ISSN: 2282-4189

Research Center for European
Analysis and Policy

LUISS

Jean Monnet Centre of Excellence on
EU Inclusive Open Strategic Autonomy

European Trade Policy:
The Union's Change of Pace

Paolo Guerrieri

Policy Brief 3/2026

April 10, 2026

Project n. 101127624

Co-funded by
the European Union

"Funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or European Education and Culture Executive Agency. Neither the European Union nor the granting authority can be held responsible for them."

European Trade Policy: The Union’s Change of Pace

Paolo Guerrieri[1]

A strategy of diversification and outward projection

Today, trade policy is one of the few areas of European action in which the Union appears to have made decisive progress. Against a backdrop of the resurgence of US protectionism, intensifying strategic competition with China, and the fragmentation of global value chains, the Commission has expedited a strategy of trade diversification that encompasses market liberalization, vulnerability mitigation, and the global promotion of European regulatory standards. The three most recent cases – Mercosur, India, and Australia – illustrate this particularly clearly. These are not merely the result of successful trade negotiations; rather, they demonstrate the Union’s capacity to act politically when it possesses clear competencies, its own instruments, and effective decision-making procedures. The key point is that trade policy is not just an area in which the EU ‘works;’ it is the arena where the link between institutional integration and political capacity is most evident.

This interpretation is consistent with the evolution of the Union’s trade doctrine over the last five years. The 2021 Trade Policy Review defined the European strategy as 'open, sustainable and assertive,' emphasizing that trade policy must serve not only growth, but also resilience, sustainability, and the defence of European interests. Since December 2023, this approach has been supplemented by the Anti-Coercion Instrument – the instrument designed to counter economic pressure from third countries (1). In other words, the EU has explicitly recognized that trade cannot be separated from economic security and geopolitical competition. Negotiations concluded or finalized between December 2024 and March 2026 must therefore be viewed as components of a strategy of trade diversification and the external projection of European regulatory power (2).

The troubled agreement with Mercosur

From this perspective, the case of Mercosur is particularly instructive. The Council of the EU has described the agreement with Argentina, Brazil, Paraguay, and Uruguay as the largest free trade area ever negotiated by the Union, covering a market of over seven hundred million people. In

[1] LEAP and PSIA, Sciences Po

2024, trade in goods between the EU and Mercosur exceeded €111 billion, while trade in services surpassed €42 billion in 2023. According to the Commission, eliminating or reducing Mercosur tariffs would enable European businesses to save over €4 billion a year, particularly in high-value industrial sectors such as automotive, machinery, chemicals, and pharmaceuticals (3). These figures are significant not only because of their scale, but also because they illustrate the typical function of European trade policy: using market access to strengthen the competitive position of key sectors of the European economy.

However, reducing Mercosur to a mere exercise in trade liberalization would be misleading. The agreement also covers access to public procurement, the protection of 344 European geographical indications, and provisions on services and investment. It also includes strengthened commitments on labor, biodiversity, combating deforestation, and implementing the Paris Agreement. It is precisely this combination of liberalization, protection of European interests and incorporation of environmental and social clauses that reveals how the EU uses trade as a regulatory influence tool. In this sense, Mercosur confirms a structural feature of European trade policy: trade is not separate from the regulatory order that the Union seeks to promote; rather, it constitutes one of its main vehicles. In other words, Mercosur is not just an agreement to sell more; it is also an agreement to export European rules, standards, and regulatory capacity. Its rationale is both economic and geopolitical, providing market access and a foothold in a region that the EU considers strategic. Even more interesting, however, is the way in which the Mercosur dossier has been constructed institutionally. Following the conclusion of the political negotiations on 6 December 2024, the Commission proposed two instruments: a Partnership Agreement covering political dialogue, cooperation, and trade; and an Interim Trade Agreement limited to trade and investment matters. On 9 January 2026, the Council authorized the signing of both, and Council sources emphasize that the trade text will follow a faster track precisely because it falls within the scope of the Union's exclusive competence.

This development is significant because it highlights an often overlooked dynamic: the EU seeks to increase its effectiveness by separating the strictly commercial aspects from elements requiring more complex ratification processes, where possible. Therefore, the structure of the agreement is not merely a technical detail, but a political choice consistent with the desire to maximize Europe's capacity for action (5). This is confirmed by the Commission's decision to provisionally apply the interim agreement from 1 May 2026, pending ratification by the European Parliament.

