ECONPOL
Policy Report

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Volume 10

Global Europe 2.0 – The Economic Potential of New EU Trade Agreements in an Era of US Protectionism

Andreas Baur, Lisandra Flach, and Xabier Moriana-Armendariz

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EconPol Policy Report

Publisher and distributor: CESifo GmbH
Poschingerstr. 5, 81679 Munich, Germany
Telephone +49 89 9224-0, email office@cesifo.de
EconPol Europe: www.econpol.eu

Editor: Andrea Balestracci

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Global Europe 2.0 – The Economic Potential of New EU Trade Agreements in an Era of US Protectionism

Andreas Baur
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Abstract

The protectionist trade policy of the second Trump administration poses a significant challenge to the European economy, hitting export-oriented manufacturing particularly hard. Against this backdrop, this study quantifies the economic potential of a new European free trade initiative ("Global Europe 2.0") centered on new trade agreements with seven key trading partners: the Mercosur countries, India, the United Arab Emirates, Australia, Indonesia, Malaysia, and Thailand (the P7). Despite accounting for 13 percent of global merchandise imports, the P7's share in EU exports has stagnated over recent decades, pointing to untapped potential that new agreements could help unlock. Using the ifo Trade Model, a quantitative general equilibrium model, we simulate two scenarios: a baseline capturing the medium-term effects of current US tariff policy, and a scenario adding new EU–P7 trade agreements. We find that P7 agreements would more than offset the adverse effects of US protectionism, generating a net positive effect on EU economic activity. Depending on agreement depth, EU real GDP rises by 0.18 to 0.43 percent and total exports by 1.3 to 3.4 percent. Gains are broad-based across all 27 member states, and the turnaround is most striking for EU manufacturing.

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Executive Summary

The protectionist trade policy of the second Trump administration poses a significant challenge to the European economy. US tariffs weigh directly on transatlantic trade and exert a dampening effect on EU exports and output. Against this backdrop, this study quantifies the economic potential of a European free trade initiative—a **"Global Europe 2.0"**—centered on the conclusion of new EU trade agreements with seven key trading partners: the Mercosur countries, India, the United Arab Emirates (UAE), Australia, Indonesia, Malaysia, and Thailand. These seven partners, referred to throughout as the P7, are at various stages of trade agreement negotiations with the EU: negotiations with Mercosur, India, Australia, and Indonesia have already been concluded, while further deals with the UAE, Malaysia, and Thailand are expected to follow in the near term.

The P7 represent a substantial and growing part of the global economy. This study first examines their economic significance as trade partners for the EU before turning to the simulation results. This descriptive analysis yields four key findings:

- **The P7 as an untapped trade opportunity.** The P7 today absorb 13 percent of global imports—on a par with China—yet the EU has failed to keep pace with their rise, with its export share to these markets falling below 10 percent in recent decades. This points to untapped potential that new trade agreements could help unlock.

- **Diverse partners, diverse trade structures.** The P7 are not a uniform group: Mercosur and India are the EU's largest trading partners overall; Australia and the UAE are more relevant as export destinations; while Malaysia, Indonesia, and Thailand matter more as import sources. This diversity is echoed on the EU side: while most member states direct a similar export share of 2 to 4 percent to P7 markets, the import side varies sharply, with Mercosur alone accounting for 14 percent of Portuguese extra-EU imports. The P7 represent a shared opportunity for EU exporters, but their strategic importance as suppliers varies considerably across member states.

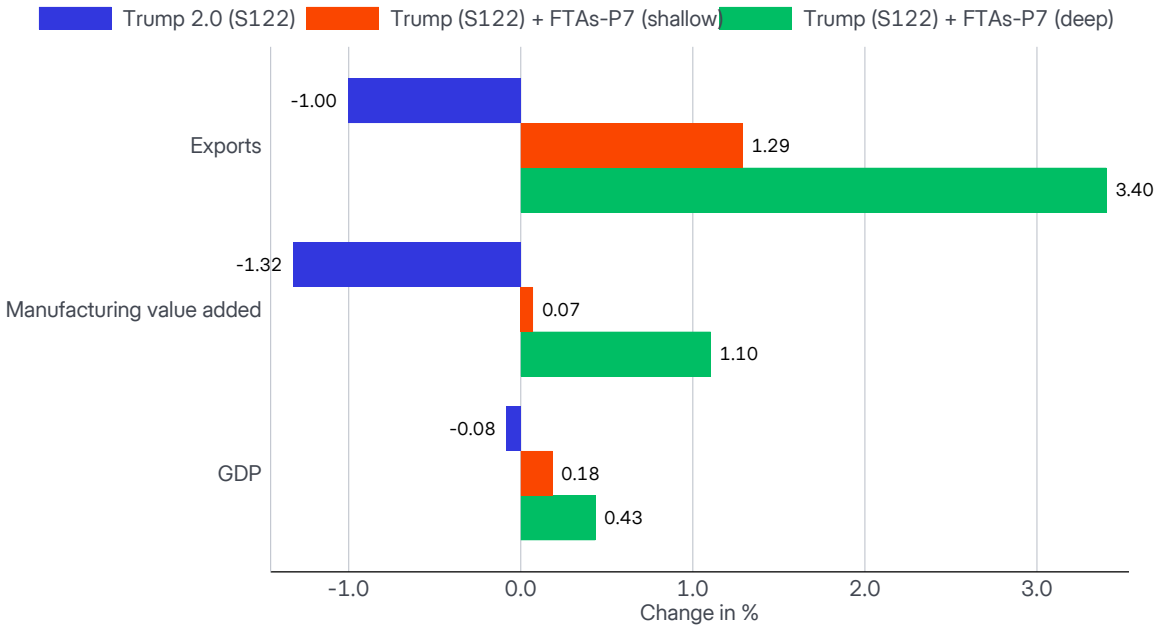
- **Significant trade across key sectors.** The P7 represent around 12 percent of EU exports in transport equipment, computers and chemicals—above the overall average—while supplying nearly 20 percent of extra-EU agricultural products. New agreements could deepen these ties, opening up further market access for EU exporters while diversifying the sourcing of key products.

- **Substantial room for tariff liberalization.** Tariff levels in several P7 markets remain high, particularly in India and Mercosur, where the average surpasses 10 percent. Bringing these tariffs down could unlock significant economic gains for both sides, making agreements with these partners a particularly promising avenue for EU trade policy.

To quantify the economic potential of new trade agreements with the P7, this study uses the ifo Trade Model, a quantitative general equilibrium model of international trade, to simulate two scenarios: a baseline capturing the medium-term effects of current US tariff policy (Scenario 1), and a scenario in which the EU concludes trade agreements

with all P7 countries on top of this baseline (Scenario 2). Two variants of Scenario 2 are considered, reflecting shallow and deep levels of trade agreements. Figure 1 summarizes the key simulation results.

Figure 1: Key Results for EU Exports, Manufacturing Value Added, and GDP



Notes: The figure shows the percentage change in total EU exports, manufacturing value added, and real GDP under Scenario 1 (Trump 2.0, S122) and Scenario 2 (Trump 2.0 + FTAs-P7, shallow and deep). All changes relative to the pre-tariff baseline.

Source: GTAP, ifo Trade Model.

Four findings stand out:

- **US tariffs weigh on EU exports and manufacturing.** Under the current Section 122-based US tariff regime, total EU exports decline by around 1.0 percent relative to the pre-tariff baseline. The burden falls disproportionately on manufacturing, where value added falls by 1.3 percent, while services are largely unaffected. Export-oriented economies with strong manufacturing sectors, such as Belgium, Ireland, and Germany, face above-average losses.

- **New P7 trade agreements more than offset these losses.** Even shallow agreements with the P7 reverse the aggregate export decline, with total EU exports rising by 1.3 percent relative to the pre-tariff baseline. Deep agreements amplify this result to 3.4 percent. EU real GDP rises by 0.18 percent under shallow agreements and 0.43 percent under deep agreements, against a decline of 0.08 percent under US tariffs alone. The turnaround is most striking for manufacturing: a value added loss of 1.3 percent under Scenario 1 turns into a gain of 1.1 percent under deep P7 agreements—a swing of more than two percentage points.

- **All EU member states gain.** In contrast to Scenario 1, where losses are near-universal, all 27 EU member states record positive GDP effects under Scenario 2.

This broad-based distribution of gains should facilitate the internal support within the EU needed to pursue and ratify new agreements. The member states that suffer the largest losses under US tariffs (e.g., Belgium, Ireland, or Germany) also tend to be among the greatest beneficiaries of the P7 agreements.

- **The P7 countries stand to gain substantially.** The aggregate GDP of the P7 rises by 0.42 percent under shallow agreements and by 0.96 percent under deep agreements, even exceeding the gains accruing to the EU itself. This asymmetry reinforces the EU's negotiating position and helps explain the increased willingness of P7 countries to conclude agreements swiftly in the current environment.

A window of opportunity has opened. At a time when US protectionism is disrupting established trade relationships, the P7 countries are themselves seeking reliable, rules-based alternatives in an increasingly fragmented global economy. This convergence of interests opens a window of opportunity that the EU should act upon swiftly. The simulation results confirm that even shallow agreements deliver meaningful gains, making a strong case for prioritizing speed of conclusion. At the same time, the considerably larger gains from deep integration underscore the importance of treating initial agreements as a starting point rather than an endpoint in trade liberalization. By concluding trade agreements with the P7 and progressively deepening them over time, the EU can simultaneously strengthen strategic partnerships and generate significant economic benefits for all member states.

1 Introduction

In 2006, the European Union (EU) placed free trade agreements (FTAs) at the center of its foreign trade policy with its "Global Europe" trade strategy, ushering in a new phase of proactive trade diplomacy (Stoll, 2025). With stalling multilateral negotiations within the World Trade Organization (WTO), the EU increasingly focused on bilateral and regional trade agreements to improve market access for European firms. This strategy was not without controversy: critics feared a fragmentation of the global trading system and a further setback for multilateral trade liberalization (Bhagwati, 1995). In the European public sphere, individual negotiation projects such as the planned Transatlantic Trade and Investment Partnership (TTIP) also met with considerable resistance. Despite these objections, the EU succeeded in concluding important trade agreements with major economic partners such as Japan and South Korea.

The launch phase of "Global Europe" coincided with the peak of hyperglobalization, during which the European economy was able to integrate itself deeply into international value chains (Flach et al., 2021; Baur and Flach, 2025). Thanks to its strong export orientation, the EU benefited particularly from open markets and falling trade barriers. Trade agreements not only promoted trade liberalization, but also gave European exporters preferential market access over competitors from third countries—a strategic advantage in highly competitive global markets.

Nearly two decades later, the global economic environment has changed fundamentally and the rules-based system is under considerable pressure (Goldberg and Reed, 2023). Already during US President Donald Trump's first term in office and after the Brexit referendum, there were clear signs of an erosion of the multilateral trading system, driven by rising populism and economic nationalism (Colantone et al., 2022). The COVID-19 pandemic exposed the vulnerability of global supply chains and triggered an intense debate about dependencies on trading partners (Baldwin and Freeman, 2022). At the same time, authoritarian regimes such as Russia and China have increasingly exploited trade relations for geopolitical purposes, whether through energy dependencies or control of critical raw materials and technologies (Baur et al., 2023; Baur, 2024).

Donald Trump's second presidential term marks another breaking point in international trade policy. The US has made a fundamental break with the open, rules-based trading system, initiating a sweeping wave of protectionist measures since January 2025 (Baur and Flach, 2025). This development not only adds to a multilateral trading system in existential crisis, but also raises fundamental questions about the future viability of the European economic model: Can a strongly export-oriented economy like the EU continue to thrive in an increasingly fragmented global economy?

The erosion of the multilateral trading system and the rise of US protectionism lend new urgency to the strategic expansion of the EU's network of trade agreements. On the one hand, bilateral trade agreements can help secure a rules-based trading space beyond the WTO and deepen strategic partnerships. On the other hand, new agreements have the potential to generate economic growth and compensate for the negative effects of a protectionist US trade policy. Whether and to what extent this is actually the case remains

an open empirical question—and one this study sets out to answer. We quantify the economic potential of a new European free trade initiative—a "Global Europe 2.0"—asking what impact new agreements would have on EU trade flows, sectoral value added, and GDP.

The European Commission has markedly stepped up its efforts to expand the EU's network of trade agreements since Donald Trump's return to the White House. Potential trading partners have also become considerably more willing to conclude trade agreements with the EU—not least because these countries are themselves looking for alternatives to the US market. This study focuses on seven countries or groups of countries with which the EU is at various stages of trade agreement negotiations:

1. The Mercosur countries (Brazil, Argentina, Uruguay, and Paraguay)
2. India
3. The United Arab Emirates (UAE)
4. Australia
5. Indonesia
6. Malaysia
7. Thailand

In January 2026, the EU signed a landmark agreement with the Mercosur countries, concluding over two decades of negotiations. The agreement has since been ratified by all Mercosur countries, and the European Commission plans to bring it into force provisionally, pending final ratification by the European Parliament. In the same month, the EU also concluded a trade agreement with India, which is expected to enter into force in early 2027. Moreover, in September 2025, the EU and Indonesia finalized negotiations for a Comprehensive Economic Partnership Agreement (CEPA). Similarly, in March 2026, the EU and Australia concluded negotiations for a trade agreement. Progress on other fronts has been equally rapid: a deal with the UAE is expected as early as mid-2026, and negotiations with Malaysia and Thailand are expected to conclude by 2027.

These seven trading partners are referred to as the "P7" in the following. Using the ifo Trade Model, this study simulates two scenarios: a baseline capturing the medium-term effects of current US tariff policy on the EU and its trading partners, and a scenario in which the EU concludes trade agreements with all P7 countries. For each scenario, the effects on EU trade flows, sectoral value added, and real gross domestic product (GDP) are quantified, with particular attention to the heterogeneity of effects across individual EU member states and sectors.

The study is structured as follows: We begin by outlining the current economic significance of the P7 in world trade and for the EU in particular. We then introduce the ifo Trade Model that underpins our simulations. This is followed by a detailed description of the trade

policy scenarios under consideration. The simulation results are presented and discussed in the subsequent section, before a concluding section draws together the key findings.

2 EU–P7 Trade Dynamics

This section examines the economic role of the P7 in both a global and European context, and presents the current state of their trade relations with the EU. It establishes the starting point for the subsequent simulation of a European free trade initiative centered on the conclusion of trade agreements between the EU and the P7.

2.1 The P7 as a Global and European Trading Partner

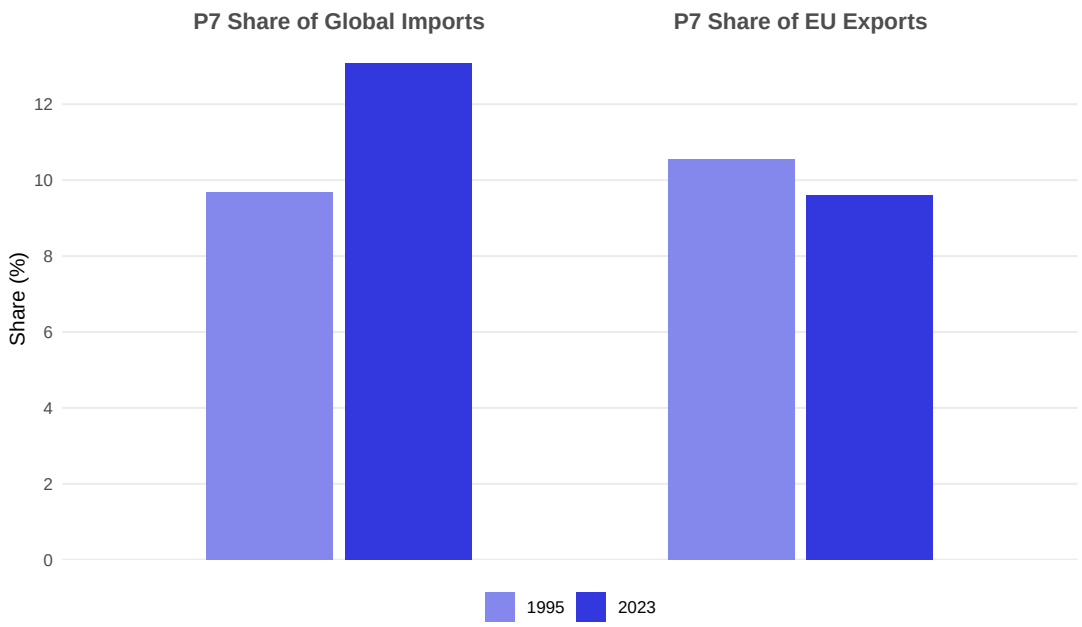
The P7 have steadily grown in importance as a destination for global economic activity. Since 1995, their combined share of global merchandise imports has risen from 10 to 13 percent in 2023 (Figure 2), placing them on a par with the world's two largest trading economies: China, which accounted for 12 percent of global imports in 2023, and the United States, at 16 percent (Appendix, Figure A.1 Panel A). Today, the P7 collectively rank among the EU's top three trade partners for both exports and imports (Appendix, Figure A.2).

