

EU trade relations in times of geoeconomic uncertainty

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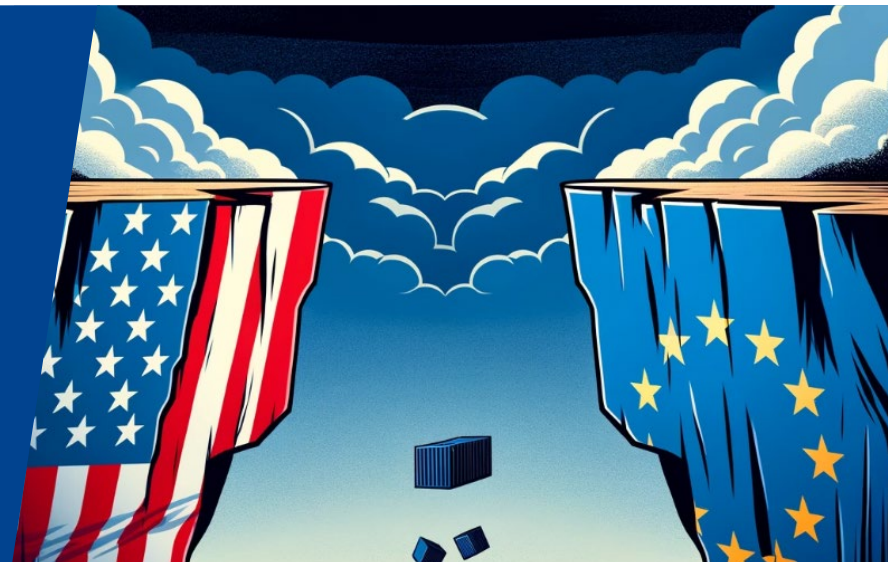
University of Kiel (CAU)

Kiel Institute (IfW)

The Association of European Vehicle Logistics

General Assembly & Spring Congress

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Agenda:

1. Current geoeconomic challenges
2. Trade linkages between the EU and its main trading partners
3. Economic effects of Trump 2.0 and other trade policy scenarios
4. Conclusions and recommendations

The EU's geoeconomic challenges – a long list...

- Trade policy shaped by increasing scepticism towards globalization
- US trade policy characterised by protectionism and high uncertainty
 - Liberation Day: +20% on imports from the EU → currently 10%
 - +25% on cars, steel and aluminium
- EU derisking from China
 - Reducing export and import dependency (e.g., CRMA)
 - Elephant in the room: Taiwan
 - Dealing with unfair competition (anti-subsidy tariffs on electric vehicles)
 - Worries about surging imports following US tariffs
- Current and future relations with Russia
- Sustainability / environmental standards as trade barriers (CSDDD, CBAM)
- Bipolarization / regionalization of the global economy

→ How dependent is EU trade on China and the US?

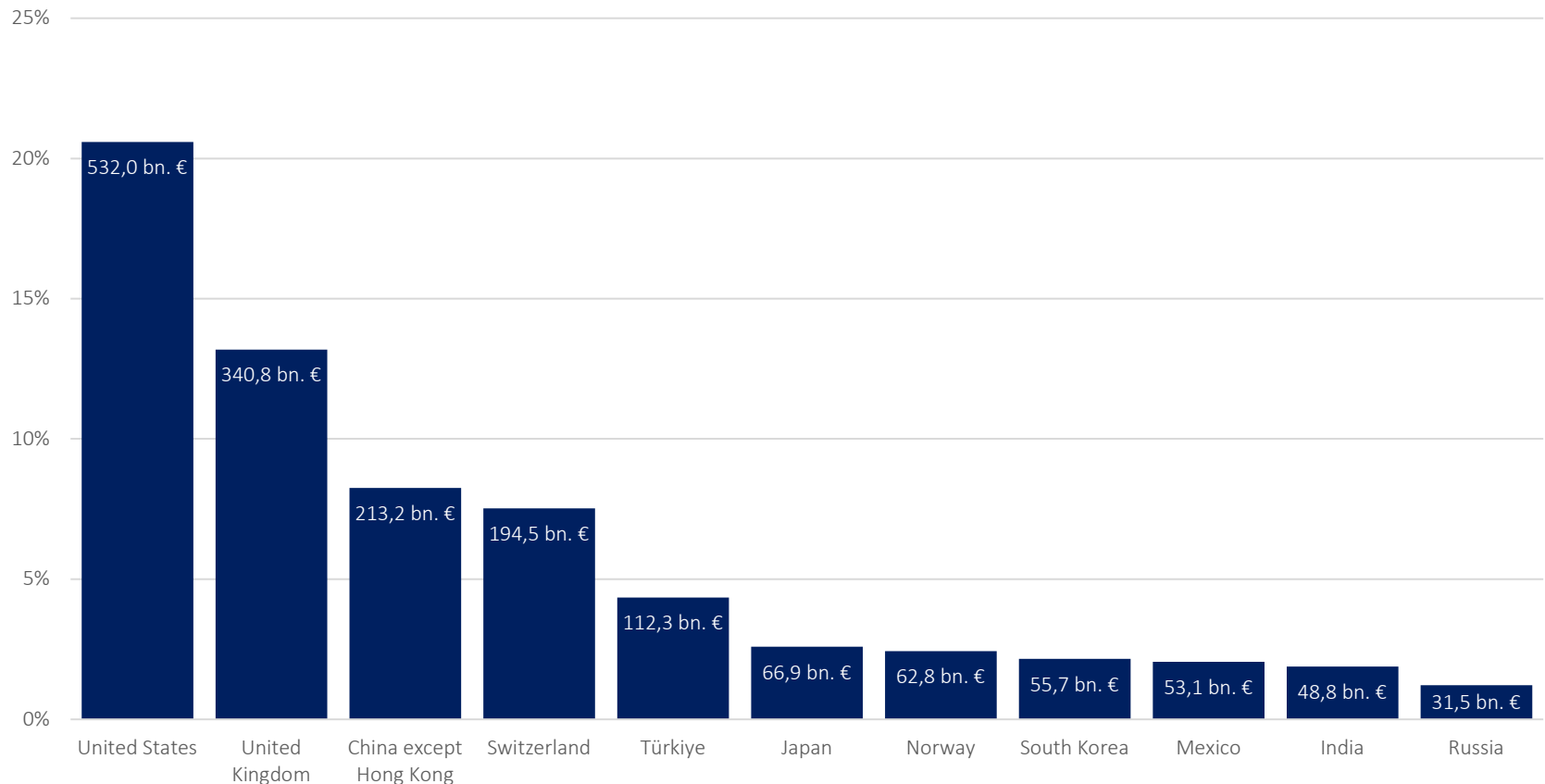
→ What does Trump's (planned) trade policy mean for the EU and the world?

→ What can we do?

