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CAN THE EUROPEAN UNION LEAD A TRADE COALITION OF THE WILLING?

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EXECUTIVE SUMMARY

Many countries have reacted negatively to the Trump administration's weaponisation of trade and its disdain for international rules and norms. In response, the prospect of a "coalition of willing" is emerging. Prime Minister Mark Carney of Canada, in his Davos speech, called for middle powers to unite to defend and modernise global rules.

Amid rising tensions in transatlantic relations, the EU has accelerated efforts to de-risk from the US, concluding several new trade agreements in recent months. This trade hyperactivity sends a powerful geopolitical message to countries seeking to trade within a regulated, transparent, and predictable framework. In this context, a rapprochement between the EU and the 12 member countries of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is gaining momentum. Together, these 39 like-minded economies account for nearly 40 percent of global trade and have committed to closer cooperation on reforming and strengthening WTO rules, while facilitating trade among themselves.

This alignment could form the foundation of a coalition of willing capable of both defending the multilateral system and advancing new rules in areas such as subsidies, rules of origin, carbon pricing, and digital trade. However, the EU's ability to play a leading role will depend on internal policy choices. Its evolving industrial strategy will be a key test of whether the Union can strengthen competitiveness and resilience while remaining open to partners and avoiding new forms of exclusion. To lead such a coalition credibly, the EU must reconcile its industrial policies with non-discriminatory trade frameworks for its partners.

INCREASED TRANSATLANTIC TENSIONS

The Trump administration's trade wars, unrelenting despite the US Supreme Court's rebuff, continue to sow distrust in Europe. New tariff threats against many European countries (over [Greenland](#), and more recently against [Spain](#) over the Iran war) have convinced even the most diehard Atlanticists that Europe must look for alternatives and less risky trade alliances.

The [US-EU Turnberry deal](#) of last summer has not yet entered into force. The European Parliament took its time to debate it and then suspended it during the Greenland dispute. Now, it has been adopted but with an addition of suspension and sunset clauses aimed to protect the agreement against future threats, new tariffs and setting an expiry date in 2028. The Council has [yet to adopt](#) these changes.

The deal sets an all-inclusive US tariff rate of 15 percent applied to most European sectors, and it is clearly asymmetric in favour of the US. The European Union has agreed to eliminate most tariffs on US goods and some agricultural products. The deal, however, did not achieve the goals that Europe had in mind: predictability and stability in trade relations and continued American support for Ukraine.

The attack on Iran has generally [not been supported by EU leaders](#), and the US demands regarding ships in the Strait of Hormuz have not been endorsed by allies in NATO and is further weakening the alliance. The European Union is now trying to avoid escalation with the US administration while forging new [alliances](#) and coalitions with like-minded partners. This is done through a wide range of new and old [trade agreements](#), a boosting of European defence and an attempt to modernise and upgrade the single market. For this shift in focus to

work, however, the European Union needs to become stronger economically while ensuring that its new emphasis on industrial policy does not become a tool to discriminate against economic partners.

DE-RISKING AND SEEKING NEW FRIENDS

The European Union has a long history of doing trade agreements. It is even mentioned in the Treaty on European Union that the Union shall contribute to free and fair trade. Trade agreements have been seen as a way to increase market access and reduce trade barriers, but also as a means to create more cooperation with friends and allies and embed the trade part in a broader partnership agreement.

Reducing dependence on the United States also means creating new alliances and trying to open new market access possibilities for the European Union. As of today, there are more than 40 trade agreements between the European Union and its trading partners. More are under negotiation. A flurry of new trade deals with large economies have been forged in the last year, paving the way for closer economic cooperation. The agreement with [Indonesia](#) was politically concluded last September. In January this year, the European Union signed an agreement with the four countries of the South American customs union [Mercosur](#) (Argentina, Brazil, Paraguay, and Uruguay).

The Mercosur agreement was decades in the making and has now provisionally entered into force despite some countries' strong opposition, notably from France, which raised concerns about its effect on [farmers](#). Similarly, an agreement with [India](#), also in negotiation for more than 20 years, was concluded at the end of January. As with the Mercosur agreement, geopolitical

considerations on both sides pushed negotiators to make a final effort to conclude. The agreement contains several carve-outs, especially in the agricultural sector. Nevertheless, it is more ambitious than many expected, and tariffs of more than 90 percent on EU exports to India will be eliminated or reduced.

