticised from other quarters. For example, there was little support for the agreement when it was debated by the European Parliament on 10 September.⁵ Members of the European Parliament argued that the agreement was unbalanced in that it unilaterally allowed the United States to impose tariffs on European goods, that it was vague and permitted the US to apply higher tariffs on a range of products than the expected 15%, and that it contributed to undermining the rules-based international order by weakening the WTO.

The WTO

On 17 September 2025, the Director-General of the WTO, Ngozi Okonjo-Iweala, spoke about the status of the WTO's work in a partly encouraging tone, but while also expressing a certain degree of scepticism about the future:

“If we look at the facts, the evidence base, the trading system is still there. It is bent, but it is not broken.”

Although 72% of global trade still takes place in accordance with WTO terms⁶, the WTO faces a number of challenges, particularly with regards to its dispute settlement system. While the general dispute settlement system in

⁴ https://commission.europa.eu/topics/trade/eu-us-trade-deal_en

⁵ https://www.europarl.europa.eu/doceo/document/CRE-10-2025-09-10-ITM-009_EN.html

⁶ <https://media.un.org/unifeed/en/asset/d344/d3447839>



the WTO remains paralysed, the EU and a number of other WTO members have attempted to establish an alternative system – however, this does not include all members and thus contributes to the ongoing fragmentation within the WTO system.

In parallel, work continues within the WTO on issues such as investment facilitation to the benefit of developing countries, the reduction of environmentally harmful subsidies, fisheries and digital products.

Status of free-trade agreements with the rest of the world

Rising geopolitical uncertainty has put renewed focus on the conclusion of free-trade agreements with other major economies around the world. Most recently, the EU has concluded agreements with Indonesia and Mexico, among others. At the same time, negotiations are currently being held with India, the Philippines and Malaysia, while negotiations with the United Arab Emirates were opened in May 2025.

In December 2024, the European Commission and the Mercosur countries reached a political agreement on the new partnership deal which, according to the Commission, will lead to a 39% increase in the EU's exports to the Mercosur countries.⁷ On 3 September, the Commission submitted proposals for the signing of both an interim trade agreement ("EU only") and the subsequent final agreement.

The interim agreement will need to be approved by the Council and the European Parliament, while the final trade agreement will also require national ratification. There is still considerable uncertainty as to whether or not these agreements can attain final approval, as criticism has been raised from several quarters – among other things, for not sufficiently protecting European agriculture and for being unambitious and not binding enough in terms of their climate commitments.

⁷ https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1644