Naturally, Mercosur is not without its controversies. Resistance from some in the European agricultural sector and from environmentalists is significant and should not be ignored. However, this is precisely where an interesting feature of Europe's current phase lies: rather than inaction, the Commission has opted for the political management of the conflict. It has incorporated trade liberalization, safeguard clauses, environmental provisions, and a more streamlined institutional framework. It is an imperfect decision, but a decision, nonetheless.

Commercial and political leverage in relations between Europe and India

The second dossier, India, takes this logic to an even broader scale. On 27 January 2026, the EU and India concluded negotiations on what the Commission describes as the largest trade agreement ever concluded by both parties. The EU is now India's leading trading partner. In 2024, trade in goods reached €120 billion, while trade in services stood at €59.7 billion in 2023. The Commission estimates that the agreement will eliminate or reduce tariffs on over 96 per cent of European goods exports and could double EU exports to India by 2032, providing tariff savings of around €4 billion a year. The economic significance is immediate here too: privileged access to one of the world's largest and most dynamic markets. However, its political significance is even greater: the EU is using trade as a lever to establish a long-term relationship with a major Asian power on the rise.

However, the India dossier is not only significant in terms of broad trade aggregates. Sectors that are crucial both symbolically and materially are being opened: tariffs on European cars will gradually fall from 110 per cent to 10 per cent within a quota of 250,000 vehicles per year, and substantial reductions will also apply to machinery, chemicals, and pharmaceuticals. In the agri-food sector, significant market openings will be seen for wine, olive oil, chocolate, biscuits, and pasta. The agreement also includes chapters on services, digital trade, and SMEs, while negotiations on investment protection and geographical indications continue separately. All of this confirms a broader trend. European trade policy has become more modular and flexible and is more closely intertwined with the requirements of economic security and strategic projection (8). In this context, it is not surprising that the ECFR has interpreted the new EU-India agreement as a model of 21st-century trade governance (9).

The strategic agreement with Australia

The agreement with Australia, concluded on 24 March 2026 after eight years of negotiations, completes the picture. Bilateral trade already amounts to €49.4 billion for goods and €38.1 billion for services, with the EU exporting goods worth €37 billion to Australia each year. According to the Commission, 97.6 per cent of European exports will be duty-free upon entry into force, while all the remainder will be liberalized within five years. The savings for European businesses will exceed €1 billion annually in the short term and will reach over €1.2 billion once the agreement is fully implemented (10). However, as in previous cases, the most interesting aspect is not merely the tariff reduction. The agreement expands access to public procurement, protects European geographical indications, and improves access to services, whilst also containing a specific chapter on energy and resources. It is in this chapter that the link between trade and economic security is particularly strong: the text aims to prevent export restrictions, dual pricing and other such practices that distort the market, thereby facilitating European access to strategic resources and supply chains, including those linked to renewable hydrogen and critical raw materials.

The strategic value of the Australian dossier is further confirmed by the announcement of a Security and Defence Partnership between the EU and Australia at the time of concluding the FTA (11). This combination is significant. It signals that, for Brussels, trade is no longer a policy separate from the Union's overall geopolitical positioning, but rather its instrument. In this respect, Australia is an ideal partner: it is an advanced economy and a consolidated democracy; a key player in the Indo-Pacific; a country rich in critical resources; and one that has already experienced economic coercion by China in the past. In an international context in which European strategic autonomy increasingly depends on diversifying supplies and alliances, the political significance of the agreement is clear.

Of course, the agreement with Canberra has also faced opposition, particularly in the agricultural sector. According to Reuters, some French farmers and the Australian meat industry have criticized the limited nature of certain quotas. However, the politically significant aspect is that the EU has chosen to conclude the agreement rather than postpone it indefinitely. Here, trade is being harnessed for a broader purpose than merely its own expansion: economic security, the diversification of supply sources, and the strengthening of Europe's presence in the Indo-Pacific are also being pursued.[12]

Economy and security in European trade policy

When Mercosur, India and Australia are considered together, a common thread emerges: European trade policy is functioning as an instrument of growth, economic security, and regulatory projection simultaneously. The EU is opening markets for its own businesses, seeking to reduce vulnerabilities in raw materials, technologies and value chains whilst exporting rules, environmental clauses, social standards, and legal protections that are consistent with its own development model. From this perspective, trade has become one of the main drivers of Europe's geo-economic and geopolitical presence (13). Considering these developments, the idea of trade policy as a mere liberalization technique appears outdated.