The European Union has also concluded an agreement with [Australia](#) and is negotiating with [Thailand](#), [Malaysia](#), and the [Philippines](#). An updated agreement with [Mexico](#) has been pending for a while, but a signing ceremony is planned for the end of May. Furthermore, there is an ongoing review of the existing agreement with the [United Kingdom](#) to facilitate the easing of some non-tariff barriers in the phytosanitary sector. A deal to facilitate trade with [Switzerland](#) also just came to agreement.

These are all the classical kind of deals with around 30 different chapters covering all trade-related matters, including dispute settlement procedures. They send a powerful geopolitical signal that participating countries want to trade and cooperate on predictable, rule-based terms as defined in legal, transparent documents.

CAN THE EU AND CPTPP COUNTRIES LEAD A NEW ALLIANCE?

Beyond all these agreements looms a promising rapprochement between the European Union and the dozen countries participating in the Asia-Pacific free trade agreement known as the [Comprehensive and Progressive Trans-Pacific Partnership \(CPTPP\)](#). Most of the European Union's allies in the Pacific region are part of this partnership, which was originally an initiative by President Barack Obama as part of his "pivot to Asia." US participation was

ended by President Donald Trump in his first term, but the other countries agreed to move forward, and the CPTPP entered into force in December 2018. Since then, the United Kingdom has joined the group and around 10 countries have submitted their applications, including China.

The European Union has bilateral trade agreements concluded or in negotiation with almost all the CPTPP member countries. Just before Christmas, the EU Commissioner for Trade, Maroš Šefčovič, held [a ministerial meeting](#) with the 12 CPTPP countries. They launched a trade and investment dialogue and agreed to support reform at the WTO. Other aims are to facilitate digital trade between the European Union and CPTPP members, strengthen supply chain resilience, address non-tariff barriers, and streamline border and regulatory processes. At a follow-up meeting at the margins of the [WTO Ministerial Conference](#) in Yaoundé in March, the parties committed to working towards a digital trade agreement. No new steps of integration were taken since. After his much-quoted speech in [Davos](#), Mark Carney, Prime Minister of Canada and a CPTPP member, seeks to take a leading role in forging closer ties with the European Union and other so-called middle powers.

The European Union and the 12 CPTPP countries could form the core of a sort of anti-Trump alliance, as Carney envisions, perhaps a broad "coalition of the willing" in trade and investment. One could imagine the European Union and CPTPP aligning on rules of origin and facilitation of trade in climate goods and services, for example. They could also seek common approaches to addressing or mutually recognising the different carbon pricing among CPTPP members. Updated rules on subsidies would be another potential area of cooperation. Other like-minded partners could be invited to join, including the Mercosur countries

and South Korea. This could form the basis of a core group of “middle powers” exploring new rules and areas of cooperation. These efforts could eventually be embedded within the WTO framework.

DO NOT ABANDON THE IDEA OF MULTILATERALISM

It is no secret that the WTO is in big trouble. The organisation that was created in 1995 on the basis of the General Agreement on Tariffs (GATT) has 166 members and remains an important forum for discussions and upholding some key trade principles. Its negotiating power has been [eroding](#) for some time though. Tariffs, industrial policies, subsidies, and some member states not following the rules have further decreased its influence.

The Ministerial Conference in [Yaoundé](#), Cameroon, last month did not achieve any breakthrough when it comes to reforming the trade organisation. This was not expected, but the outcome was even worse. Nothing was agreed, not even the expected “low hanging fruit” of a permanent resolution on the e-commerce moratorium. It is increasingly clear that it is not possible to reform the WTO under the current circumstances. The solution, instead, may be to move on with smaller groups of allies, in so-called plurilateral agreements. The only concrete announcement in Yaoundé, was an agreement of 66 countries to move forward with a deal on digital trade. This agreement, and possibly others in the future, will be open for others to join later, and in line with existing WTO rules.

It has been difficult to make decisions in the WTO for over a decade, and the collapse of the dispute settlement body is problematic. The EU has launched a parallel system, mirroring the Appellate Body statutes, called the [Multi- Party Interim Appeal](#)

[Arbitration Arrangement](#). It has 34 participants in addition to the EU’s 27 member states and has already adjudicated a few cases. It should become a formal plurilateral agreement.

The fact that China and the US are [violating WTO](#) rules makes it doubtful whether WTO can be reformed without the two superpowers. Can the WTO live on anyway? The European Union has traditionally been one of the strongest supporters of the WTO but has now made proposals to reform or abolish the [Most Favoured Nation \(MFN\)](#) principle, which is widely regarded as a fundamental element of the system. Several WTO members have questioned the EU’s commitment to the multilateral system, but from the EU’s perspective this could be seen as a way to accelerate a multi-speed WTO.