Yet the EU has failed to keep pace with their rise. The share of EU exports directed to the P7 has in fact slightly declined over the period, from above 10 percent in 1995 to 9.5 percent in 2023 (Figure 2). This stands in contrast to the broader expansion of EU external trade, which over the same period became increasingly concentrated on other major partners: the share of EU exports going to China nearly tripled from 3 to 10 percent, while exports to the United States increased from 15 to 20 percent (Appendix, Figure A.1 Panel B).

The aggregate P7 trend is largely driven by two countries: India and the UAE account for most of the increase at the global level (Figure 3, Panel A), having grown from the smallest P7 importers in the 1990s—at 1 and 0.5 percent of global imports respectively—into leading destination markets, reaching 3.4 and 2 percent by 2023. The remaining P7 countries—the Mercosur bloc, Australia, Thailand, Malaysia and Indonesia—have exhibited relatively stable global import shares, fluctuating between 1 and 2 percent throughout the period.

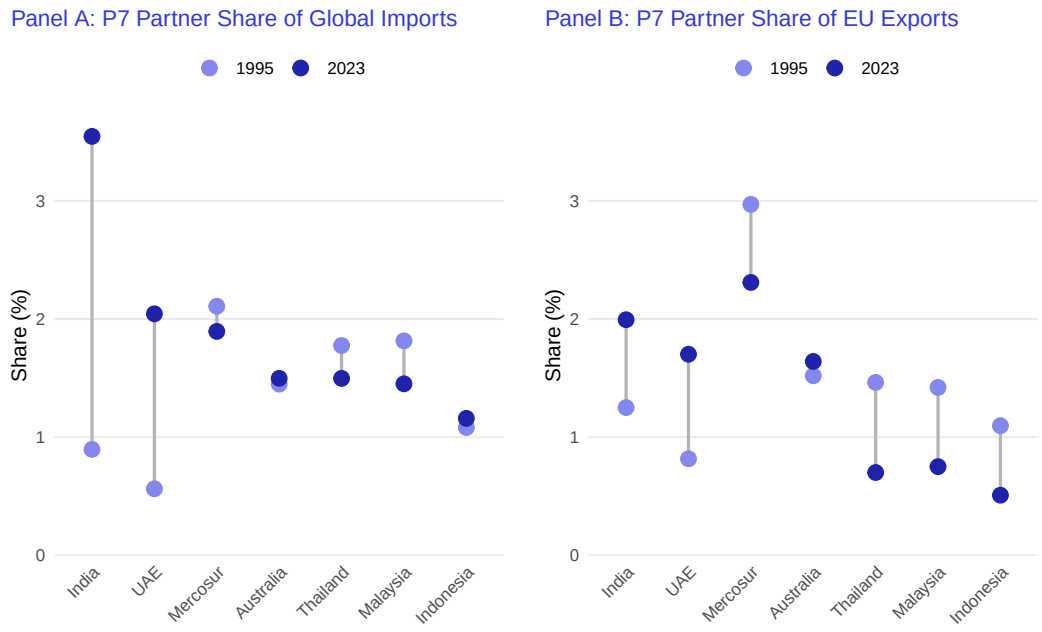
At the partner level, EU export shares have broadly failed to reflect the P7's growing weight in global trade (Figure 3, Panel B). India and the UAE have seen only modest gains in their share of EU exports: India's share rose from 1.2 to just 2 percent between 1995 and 2023, while the UAE's increased from 0.8 to 1.7 percent, well below their trajectory in global trade. The Mercosur bloc, historically one of the EU's most significant trade partners, has seen its share fall from 3 to 2.3 percent. The decline is even more pronounced among the remaining Asian P7 countries: the share of EU exports directed to Thailand, Malaysia, and Indonesia has collectively halved over the period. Australia is the sole exception, with its share holding steady at around 1.5 percent.

Figure 2: P7 Share of Global Imports and EU Exports (1995 vs.2023)



Notes: The figure shows the changing share of the P7 as importers from 1995 to 2023. The left panel shows the P7 share of global imports, while the right panel focuses on their share of total EU exports. Intra-EU trade is excluded from the calculations.
Source: Gaulier and Zignago (2010), own calculations.

Figure 3: P7 Partner Share of Global Imports and EU Exports (1995 vs.2023)



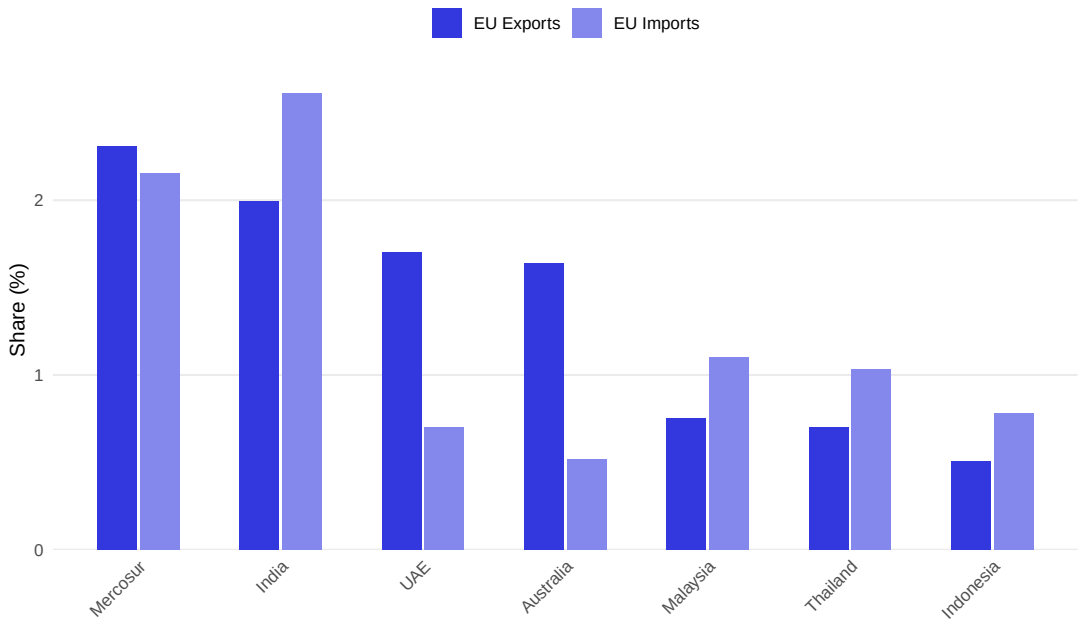
Notes: The figure shows the evolving share of each P7 country as an importer from 1995 to 2023. The left panel shows the P7 partner's share of global imports, while the right panel focuses on its share of EU exports. Intra-EU trade is excluded from the calculations.
Source: Gaulier and Zignago (2010), own calculations.

2.2 EU–P7 Trade Across Partners and Member States

The aggregate figures, however, tell only part of the story—one that varies both across individual P7 countries and across EU member states. Looking at the P7 country level, three groups emerge (Figure 4). Mercosur and India stand out as the EU's largest P7 trading partners, with both export and import flows accounting for between 2 and 2.5 percent of the EU's total. The UAE and Australia display a different pattern: their shares in EU exports (1.7 percent) substantially exceed their respective EU import shares (around 0.6 percent), reflecting their role primarily as destination markets. Malaysia, Thailand, and Indonesia, by contrast, matter relatively more as sources of EU imports than as export destinations.

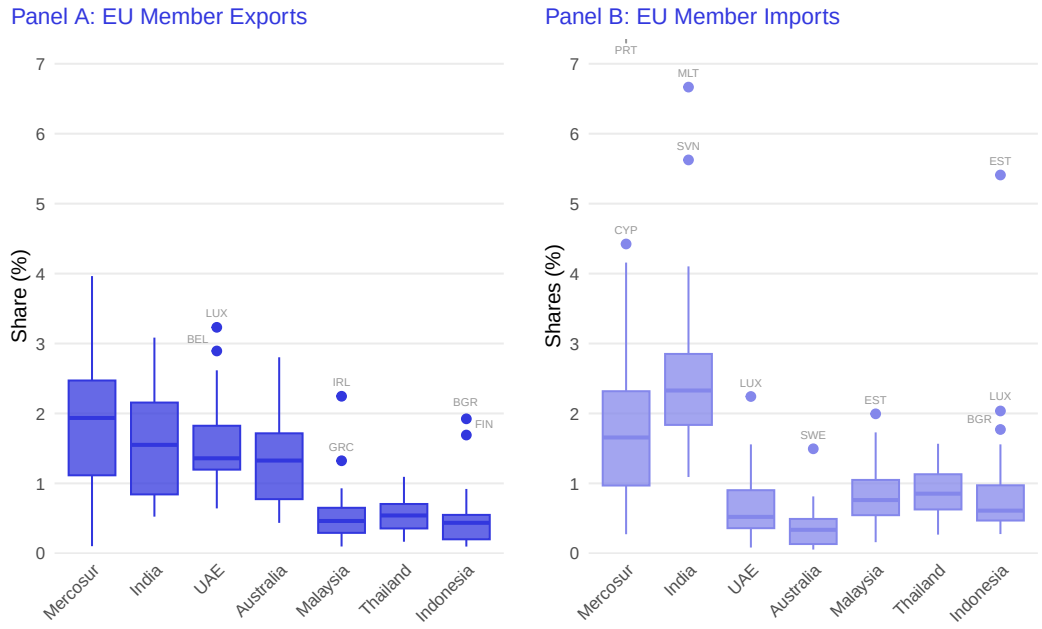
The picture shifts further when looking across individual EU member states (Figure 5). On the export side, the share of each P7 country is relatively uniform across EU countries: most member states direct a broadly similar fraction of their exports to any given P7 partner, with only limited exceptions for the UAE, Malaysia and Indonesia. Import shares, by contrast, display considerably more dispersion: for nearly all P7 partners, at least one EU member state treats that partner as a significant outlier. In several cases, such as Mercosur, Indonesia, and India, a partner's import share ranges from virtual irrelevance to more than 5 percent of a member state's total imports. The P7 thus offer a relatively even playing field for EU exporters, while their importance as suppliers varies considerably across member states.

Figure 4: P7 Partner Share of EU Exports and Imports



Notes: The figure shows the share of each P7 country in total EU exports and imports in 2023. Intra-EU trade is excluded from the calculations.
Source: Gaulier and Zignago (2010), own calculations.

Figure 5: P7 Partner Share of Exports and Imports across EU Member States

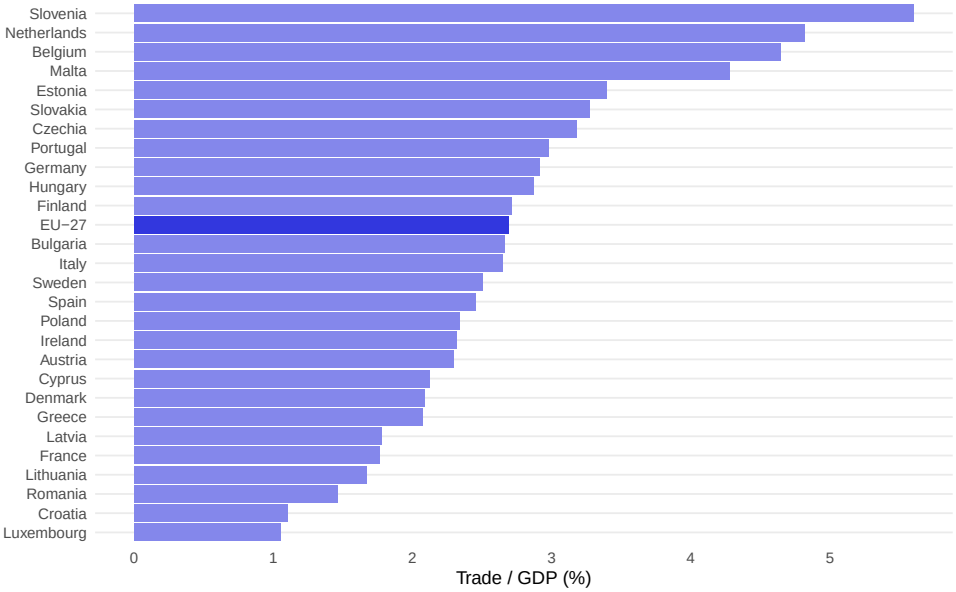


Notes: The figure shows the distribution of a given P7 partner's share with respect to exports (Panel A) and imports (Panel B) of EU member states. The median, interquartile range, and full range across EU member states are reported. Mercosur's share of Portuguese imports (14 percent) is not shown in Panel B for comparability with Panel A. Intra-EU trade is excluded from the calculations.
Source: Gaulier and Zignago (2010), own calculations.

The distributional patterns above raise a broader question: how economically significant is P7 trade for individual member states? The answer depends on two factors: how trade-intensive an economy is overall, and what share of that trade is with the P7. To capture both dimensions, we calculate the ratio of total trade with the P7 (exports plus imports) to each EU member state's GDP. At the aggregate EU level, this stands at 2.7 percent of GDP in 2023. Variation across member states is substantial: the ratio ranges from 1 percent in Luxembourg to 5.6 percent in Slovenia (Figure 6). The usual pattern of smaller and more open economies exhibiting higher reliance on trade is visible, though not uniform. Some larger economies, such as Germany, display above-average exposure to the P7, while some small countries, such as Croatia, sit at the lower end of the distribution.

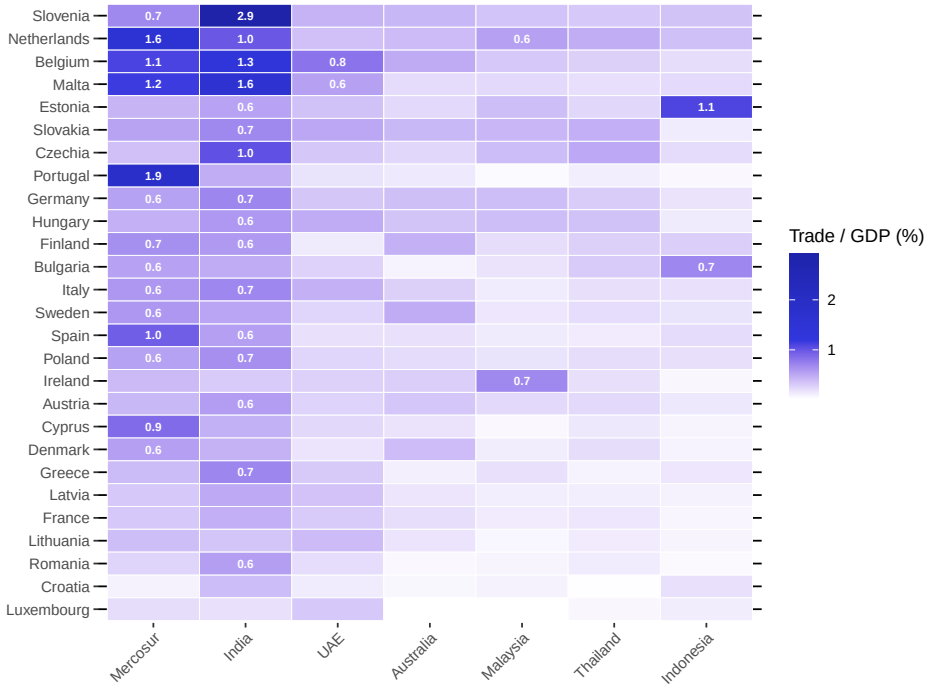
Figure 7 further decomposes these ratios by P7 partner. For most EU economies, trade with India and Mercosur accounts for the largest shares, each surpassing 0.5 percent of GDP in most cases. Slovenia's trade with India alone stands at almost 3 percent of GDP, while for Portugal, Belgium or the Netherlands, trade with India or Mercosur exceeds 1 percent of national GDP. Yet smaller P7 partners can represent a disproportionately large share of trade for specific EU countries. For example, Estonia's trade with Indonesia exceeds 1 percent of total GDP, driven by Indonesia's outsized share of Estonian imports. Similarly, trade with Malaysia accounts for 0.7 percent of Irish GDP, reflecting a disproportionately high share of Irish exports to that market.