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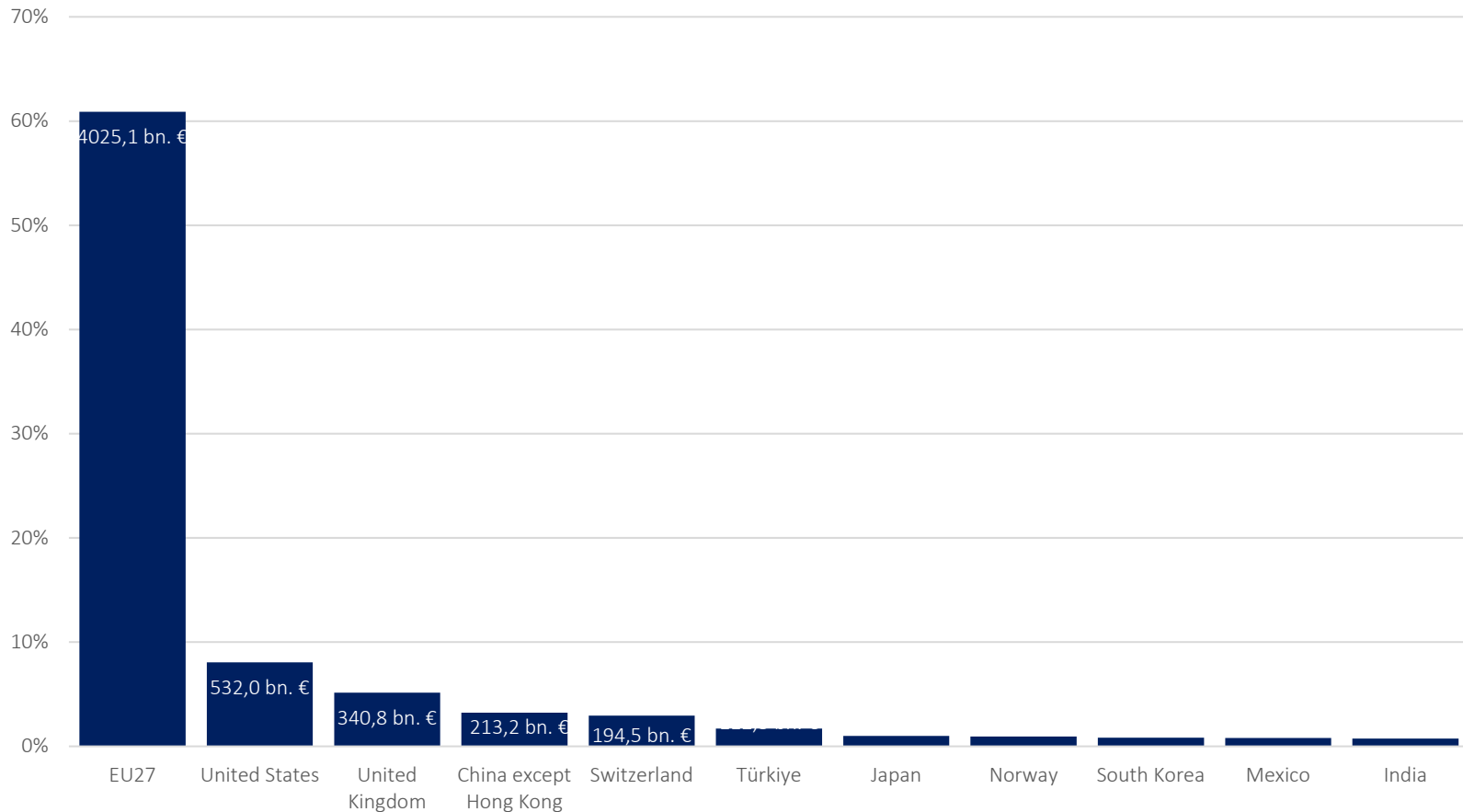
US remain top export destination in 2024, China 3rd



Note: Top ten importing countries of EU27 goods in 2024, plus Russia. Share in total extra-EU exports.

Source: Eurostat, Kiel Institute

EU is its own most important trading partner

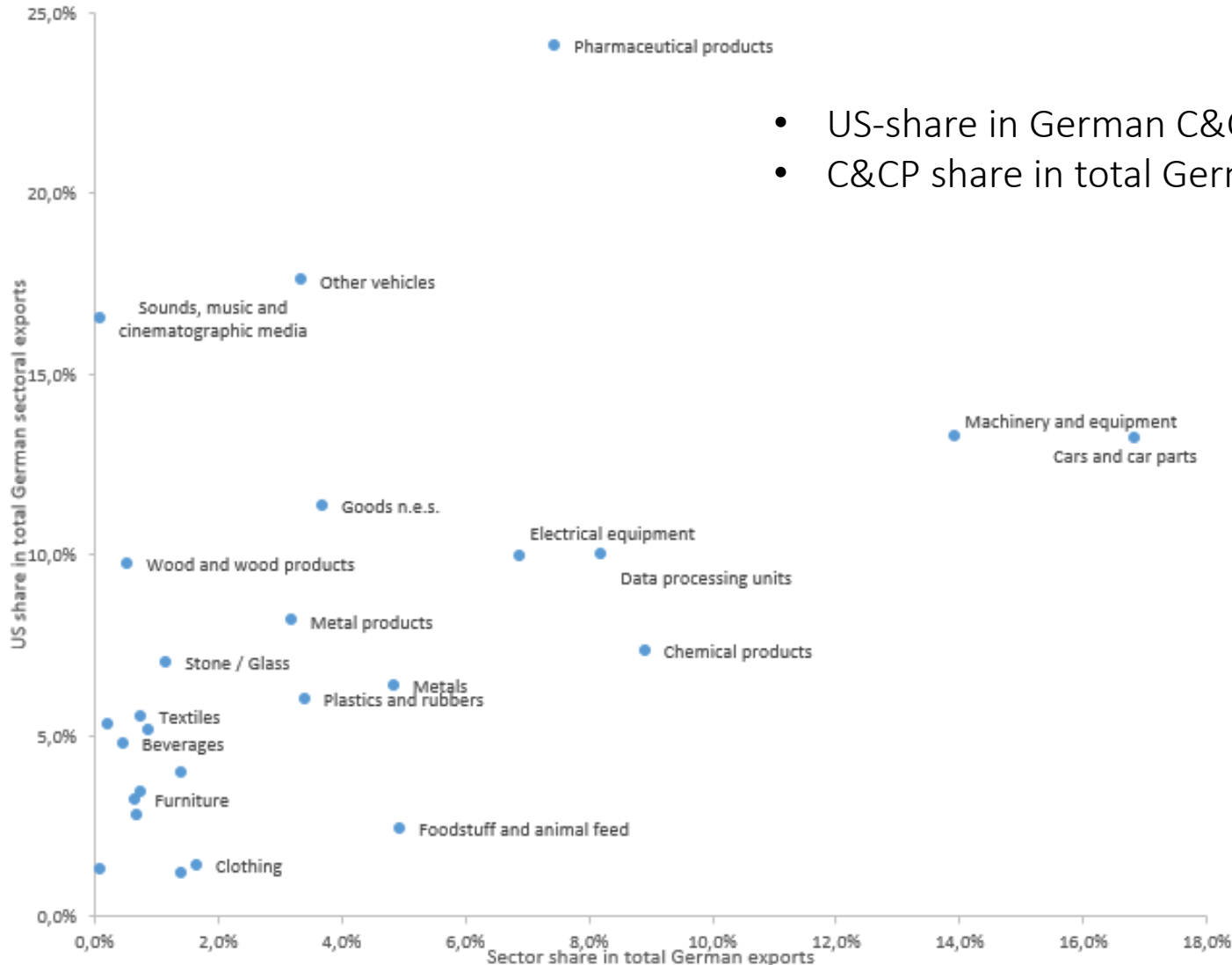


Note: Top importing countries of EU27 goods in 2024, including intra-EU trade. Share in total EU exports.

