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Economic Welfare to Economic Warfare? The EU and the Changing Face of International Trade

In today's world, trade serves economic security – and economic security is subordinate to national security. This article discusses how well the EU was able to navigate the turbulence of 2025 and what comes next as it deploys its own economic security toolkit in 2026.

In the current geopolitical landscape, trade policy functions less as a traditional market-access mechanism than as a primary lever of economic statecraft. Major global actors are increasingly subordinating trade to broader strategic objectives, establishing the principle that economic relations must serve economic security – and that economic security is, in turn, an essential component of national security. In a world where “everything can be weaponised” (Euronews, 2025b), instruments such as import duties, standards, data flows, investment, trade defence measures and supply-chain dependencies are no longer mere commercial variables; they are active tools of power used to build resilience or expose the vulnerabilities of rivals.

The European Union (EU) has moved decisively to adapt to this era of economic gamesmanship. As the Commission observed in its December 2025 “Economic Security Doctrine” (European Commission, 2025e), the stakes of this shift extend beyond trade balances and classical efficiencies; they affect the bloc's fundamental public order, competitiveness and long-term security.

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This article examines the EU's trade policy through this security-centric prism. It assesses how effectively the Union navigated the turbulence of 2025 and analyses the road ahead for 2026 as the EU's expanded economic-security toolkit moves from theoretical framework to practical enforcement. The article then proceeds with an evaluation of the EU's response to a volatile environment and the concrete policy actions it undertook in 2025, and maps the upcoming challenges facing the Union's institutional machinery.

Navigating geopolitics

Four ongoing geopolitical challenges stand out when examining the outside factors that shaped EU trade policy in 2025.

First, the war in Ukraine and the EU's stern sanction regime vis-à-vis Russia continued to shape Europe's external environment. As part of a broader, coordinated Western effort, the EU introduced its 19th sanctions package in October 2025 that includes a phased import ban on liquefied natural gas (LNG) imports from Russia (Council of the European Union, 2025). The phased ban rattled European energy markets, adding to the pressures on an already underperforming EU economy. Specifically, it added substantial cost pressure to gas- and power-intensive sectors – notably basic chemicals and fertilisers, petrochemicals/plastics, non-ferrous metals, steel and kiln-heavy industries such as glass and ceramics.

Second, the EU increasingly found itself a collateral target in the US–China trade war. The EU absorbed real economic consequences from the continued bilateral escalation. In addition to heightened market uncertainty, the main channels of harm included trade diversion of Chinese goods towards Europe as other markets closed, which led to further Chinese overcapacity and a surge in “dumped” low-cost imports, erosion of external demand for EU exports and fractured or disrupted supply chains that particularly hurt European mid-chain producers. In addition, investors postponed, cancelled or scaled back European investment plans, preferring to redirect foreign direct investments (FDI) either towards jurisdictions shielded behind tariff walls or towards “neutral” production locations.

A telling example of the extent to which the EU was caught in the US–China crossfire was export-control measures that Beijing imposed in reaction to specific US trade restrictions. On 4 April 2025, China limited exports of seven rare earth elements and selected high-performance magnets, a move widely read as retaliation for new US tariffs and export-control steps taken on what the Trump Administration termed “Liberation Day”. On 9 October 2025, China further widened the scope to include goods affecting electric vehicle drivetrains, wind-turbine generators and defence sensors (European Parliament Research Service, 2025). While China subsequently suspended its 9 October measures in early November (European Parliament Research Service, 2025), the damage was done. Permit-risk and lead-time uncertainty had already rippled through European automotive, renewables and defence supply chains.

While the EU could neither control US–China escalation nor fully insulate itself from collateral shocks, it attempted to blunt the worst spillovers through measured deployment of its own trade defences and enforcement arsenal. This was not a posture of aggression, but one of economic triage – stabilising exposure while avoiding open confrontation.