Figure 6: EU–P7 Trade as Share of GDP



Notes: The figure shows all EU member states, ranked by the share of trade (exports and imports) with each P7 Partner relative to each member's GDP.
Source: Gaulier and Zignago (2010), World Bank, own calculations.

Figure 7: EU–P7 Trade as Share of GDP by P7 Partner



Notes: The figure shows, for all EU member states, the share of trade (exports and imports) with each P7 partner relative to the EU member states' GDP. Countries are ranked by their total trade with the P7 as a share of GDP (see Figure 6). Percentage included for cases where trade with P7 partner represents more than 0.5 percent of GDP.
Source: Gaulier and Zignago (2010), World Bank, own calculations.

2.3 EU–P7 Trade by Sector of Activity

Understanding the economic implications of new trade agreements requires a closer look at the sectors driving trade. We decompose merchandise trade flows between the EU and the P7 into 21 sectors following the GTAP classification used in our simulations.[1] We examine two complementary perspectives: sectoral specialization in EU–P7 bilateral trade, measured by each sector's share of total EU–P7 trade flows; and the P7's importance as a trading partner, measured by the share of total EU trade in each sector directed to the P7.

Figure 8 presents the sectoral composition of EU exports and imports with the P7. At the aggregate level, EU exports to the P7 are concentrated in capital and technology-intensive sectors: machinery and equipment (15.8 percent), chemicals (11 percent) and motor vehicles (9.8 percent) (Panel A). EU imports, however, are dominated by primary goods, notably agriculture (17.4 percent) and mining (12 percent), followed by computer and electronics (11 percent) (Panel B). At the country level, export patterns are broadly consistent across the P7, with machinery and equipment, chemicals and motor vehicles accounting for the largest shares in virtually all cases. Import patterns, by contrast, show stronger sectoral concentration and greater variation across partners. agricultural and mining products account for roughly two thirds of EU imports from Mercosur and Australia (69 and 66 percent respectively), while imports from Malaysia and Thailand are more manufacturing-intensive, particularly in computer and electronic products (38 and 27 percent of respective totals). India stands apart from both groups, with imports spread across manufacturing and primary sectors in relatively equal measure.

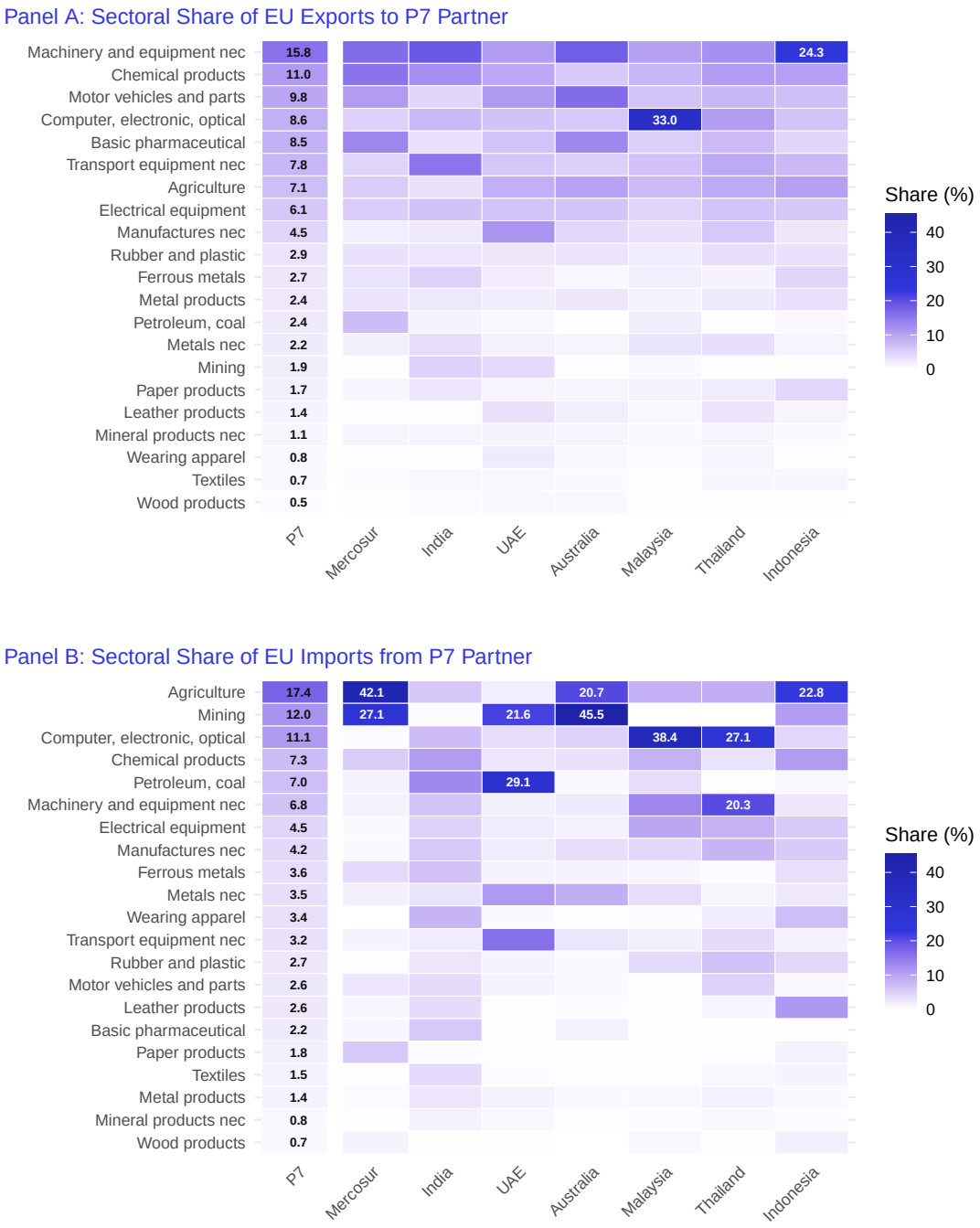
Turning to the P7's importance as a destination and sourcing partner, Figure 9 shifts the perspective to how central the P7 are within each sector of EU trade. On the export side, the P7's share as a destination market is relatively uniform across sectors: export shares fluctuate within a relatively narrow band around the aggregate P7 share of EU exports (9.6 percent) and are relatively evenly spread among the EU's main P7 destinations: Mercosur, India, the UAE, and Australia (Appendix, Figure A.3 Panel A). The P7 account for 13 percent of total EU exports in transport equipment and machinery, rising to almost 25 percent in mining—a pattern almost entirely driven by Belgian diamond exports to India and the UAE.[2]

On the import side, the P7 emerge as a key sourcing partner in primary sectors. Against an aggregate import share of 8.9 percent, the P7 account for around 21 percent of EU imports in agriculture and paper and 17 percent in metals and petroleum. Mercosur and India alone account for 10 percent in several of these sectors (Appendix, Figure A.3 Panel B). This pattern, however, masks substantial variation across EU member states: while Portugal sources close to 30 percent of its primary products from the P7, the group is

[1] Primary sectors (GTAP 1-26) are aggregated into two broader categories: "agriculture" (sectors 1-14 and 19-26) and "mining" (sectors 15-18).

[2] This pattern reflects exports of "Diamonds, non-industrial, unworked or simply sawn" (HS 710231) rough gemstone-quality diamonds prior to cutting and polishing. Belgium is the world's leading exporter of this product, accounting for around one-third of global exports. Exports of this single product by Belgium represent 19 percent of total EU mining exports. These flows are heavily concentrated on India and the UAE, which together account for 85 percent of the total (45 and 40 percent respectively). See Appendix, Figure A.4 Panel A for a detailed breakdown of sectoral export shares across EU member states.

Figure 8: Sectoral Share of EU–P7 Trade: Exports and Imports

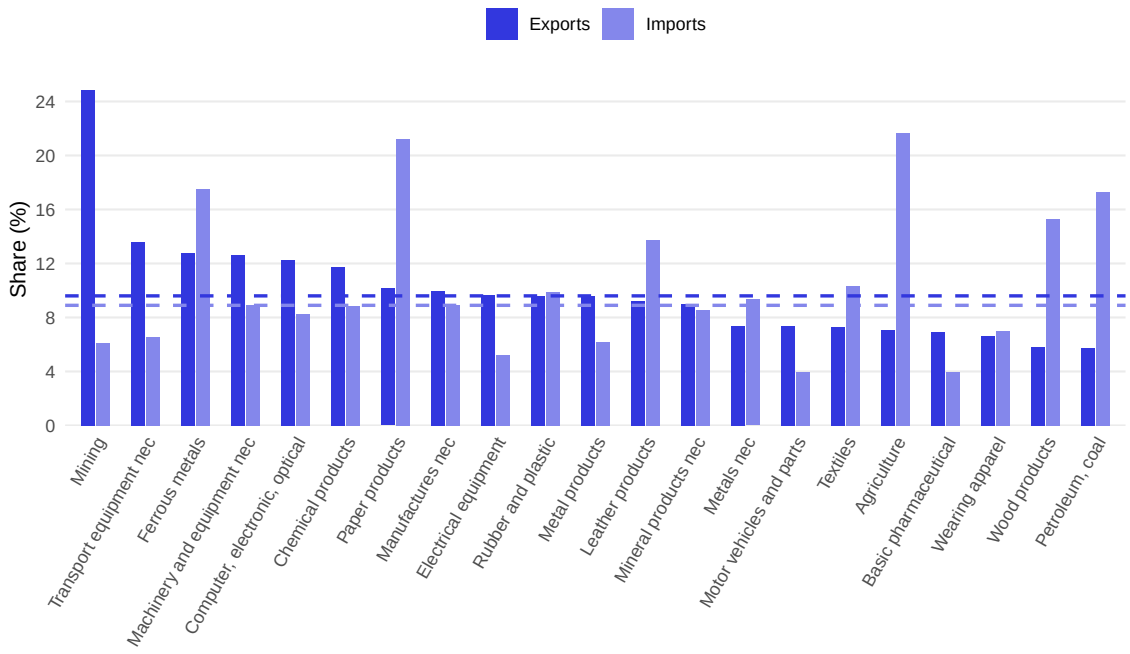


Notes: The figure shows, for each P7 country, the share of the total flow belonging to a specific sector of activity. Panel A shows the share of total EU exports to the P7 partner accounted for by each sector. Panel B shows the corresponding decomposition for imports. Percentages shown for all cases above 20 percent. Intra-EU trade is excluded from the calculations.
Source: Gaulier and Zignago (2010), GTAP database, own calculations.

barely relevant for Bulgaria (Appendix, Figure 11 Panel B). In manufacturing, the picture shifts considerably: the P7 play a negligible role across most sectors, with the exception

of India. In basic pharmaceuticals, for instance, the P7 share falls below 4 percent for the vast majority of member states. Yet even here, country-level exceptions are striking: the P7 accounts for 75 percent of Malta's pharmaceutical imports (Appendix, Figure A.4 Panel B).

Figure 9: P7 Share of EU Exports and Imports by Sector



Notes: The figure shows, for each sector, the share of total EU exports and imports accounted for by the P7. Aggregate P7 shares of total EU exports and imports shown in horizontal dashes with corresponding color. Intra-EU trade is excluded from the calculations.
Source: Gaulier and Zignago (2010), GTAP database, own calculations.

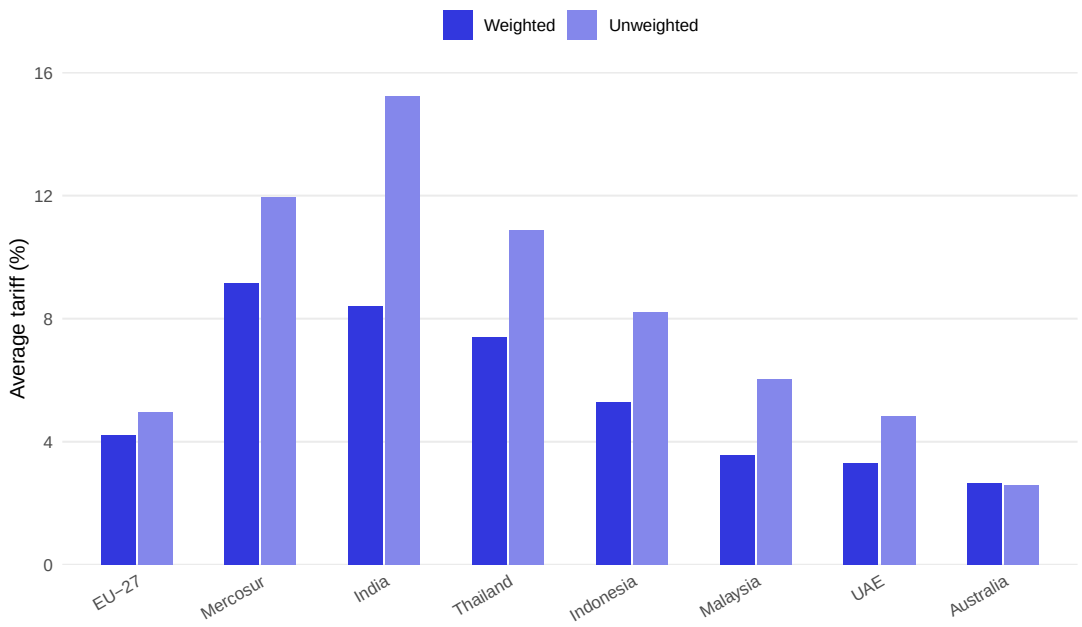
2.4 P7 Tariff Structure

One of the main objectives of bilateral trade agreements is the gradual—and often full—elimination of existing tariffs. The current tariff structure therefore provides an important baseline for assessing the potential gains from such agreements. As of March 2026, EU–P7 bilateral trade remains largely governed by tariffs set under the World Trade Organization (WTO) framework, applied on Most-Favored-Nation (MFN) basis equally to all member countries.

Figure 10 shows average MFN tariffs for each P7 country, in both unweighted and trade-weighted form. The unweighted average is a simple arithmetic mean across all products while the trade-weighted average gives weight to more heavily traded products, providing a closer approximation of the effective tax burden on bilateral trade. Two observations stand out. First, tariff levels vary considerably across P7 countries. Australia imposes the lowest tariffs among the countries considered, at a trade-weighted average of 2.4 percent, which is even below the EU's own average of 4.1 percent. At the other end of the spectrum, Mercosur (9.1 percent) and India (8.4 percent), the EU's two largest P7 trade partners, maintain comparatively high tariff levels. Second, trade-weighted tariffs are significantly below the unweighted average, suggesting that the EU tends to export products that already face relatively lower tariffs in these markets. This effect is particularly pronounced for India, where the two measures diverge sharply: 15.2 percent unweighted versus 8.4 percent trade-weighted. Bringing these tariffs down could unlock significant economic gains for both sides, making agreements with these partners a particularly promising avenue for EU trade policy.

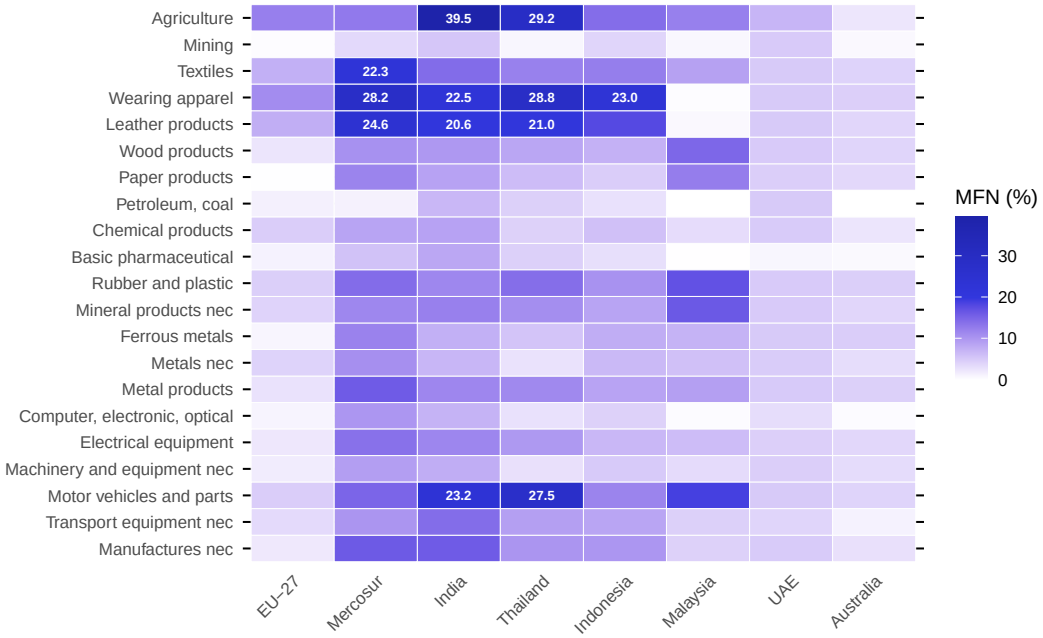
A sectoral breakdown reveals further differences between partners and sectors (Figure 11). Tariffs in primary and consumer sectors tend to be the highest: Agricultural tariffs reach 39.5 percent in India, Wearing apparel tariffs 28.8 percent in Thailand, and Leather products 24.6 percent in Mercosur. manufacturing sectors, by contrast, face more moderate levels overall, with the highest rates observed in Mercosur: Electrical equipment at 13.7 percent or Computer and electronics at 9.7 percent. Motor vehicles are a notable exception for some P7 partners, with tariffs reaching up to 27.5 percent in Thailand and 23.2 percent in India. A closer look within this sector reveals contrasting approaches to protection. India applies a highly targeted 125 percent tariff on passenger cars, severely restricting EU exports, while keeping remaining product tariffs clustered between 10 and 15 percent. Thailand, by contrast, pursues a broader sectoral shield, with most product tariffs in the category fluctuating between 20 and 70 percent. These sectoral and partner-specific differences highlight the considerable heterogeneity in tariff protection among P7 markets that new trade agreements would aim to address.