Source: Eurostat, Kiel Institute

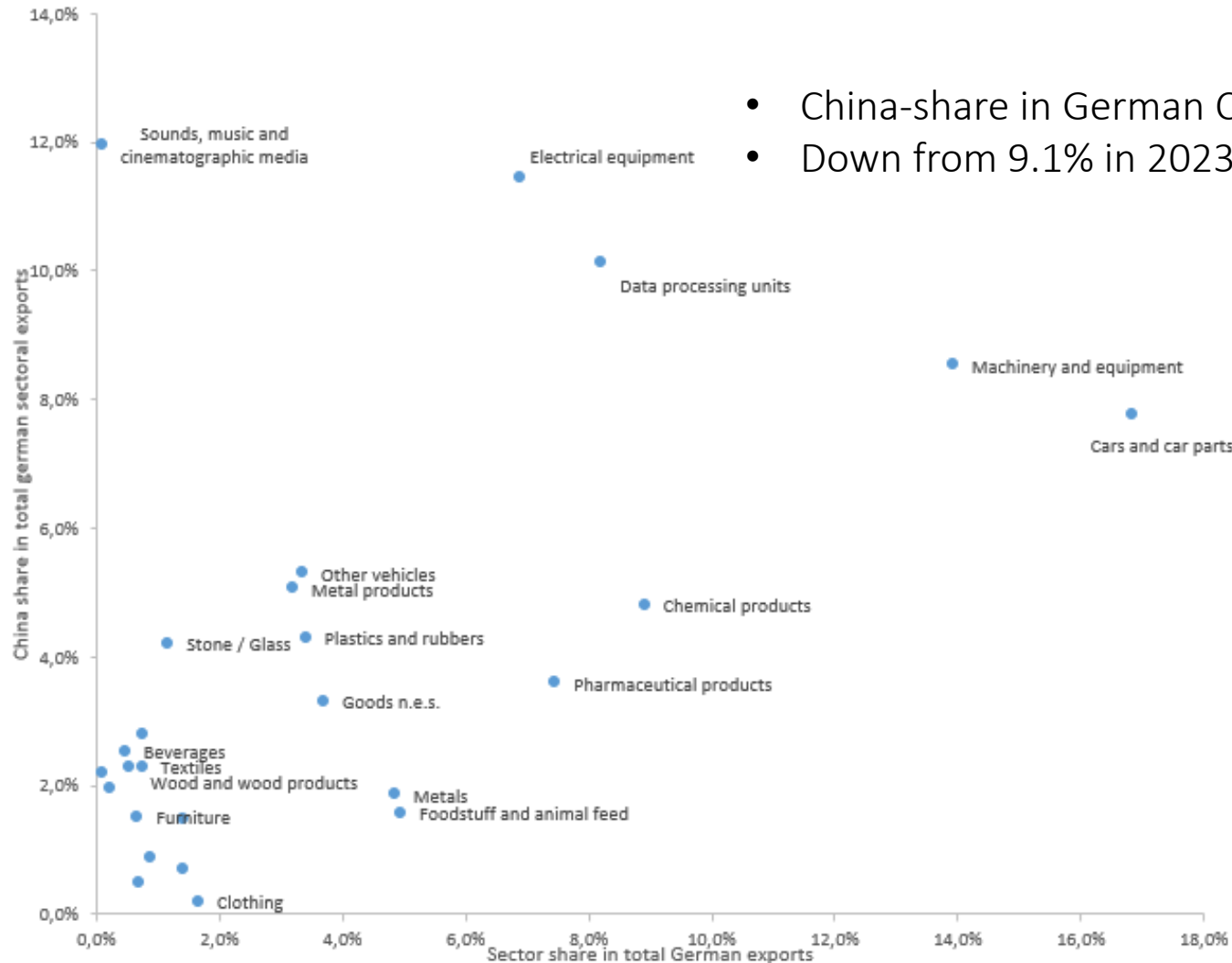
EU exports to the US: Strong heterogeneity across industries

- US-share in German C&CP exports: 13.2%
- C&CP share in total German exports: 17%



*Note: German exports to US, 2024. Overall US-share in German exports around 10%
Source: Destatis and Kiel Institute*

EU exports to China: Strong heterogeneity across industries

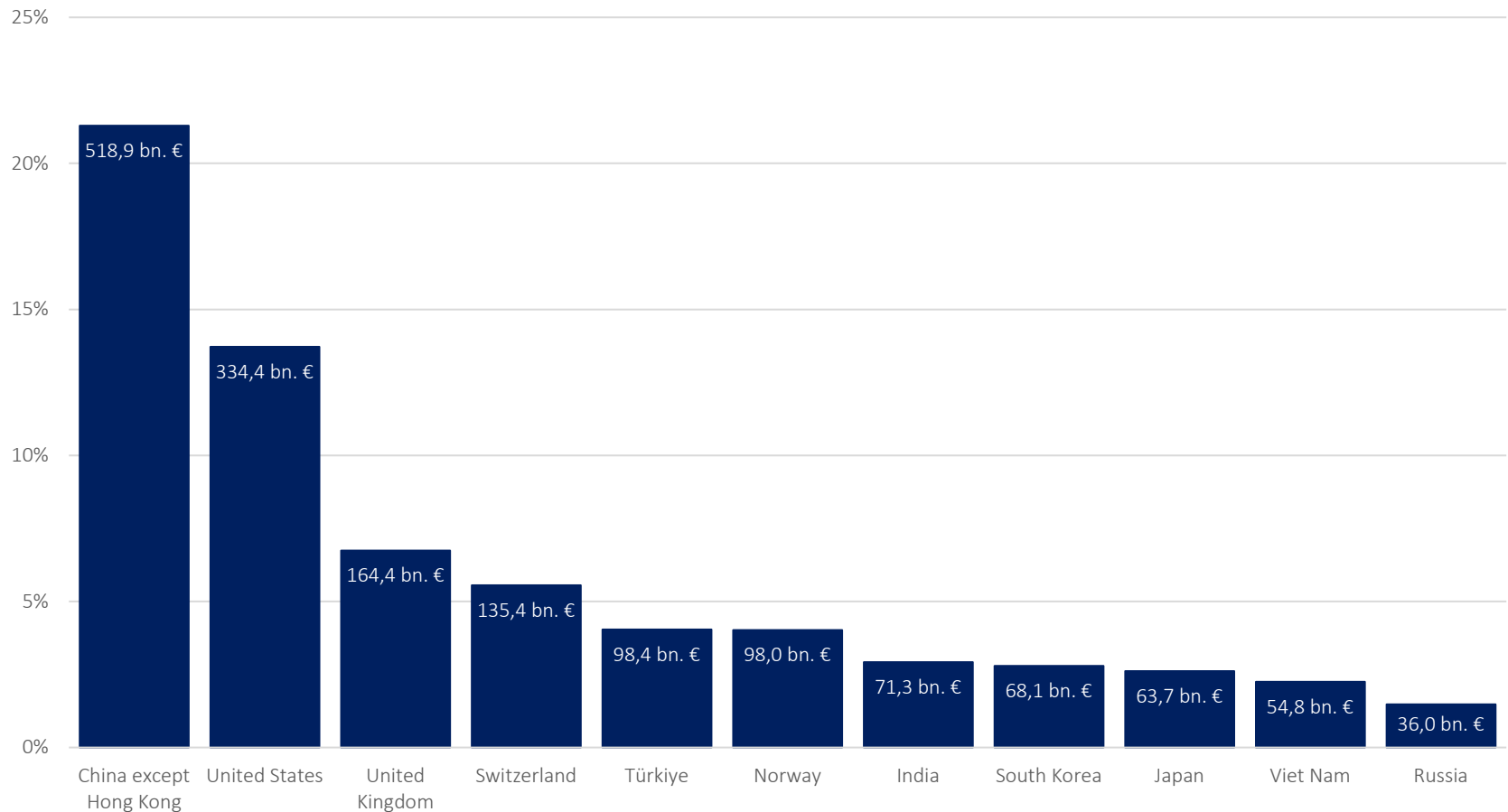


Note: German exports to China, 2024.