Third, the EU felt the reverberations of its own actions or those of its member states. China’s retaliation against the EU’s de-risking served as a sharp reminder of both the costs of regulatory tightening and the limits of EU trade policy autonomy. Thankfully for the EU, Beijing’s responses remained calibrated rather than explosive – targeted countermeasures rather than shock therapy. China chose its pressure-points deliberately, applying mirror-investigations, regulatory frictions and supply-chain pressure points that were big enough to affect sensitive EU sectors without provoking a full-blown retaliatory spiral. A few examples may illustrate.

- In October 2025, the Dutch government took temporary control of Nexperia under emergency national security powers. China, citing a national security review, temporarily halted export clearances for specific automotive grade microcontrollers and power semiconductors produced in China by Nexperia affiliates (Sterling, 2025). The four-week hold caused severe disruptions in just-in-time deliveries for several EU automotive suppliers (Reuters, 2025a). While Beijing lifted the administrative hold on 8 November 2025 (Baptista, 2025) – ironically during a US–China summit – the episode served as a reminder to the EU that China has significant leverage over certain EU value chains. Case in point: Dutch authorities suspended their restrictions on the Nexperia deal, effectively handing back control to the Chinese owners (Haeck, 2025).

- The EU’s definitive countervailing duties on Chinese battery electric vehicles (BEVs; in force since late 2024) (European Commission, 2024) remained an important point of irritation for China. In 2025, China pursued anti-dumping cases on EU brandy and pork and a countervailing duty investigation into EU dairy. Several commentators labelled these actions as direct responses to the EU’s anti-subsidy actions (Reuters, 2025b). So far, Chinese trade defence has culminated in preliminary anti-dumping margins as high as 60% (September 2025) and price-undertaking commitments from several EU brandy exporters. In parallel, China requested World Trade Organization (WTO) consultations over the EU BEV duties, with a panel composed on 13 October 2025 (DS630).
- In its first application of the International Procurement Instrument in June 2025, the Commission directed authorities to exclude Chinese bidders from medical device tenders exceeding €5 million and to limit China-origin content on inputs or subcontracting to below 50%. Beijing condemned the step and, effective 6 July 2025, barred most EU firms from Chinese central government procurement of medical equipment above 45 million yuan (ca. €5.3 million), while allowing participation by locally incorporated subsidiaries (Euronews, 2025a).

Despite – or, indeed, as a sign of – that choreographed tit-for-tat, communication channels between the EU and China remained open. In November 2025, a bilateral technical working group on customs and export-licensing facilitation was revived, and Chinese trade authorities began expediting licensing pathways for rare earth and magnet shipments tied to time-critical EU industrial orders. While limited, this calibrated easing signalled a shared interest in de-escalation and in avoiding broader supply chain disruption that would hurt both sides.

Fourth, the EU had to deal with the neo-interventionism and transactionalism of the incoming Trump Administration. In developing what can be termed “the art of the stop-gap”, the EU avoided full escalation – but arguably at a high price. In the realm of economic affairs (that is, abstracting from foreign-policy flashpoints such as Greenland or Ukraine), the US–EU relationship appeared asymmetrical yet temporarily stable. The culminating event likely was the so-called US–EU Framework Agreement on Reciprocal, Fair, and Balanced Trade, concluded on 21 August 2025 (European Commission & The White House, 2025). That arrangement, concluded after President Trump’s unilateral tariff announcements on “Liberation Day” in April 2025, was to put an end to the ad-hocracy of previous months. However, it extracted sizeable concessions from the EU. The EU vowed to eliminate tariffs on all US industrial goods and grant preferential market access to a range of US agri-

cultural and processed goods. In return, the US offered an all-in tariff floor/ceiling of 15% on most EU exports (importantly including pharmaceutical products and cars).¹

For the time being, steel and aluminium were notably excluded, leaving the United States' Section 232 tariffs against EU exporters in place. Washington conditioned any discussion of an end to metals tariffs on digital concessions by the EU. Brussels officially resisted linking dossiers, but many commentators read the November 2025 digital omnibus (European Commission, 2025d) – suggesting “tune-ups”, timing relief and “simplifications” across various AI, data and cybersecurity instruments, including the GDPR and AI Act – as a strategic olive branch to Washington (see, e.g. EDRI, 2025).