IS THE EUROPEAN UNION READY TO REFORM WITHOUT BECOMING PROTECTIONIST?

Regardless of who is in the White House, Europe must strive to reinforce its economic growth, innovation, and competitiveness. Trade conflicts with both the United States and China have accelerated the need for greater self-sufficiency in key sectors. The European Commission is rolling out proposals to simplify rules and regulations, as recommended in the two reports by former European Central Bank (ECB) President and Italian Prime Minister [Mario Draghi](#) and former Italian Prime Minister [Enrico Letta](#). The European Commission’s newly presented [Industrial Accelerator Act](#) will determine whether industrial policy can strengthen Europe’s economy and facilitate cooperation with trading partners under a kind of “Made with Europe” framework, avoiding protectionist pitfalls.

For example, the proposal introduces low-

carbon requirements for public procurement and support schemes. The focus is on increasing European manufacturing production and Made in Europe requirements, but partners with a free trade agreement with the European Union, as well as signatories to the WTO [General Procurement Agreement](#) will be allowed to participate in procurement bids under certain conditions. However, there are complex rules for screening and tracing every component in the value chains of such bids, which could be considered protectionist.

Nevertheless, the new industrial policy proposal is less protectionist than early leaked drafts suggested, which had raised doubts about whether non-European companies could participate on the same terms as companies in the European Union. Full reciprocity, meaning no discrimination for European company bids in the partner countries, will be an important part of public procurement on the European market, but could complicate efforts to promote the green transition while guarding against unfair competition from China. The European Parliament and EU member states must now agree on the final provisions of the proposal, determining whether what is intended as a strategic tool instead ends up increasing administrative and protectionist obstacles. Keeping its economy and market open for partners and allies is key for being a credible leader of a trade alliance.

POLICY IMPLICATIONS AND RECOMMENDATIONS

- **To translate these dynamics into effective leadership, the EU should prioritise the following:** Align industrial policy with openness to partners; the emerging industrial strategy should strengthen competitiveness without introducing de

facto discrimination against trading partners. Clear and predictable conditions for participation in public procurement and support schemes will be essential to maintain trust among allies.

- **Deepen cooperation with CPTPP members:** The EU should build on its already existing dialogue with CPTPP countries by advancing cooperation in areas such as digital trade, regulatory processes, alignment of rules of origin and supply chain resilience, where shared interests are already evident.
- **Advance plurilateral rulemaking within the WTO framework:** Given the current limitations of multilateral negotiations, the EU must continue supporting plurilateral agreement – particularly in areas such as digital trade and subsidies – while ensure these remain open and compatible with WTO rules.
- **Explore cooperation on carbon pricing and climate-related trade measures:** The EU should work with like-minded partners to address differences in carbon pricing and find ways for greater alignment.
- **Strengthen supply chain cooperation in strategic sectors:** Closer coordination with partners on critical raw materials, clean technology, and key industrial outputs can enhance resilience while reducing incentives for siloed policies.
- **Maintain credibility through internal and external policy consistency:** In order for the EU to lead a coalition of the willing, its external trade commitments must be matched by internal policy coherence. It will be important to avoid unnecessary administrative burdens

and protectionist signals, as a way to sustain engagement from partner countries.

CONCLUSION – IS THE EU READY TO LEAD A TRADE COALITION OF THE WILLING?

The European Union and its economic partners have a window of opportunity to lead the world on a new path of renewed multilateralism. Ideally, the EU and the 12 CPTPP countries could conceive new rules on subsidies and economic security, while navigating among different models of carbon pricing. The aim for a digital agreement is a promising first step. In addition, they could deepen cooperation on rare earth and critical raw materials. Such bilateral and regional trading agreements can lead to rules that help countries diversify, de-risk, and increase the resilience of their value chains. Together with other like-minded countries, this constellation can be a core coalition of willing in trade and investment, with the potential to expand in other areas of cooperation.

To remain a trustworthy partner, Europe must stay open. The new European industrial policy aims to strengthen Europe’s competitiveness in manufacturing, accelerating the green transition and facilitating foreign investment. But this goal could be undermined by the different administrative requirements and the full demand of reciprocity in public procurement. Europe should avoid alienating partners and allies by making trade and investment more difficult. If the Industrial Accelerator Act does not resolve these problems, Europe’s goal of leading a new economic alliance could be jeopardized.

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