Overall, China share in German exports around 6%

Source: Destatis and Kiel Institute

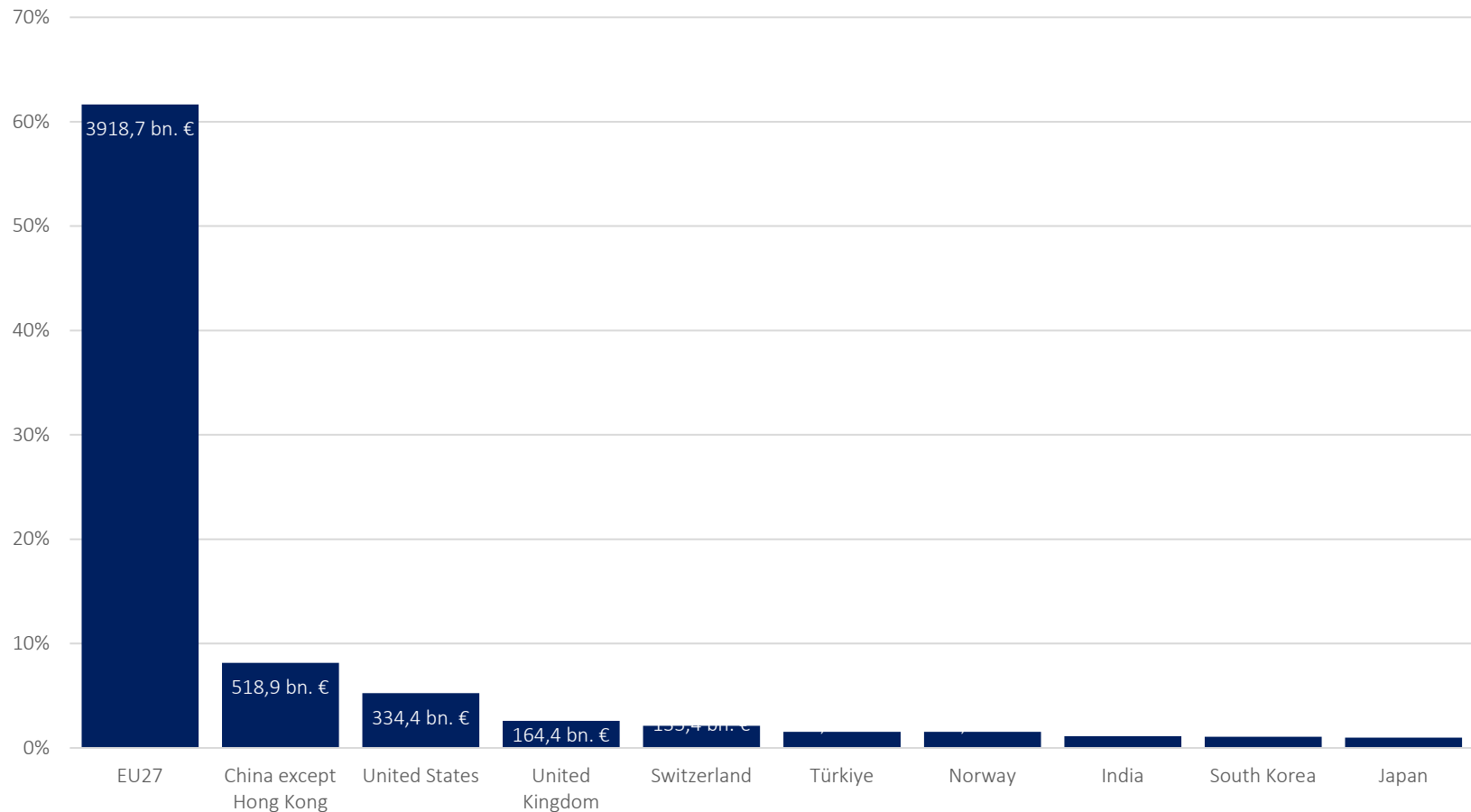
China continues to dominate EU imports in 2024



Note: Top ten exporting countries to EU27 in 2024, plus Russia. Share in total extra-EU imports.

Source: Eurostat, Kiel Institute

EU is its own most important trading partner



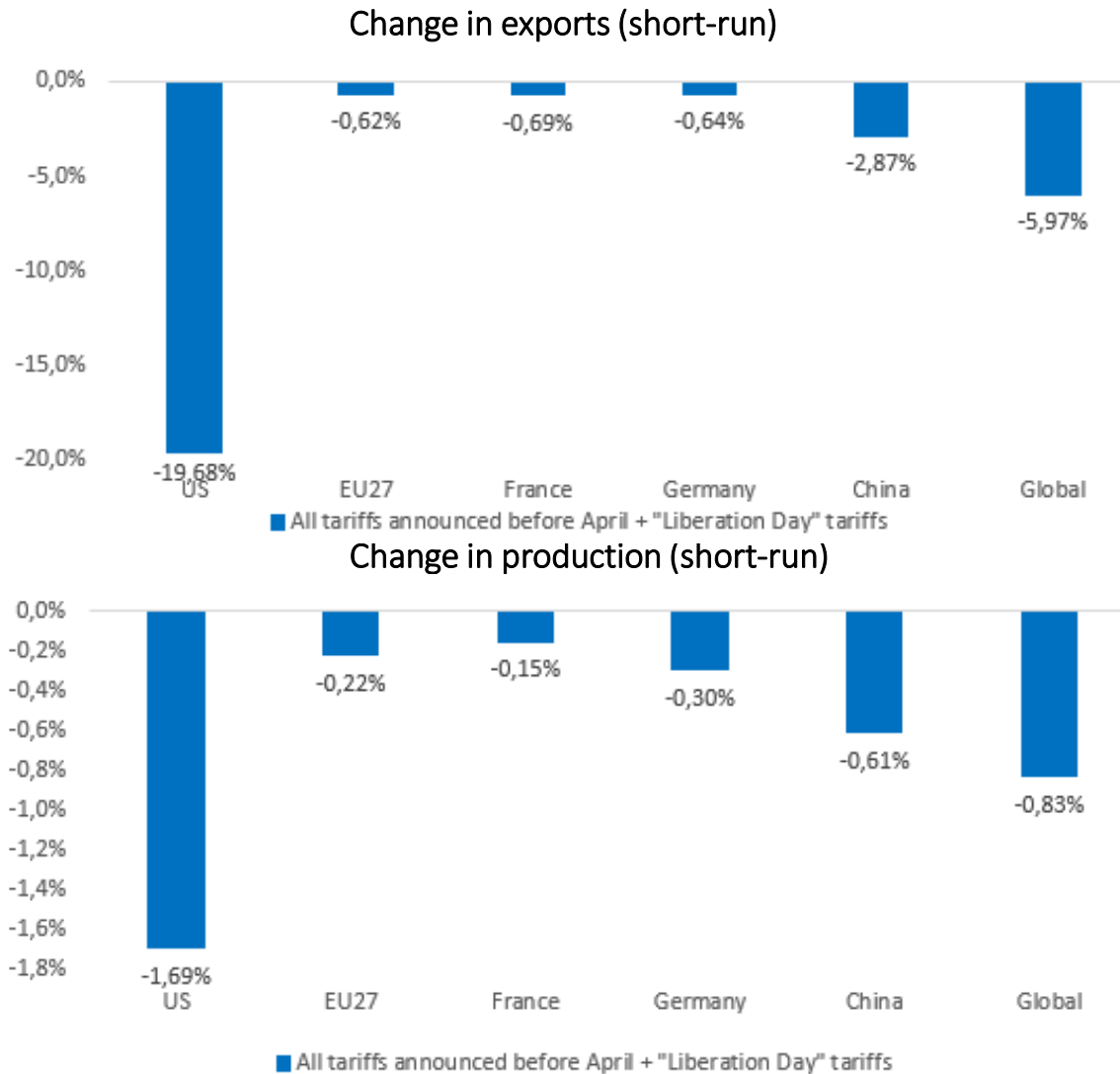
Note: Top exporting countries to EU27 in 2024, including intra-EU trade. Share in total EU imports.