However, the most interesting question, both theoretically and politically, is this: why is the EU effective in this field? The answer lies in the institutional framework of the Treaties. The common commercial policy is the exclusive responsibility of the Union under Article 3 of the Treaty on European Union (TFEU); Article 207 defines the basis of this responsibility; and Article 218 establishes the procedure for negotiating and concluding international agreements. In practice, this means that the Commission negotiates on behalf of the Union, the Council authorizes and oversees the negotiations, and the European Parliament gives its consent. The entire process takes place within a robust supranational framework, which is stronger than those found in other policy areas such as energy, industrial policy and defence (14). Trade policy thus proves to be a laboratory of successful integration because it demonstrates that the EU can act when competences, procedures and instruments are centralized.

This conclusion is also supported by case law and specialist literature. Opinion 2/15 of the Court of Justice on the EU-Singapore Agreement clarified the boundaries between the Union's exclusive competence and 'mixed' areas requiring the involvement of Member States, thereby reinforcing the practice of 'splitting' agreements (15). Studies by the EPRS and CEPS emphasize, from different perspectives, that trade policy is one of the areas in which the Treaty of Lisbon has most clearly enhanced the Union's capacity for external action. The point is not that trade is immune to political conflicts or vetoes, but that the sector's institutional architecture renders such conflicts more manageable than in other areas. In other words, institutional integration does not eliminate politics; it makes it more manageable.

Concluding remarks

A general lesson can be drawn from this. The evidence provided by European trade policy is not merely that the EU can produce concrete results. It is that institutional integration generates political capacity. Where Europe has clear competences and common procedures, as well as its own instruments and decision-making mechanisms that are less prone to intergovernmental paralysis, it can operate as a credible political actor. The consequence is clear: if the Union is to make equally rapid and significant strides in other crucial fields, such as energy, defence, industrial policy and strategic technologies, the same logic of effective integration must be extended, at least in part. This does not necessarily mean centralizing everything but rather building more common capacity and shared instruments and procedures that are less vulnerable to veto.

In conclusion, Mercosur, India, and Australia are not isolated incidents or mere negotiating successes. They are empirical cases demonstrating how the EU shifts gear when it can truly make decisions. Viewed from this perspective, European trade policy is not just another policy: it is a practical demonstration that the Union becomes stronger when it establishes institutions, competencies and procedures that enable it to function as a unified entity. The real political question today is not whether Europe can be a global player. Rather, it is whether it will be willing to learn the full lessons of trade and trade policy and apply them to other crucial areas.

Notes

1. European Commission, *Trade Policy Review: An Open, Sustainable and Assertive Trade Policy*, COM (2021) sixty-six final (Brussels, 17 February 2021); European Commission, "Protecting against coercion," Directorate-General for Trade and Economic Security, last accessed 28 March 2026.
2. Reuters, "EU Adds India in Rush for Trade Deals after Trump's Return," 27 January 2026.
3. Council of the European Union, "EU-Mercosur: Council Greenlights Signature of the Comprehensive Partnership and Trade Agreement," 9 January 2026; European Commission, "Factsheet: EU-Mercosur Partnership Agreement," updated 2026.
4. European Commission, *Questions and Answers on the EU-Mercosur Partnership Agreement*, QANDA/24/6245, updated 17 January 2026; European Commission, "Factsheet: EU-Mercosur Partnership Agreement."
5. Council of the European Union, "EU-Mercosur: Council Greenlights Signature of the Comprehensive Partnership and Trade Agreement," 9 January 2026.
6. Reuters, "EU and Mercosur Sign Trade Deal after 25 Years of Negotiations," 17 January 2026; Council of the European Union, "EU-Mercosur: Council Greenlights Safeguards for Agricultural Products," 5 March 2026.
7. European Commission, "EU-India Agreements," Directorate-General for Trade and Economic Security, 5 March 2026; European Commission, "EU and India Conclude Landmark Free Trade Agreement," 27 January 2026.
8. European Commission, *Questions and Answers on the EU-India Free Trade Agreement*, QANDA/26/185 (Brussels, 27 January 2026).
9. James Crabtree and Manisha Reuter, "A New World in Trade: How Europeans Can Make the Most of the India Deal," European Council on Foreign Relations, 27 January 2026.
10. European Commission, "EU Trade Relations with Australia," Directorate-General for Trade and Economic Security, last accessed 28 March 2026; European Commission, *MEMO: EU-Australia Free Trade Agreement: Chapter-by-Chapter Summary*, 24 March 2026.
11. European Commission, *MEMO: EU-Australia Free Trade Agreement: Chapter-by-Chapter Summary*, 24 March 2026; Associated Press, "EU and Australia Sign Free Trade Pact and Announce a New Defence Partnership," 24 March 2026.
12. Reuters, "Australia and EU Seal Trade Deal, Seek to Cut Reliance on China for Critical Minerals," 24 March 2026; Reuters, "Highlights of EU-Australia Trade Agreement," 24 March 2026.