The Framework Agreement also contains several volume commitments by the EU, including assurances to purchase US \$750 billion worth of US energy by 2028 and US \$40 billion in AI chips, and to invest an additional US \$600 billion across US strategic sectors. The energy commitment is particularly controversial in Brussels; critics argue it replaces dependence on Russian energy with dependence on US energy (Stamouli, 2026).

All of that seems a lopsided result, but the EU was able to claim some victories in the negotiations over the Framework Agreement. Most importantly, the EU succeeded in preventing a full-blown tariff war with Washington and also avoided any activation of its “trade bazooka”, the Anti-Coercion Instrument, against the US (or any trading partner, for that matter). The EU also secured several carve-outs from the 15% flat tariff facing its exports, ensuring that certain goods – aircraft and aircraft components, generic pharmaceuticals and their chemical precursors, as well as natural resources unavailable in the United States – retain standard most-favoured-nation market access in the United States. Furthermore, the Framework Agreement preserves and even reaffirms cooperation in areas where EU and US interests align, such as the Critical Minerals Agreement and ongoing coordination on export-control and sanctions regimes.

Summing up the EU's year in geopolitics, 2025 left Brussels with ruffled feathers rather than broken bones. Despite significant geopolitical pressures, the EU preserved agency and acted as a stabilising presence in a turbulent trade environment.

¹ The Framework Agreement will still need to move from a work programme and lofty rhetoric to concrete drafting and implementing acts. US and EU vowed to continue negotiation over details on a technical level. However, subsequent implementing legislation and formal ratification by the EU (and congressional approval in the US) will be required for US import duties to normalise in 2026.

The EU's 2025 trade agenda of “promote, protect and partner” in review

The EU took active steps towards shaping its own economic-security posture. Its operational blueprint – the 2023 Economic Security Strategy (European Commission & High Representative of the Union for Foreign Affairs and Security Policy, 2023) – is organised around three core pillars: promote, protect and partner. After a considerable legislative drive in the direct aftermath of the publication of the Economic Security Strategy in 2023-24, 2025 was characterised by selective implementation, enforcement, calibration and operationalisation of existing tools.

The “promote” pillar: Industrial policy and supply-chain resilience

Under the rubric “promoting competitiveness”, the EU built out its trade-related industrial policy architecture aimed at reindustrialising, de-risking and promoting resilience, in other words reducing dependence on foreign imports.

The Critical Raw Materials Act (in force since May 2024) creates a permanent framework to secure critical and strategic raw materials via “strategic projects”, permitting acceleration, capacity benchmarks, diversification caps (to reduce reliance on any single third country) and structured partnerships. This de-risking framework shifted from concept to delivery in 2025. Notable developments included an expansion of the project pipeline, the launch of a matching platform connecting EU stakeholders and the initiation of work on a second project call.

Next, the Net-Zero Industry Act (NZIA), adopted in 2024 to build EU clean-tech capacity, also entered its implementation phase in 2025. The Commission issued the first package of secondary legislation aiming to expand the scope of qualifying strategic technologies and to begin operationalising project-specific support mechanisms. In parallel, work advanced on procurement and permitting rules to accelerate investment and direct demand towards EU-based production.

On state aid, the Clean Industrial Deal State Aid Framework (CISAF), introduced in June 2025, codifies aid intensities, enables matching of aid against third-country subsidy offers and streamlines notification procedures. Compared with previous ad hoc regimes, CISAF provides a more durable architecture for matching foreign subsidies, gives member states clearer conditions under which they can respond to third country incentives, and achieves more predictable, rules-based assessments.