Source: Eurostat, Kiel Institute

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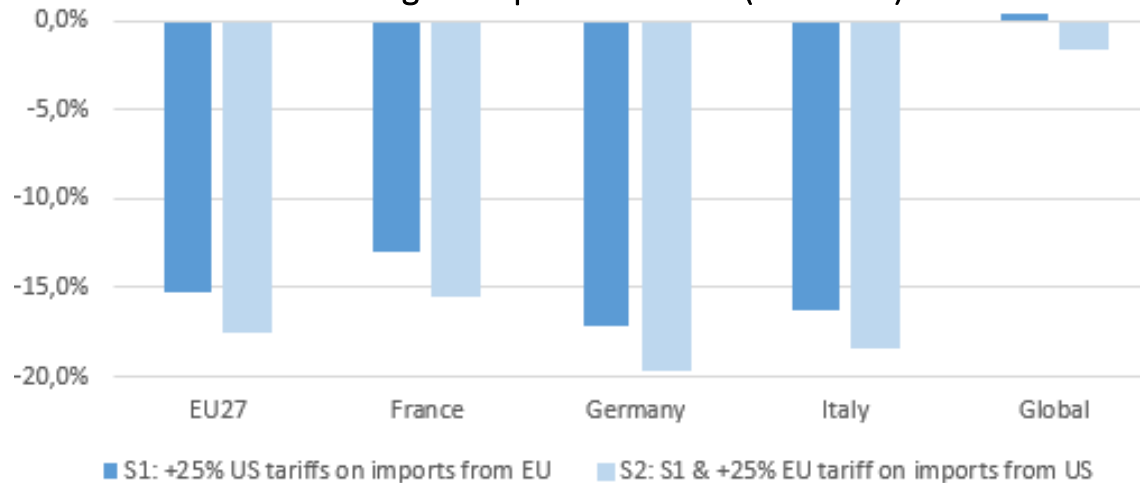
US tariffs hit everyone, but mostly the US



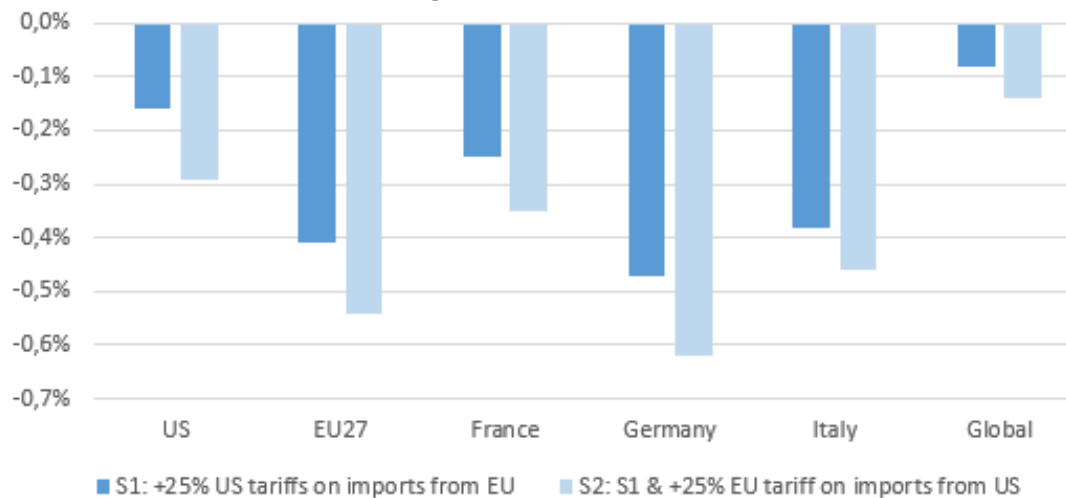
Source: Hinz et al. (2025),
Own illustration

Retaliatory tariffs harm the EU

Change in exports to the US (short-run)



Change in GDP (short-run)



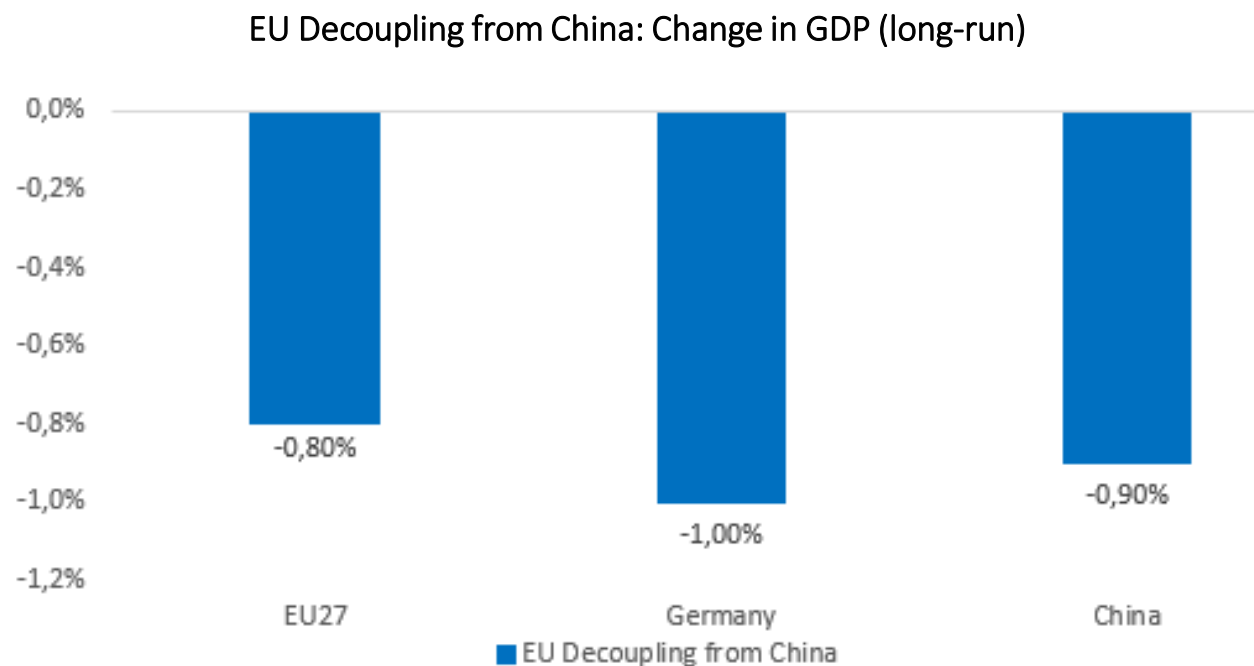
BUT:

- Can target products where tariffs are primarily borne by US exporters
- Political pressure: Tariffs can harm Trump supporters
- Basis for negotiations

Source: IfW (2025)

A Taiwan shock?

