

Berlin Perspectives

Analysing German European Policy

Strengthening Rules-Based Trade Germany's Role in EU Trade Policy



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Germany and the EU must counter protectionism and fragmentation in global trade. To ensure competitiveness and open markets, the German government should push for EU-level rules-based free trade agreements, foster EU unity and uphold European standards.

Foreign trade falls into the competency of the European Union (EU), with the European Commission representing 27 member states and a common market of 450 million people. The EU – and by proxy Germany – is a global player in trade, economically on an equal footing with the United States and China. Germany and the EU are highly interconnected in global value chains and have profited from a transparent and rules-based global trading system, guaranteed for decades by the World Trade Organization (WTO). Both therefore have an interest in the promotion and reform of an the existing open global trading system.

However, the EU and Germany face headwinds in the current conflictual geo-economic environment, characterised by trade fragmentation and protectionism. The geo-economic rivalry between the United States and China is intensifying. Both increasingly use their markets as leverage to achieve strategic goals in international relations. In the process, the rules-based trading system is changing into a power-based system in which multilateral organisations (such as the WTO) are losing their importance.

The EU is torn between the two powers. On the one hand, an increasingly aggressive China with a closed market and a geo-economic approach to trade. On the other hand, the

United States under the second Trump administration – which no longer distinguishes between rivals like China and like-minded G7 allies like the EU, Canada or Japan in its ‘America First’ trade policy. After the July 27 framework deal with Donald Trump, the EU now faces a baseline tariff of 15 percent, which includes cars, car parts and pharmaceutical products. The EU still has to grapple with 50 percent tariffs on steel and aluminium. Since January 2025, the average [US tariff rate for the EU has risen from 3.47 percent to 14.95 percent](#), according to the WTO. Further trade investigations are under way relating to semiconductors and lumber among others, which will lead to possible tariff hikes in the future.

Germany's Strategic Interest in Open Trade

Open and rules-based trade is central to the German economy and its major industry and export sectors like automobiles, machineries and the chemical and electrical industries. In 2024, trade in goods and services accounted for [80.3 percent of German GDP](#). Almost one in four jobs depends on exports.

Germany's trade and investment ties to the United States are also especially close. For the first time since 2015, [the United States was Germany's most important trading partner in 2024, overtaking China](#). It also remains the most important target region for German companies in terms of direct investment. It is therefore a key concern of Germany to avoid protectionism and trade conflicts with the United States. Germany and the EU are also interested in establishing a stronger level-playing field with China.

Germany's policy is in line with the active and open trade policy of the European Commission. The coalition treaty of the new German government (CDU/CSU and SPD) from May 2025 calls for a very pragmatic and rules-based trade policy under the chapter '[Handel und Außenwirtschaft](#)', offering support for EU agreements with Mercosur and Mexico and pledges to ratify them soon. The EU-Mercosur free trade agreement is of particularly large economic and geopolitical importance as it enables the EU and Germany to expand their economic relations with South America and thereby reduce their dependency on China. The existing high market-entry barriers will be abolished, important for the competitive European and German export sectors. The agreement also promotes a partnership with Brazil and the Global South.

German and EU positions and strategic goals are aligned on trade policy. Both still value the global trading-system and the WTO, even if efforts to reform the WTO are decreasing due to current geo-economic realities. Both focus on making new bilateral partnerships and finding common ground with the Trump administration to avoid a trade war, as this would have a dramatic effect on the trade-dependent European and German economies.

Recommendations to the new German government

1. Germany is rightly becoming an active part of EU trade policy again

Although the conclusion of agreements with Mercosur and Mexico are major successes, they are only the first steps that show how important an active role in trade policy can be. Germany and the EU now need to focus on rules-based free trade agreements in the growing and dynamic Indo-Pacific region. Germany must facilitate and prioritise EU negotiations with Indonesia and other ASEAN states such as Malaysia and the Philippines in 2025. The same holds true for negotiations with India and Australia.

To enhance the ratification of new agreements, the German governing coalition also calls for EU-only agreements in the future. This is a promising approach which prevents long and difficult ratification processes within the 27 member states. These agreements only need to be ratified by the European Parliament after the Council has adopted them, guaranteeing the fast application of trade deals and enhancing the credibility of the EU as a negotiating partner.

To support a strong European trade policy, Germany is right to push for an early ratification of mixed trade deals which partly fall under the competency of EU Member States. Germany therefore rightly pledges to ratify the framework agreement that the EU has signed with Chile (2023) and the investment treaties with Singapore and Vietnam.

2. Germany needs to focus on EU unity and social cohesion in trade

Germany is fully supporting the EU in taking an active role in trade negotiations. This is well received in Brussels and gives an important impetus for ongoing trade negotiations in the ASEAN region and ratifications of controversial agreements like the EU-Mercosur deal.

However, the German government needs to ensure that it focuses on European unity, or at least a broad coalition of the willing. With France opposed to many of the open trade approaches, Germany should actively seek cooperation with like-minded pro-trade member states. Despite being the largest economy in Europe, it is counterproductive to push ahead with possible solutions without gaining the support of smaller EU member states. The EU can only firmly and strongly respond to trade coercion from trading partners such as China and (currently) the United States if the 27 member states are united.

But European unity is not enough. The importance of open trade needs to be explained more clearly to the German public. Germany faces the danger of internal fragmentation. Far-right parties like the AfD – and their focus on national politics and trade protectionism – are gaining political votes and threatening social cohesion. Trade should not be a topic only for liberal elites. The political, economic and geostrategic importance of partnerships and agreements need to be communicated more clearly by the German government, especially on the regional and local level.

3. Prevent an escalation with the United States, but do not give up on European standards

The 'America First' trade policy hits Germany and the EU hard. Despite the framework agreement of July 27, the tariff level will remain high, with a 15 percent baseline. Uncertainty, detrimental to long-term business and investment decisions, will remain.

Chancellor Friedrich Merz has advocated for a fast deal and a possible TTIP 2.0 in the medium-term. Germany is generally right in pushing for de-escalation and a transatlantic solution, preventing long-term damage to the competitiveness of German and European industries. However, though a constructive and fast solution is important, Germany should remain strong and steadfast behind existing and agreed European standards, whether in the digital sphere (with the Digital Markets Act and Digital Services Act) or regarding food and agricultural products. European standards are important for internal cohesion. Germany has a special role to play in forging a strong and open trade policy, but it needs to promote common European positions.

About the author

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