Figure 10: Average MFN Tariff by P7 Country



Notes: The figure shows the average MFN tariff rates of the EU and selected partner countries in 2021. A distinction is made between trade-weighted and unweighted average tariffs. Intra-EU trade is excluded from the calculations.
Source: Teti (2024); Gaulier and Zignago (2010), own calculations.

Figure 11: Average MFN Tariff by P7 Country and Sector



Notes: The figure shows, for each sector of activity, the average (unweighted) MFN tariff rates of the EU and selected partner countries in 2021. Percentages shown for all cases above 20 percent.
Source: Teti (2024); Gaulier and Zignago (2010), GTAP database, own calculations.

3 ifo Trade Model

The ifo Trade Model is a quantitative general equilibrium model of international trade used to simulate the economy-wide effects of changes in trade policy. It builds on the seminal framework of Caliendo and Parro (2015), which extends the Ricardian trade model of Eaton and Kortum (2002) to a multi-sector, multi-country setting with input-output linkages. The model covers more than 120 countries and 65 sectors, accounting for over 90 percent of global value added, and allows for a detailed disaggregation of trade and output effects at the sector level for all countries represented in the data. The underlying data are drawn from the GTAP 10 database, a comprehensive source of information on international input-output linkages spanning agriculture, mining, manufacturing, and services.

The model is parameterized using structural estimates derived from the theoretical equilibrium conditions of the framework. Trade flows respond to both tariff and non-tariff barriers (NTBs), with the latter capturing costs associated with regulatory divergence, technical standards, and related frictions. Productivity is modeled stochastically following Eaton and Kortum (2002), and economic sectors are linked through input-output relationships (Johnson and Noguera, 2012), allowing the model to trace how policy shocks propagate through global value chains. Both intermediate and final goods trade, as well as domestic transactions, are represented in the model and in the underlying data. Quotas enter the simulations as ad valorem tariff equivalents. Since the model incorporates country- and sector-specific parameters, the simulated adjustments reflect the specific production and trade structure of each economy rather than relying on reduced-form approximations. The technical details of the model are described in a number of academic publications from the ifo Institute (see, e.g., Aichele et al., 2016; Flach and Steininger, 2020; Flach et al., 2021; Felbermayr et al., 2023; Flach et al., 2024; Baur et al., 2025).

Several limitations of the simulations warrant attention. The model is static in that policy shocks shift the level of a country's GDP rather than its long-run growth trajectory. The results should therefore be interpreted as describing a new medium-term equilibrium (approximately ten years) rather than short-run transition dynamics. Moreover, dynamic effects at the micro level, such as changes in firm-level investment, innovation, or technology transfer, lie outside the scope of the model. Furthermore, countries' aggregate trade balances are exogenous to the model and are therefore kept constant in the simulations.

4 Trade Policy Scenarios

4.1 The US Tariff Landscape

The US tariff landscape has changed at an exceptional pace since early 2025, making it essential to briefly describe its current state for the scenarios that follow. The Trump administration's tariff strategy rests on two pillars. The first comprises product-specific tariffs imposed following formal investigations, primarily under Section 232 of the Trade Expansion Act of 1962 on national security grounds. Under this authority, the administration introduced the 50 percent tariffs on steel and aluminum imports in early March 2025, as well as subsequent tariffs on automobile imports. The second pillar consists of country-specific tariffs originally imposed under the International Emergency Economic Powers Act (IEEPA). This approach was set in motion by the "Liberation Day" tariffs of April 2, 2025, which established differentiated rates for more than 60 trading partners, effectively abandoning the most-favored-nation (MFN) principle that underpins the WTO trading system. A range of product exemptions applied, including for goods already subject to product-specific tariffs. The country-specific tariff rates were subject to frequent revisions, and a number of trading partners, including the EU, entered into negotiations with the administration in an attempt to reach bilateral arrangements. In July 2025, EU Commission President Ursula von der Leyen and President Trump announced the so-called Turnberry deal, setting a broadly applicable US import tariff of 15 percent on most EU goods, inclusive of existing MFN tariffs.

On February 20, 2026, however, the US Supreme Court struck down the IEEPA-based tariffs as exceeding presidential authority. The administration responded within hours by reimposing tariffs under Section 122 of the Trade Act of 1974, which authorizes temporary import tariffs of up to 15 percent to address balance-of-payments imbalances. The resulting tariff structure resembles the IEEPA architecture in several dimensions: its product exemption list is nearly identical to its IEEPA counterpart, product-specific tariffs continue to take precedence, and USMCA preferences remain applicable (Angeles and Fritz , 2026). The critical difference is that Section 122 replaces all country-specific IEEPA rates with a single flat surcharge of 10 percent, making it impossible to maintain the differentiated bilateral treatment established under the IEEPA regime.

The Section 122-based tariffs are best understood as an interim measure rather than a durable settlement of US trade policy. The instrument carries a statutory ceiling of 150 days without congressional approval, and the administration has made clear its intention to restore a more differentiated tariff architecture through legally more durable instruments. USTR Ambassador Greer has publicly stated a target of concluding new Section 301 investigations before the Section 122 surcharge expires. The administration has already launched a broad set of such investigations covering more than 60 trading partners, including the EU, the UK, and Canada, focused on practices related to forced labor, excess manufacturing capacity, and digital services trade (Williams, 2026). Section 301 tariffs do not carry the same statutory time limit and would allow the reimposition of country-specific rates, restoring the differentiated structure that Section 122 cannot legally maintain.

4.2 Scenarios

To quantify the economic potential of new EU trade agreements with the P7, we build two sequential scenarios. Scenario 1 serves as the baseline, capturing the medium-term effects of current US trade policy on the global economy. Scenario 2 builds on this baseline by simulating the additional effects of new EU trade agreements with all P7 trading partners. Against the background described above, our baseline Scenario 1 ("Trump 2.0") models the full Section 122 tariff architecture, which includes a broad-based 15 percent surcharge alongside all current product-specific tariffs and exemptions—including those on steel, aluminum, and automobiles.

To implement these tariff schedules, we rely on detailed tariff data from the Global Trade Alert database. Although the Section 122 surcharge currently stands at 10 percent, a rate of 15 percent has been explicitly announced by the administration as imminent. Assuming 15 percent rather than the current 10 percent is therefore the more conservative modeling choice and is also closer to the tariff levels that prevailed under the IEEPA regime. Given the genuine uncertainty about what follows once the 150-day surcharge expires, we make no assumptions about the specific form the subsequent tariff architecture will take. However, the prevailing uncertainty motivates an additional robustness check: we also simulate Scenario 1 under the original IEEPA-based tariff regime, drawing on tariff data from the International Monetary Fund and the World Trade Organization. While the IEEPA regime has been struck down, it represents the differentiated tariff architecture the administration has signaled it intends to restore once more durable legal instruments are in place. The results under both regimes are reported throughout and discussed in Section 5.

- **Scenario 1 [Trump 2.0]:** This scenario simulates the medium-term effects of current US trade policy relative to the status quo immediately prior to President Trump's second term. It incorporates the product-specific Section 232 tariffs, including those on steel, aluminum, and automobiles, as well as a broadly applicable US import tariff of 15 percent on all trading partners under the Section 122 regime. Results under the original IEEPA-based tariff regime are also reported throughout as a robustness check.

Scenario 2 builds on the baseline of Scenario 1, incorporating the US tariffs under the Section 122 regime.[3] In addition, Scenario 2 assumes that new EU trade agreements with the P7 are in force, implying a reduction of bilateral tariff barriers between the EU and all P7 countries. For Mercosur, we use the already-negotiated preferential tariff rates. For the remaining agreements, we assume that tariffs fall to zero across all sectors, including agriculture and mining, representing a full tariff liberalization benchmark. Bilateral tariff reductions are calculated relative to MFN tariff levels for 2021, drawing on the tariff dataset of Teti (2024).

Unlike Scenario 1, which involves only tariff changes, the trade agreements between the EU and the P7 also incorporate reductions in non-tariff barriers (NTBs). Two variants are considered: shallow trade agreements, involving a moderate reduction in NTBs, and

[3] For comparability, we also simulate Scenario 2 under the IEEPA-based tariff regime. These results are reported in the robustness box in Section 5.

deep trade agreements, involving a more comprehensive reduction. Both variants draw on recent estimates of the trade effects of shallow and deep agreements from Nagengast and Yotov (2025).[4] For the agricultural sector, a more conservative assumption is maintained: NTBs are not reduced, reflecting the limited progress on agricultural non-tariff liberalization observed in recent EU trade agreements, particularly with respect to sanitary and phytosanitary measures and technical standards.

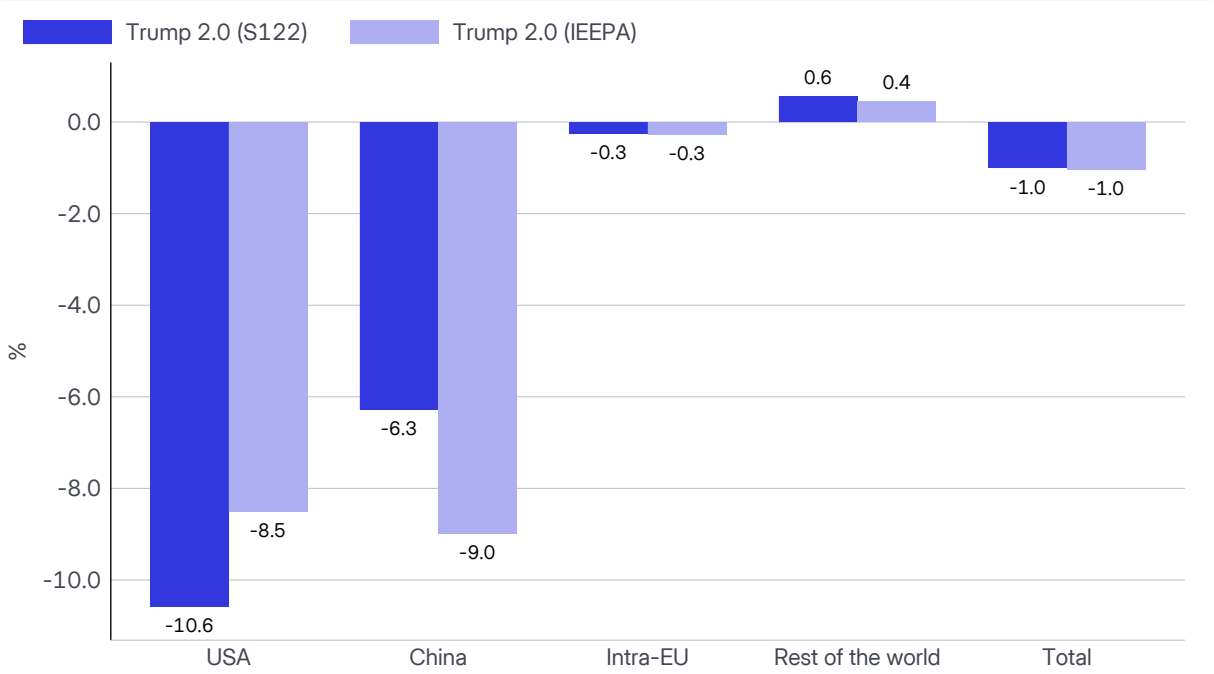
- **Scenario 2 [Trump 2.0 + FTAs-P7]:** Building on Scenario 1, the EU concludes trade agreements with all P7 trading partners. All bilateral tariffs between the EU and the P7 are eliminated and NTBs are reduced, under either shallow or deep trade agreements, as described above.

[4] For a shallow agreement, we apply the NTB effect on trade volume estimated by Nagengast and Yotov (2025) for shallow agreements (0.279), which corresponds to a tariff equivalent of 5.74 percent assuming a substitution elasticity of 5. For a deep agreement, the corresponding NTB effect (0.605) implies a tariff equivalent of 12.86 percent.

5 Simulation Results

5.1 Scenario 1: Trump 2.0

Figure 12: Change in EU Exports by Destination—Scenario 1



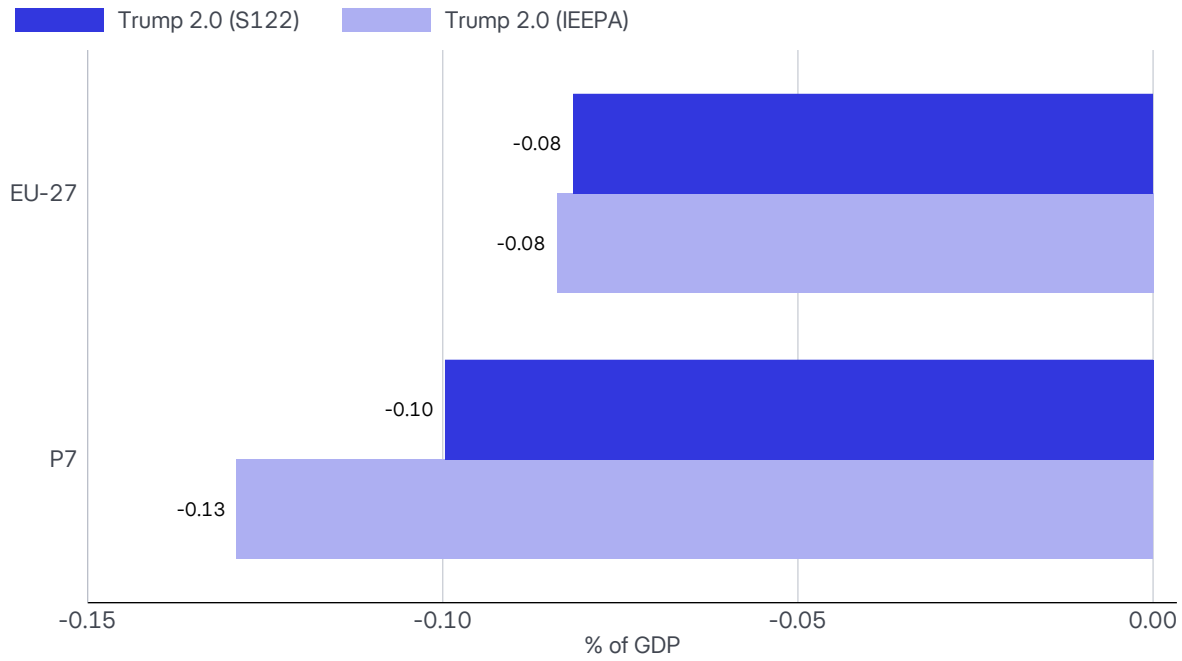
Notes: The figure shows the percentage change in EU exports by trading partner. "Rest of the world" refers to all trading partners other than the United States, China, and EU member states. The two bars per destination correspond to two legal bases for US tariffs: Trump 2.0 (IEEPA), based on emergency powers under the International Emergency Economic Powers Act (IEEPA), and Trump 2.0 (S122) refers to the US tariffs imposed via Section 122 of the Trade Act of 1974.
Source: GTAP, ifo Trade Model.