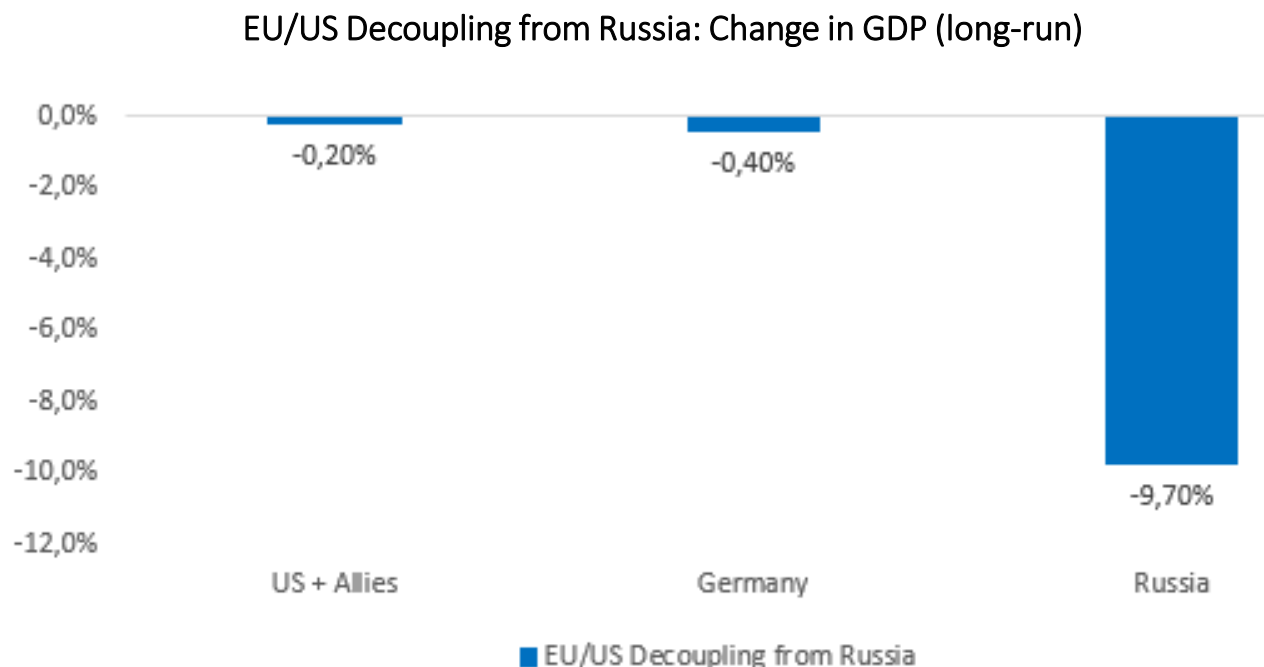
Full decoupling from China costlier than current US-tariffs



Note: Not directly comparable to Trump scenarios on previous slides. Decoupling achieved by doubling of non-tariff barriers. Bilateral trade falls by 97%. Short-run GDP effects up to -5% for EU (Baquee et al. 2024).

Source: Felbermayr et al. (2023), own illustration

End of war in Ukraine will probably not boost EU trade



Note: Not directly comparable to Trump scenarios on previous slides. Decoupling achieved by doubling of non-tariff barriers. Bilateral trade falls by 97%. Source: Felbermayr et al. (2023), Own illustration

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Summary

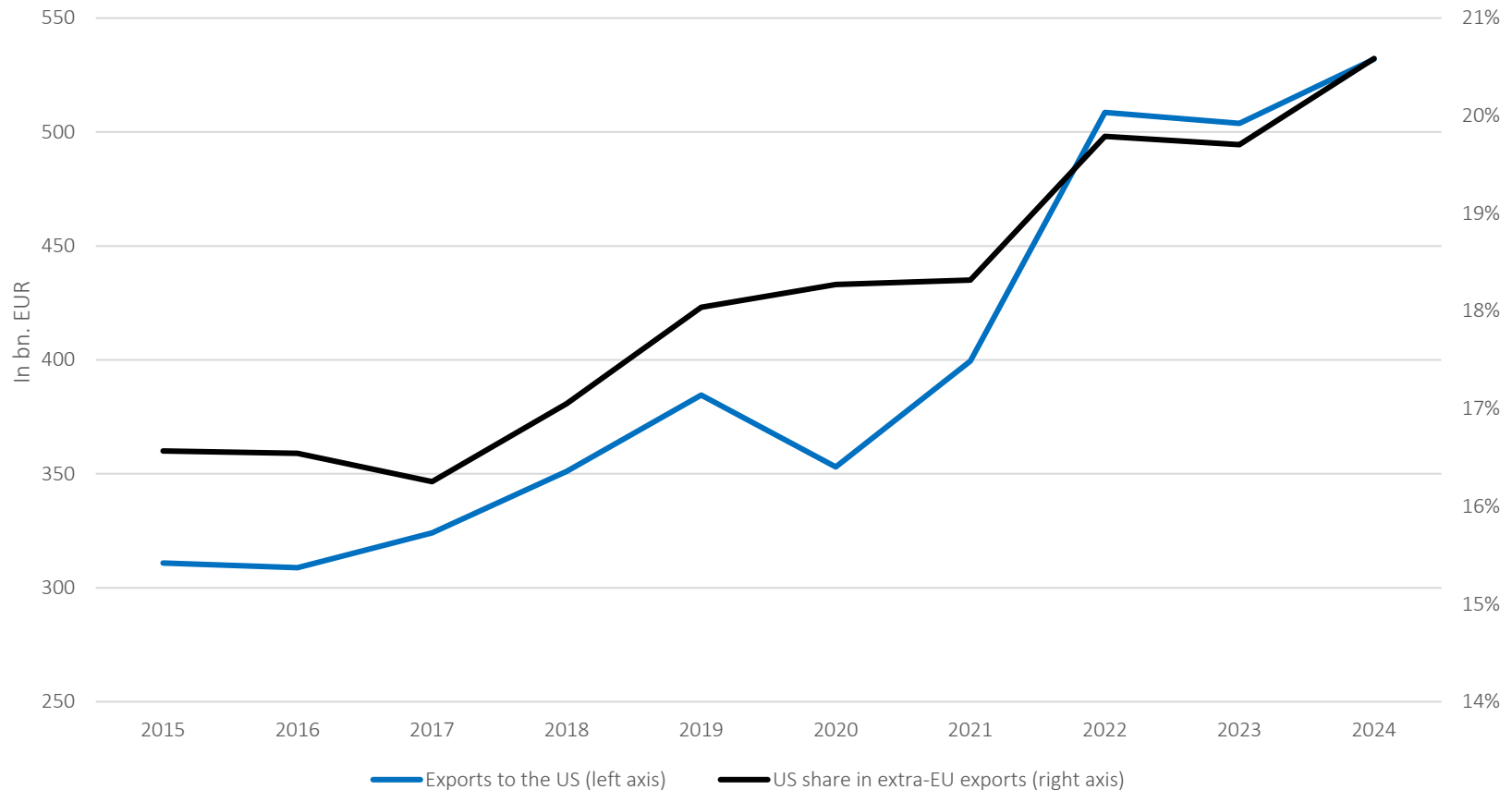
- EU faces a plethora of geoeconomic challenges
- Under Trump 2.0, we are seeing a further increase in protectionism
- The US is the EU's largest export market (20.6%), China is third largest (8.3%)
- EU internal market much more important
- The importance of the U.S. as an export market varies greatly by industry
- “Liberation Tariffs” would reduce US-production by 1.7%
- EU27 exports would decline by 0.6%, EU27 GDP would drop by 0.2%
- Decoupling from China would reduce EU GDP by 0.8%

Policy Recommendations

- Careful with retaliation against U.S. tariffs!
- If no-deal: Retaliate, but choose sectors wisely; also include services trade
- EU should strive for a “deal” which reduces trade barriers
- EU import barriers larger than US barriers (before April) → asymmetric reduction
- Be prepared to compensate (sectoral and regional) losers
- Reduce dependencies through diversification (difficult for companies)
- Ratify / approve negotiated agreements (EU-Mercosur, CETA)
- Conclude negotiations (EU-Australia), improve existing agreements (UK, Switzerland)
- EU-China agreement would significantly increase European GDP
- Strengthen EU single market
- Reduce internal barriers, recognize professional qualifications, improve infrastructure

