Navigating Uncertainty

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Roman Hanke and Lucia Almendros Zaragoza



Ursula von der Leyen is to visit Australia from March 23rd to 25th, where she is expected to negotiate a long-awaited trade agreement with the Australian government (European Commission, 2026). In fact, this accord could help address the EU's dependence on strategic materials and energy supplies (Arte Europe l'Hebdo, 2026). However, in recent years, the EU has sought to foster its trade and diplomatic relations, reaching agreements with international organisations like Mercosur and new powers, notably India and New Zealand. It is assumed that the current geopolitical situation has prompted the European Commission to maintain a closer eye on the European economy, which has been weakened by the US's protectionist tendencies over the past few decades.

In this light, the paper asks the following question: to what extent has Trump's return accelerated the EU's diversification strategy, exemplified by the Mercosur and India trade deals, as a response to both US protectionism and the bloc's own economic vulnerabilities?

Indeed, these agreements have already caused a big impression on the European population and some business corporations, namely agricultural ones (Al Jazeera, 2025). Moreover, the new ones could have bigger impacts on our daily lives, creating immense markets with an incommensurable number of transactions, like the India-EU trade agreement.

On second thoughts, and taking into consideration our fragmented and new unregulated trade market, the EU has a major role to play, which is to consolidate its trade position and foster its relations throughout the world. In this respect, the EU needs to seek its population's support and ensure that it promotes sustainable development and sound business practices in its trade deals.

With this in mind, our article will start analysing Trump's key role in destabilising the international system and forcing a radical change in the economy. After this, we will analyse the European economy, and finally, we will consider the recent European trade agreements it has reached.

Trump and the Return of Protectionism in International Trade:

"My favourite word is the word tariff, I love it more than any other word in the dictionary" (The Guardian, 2024). It is assumed that Trump's reelection has caused a big damage to multilateralism and world trade. Indeed, his unpredictable trade policies have caused trade between the US and the EU to fluctuate. But, since when has it been like that?

First and foremost, the USA has brought about significant advances in the field of international trade regulation following the Second World War. The GATT agreements induced trade exchanges with several states, including them in a market-run economy, and increasing their well-being. As a matter of fact, at the beginning of the WTO, a high level of juridical regulation was required, as a stark contrast to what existed till that moment. Indeed, the USA accepted rulings from the WTO's permanent judicial organ in order to advance capitalism in the world. As a matter of fact, multilateralism was researched by the USA, as in 2001, they deeply encouraged the entrance of China into the WTO, to expand a market economy there. Nevertheless, the increasing Chinese economy, based on exports, frightened powers, which decided to raise tariffs in 2008 (García Becerro, 2025). Finally, all these measures led to protectionism with the arrival of D. Trump to the White House, when the US stopped sending representatives to the WTO, citing "security defence" for national industry, and increased its tariffs to China (García Becerro, 2025). These measures have, to some extent, been continued by Biden, who has tightened controls on imports of critical energy and

materials from China. In the end, during the current Trump's mandate, we are facing a complete decoupling from regulated trade, where it ignores both non-discrimination and tariff decreasing, as they increase not only to China, but also to other States, like the EU or Canada, as a foreign policy.

In this respect, it is important to note that the USA was one of the creators of the GATT agreements and the WTO. As far as the trade-related standards are concerned, both the GATT and the WTO advocate for the principles of non-discrimination and the reduction of tariff barriers. Although the current government is particularly neglecting trade based on rules, as it was reflected in the 27th July trade agreement between the EU and the USA, causing an increase in tariffs against GATT norms (García Becerro, 2025). However, this stands in stark contrast to the entire previous century, when the aim was to reduce customs duties favoured by the USA. Whereas today the global average is approaching 20%, as it was during the Cold War (García Becerro, 2025).

Structural Weaknesses and External Pressures on the EU Economy:

The European economy needs to face multilateral challenges. As it was already mentioned before, the third economic bloc is affected by economic and geopolitical upheavals, as exemplified by Trump's unsteady policies, a multipolar economy influenced by China, the EU, the USA, tariffs, and rising rates instead of negotiations.

These geopolitical headwinds are further aggravating the already fragile position of European economies. Although they have shown resilience in navigating multiple recent crises, growth has been stalling. The strength of the euro, coupled in particular with the US tariffs, is making a meaningful recovery increasingly difficult (IMF, 2025).

Another point is that the EU economy is eager to enforce its strategy, searching for new trade partners, committing to free-trade, and fostering relations, so as not to lose its position as a global economic power. Indeed, this scheme has been seen in recent years in the European economy. Admittedly, the European Economic Area is experiencing some economic growth, but the rate is not spectacular, namely 1.4% in 2025 (Toute l'Europe, 2025). As a matter of fact, some economic fields are less exposed to economic growth than others, creating political dissatisfaction and social strikes (Arte Europe l'Hebdo, 2026). One particular sector that lives a non-ending crisis is industry, for instance, Stellantis in Italy announced in January the temporary closure of its Cassino factory. Despite the temporary closing announced due to the lack of demand that couldn't justify the opening of production lines, workers fear a complete closure and the loss of their jobs. (Autoplus, 2026). Following a report of French Stellantis unions, their production has decreased and will continue this trend(Les Echos, 2025). This is due to Stellanti's commitment to producing an increasing

number of hybrid cars in order to meet European demand and adapt to the European market, and Chinese competitors who are entering the European market with green, low-cost Chinese cars.