13. Reuters, "EU Adds India in Rush for Trade Deals after Trump's Return," 27 January 2026; European Commission, *Questions and Answers on the EU-Mercosur Partnership Agreement*; European Commission, *Questions and Answers on the EU-India Free Trade Agreement*; European Commission, *MEMO: EU-Australia Free Trade Agreement*.

14. Treaty on the Functioning of the European Union, Articles 3, 207 and 218; European Parliamentary Research Service, *EU Trade Policy* (Brussels: European Parliament, October 2019).

15. Court of Justice of the European Union, *Opinion 2/15*, 16 May 2017; Guillaume Van der Loo and Michael Hahn, *EU Trade, and Investment Policy since the Treaty of Lisbon: Achievements and Future Priorities* (Brussels: CEPS, 2020).

16. Van der Loo e Hahn, *EU Trade, and Investment Policy since the Treaty of Lisbon*; European Parliamentary Research Service, *EU Trade Policy*.

Bibliography

Associated Press. "EU and Australia Sign Free Trade Pact and Announce a New Defence Partnership." 24 March 2026.

European Commission. *MEMO: EU-Australia Free Trade Agreement: Chapter-by-Chapter Summary*. 24 March 2026.

European Commission. *Questions and Answers on the EU-India Free Trade Agreement*. QANDA/26/185. Brussels, 27 January 2026.

European Commission. *Questions and Answers on the EU-Mercosur Partnership Agreement*. QANDA/24/6245. Updated 17 January 2026.

European Commission. *Trade Policy Review: An Open, Sustainable and Assertive Trade Policy*. COM (2021) sixty-six final. Brussels, 17 February 2021.

European Commission. "EU and India Conclude Landmark Free Trade Agreement." 27 January 2026.

European Commission. "EU-India Agreements." Directorate-General for Trade and Economic Security. 5 March 2026.

European Commission. "EU Trade Relations with Australia." Directorate-General for Trade and Economic Security. Last accessed 28 March 2026.

European Commission. "Factsheet: EU-Mercosur Partnership Agreement." Updated 2026.

European Commission. “Protecting against Coercion.” Directorate-General for Trade and Economic Security. Last accessed 28 March 2026.

Council of the European Union. “EU-Mercosur: Council Greenlights Safeguards for Agricultural Products.” 5 March 2026.

Council of the European Union. “EU-Mercosur: Council Greenlights Signature of the Comprehensive Partnership and Trade Agreement.” 9 January 2026.

Court of Justice of the European Union. *Opinion 2/15*. 16 May 2017.

Crabtree, James, and Manisha Reuter. “A New World in Trade: How Europeans Can Make the Most of the India Deal.” *European Council on Foreign Relations*, 27 January 2026.

European Parliamentary Research Service. *EU Trade Policy*. Brussels : European Parliament, 2019.

Reuters. “Highlights of EU-Australia Trade Agreement.” 24 March 2026.

Treaty on the Functioning of the European Union. Consolidated version.

Van der Loo, Guillaume, and Michael Hahn. *EU Trade and Investment Policy since the Treaty of Lisbon: Achievements and Future Priorities*. Brussels: Centre for European Policy Studies, 2020.