The tariff policy of the second Trump administration translates into a significant decline in EU exports. Figure 12 illustrates the simulated changes in EU exports by destination under Scenario 1. Taking the Section 122 (S122) tariffs as baseline, the most direct effect is a sharp decline in EU exports to the United States, which fall by around 10.6 percent. This is unsurprising given that the tariffs target transatlantic trade directly. The repercussions, however, extend well beyond the bilateral relationship with the US. EU exports to China also decline markedly, by around 6.3 percent. This spillover effect operates through an indirect demand channel: the substantial US tariffs on Chinese imports weigh on economic activity in China and thereby reduce Chinese demand for European goods and intermediate inputs. By contrast, intra-EU trade falls only modestly, by about 0.3 percent, and EU exports to the rest of the world increase by around 0.6 percent, as trade diversion partially redirects European goods toward alternative markets. On balance, total EU exports decline by around 1.0 percent. This comparatively contained aggregate effect reflects the fact that the United States accounts for only a fraction of total EU exports, and that trade diversion provides a partial, though limited, offset.

Turning to the comparison with the IEEPA scenario (light blue bars in Figure 12), the two

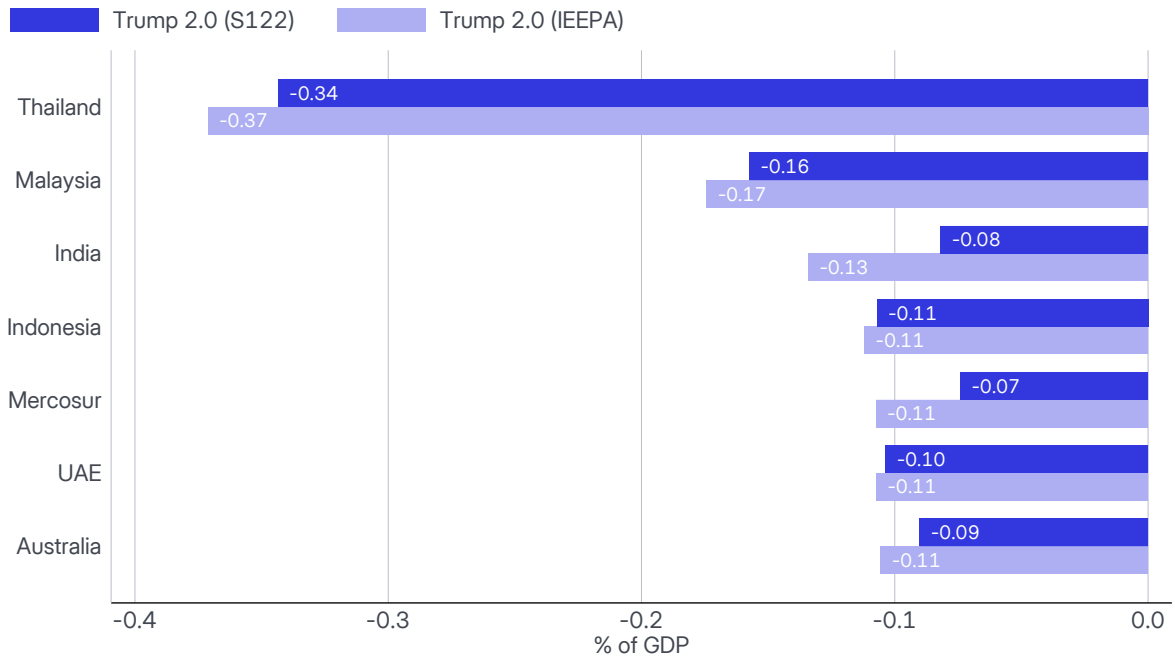
scenarios yield broadly similar aggregate outcomes: total EU exports fall by 1.0 percent under both scenarios. The near-identical aggregate result, however, conceal some noteworthy differences at the bilateral level. EU exports to the US decline more sharply under S122 than under IEEPA (10.6 versus 8.5 percent), while the opposite holds for EU exports to China (S122: 6.3 percent; IEEPA: 9.0 percent). These divergences reflect a key structural difference between the two tariff regimes. Under IEEPA, the US applied highly differentiated tariff rates across its trading partners, with some countries, including China, facing considerably higher rates than the EU. This gave European exporters a relative advantage over competitors from these countries in the US market. Under Section 122, the tariff structure is more uniform: while EU exports to the US face a slightly higher rate than under IEEPA, the US tariffs imposed on goods from other competitors like China, India, or Vietnam, are also markedly lower. As a result, the relative advantage of EU exporters vis-à-vis other exporters in the US market tends to be less pronounced under S122 than under IEEPA, leading to larger EU export losses in the US market. The case of China also illustrates the flip side of the same mechanism. Under IEEPA, EU exports to China fall by a sharper 9.0 percent against 6.3 percent recorded under S122. The reason lies in the considerably higher US tariffs on Chinese imports under IEEPA (37 percent, compared to 30 percent under Section 122), which dampen Chinese economic activity more severely and thus lead to a larger contraction in Chinese demand for EU goods and inputs. Section 122's more moderate tariff burden on China thus benefits EU exporters in the Chinese market, even as it hurts them in the US market. The two effects roughly offset each other in aggregate, explaining why total export losses are nearly identical across scenarios.

Figure 13: Change in Real GDP—Scenario 1 (EU and P7)



Notes: The figure shows the relative change in real GDP for the EU and the P7 country group in percent of GDP under Scenario 1, comparing the IEEPA and Section 122 tariff regimes. The P7 comprises Australia, India, Indonesia, Malaysia, the Mercosur countries, Thailand, and the UAE.
Source: GTAP, ifo Trade Model.

Figure 14: Change in Real GDP—Scenario 1 (P7 Countries)

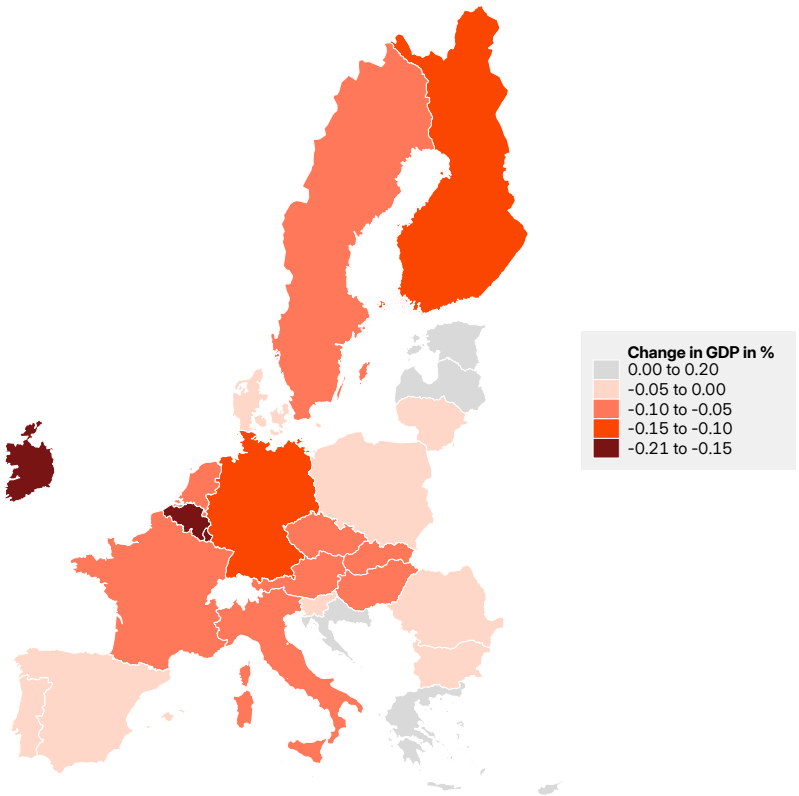


Notes: The figure shows the relative change in real GDP for individual P7 countries in percent of GDP under Scenario 1, comparing the IEEPA and Section 122 tariff regimes.
Source: GTAP, ifo Trade Model.

Figure 13 summarizes the real GDP effects of US trade policy under Trump 2.0 for the EU and the P7. The US tariff policy weighs on economic activity in both groups: EU real GDP declines by around 0.08 percent under both the IEEPA and S122 scenarios. The P7 countries, as a group, experience a somewhat larger decline: under IEEPA, their GDP falls by around 0.13 percent, and under S122 by around 0.10 percent. The somewhat smaller P7 losses under S122 reflect the same mechanism discussed above in the context of export flows. Under IEEPA, several P7 economies, most notably India and Brazil, faced considerably higher US tariff rates than under S122, amplifying the negative demand effects on their economies. The more uniform tariff structure under S122 thus translates into modestly smaller GDP losses for the P7 group as a whole.

Turning to the individual P7 economies (Figure 14), the aggregate picture masks considerable heterogeneity. Thailand stands out as by far the most affected country, with GDP losses of 0.37 percent under IEEPA and 0.34 percent under S122. Malaysia also faces above-average losses of around 0.16 to 0.17 percent. Both countries are highly integrated into global value chains and rely heavily on the US market as a final destination for their exports, which explains their disproportionate exposure to US tariff shocks. India occupies an intermediate position, with losses of 0.13 percent under IEEPA and 0.08 percent under S122, a gap that reflects the particularly steep reduction in US tariff rates on Indian goods between the two regimes (IEEPA: 22.3 percent; S122: 16.7 percent). The remaining P7 economies (Indonesia, Mercosur, the UAE, and Australia) cluster around a more contained loss of roughly 0.07 to 0.11 percent of GDP.

Figure 15: Change in Real GDP—Scenario 1 (EU Member States)

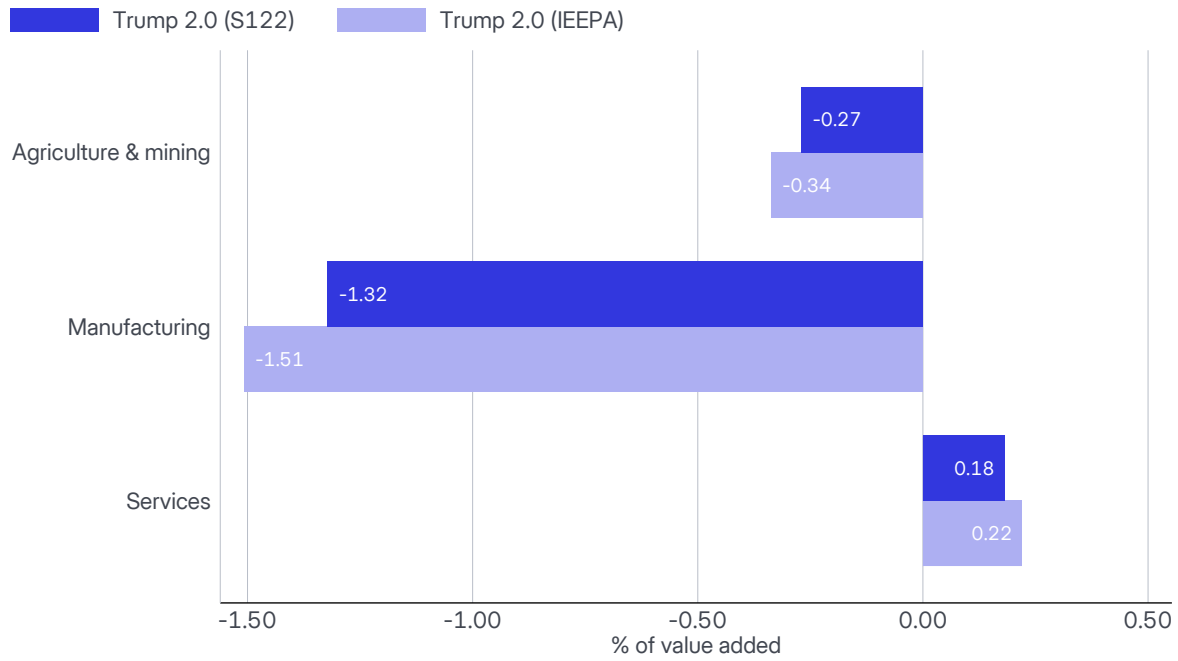


Notes: The map shows the relative change in real GDP for EU member states in percent of GDP under the Section 122 tariff regime.
Source: GTAP, ifo Trade Model.

Figure 15 maps the real GDP effects of Scenario 1 across EU member states under the S122 tariff regime, with the underlying country-level results reported in Table A.1. While almost all member states record negative GDP effects, the losses are far from uniform. The EU average of around 0.08 percent masks a wide range of outcomes, from essentially no effect in several smaller economies to losses two to three times the average in the most affected countries. Ireland stands out at one end of the distribution, recording GDP losses of around 0.20 percent, reflecting its particularly deep integration with US multinational activity. Belgium and Germany also face above-average losses of 0.17 and 0.12 percent, respectively, consistent with their strong export orientation and large manufacturing sectors. At the other end of the spectrum, smaller, more service-oriented member states with limited direct exposure to the US market, such as Malta, Cyprus, Estonia, and Croatia, experience losses close to zero or marginally positive GDP effects. The cross-country pattern of losses is broadly similar under the IEEPA scenario, as reported in Table A.4 in the appendix, with the ranking of member states largely preserved across the two tariff regimes.

Beyond the aggregate GDP effects, the Trump tariffs generate pronounced heterogeneity across economic sectors in the EU. Figure 16 shows that the burden of adjustment falls almost entirely on manufacturing, with value added declining by around 1.3 percent under S122 (IEEPA: 1.5 percent), compared to a modest 0.3 percent loss in agriculture and

Figure 16: Change in EU Sectoral Value Added—Scenario 1



Notes: The figure shows the relative change in value added in percent for the agriculture and mining, manufacturing, and services sectors of the EU economy.
Source: GTAP, ifo Trade Model.

mining and a small positive effect of 0.2 percent in services. The positive services effect is an indirect, general equilibrium result: since services are not subject to tariffs, the sector benefits from the reallocation of domestic resources away from more severely affected manufacturing activities. Moreover, European service providers also gain competitive ground relative to US counterparts whose input costs rise as a result of broad-based US tariffs.

The EU manufacturing losses are not confined to particular member states: across all EU economies, value added in manufacturing declines under Scenario 1, with magnitudes ranging from −0.7 percent (Slovakia) to −2.0 percent (Belgium) under the Section 122-based tariff regime (see Table A.1). A further disaggregation within manufacturing reveals substantial variation across subsectors, as Table 1 illustrates. Ferrous metals stand out with a value added loss of 3.4 percent, directly reflecting the 50 percent US tariffs on steel and aluminum imports. Motor vehicles and parts (−2.0 percent), leather products (−2.2 percent), and wearing apparel (−2.1 percent) also face above-average losses. At the other end of the spectrum, basic pharmaceuticals record a value added gain of 1.5 percent, consistent with the fact that pharmaceutical products are exempt from the current US tariff regime. Petroleum and coal products similarly register a small positive effect. These two sectors aside, however, losses are broad-based across EU manufacturing, underscoring the breadth of the shock for European industry.

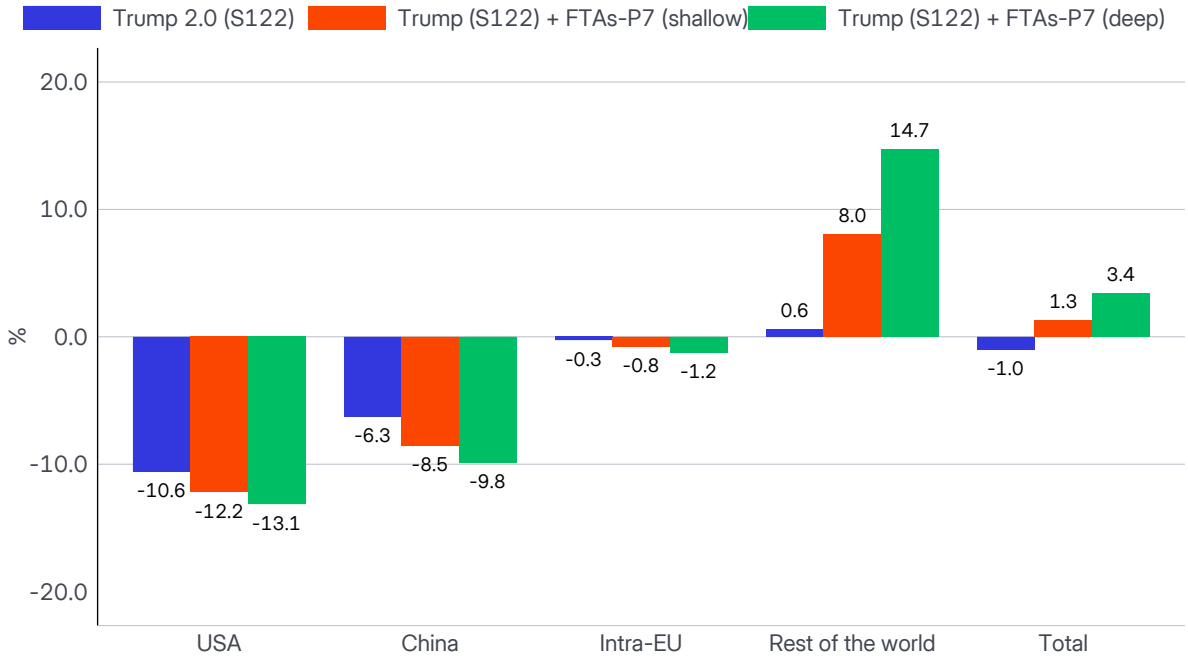
Table 1: Change in EU Sectoral Value Added and Total Exports—Scenario 1 (S122)

Sector	Value added	Exports
Agriculture & mining	−0.27	−1.15
Manufacturing	−1.32	−2.08
Textiles	−1.84	−2.62
Wearing apparel	−2.11	−2.37
Leather products	−2.22	−2.50
Wood products	−0.73	−1.32
Paper products, publishing	−0.21	−0.75
Petroleum, coal products	0.54	0.59
Chemical products	−1.33	−1.97
Basic pharmaceutical products	1.47	1.19
Rubber and plastic products	−1.17	−1.83
Mineral products nec	−0.94	−2.46
Ferrous metals	−3.40	−5.31
Metals nec	−1.64	−2.10
Metal products	−1.60	−3.29
Computer, electronic and optical products	−1.72	−2.14
Electrical equipment	−1.54	−1.96
Machinery and equipment nec	−1.68	−2.54
Motor vehicles and parts	−2.00	−2.50
Transport equipment nec	−1.16	−2.83
Manufactures nec	−1.34	−3.06
Services	0.18	2.30

Notes: This table shows the sectoral change in value added and total exports for the sectors of the EU economy. Relative changes in percent.
Source: GTAP, ifo Trade Model.