Beyond short-term economic pressures, the European Union is facing a set of structural challenges that continue to weigh on its growth prospects. Productivity gains have remained modest, while high energy costs and increasing global competition, particularly from China, are placing additional strain on European industry. Even ECB President Christine Lagarde has acknowledged that the EU's economic model is "geared towards a world that is gradually disappearing" (The Guardian, 2025).

In this context, trade policy has emerged as a key strategic tool for the EU. By expanding its network of trade agreements, the Union seeks not only to secure access to critical resources and new markets but also to reduce its dependence on an increasingly unreliable global trading system.

Strategic Reorientation of EU Trade Policy: Against this backdrop, the EU has accelerated its efforts to diversify its trade partnerships, seeking to reduce its exposure to both the United States and China in an increasingly fragmented global economy. As recent research highlights, the rise of protectionism and the growing weaponisation of trade relations have pushed the EU to rethink its traditional model based on open markets and multilateralism. In response, the Union is progressively shifting towards a strategy of "open strategic autonomy", aimed at balancing economic openness with the need to enhance resilience and safeguard its strategic interests (Intereconomics, 2025). The revival and successful conclusion of negotiations with Mercosur, the deepening of ties with India, and ongoing discussions with partners such as Australia illustrate this proactive diversification strategy, which seeks to secure both alternative growth markets and more reliable sources of critical inputs. Building on these structural and geopolitical pressures, the EU has translated its strategic reorientation into a series of concrete trade agreements with these key global partners. After more than two decades of negotiations, the EU-Mercosur agreement marks the most significant milestone in the Union's trade policy shift. Covering a vast market of over 270 million people, the deal is expected to enhance market access for European goods and services while securing key imports, particularly in raw materials and green products.

However, despite its economic and strategic potential, the agreement remains highly controversial within the EU. Strong opposition has come up, especially among the agricultural industry, which fears increased competition from South American producers, as well as from environmental groups concerned about deforestation and sustainability standards. As such, the Mercosur deal illustrates the dual nature of the EU's current trade strategy. While it aims to expand global partnerships and reduce external dependencies through de-risking, it must simultaneously navigate significant internal political and social constraints (European Commission, 2026). While the European Commission has moved to advance the agreement,

including signalling its intention to provisionally apply certain provisions, the European Parliament and several member states have taken a more cautious approach. Concerns over environmental commitments, regulatory standards and the protection of domestic sectors have been compounded by broader criticisms regarding the potentially asymmetrical nature of the partnership, with some observers warning of neo-colonial dynamics that could reinforce dependency of less industrialised Mercosur economies on the EU (Reuters, 2026). At the same time, significant political resistance has emerged within Europe, notably in countries such as France and Poland, where large-scale protests have contributed to a de facto freeze of the process (France Diplomacy, 2025). Reflecting these tensions, the European Parliament has called for a legal assessment of the agreement's compatibility with EU competences under Articles 3 and 4 TFEU before further steps towards ratification. This divergence underscores the broader challenge of reconciling an increasingly proactive external strategy with persistent internal political and societal constraints (European Parliament, 2026).

Balancing Openness, Resilience and Internal Divisions in EU Trade Policy: To conclude, the EU's recent trade initiatives reflect a broader attempt to navigate an increasingly fragmented and uncertain global economic order. Faced with rising protectionism, geopolitical rivalry and structural domestic weaknesses, the EU has sought to reposition itself through a strategy that combines openness with greater economic security. In this sense, agreements such as Mercosur, alongside deals with India and Australia, are not isolated developments but part of a more systemic effort to diversify partnerships, secure critical inputs and maintain global competitiveness.At the same time, the analysis has shown that this strategy is inherently constrained by internal divisions and competing priorities. While the European Commission has adopted a more assertive approach, political resistance from member states, industry interests and civil society highlights the limits of consensus within the Union. The tensions surrounding the Mercosur agreement in particular illustrate how trade policy has become increasingly politicised, reflecting broader concerns over sustainability, sovereignty and fairness in globalisation. Ultimately, Trump's return has acted less as a singular cause than as a catalyst, accelerating trends that were already underway. The EU's diversification strategy can therefore be understood as both reactive and proactive. A response to external pressures, but also an attempt to redefine its role in the global economy. Whether this approach will succeed depends on the EU's ability to reconcile its external ambitions with internal cohesion, and to ensure that its trade policy remains both economically effective and politically legitimate in a rapidly changing international order.

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