Finally, the Corporate Sustainability Due Diligence Directive (CS3D) and the Corporate Sustainability Reporting

Directive (CSRD) are policies intended to illuminate corporate supply chains with a view towards human rights and environmental compliance with extraterritorial effects for suppliers. Conscious of the fact that the directives may entail overly onerous value chain due diligence obligations, EU institutions advanced an “omnibus” package aimed at simplification, streamlining scope and delaying application of parts of both directives. The Commission explicitly hopes to reduce reporting and due diligence costs for EU and foreign groups. Trilogues are underway following the European Parliament’s November 2025 vote.

The “protect” pillar: The EU’s protective crouch against national security risks

As for “protection against security risks”, in 2025 the EU zeroed in on its arsenal of defensive and enforcement tools.

The Foreign Subsidies Regulation (FSR), fully operational since 2024, is a policy tool that empowers the Commission to tackle EU internal market distortions caused by foreign subsidies in the context of mergers and acquisitions, public procurement and foreign direct investment. The tool continued to mature in 2025, with multiple in-depth investigations across both government procurement and concentration modules. While fewer notifications were withdrawn in 2025 than in 2024, practitioners read this not as weakened deterrence, but as evidence that voluntary compliance, early engagement with the Commission and pre-notification structuring are now working as intended. On 9 January 2026, the European Commission (2026a) followed up with guidelines on the application of the FSR, helpfully clarifying the future application of the FSR based on recent experience.

Trade-defence activity remained high in 2025. Highlights included definitive anti-dumping determinations in biodiesel from China, definitive countervailing duties in biodiesel from Argentina and a safeguard action on certain ferro-alloys. In an effort to counter global overcapacity and trade deflection resulting from US tariffs, the Commission proposed a new tariff-rate quota regime in early October 2025 to succeed the current steel safeguard due to expire on 30 June 2026 (European Commission, 2025b). The proposal – to be pursued under the renegotiation procedures for tariff bindings under Art. XXVIII of the General Agreement on Tariffs and Trade – would halve the duty-free quota and double the over-quota duty to 50%. Many commentators regard this normalisation of steel protection with great concern, and it remains to be seen how trading partners will react to it in the upcoming WTO discussions (see, e.g. Garcia Bercero, 2025).

Next, the EU considerably tightened its export control regime in 2025. The regime covers exports, brokering, trans-

sit, technical assistance and tangible or intangible transfers of software and/or technology for dual-use items, plus targeted autonomous controls for technologies considered “sensitive” from a national security perspective. On 14 November 2025, the Commission published an updated dual-use export controls list with new controls on quantum technologies, advanced computing, semiconductor manufacturing and testing equipment, and certain high-precision inspection tools.² Notably, the EU opted to include controls where multilateral consensus, particularly among Wassenaar³ signatories, lagged.

Finally, while the Commission’s role in national security-motivated reviews of non-EU investments is of a coordinating nature, its role is nevertheless influential. Revisions to the FDI Screening Regulation EU 2019/452 entered trilogue in June 2025 (European Parliament, 2025). The Commission’s proposal would make FDI screening mechanisms mandatory in all member states, define a minimum sectoral scope (including critical infrastructure, technologies and media), harmonise timelines and procedures, and extend coverage to EU-incorporated acquirers that are ultimately controlled by non-EU entities (EU shell coverage).

The “partner” pillar: Seeking ties with like-minded allies

It is probably fair to say that in 2025 bilateral, plurilateral and multilateral trade negotiations took a less prominent and visible place in the EU’s trade agenda. Nonetheless, some negotiation progress was achieved.

At the bilateral level, 2025 was a mixed bag. The EU maintained enhanced market access for Ukraine in 2025, extending unilateral tariff suspensions and streamlining customs and regulatory procedures to support Ukrainian exporters (European Commission, 2025c). This reflects the EU’s broader commitment to keeping Ukraine economically integrated with European markets.

Moreover, the EU engaged in partner dialogues with India, Canada, Australia and South Africa. These bilateral talks primarily focused on critical minerals and supply-chain risk. While they produced soft-law outcomes (principles, working groups, financing signals) and yielded no tangible market access concessions, these talks nonetheless reflected a deliberate effort to reduce risk rather than court confrontation.