5.2 Scenario 2: EU Trade Agreements with the P7

Figure 17: Change in EU Exports by Destination—Scenario 2

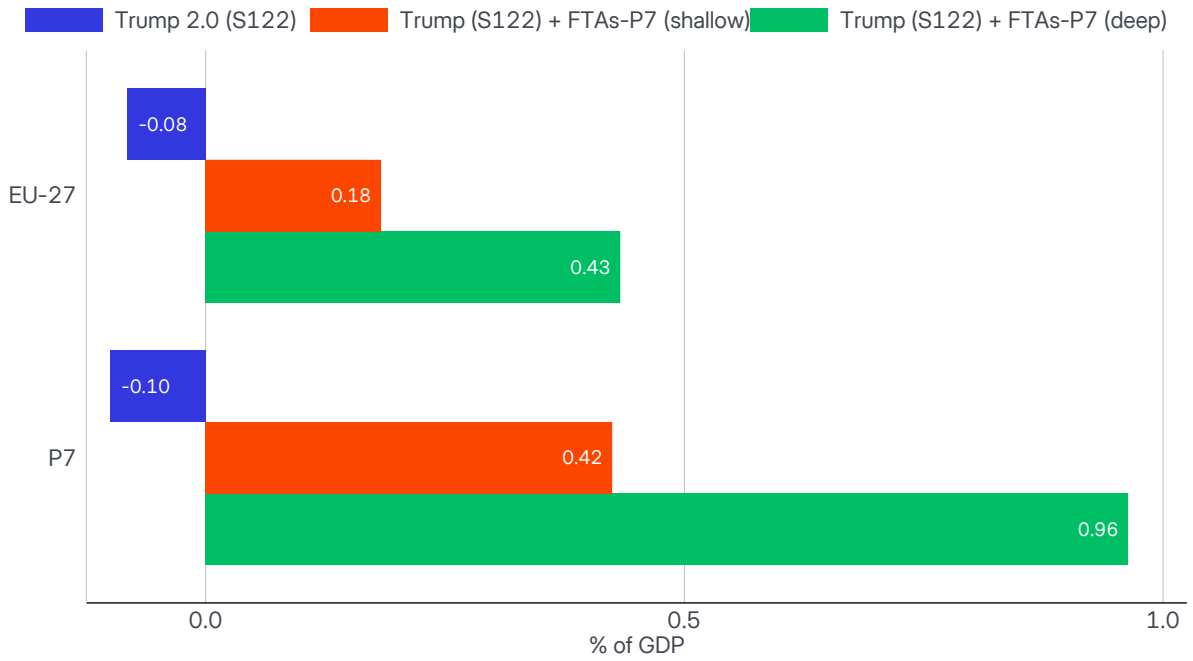


Notes: The figure shows the percentage change in EU exports by trading partner. "Rest of the world" refers to all trading partners other than the United States, China, and EU member states.
Source: GTAP, ifo Trade Model.

Do new EU trade agreements with the P7 have the potential to offset the export losses resulting from US protectionism? Figure 17 presents the simulated changes in EU exports by destination under Scenario 2, relative to the pre-tariff baseline. Looking first at total EU exports, even shallow P7 agreements would more than offset the aggregate export losses incurred under Scenario 1. Under the shallow variant, total EU exports rise by around 1.3 percent relative to the pre-tariff baseline, reversing the export decline of Scenario 1. Deep integration agreements amplify this result considerably: total EU exports increase by approximately 3.4 percent, implying a robust net gain even after accounting for the drag from US tariffs. The dominant driver of this export expansion is the reorientation of EU trade toward the P7 markets. EU exports to the rest of the world, which in this context is largely driven by trade with P7 countries, rise by around 8.0 percent under shallow agreements and by as much as 14.7 percent under deep agreements. The new trade agreements also affect other bilateral trade flows through trade diversion. As preferential access to P7 markets raises the relative returns to exporting to these markets, trade is partially redirected away from other destinations. The decline in EU exports to the US deepens somewhat relative to Scenario 1, from −10.6 percent to −12.2 percent and −13.1 percent under shallow and deep agreements, respectively. The fall in EU exports to China also steepens, from −6.3 percent in Scenario 1 to −8.5 and −9.8 percent. Intra-EU trade, meanwhile, contracts only modestly, by 0.8 and 1.2 percent, respectively, compared to the 0.3 percent decline under Scenario 1.

Despite the headwinds from US protectionism, the P7 agreements generate a clearly

Figure 18: Change in Real GDP—Scenario 2 (EU and P7)



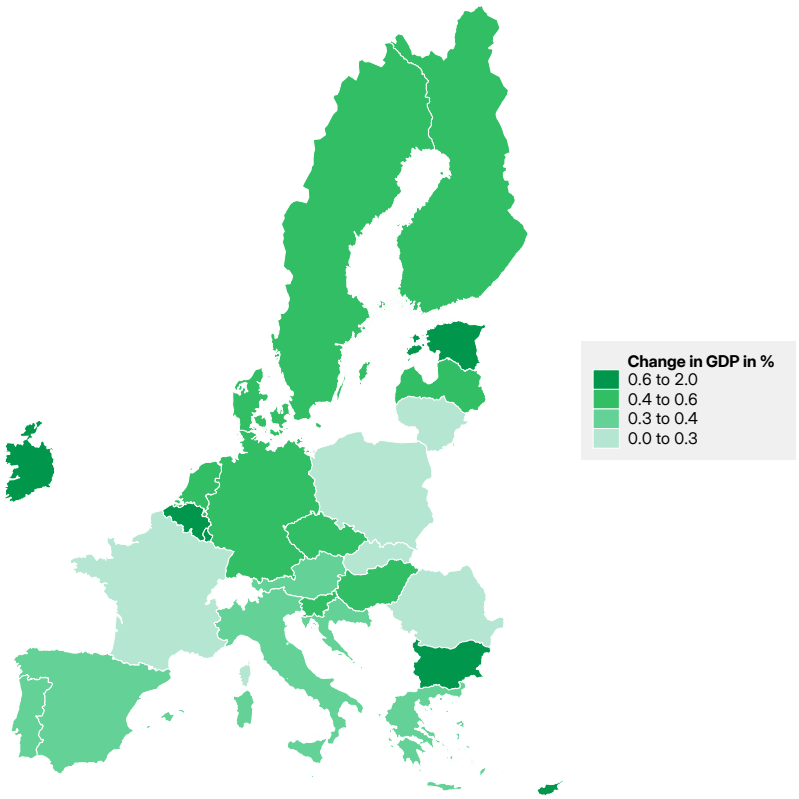
Notes: The figure shows the relative change in real GDP for the EU and the P7 country group in percent of GDP. The P7 comprises Australia, India, Indonesia, Malaysia, the Mercosur countries, Thailand, and the UAE.
Source: GTAP, ifo Trade Model.

positive effect on EU real GDP (Figure 18). For the EU, real GDP rises by 0.18 percent under shallow agreements and by 0.43 percent under deep agreements, compared to a decline of 0.08 percent under Scenario 1 alone. This underscores that the depth of agreements matters considerably for the magnitude of the gains. The P7 countries benefit even more substantially: their aggregate GDP increases by 0.42 percent under shallow agreements and by 0.96 percent under deep agreements. The fact that the P7 stand to gain more from these agreements than the EU implies that the EU may enter these negotiations from a position of relative strength.

Figure 19 maps the real GDP effects of deep P7 trade agreements across EU member states, with detailed country-level results for both shallow and deep trade agreements reported in Tables A.2 and A.3. In contrast to Scenario 1, all EU member states record positive GDP effects under Scenario 2. This broad-based distribution of gains should in principle facilitate internal support within the EU needed to pursue and ratify new trade agreements. The depth of the agreements matters considerably: gains roughly double for most countries when moving from shallow to deep integration. Under deep agreements, GDP gains range from around 0.27 percent in Romania and Lithuania to 1.14 percent in Belgium, 1.13 percent in Ireland, and 1.91 percent in Malta.[5] Interestingly, the member states that suffer the largest losses under US tariffs also tend to be among the greatest beneficiaries of the P7 agreements. Belgium, Ireland, and Germany, all of which recorded above-average GDP losses in Scenario 1, are among the largest beneficiaries of the P7

[5] The magnitude of this positive effect reflects Malta's particularly services-oriented and trade-open economic structure. This is consistent with its result in Scenario 1, where it was the only member state to record a positive GDP effect.

Figure 19: Change in Real GDP—Scenario 2 (EU Member States)



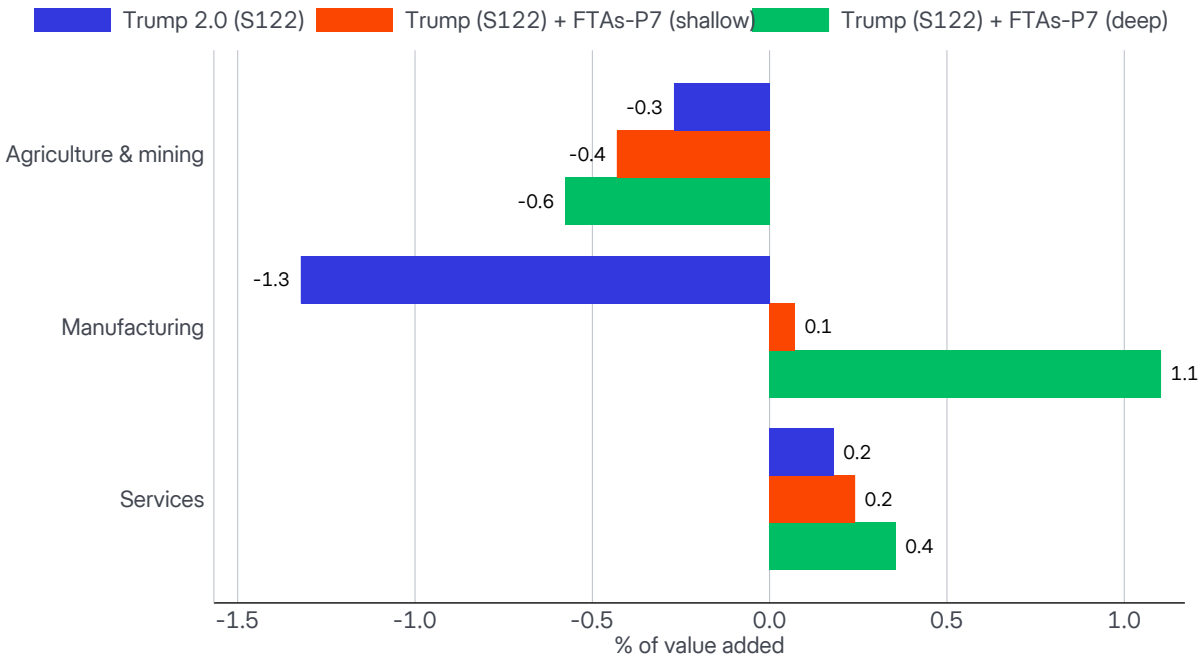
Notes: The map shows the relative change in real GDP for EU member states in percent of GDP under the deep trade agreement scenario between the P7 against the backdrop of US Section 122 tariffs.
Source: GTAP, ifo Trade Model.

trade agreements.

The sectoral results, shown in Figure 20 and Table 2, reveal that EU trade agreements with the P7 make a decisive difference for EU manufacturing. Under Scenario 1, manufacturing value added falls by 1.3 percent as the sector bears the brunt of US tariffs. The agreements with the P7 reverse this picture entirely: under shallow agreements, manufacturing value added is essentially restored to its pre-tariff level, and under deep agreements it even rises by 1.1 percent. In this respect, EU manufacturing emerges as the clear winner from trade agreements with the P7. While US tariffs weigh on manufacturing value added in every member state, trade agreements with the P7 reduce these losses across the board. In the case of deep trade agreements, manufacturing value added gains turn positive for the vast majority of member states (see Table A.3 in the Appendix).

The gains within manufacturing are, however, unevenly distributed. Key export industries such as motor vehicles and parts (+3.0 percent), other transport equipment (+2.8 percent), machinery and equipment (+2.4 percent), and chemical products (+2.5 percent) are among the clearest beneficiaries, as preferential access to P7 markets strengthens the competitive position of European producers there. The benefits of international specialization are thus felt most strongly in the sectors that already define the EU's export profile. Sectors without such comparative advantages, by contrast, lose workers to expanding industries and cede market share to P7 competitors: wearing apparel (−5.6 percent), leather products

Figure 20: Change in EU Sectoral Value Added—Scenario 2



Notes: The figure shows the relative change in value added in percent for the agriculture and mining, manufacturing, and services sectors of the EU economy.
Source: GTAP, ifo Trade Model.

(−5.2 percent), and textiles (−4.3 percent) record further losses under the P7 agreements. It is also worth noting that even ferrous metals, which faced the sharpest losses under Scenario 1 due to targeted US steel and aluminum tariffs, recover substantially under deep agreements (−0.23 percent), as new market access in the P7 and growing demand from expanding EU manufacturing sectors partially offset the US-induced demand shortfall.

Agriculture and mining value added declines modestly under new trade agreements with the P7 relative to Scenario 1, from −0.3 percent to −0.4 and −0.6 percent under shallow and deep agreements, respectively, though with considerable heterogeneity across member states. This result, however, should be interpreted with caution: the simulations assume full tariff liberalization in agriculture, which is unlikely to be achieved in practice, so the aggregate losses are best understood as an upper bound. Services value added continues to expand modestly, rising from 0.2 percent in Scenario 1 to 0.2 and 0.4 percent under shallow and deep agreements, with positive effects recorded across virtually all member states.