Appendix

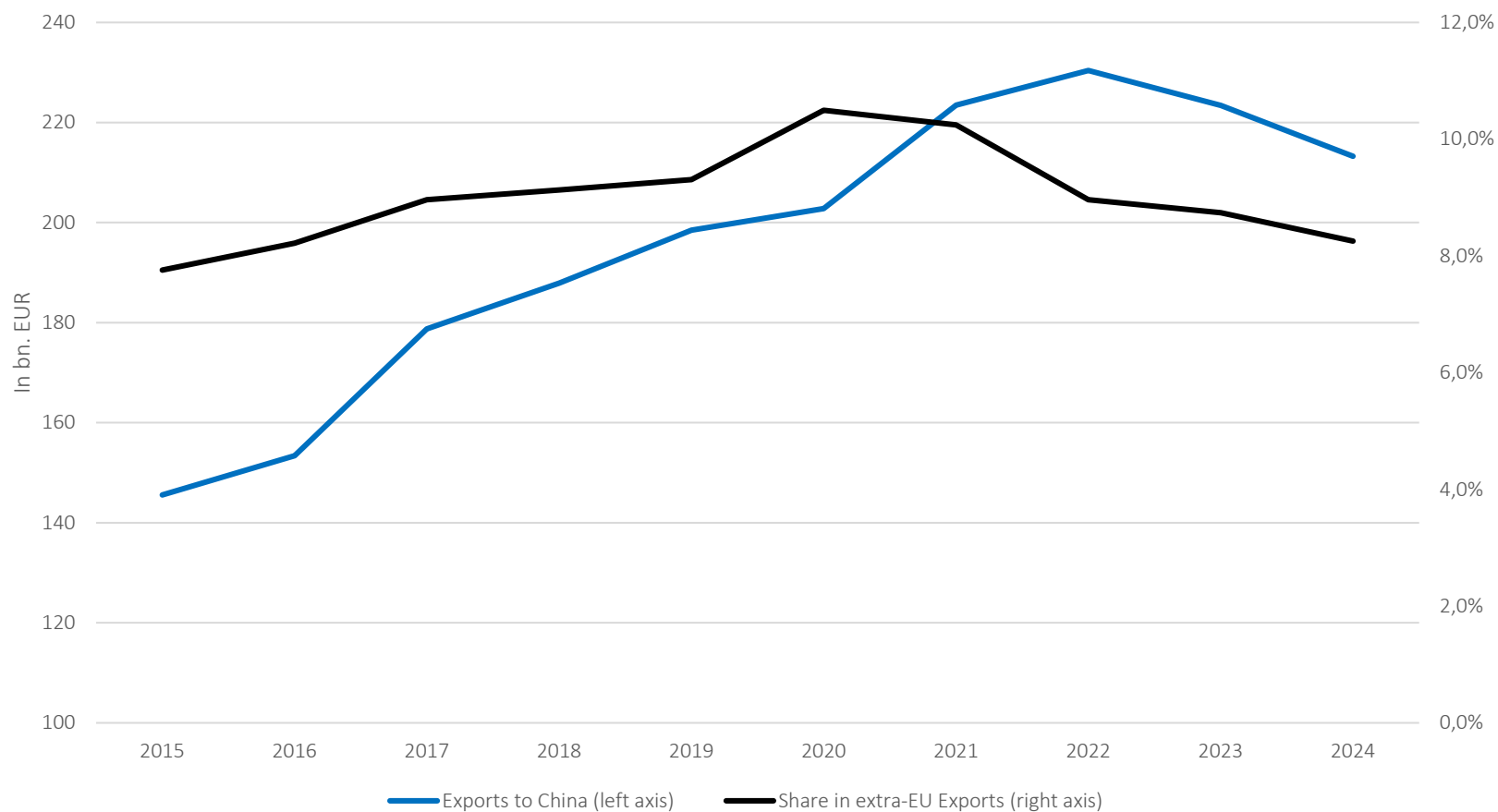
EU exports to the US have steadily increased



Note: EU27 exports the US

Source: Eurostat, Kiel Institute

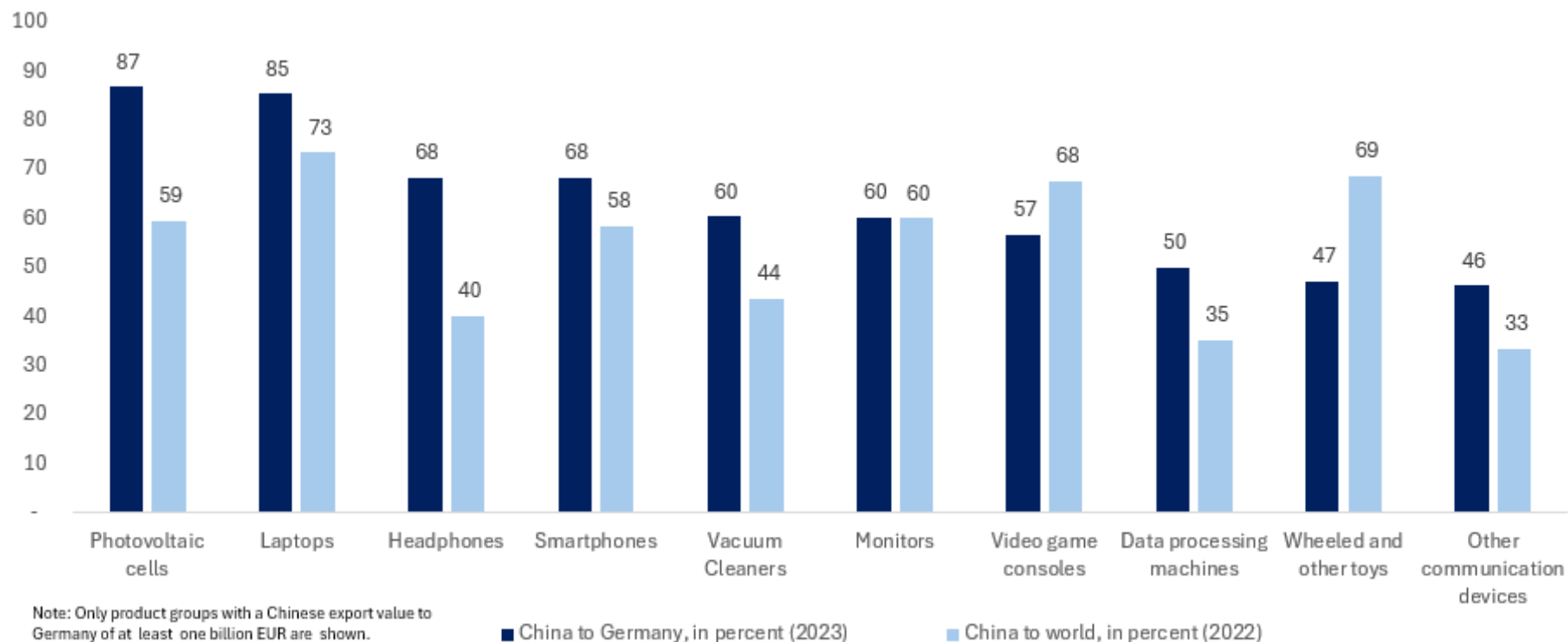
EU exports to China beyond their peak?