² Commission Delegated Regulation (EU) 2025/2003 of 8 September 2025 amending Regulation (EU) 2021/821 of the European Parliament and of the Council as regards the list of dual-use items (Annex I).

³ The Wassenaar Arrangement is an export control framework that promotes transparency of national export control regimes on conventional arms and dual-use goods and technologies. It has 42 signatories.

Of free trade agreements (FTAs) with realistic prospects in 2025, only the EU–Chile Interim Trade Agreement is fully operational. The EU–Australia FTA stalled, although negotiations recently resumed with renewed energy. Substantive negotiations for the EU–Indonesia Comprehensive Economic Partnership Agreement (CEPA), the EU–Mexico modernised agreement and the EU–Mercosur agreement concluded in 2025, but none of these texts has been fully ratified. The EU–Mercosur agreement is farthest along: the Council authorised signature in early January, leading to the official signing on 17 January 2026. To get the deal over the finish line, EU leaders utilised a “split” legal structure. This allows the core trade provisions to be approved at the EU level, thus bypassing the long and uncertain process of seeking approval from every member state parliament. Under this “split architecture”, the trade pillar of the deal only required European Parliament consent for provisional entry into force – effectively unlocking the vast majority of commercial benefits. Yet, in a somewhat unexpected move, a majority of European parliamentarians referred the EU–Mercosur Agreement to the Court of Justice of the EU, seeking an opinion on the legality of the trade deal. This legal manoeuvre is likely to delay ratification by close to two years (Financial Times, 2026a). Moreover, for the agreement to be finalised in its entirety, the mixed elements of the deal (that is, issue areas where EU competency is shared with member states, such as certain investment protection, transport or service provisions) still need to be ratified by every member state under national procedures. And the file remains politically contentious: in France, two no-confidence motions tied to the government’s stance on Mercosur were defeated on 14 January 2026, but they underscored domestic resistance that could shadow national ratification.

At the multilateral level, 2025 left the WTO idling in neutral. With the US not fully engaged, there was no measurable progress on negotiations (fisheries subsidies, e-commerce, industrial subsidies) or dispute-settlement reform, which remains stalled until the next major ministerial meeting in March 2026. The EU played a constructive role keeping reform pressure up: it tabled proposals (e.g. on transparency on industrial subsidies), pushed working coalitions to conserve a constituency for multilateral rules, and relied on the alternative dispute resolution system, the Multi-Party Interim Appeal Arbitration Arrangement, to keep appeals alive (European Commission, 2025a). Despite these efforts, the EU was unable to overcome the persistent systemic WTO gridlock in the run-up to the 2026 WTO Ministerial Conference.

In reviewing the EU’s efforts to protect, promote and partner, 2025 may go down as the year of “just enough”, which, given the year it had, is no small achievement. On the geopolitical stage, the EU took blows without being

knocked off course – absorbing external shocks, managing vulnerabilities and preventing escalation. Internally, 2025 was not a year of legislative fireworks or headline-grabbing breakthroughs; rather, it was a year of introspection, steady implementation, consolidation and the quiet building of institutional resilience.

Looking ahead to 2026

If 2025 was the EU’s year of “just enough”, 2026 is shaping up to be a year of “yet more challenges” – when Europe’s ambitions face geopolitical realities, and the EU’s economic-security architecture is stress-tested and expected to deliver results. Certain geopolitical events may shape the trajectory of the EU’s trade and economic security policy in 2026.

Geopolitical challenges

First, the US–EU Framework Agreement will need to demonstrate whether it can deliver relative stability. A pivotal test occurred on 20 February 2026, when the US Supreme Court ruled in *Learning Resources, Inc. v. Trump* that the International Emergency Economic Powers Act (IEEPA) does not authorise the President to impose tariffs when responding to alleged national security concerns. While this decision curtailed executive overreach under IEEPA, the Trump administration immediately pivoted to using (or threatening to use) an arsenal of alternative statutory bases for tariffs. Within hours of the ruling, the President invoked Section 122 of the Trade Act of 1974, implementing a blanket 10% “balance-of-payments” surcharge covering most of US trading partners and goods for a period of 150 days, and announcing on social media that surcharge would increase to 15%.