Table 2: Change in EU Sectoral Value Added and Total Exports—Scenario 2

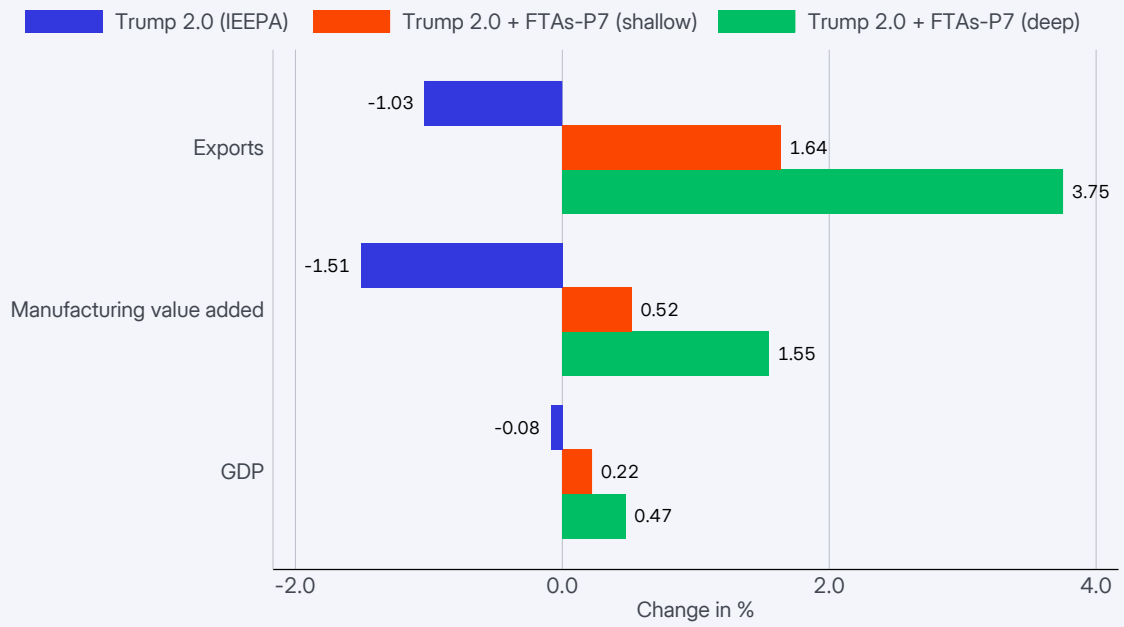
Sector	Value added			Exports		
	Trump 2.0 (S122)	+ FTAs-P7 (shallow)	+ FTAs-P7 (deep)	Trump 2.0 (S122)	+ FTAs-P7 (shallow)	+ FTAs-P7 (deep)
Agriculture & mining	−0.27	−0.43	−0.58	−1.15	2.04	1.78
Manufacturing	−1.32	0.07	1.10	−2.08	0.63	2.89
Textiles	−1.84	−3.16	−4.25	−2.62	−1.81	−1.07
Wearing apparel	−2.11	−4.27	−5.57	−2.37	−3.57	−4.16
Leather products	−2.22	−3.81	−5.17	−2.50	−2.84	−3.10
Wood products	−0.73	−0.73	−0.81	−1.32	−0.86	−0.26
Paper products, publishing	−0.21	0.39	0.91	−0.75	1.19	3.32
Petroleum, coal products	0.54	0.48	0.44	0.59	1.04	1.80
Chemical products	−1.33	0.81	2.51	−1.97	1.60	4.65
Basic pharmaceutical products	1.47	2.31	3.17	1.19	2.25	3.40
Rubber and plastic products	−1.17	−0.30	0.09	−1.83	0.57	2.41
Mineral products nec	−0.94	−0.27	0.33	−2.46	0.10	2.60
Ferrous metals	−3.40	−1.45	−0.23	−5.31	−2.45	−0.10
Metals nec	−1.64	−0.64	0.41	−2.10	−0.54	1.37
Metal products	−1.60	0.20	1.40	−3.29	1.10	4.33
Computer, electronic and optical products	−1.72	−0.94	0.22	−2.14	−0.52	1.83
Electrical equipment	−1.54	0.54	1.83	−1.96	1.35	3.67
Machinery and equipment nec	−1.68	0.64	2.37	−2.54	1.49	4.74
Motor vehicles and parts	−2.00	1.35	2.98	−2.50	1.84	4.10
Transport equipment nec	−1.16	0.47	2.76	−2.83	−0.33	3.12
Manufactures nec	−1.34	−0.96	−0.64	−3.06	−0.89	1.49
Services	0.18	0.24	0.36	2.30	2.96	5.67

Notes: This table shows the sectoral change in value added and total exports for the sectors of the EU economy. Relative changes in percent.
Source: GTAP, ifo Trade Model.

Robustness: IEEPA-based Tariff Regime and Absence of US Tariffs

The results presented in Scenario 2 rest on the Section 122 tariff regime. Figure 21 shows that the main findings carry over to the IEEPA-based tariff regime. The aggregate outcomes are broadly similar: total EU exports rise by 1.6 percent under shallow agreements and by 3.8 percent under deep agreements, compared to 1.3 and 3.4 percent under S122. EU real GDP increases by 0.22 and 0.47 percent, respectively, against 0.18 and 0.43 percent under S122. Manufacturing value added also follows the same pattern, turning positive under both agreement variants. Moreover, the ranking of member states is highly similar across the two regimes, as reported in Tables A.5 and A.6 in the appendix. The slightly stronger positive effects of the P7 trade agreements under IEEPA reflect the relatively more favorable competitive position of EU exporters in the US market under that regime, as discussed in Scenario 1. In combination with improved access to intermediate inputs from P7 partners, this makes it possible to partially offset the direct export losses to the United States.

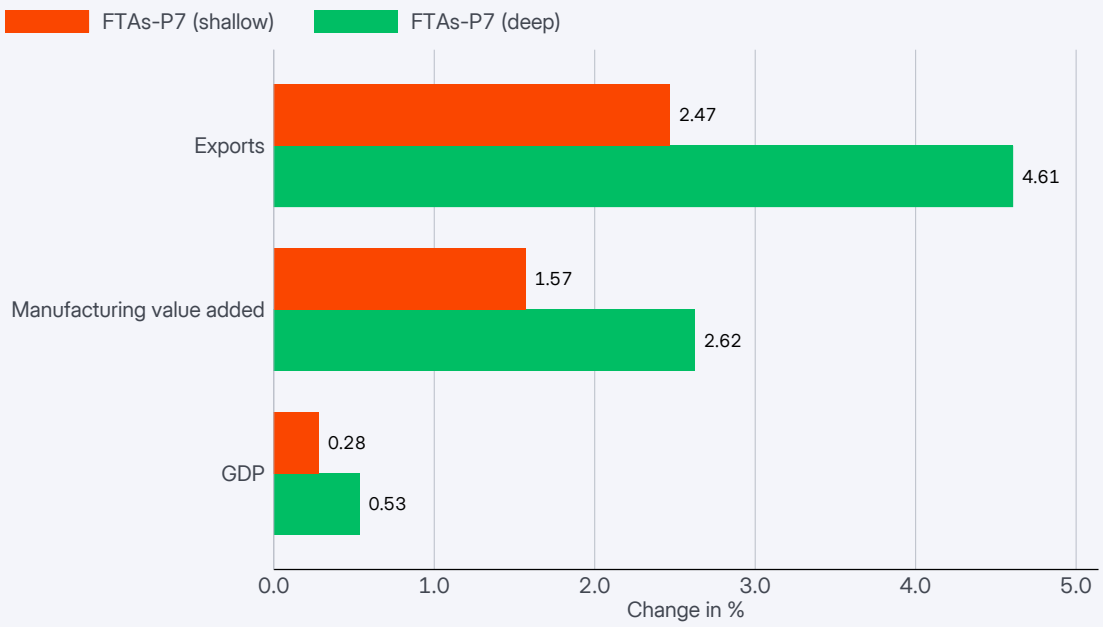
Figure 21: Change in EU Exports, Manufacturing Value Added, and GDP—IEEPA Tariff Regime



Notes: The figure shows the percentage change in total EU exports, manufacturing value added, and real GDP under the IEEPA tariff regime, comparing the Trump 2.0 (IEEPA) baseline with additional shallow and deep P7 trade agreements. All changes relative to the pre-tariff baseline.

Source: GTAP, ifo Trade Model.

Figure 22: Change in EU Exports, Manufacturing Value Added, and GDP—Without US Tariffs



Notes: The figure shows the percentage change in total EU exports, manufacturing value added, and real GDP under new shallow and deep P7 trade agreements. All changes relative to the pre-tariff baseline.

Source: GTAP, ifo Trade Model.

Figure 22 presents an additional simulation showing the gains from P7 trade agreements in the absence of US tariffs, providing a clean counterfactual against a pre-Trump trade policy baseline. The gains are somewhat larger across all dimensions: total EU exports rise by 2.5 percent under shallow agreements and by 4.6 percent under deep agreements, while real GDP increases by 0.28 and 0.53 percent, respectively. The difference relative to the S122-based Scenario 2 results is, however, modest. The country-level results, reported in Tables A.7 and A.8 in the appendix, confirm that all member states gain under both variants, with the ranking largely preserved relative to Scenario 2.

6 Conclusion

The protectionist trade policy of the second Trump administration poses a significant challenge to the European economy. US tariffs weigh directly on transatlantic trade and, through demand and trade diversion channels, exert a broader dampening effect on EU economic activity. The burden falls disproportionately on European manufacturing, which depends more than any other sector on open global markets. Yet the simulation results presented in this study make clear that Europe need not be a passive bystander in this process.

The seven trading partners with which the EU is currently pursuing new trade agreements, referred to throughout this study as the P7, represent a substantial and growing part of the global economy. Today they account for around 13 percent of global merchandise imports, roughly on a par with China. Yet the EU's export share directed to these markets has stagnated or declined over the past three decades, pointing to untapped potential that new trade agreements could help to unlock. Current tariff levels in several P7 markets remain substantial, particularly in India and Mercosur, suggesting significant room for welfare gains from liberalization.

The simulation results quantify this potential. New EU trade agreements with the P7, layered on top of the current US tariff regime, would not merely offset the drag from US protectionism; they would generate a net positive stimulus for the EU. Depending on the depth of the agreements, EU real GDP rises by up to 0.4 percent and total exports increase by up to 3.4 percent. The reversal is most striking for manufacturing: a value-added loss of 1.3 percent under US tariffs alone turns into a gain of up to 1.1 percent with deep P7 agreements—a swing of more than two percentage points. Crucially, all EU member states gain, which should in principle facilitate the internal support needed to conclude and ratify new agreements.

These economic gains do not arise in a geopolitical vacuum. The P7 countries are themselves navigating an increasingly fragmented global trading environment, and many are actively seeking reliable alternatives to an unstable US market. The increased willingness of P7 countries to conclude agreements with the EU is not coincidental in this regard: it reflects a shared interest in preserving an open, rules-based trading order at a time when multilateral institutions are under pressure. The EU is therefore well placed to do more than passively absorb the consequences of a fragmenting multilateral trading system. It has an opportunity to serve as an architect of a broader coalition of like-minded trading partners.

There is, however, a genuine tension between the depth of trade agreements and the speed of their conclusion. The European Commission has understandably prioritized the swift conclusion of agreements in the current environment, accepting shallower initial commitments where necessary. The simulation results confirm that even shallow agreements deliver meaningful gains. At the same time, the considerably larger gains from deep integration underscore the importance of treating initial agreements as a starting point rather than an endpoint. In this sense, shallow agreements can mark the beginning of a process of progressive liberalization, with built-in mechanisms for deepening

commitments over time.

Finally, the economic benefits of new trade agreements will only materialize if firms actually make use of them. Utilization rates of preferential tariffs under existing EU trade agreements are often surprisingly low, partly because compliance with rules of origin imposes significant administrative costs (European Commission, 2025). As the EU expands its network of agreements, keeping rules of origin as simple and transparent as possible should be an explicit objective of the negotiating mandate, as should their harmonization across agreements. The gains from trade liberalization are only as large as firms' ability to access them.

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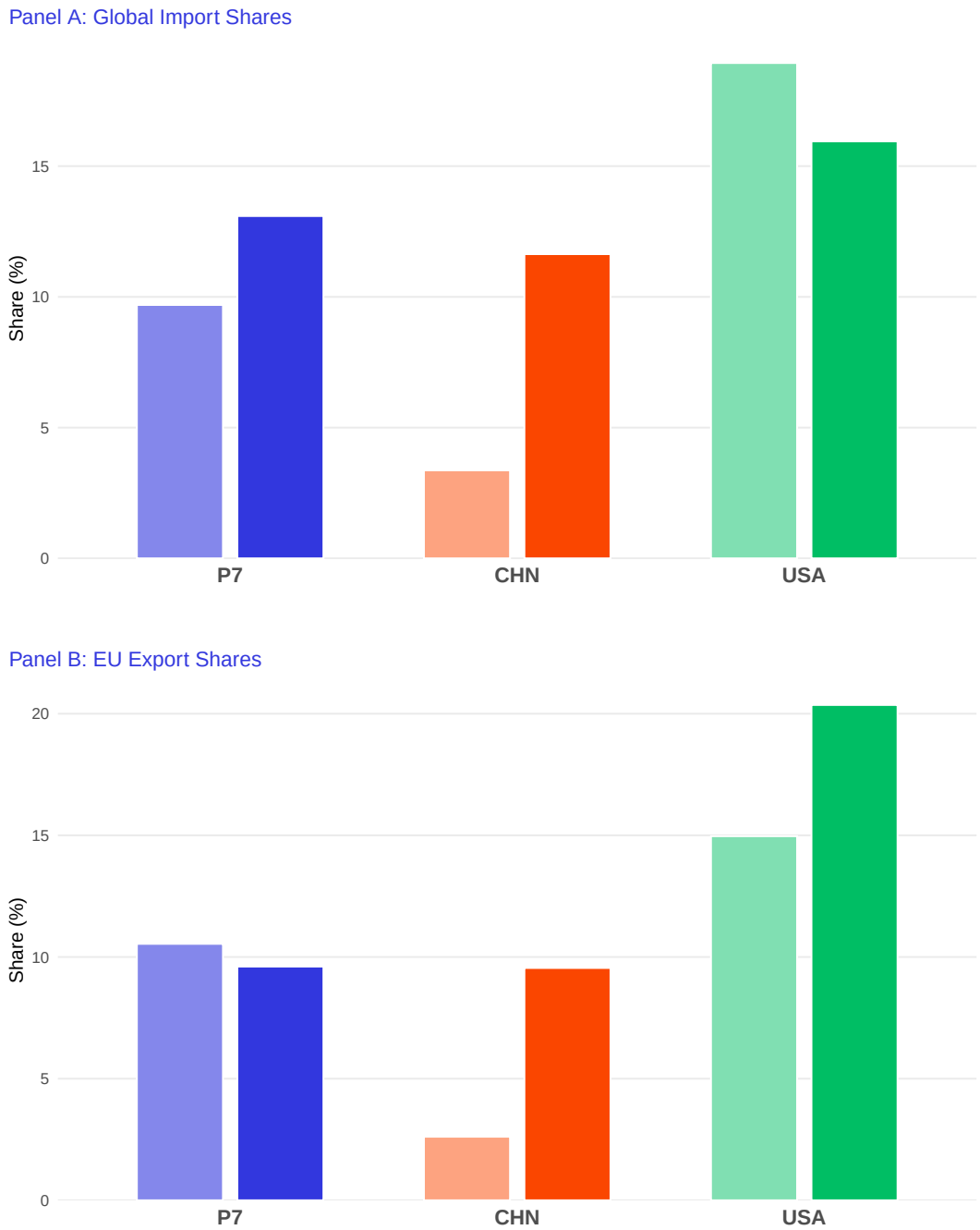
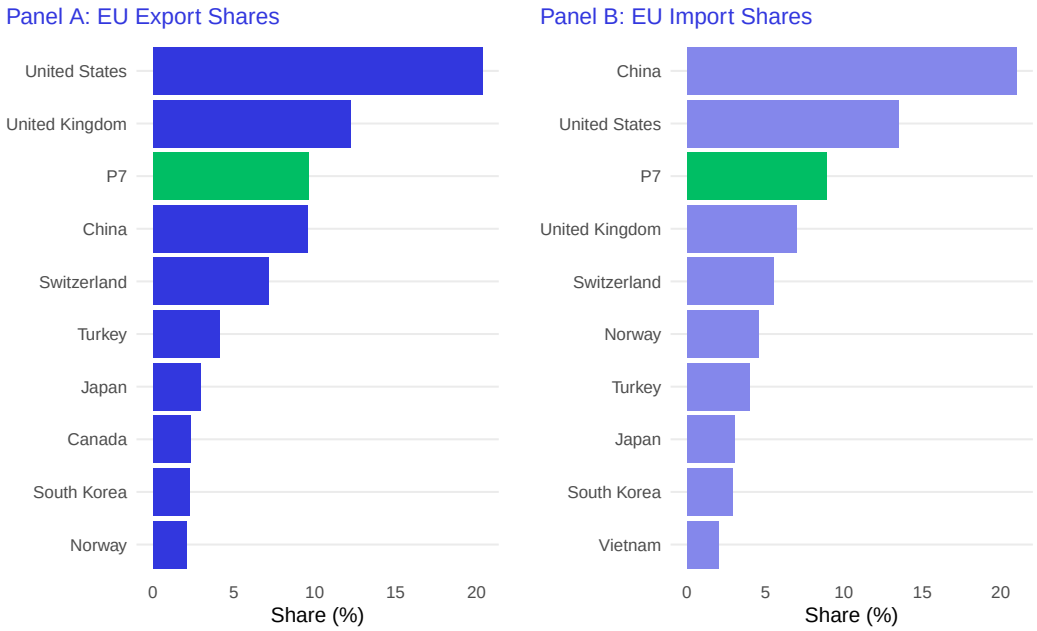
A Appendix