Note: EU27 exports China

Source: Eurostat, Kiel Institute

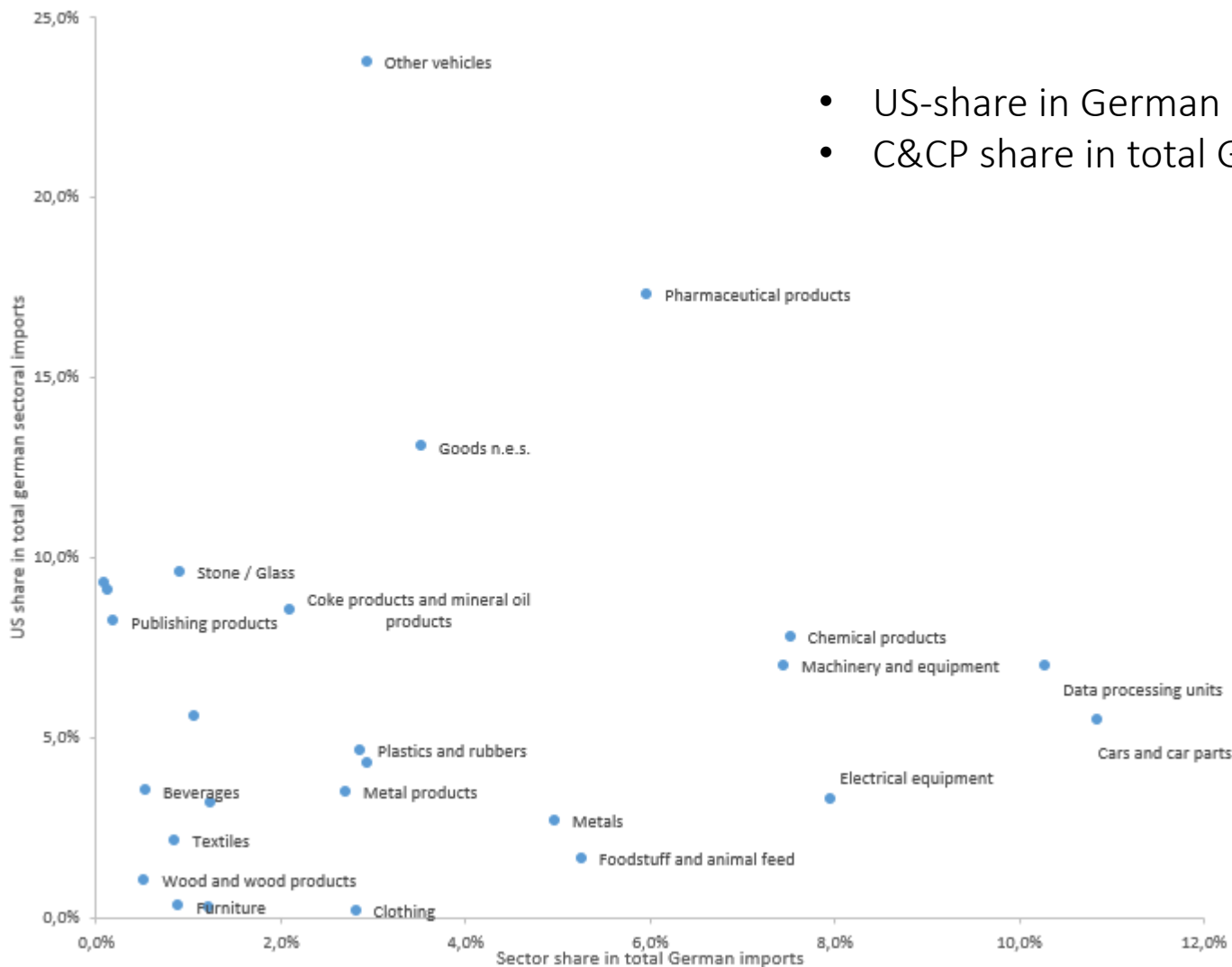
Extreme dependence on individual products from China



- For many products, China dominates both German and global imports
- For 96 product groups China's share > 80% (63 in 2021)

Note: Chinese share in German and world imports for selected HS6 product groups, in percent. Only product groups with a Chinese export value to Germany of at least one billion EUR are shown. Source: DESTATIS, CEPII, Kiel Institute

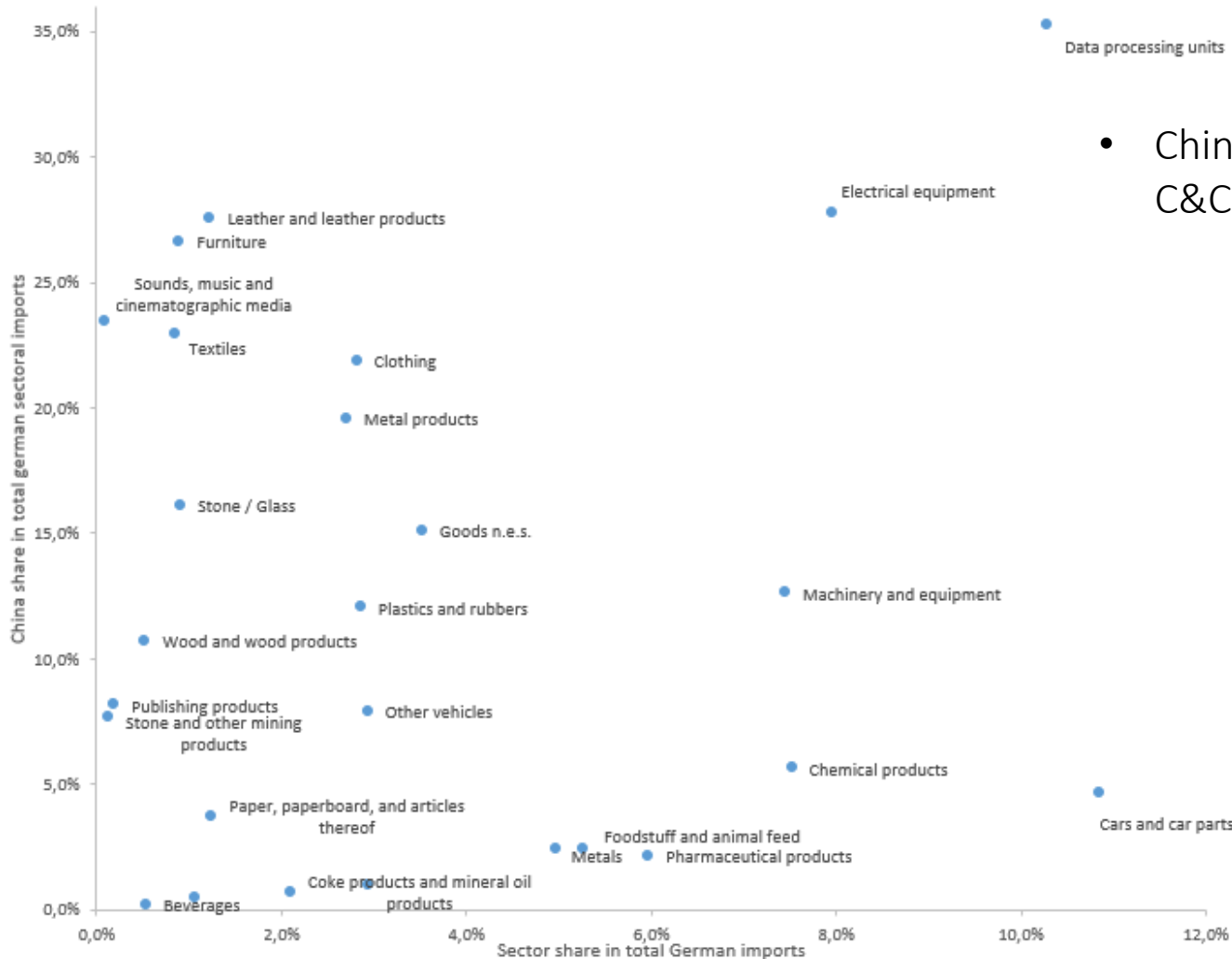
EU imports from the US: Strong heterogeneity across industries



- US-share in German C&CP imports: 5.5%
- C&CP share in total German imports: 10.8%

*Note: German imports from US, 2024. Overall US-share in German imports around 7%
Source: Destatis and Kiel Institute*

EU imports from China: Strong heterogeneity across industries



- China-share in German C&CP imports: 4.7%

*Note: German imports from China, 2024. Overall, China share in German imports around 12%
Source: Destatis and Kiel Institute*