This aggressive shift towards “tariff chaos”⁴ – that was further stoked by the US administration’s announcement of Section 301, 232 and 338 investigations – prompted the European Parliament to suspend legislative work on the US–EU Framework Agreement in late February. The strategic landscape has thus entered a paradoxical phase: while the loss of IEEPA authority has nominally removed the need for the Framework Agreement and reduced the threat of a truly unbound executive mandate, the administration’s rapid deployment of other instruments suggests that tariff uncertainty will persist. For the EU, the spectre of the US–EU Framework Agreement appears to be replaced by the realisation that relief from IEEPA is unlikely to translate into market stability, let alone decreased protectionist pressure.

In the short and medium term, this means that most EU exports face additional 10% or 15% tariffs (partially in viola-

4 Bernd Lange, the Chair of the European Parliament’s Committee on International Trade on social media on 22 February, 2026.

tion of the EU-US Framework Agreement), while existing Section 232 US tariffs against EU exports remain in place (including 50% on steel and aluminium products). A key question for the EU will then be whether to retain the Framework Agreement as the (geo-)politically and economically least bad outcome.

Next, continued Chinese responses to EU economic security measures are to be expected, ranging from export licensing delays and procurement restrictions to trade remedies. Possible cross-sector retaliation spilling into green energy, food, chemicals or machinery would further complicate EU supply and value chain strategies.

With respect to negotiations of trade agreements, 2026 will be both about breaking new ground in negotiations and about the volatile task of legislative delivery on prior agreements. Although settling for an agreement that is less comprehensive than originally aimed for, the EU and India began 2026 with the signature of a substantial new trade agreement (Financial Times, 2026b). A similarly scaled back agreement with Australia may follow later this year. These agreements further enhance the EU's web of trade agreements and strengthen key trade relationships at a time of challenging relations with the US. With regards to implementation, the modernised EU-Mexico agreement may follow the same path of the EU-Mercosur agreement later this year, once the Council completes its review of the "split" legal architecture. Meanwhile, the technical "legal scrubbing" of the Indonesia CEPA – finalised in late 2025 – will occupy the bulk of 2026, targeting a 2027 start date. Simultaneously, the EU is aiming to close the remaining gaps with Thailand. Success in these files requires translating high-level political deals into operational trade reality, all while navigating hardening domestic resistance to global trade agreements.

Lastly, at the WTO, 2026 will likely be a holding pattern regarding large-scale reform, unless the 14th Ministerial Conference were to produce a genuine breakthrough. Progress will likely be incremental, rather than transformational. This year may also clarify whether dispute settlement reform can remain a live issue or whether the Multi-Party Interim Appeal Arbitration Arrangement (MPIA)⁵ and other DSU Article 25 workarounds solidify into the long-term de facto architecture of global trade adjudication between willing WTO members. On the negotiation front, a "win" in 2026 would include the extension of the e-commerce moratorium for a full term, and agreement on a way forward for disciplining harmful fisheries subsidies.

⁵ The MPIA was established by the EU and like-minded members as an interim architecture to enable WTO disputes to be adjudicated through an appeal stage, thus bypassing the gridlock caused by US refusal to appoint Appellate Body judges in 2020. This workaround is based on Article 25 of the Dispute Settlement Understanding (DSU).

Priorities on the EU agenda

As for the EU's own agenda, 2026 will likely be less about new tools and more about proof of concept – whether its web of trade and security instruments can mature into a coherent economic security architecture.

Published on 3 December, the EU's Economic-Security doctrine – officially titled the "Joint Communication on Strengthening Economic Security" (European Commission, 2025e) – builds on the 2023 Economic Security Strategy. The Communication serves as the operational mandate for DG Trade and the newly established Chief Trade Enforcement Officer and sets a workplan to prioritise economic security risks and coordinate the use of tools such as export controls, FDI screening, FSR and Carbon Border Adjustment Mechanisms (CBAM). Though non-binding, it is intended to guide legislative and financing initiatives, including resource allocation to priority sectors and reinforcement of monitoring capacity from 2026 onwards. This may prove to be a seismic shift for the EU – from ad hoc, reactive deployment of isolated instruments towards a more predictable, integrated and strategic model of economic security policymaking.

Case in point, CBAM has moved from "text to teeth". Since 1 January 2026, only authorised declarants can import CBAM goods (European Commission, 2026b). Declarants must calculate embedded emissions under the EU method, purchase CBAM certificates and surrender them annually. Trade partners may lobby the Commission to grant recognition of equivalence with their own domestic carbon constraints. CBAM's real test is enforcement and anti-circumvention architecture in 2026-27, and whether it attracts WTO litigation beyond Russia's 2025 challenge (DS 639).

A second phase of critical raw materials policies is expected in 2026. The Critical Raw Materials Act (CRMA) – a permanent framework aimed at securing critical and strategic inputs via strategic projects, contingency planning, accelerated permitting and structured partnerships/finance – has been operational since 2023. In 2026, we expect first tangible results: financial closes for the first project wave and applications under a second strategic-projects call, with greater scrutiny of permitting timelines, funding readiness, and verifiable dependency reductions. That said, the Act's stress points – notably single-country caps, contingency mechanisms and diversification targets – have not yet been meaningfully tested, therefore it is too early to judge effectiveness. It also remains to be seen whether the proposed "RESourceEU" initiative will materialise into EU-level financing and support mechanisms for selected mining, processing and recycling projects.

The first results of the multi-year overhaul of EU customs will also take place in 2026, including the abolition of the €150 *de minimis* rule (making small consignments dutiable), platform and marketplace liability, and the introduction of uniform parcel-handling fees to fund checks at the border. Broader systemic customs reforms are ongoing but unlikely to be concluded in 2026. As we move further into 2026, a litmus test will be whether the institutional machinery of Brussels and the member states can handle the sheer volume of data required by CBAM and the new *de minimis* rules (to name just a few challenges), without choking the very trade it seeks to secure.

As regards investment screening, the focus is on the legislative landing of the revised FDI screening regulation. This year could mark the beginning of a more coordinated and consistent baseline EU screening model. Member states will evidently retain decision rights, so process convergence – not centralisation – is the most likely direction.

Following a January 2025 recommendation asking member states to assess outbound investments, Brussels is currently coordinating a mapping exercise. The Commission will determine in 2026 whether to propose EU legislation towards a real screening regime similar to the US Comprehensive Outbound Investment National Security Act of 2025, or whether to continue relying on national regimes supplemented by Commission guidance and coordination.

Looking at trade defence, the headline operational issue for 2026 is a continuing heavy investigations workload and a congested docket at the Commission. Practitioners report initiation lags, compressed effective investigative timetables and quality risks. While the backlog has multiple drivers – case volume, complexity and staffing (and other capacity constraints) – the practical effect is the same: files that lack a high-stakes strategic impact (large trade values, critical inputs, overlap with other policy tools) or that lack prosecutorial readiness are increasingly sidelined, and once opened, deadlines are tight and typically inflexible. For now, expectations are low that substantial additional internal resources will be redirected to the trade-defence divisions of DG Trade during 2026.

If market pressure rises and global overcapacity intensifies, the EU may broaden the existing steel and ferro-alloy safeguards and extend protection to aluminium. This would most certainly harm using industries (forced to pay higher prices) and could result in calls for “cascading protection”, i.e. demands for more protection of industries downstream from raw aluminium.

In sum, the legislative work is largely complete; the coming year is about administrative delivery. For Brussels, the

primary challenge in 2026 will be developing the institutional capacity to execute and enforce this complex web of security instruments – without succumbing to the very protectionism it aims to defend against.

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