Figure A.1: Global Imports and EU Exports (1995 vs.2023): P7, China and the US



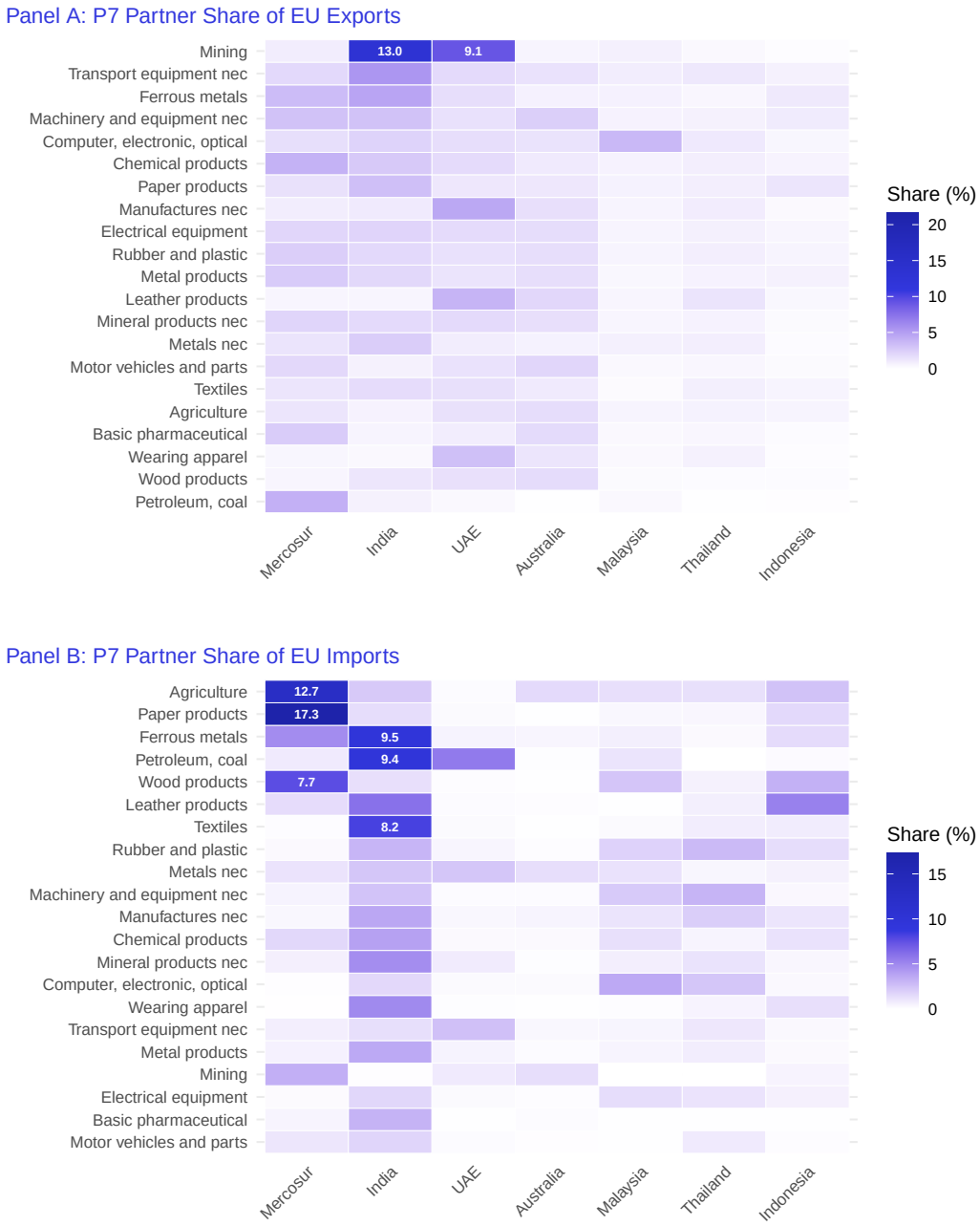
Notes: The figure shows the evolving share of the P7, China and the US as importers from 1995 (bright) to 2023 (dark). Panel A shows their share of total global imports, while Panel B focuses on their share of total European exports. Intra-EU trade is excluded from the calculations.
Source: Gaulier and Zignago (2010), own calculations.

Figure A.2: EU Top Trading Partners (Exports and Imports)



Notes: The figure shows the top 10 trade partners of the EU in 2023. The left panel ranks trade partners with the highest share of EU exports; while right panel focuses on EU import shares. Intra-EU trade is excluded from the calculations.
Source: Gaulier and Zignago (2010), own calculations.

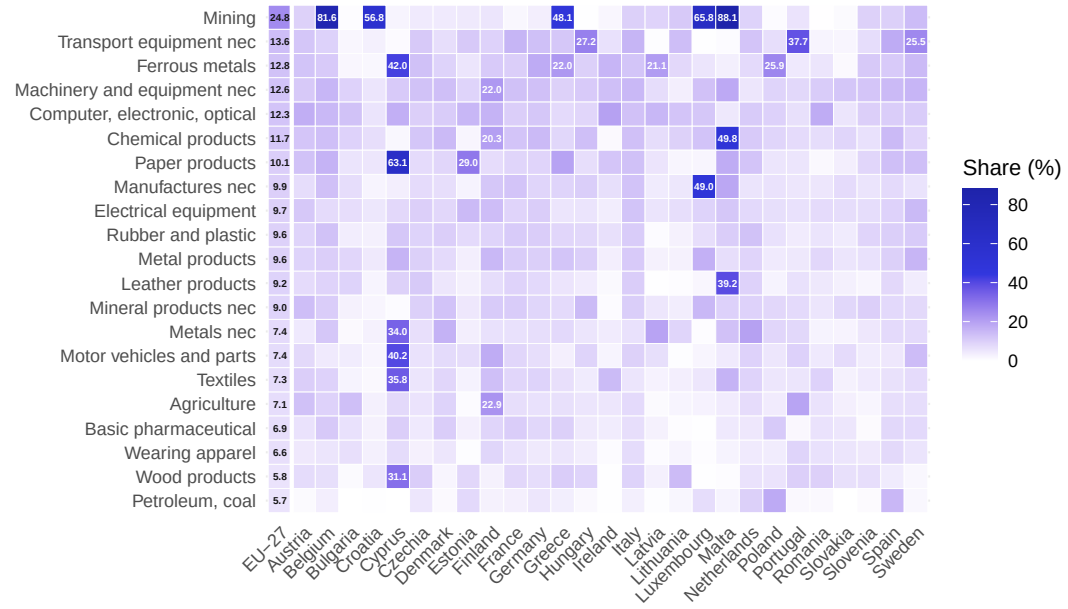
Figure A.3: P7 Partner Share of EU Exports and Imports by Sector



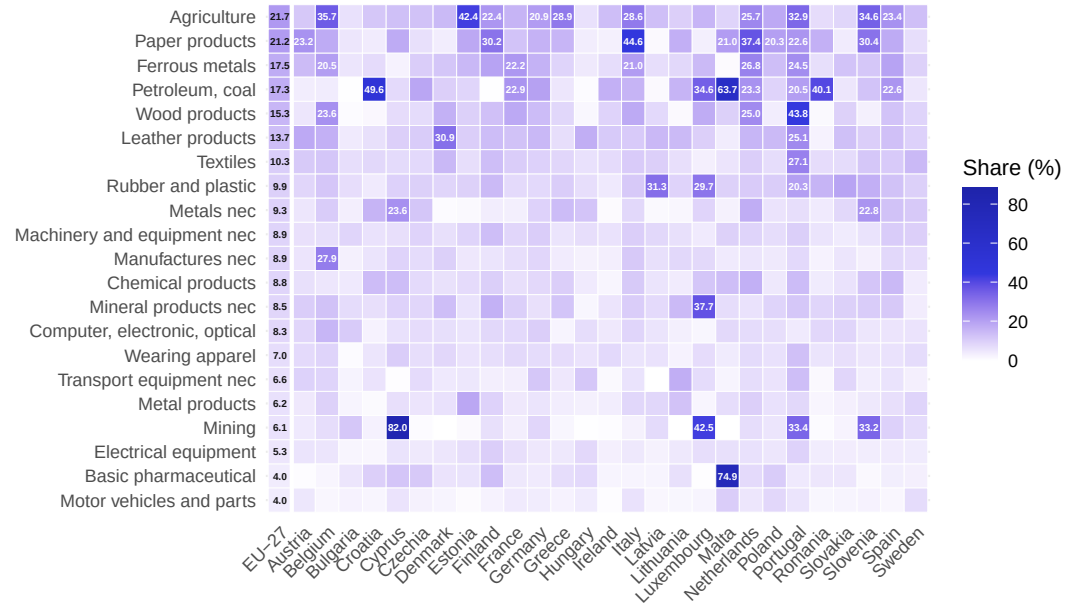
Notes: The figure shows, for each sector, the share of total EU exports and imports accounted for by each P7 partner.
Source: Gaulier and Zignago (2010), GTAP, own calculations.

Figure A.4: P7 Share of EU Member States' Exports and Imports by Sector

Panel A: P7 Share of EU Member Exports



Panel B: P7 Share of EU Member Imports



Notes: The figure shows, for each sector, the share of total exports and imports from each EU member state accounted for by P7. Percentages shown for all cases above 20 percent.
Source: Gaulier and Zignago (2010), GTAP, own calculations.

Table A.1: Change in GDP, Exports and Sectoral Value Added—Trump 2.0 (S122)

Country	GDP	Exports	Value added		
			Agri. & mining	Manuf.	Services
Austria	−0.08	−0.99	−0.44	−1.72	0.26
Belgium	−0.17	−1.58	−2.01	−2.04	0.27
Bulgaria	−0.03	−0.48	−0.21	−1.00	0.23
Croatia	0.01	−0.29	−0.39	−1.39	0.27
Cyprus	0.07	−0.38	−0.40	−1.21	0.12
Czech Republic	−0.08	−0.65	0.19	−0.99	0.23
Denmark	−0.01	−0.70	−1.14	−1.73	0.44
Estonia	0.05	−0.64	−0.40	−1.35	0.38
Finland	−0.11	−0.77	−0.27	−1.07	0.07
France	−0.07	−1.27	−0.40	−1.35	0.12
Germany	−0.12	−1.31	0.30	−1.43	0.23
Greece	0.00	−0.74	−0.45	−1.37	0.16
Hungary	−0.09	−1.05	−0.03	−1.53	0.38
Ireland	−0.20	−0.57	−2.60	−1.99	0.51
Italy	−0.08	−1.03	0.09	−0.98	0.09
Latvia	0.00	−0.61	−1.02	−0.73	0.25
Lithuania	−0.02	−0.22	−0.35	−1.13	0.29
Luxembourg	−0.20	−0.22	−1.03	−1.85	−0.02
Malta	0.18	0.17	−0.62	−0.68	0.32
Netherlands	−0.08	−0.73	−0.65	−1.31	0.20
Poland	−0.02	−0.57	−0.02	−0.83	0.17
Portugal	−0.03	−0.42	−0.26	−1.24	0.20
Romania	−0.04	−0.44	0.20	−0.86	0.21
Slovakia	−0.06	−0.52	0.19	−0.72	0.15
Slovenia	−0.04	−0.60	−0.19	−0.90	0.22
Spain	−0.03	−0.67	−0.35	−1.05	0.12
Sweden	−0.08	−0.94	−0.18	−1.61	0.19

Notes: This table shows the change in GDP, exports and sectoral value added for EU member states. Relative changes in percent.
Source: GTAP, ifo Trade Model.

Table A.2: Change in GDP, Exports and Sectoral Value Added—Trump (S122) + FTAs - P7 (Shallow)

Country	GDP	Exports	Value added		
			Agri. & mining	Manuf.	Services
Austria	0.12	0.56	−1.63	−0.20	0.26
Belgium	0.58	2.04	5.69	−0.15	0.43
Bulgaria	0.47	1.85	7.01	−2.52	0.20
Croatia	0.18	0.77	−0.48	−1.23	0.47
Cyprus	0.32	1.48	−0.94	−0.57	0.38
Czech Republic	0.20	0.51	0.45	−0.07	0.29
Denmark	0.23	0.93	−2.00	−0.26	0.51
Estonia	0.36	0.91	0.05	−0.16	0.50
Finland	0.17	1.44	2.23	0.33	0.04
France	0.11	1.06	−0.53	−0.04	0.16
Germany	0.19	1.32	−1.70	0.22	0.25
Greece	0.18	1.07	0.17	−1.08	0.28
Hungary	0.19	0.76	−1.50	0.12	0.37
Ireland	0.37	0.77	−0.86	−1.26	0.98
Italy	0.14	1.78	−1.07	0.46	0.14
Latvia	0.20	0.52	−0.92	0.03	0.36
Lithuania	0.12	0.75	−1.02	−0.43	0.37
Luxembourg	0.13	1.34	−1.01	−1.13	0.28
Malta	0.90	2.38	−1.57	1.59	0.95
Netherlands	0.28	1.64	0.03	−0.21	0.39
Poland	0.12	0.59	−0.60	−0.10	0.25
Portugal	0.15	1.32	0.00	−0.75	0.32
Romania	0.13	0.71	1.14	−0.84	0.26
Slovakia	0.11	0.28	−0.17	−0.29	0.26
Slovenia	0.23	0.59	−0.85	0.12	0.33
Spain	0.18	1.88	−1.01	0.67	0.20
Sweden	0.18	1.22	0.33	0.27	0.16

Notes: This table shows the change in GDP, exports and sectoral value added for EU member states. Relative changes in percent.
Source: GTAP, ifo Trade Model.

Table A.3: Change in GDP, Exports and Sectoral Value Added—Trump (S122) + FTAs - P7 (Deep)

Country	GDP	Exports	Value added		
			Agri. & mining	Manuf.	Services
Austria	0.37	2.25	−1.77	0.92	0.34
Belgium	1.14	4.68	6.06	1.87	0.74
Bulgaria	0.66	2.95	7.01	−2.38	0.43
Croatia	0.38	2.00	−0.71	−1.59	0.81
Cyprus	0.66	4.01	−0.81	−0.32	0.73
Czech Republic	0.48	1.67	0.45	0.70	0.40
Denmark	0.53	2.95	−2.43	0.78	0.70
Estonia	0.71	2.61	0.65	0.83	0.69
Finland	0.46	3.76	2.05	1.73	0.14
France	0.29	3.38	−0.64	1.05	0.23
Germany	0.47	3.67	−1.99	1.43	0.28
Greece	0.38	3.12	0.04	−0.99	0.53
Hungary	0.51	2.22	−1.85	0.98	0.56
Ireland	1.13	2.64	−1.16	−0.78	1.88
Italy	0.33	4.21	−1.48	1.47	0.20
Latvia	0.43	1.85	−0.66	0.56	0.52
Lithuania	0.27	1.73	−0.82	−0.10	0.47
Luxembourg	0.63	3.71	−0.51	−0.93	0.81
Malta	1.91	5.49	−2.19	2.81	2.02
Netherlands	0.57	3.59	0.13	0.57	0.61
Poland	0.28	1.76	−0.47	0.28	0.36
Portugal	0.35	3.04	−0.12	−0.59	0.56
Romania	0.27	1.71	1.11	−0.67	0.42
Slovakia	0.26	0.91	−0.02	−0.10	0.40
Slovenia	0.53	1.76	−0.72	0.79	0.52
Spain	0.39	4.21	−1.30	1.68	0.35
Sweden	0.45	3.45	0.28	1.81	0.22

Notes: This table shows the change in GDP, exports and sectoral value added for EU member states. Relative changes in percent.
Source: GTAP, ifo Trade Model.

Table A.4: Change in GDP, Exports and Sectoral Value Added—Trump 2.0 (IEEPA)

Country	GDP	Exports	Value added		
			Agri. & mining	Manuf.	Services
Austria	−0.09	−1.06	−0.44	−1.87	0.29
Belgium	−0.19	−1.82	−2.38	−2.60	0.36
Bulgaria	−0.03	−0.52	−0.42	−0.86	0.22
Croatia	0.01	−0.28	−0.34	−1.46	0.29
Cyprus	0.08	−0.40	−0.59	−1.36	0.14
Czech Republic	−0.07	−0.63	0.15	−1.03	0.26
Denmark	0.00	−0.77	−1.37	−2.04	0.53
Estonia	0.07	−0.60	−0.33	−1.36	0.39
Finland	−0.13	−1.02	−0.29	−1.07	0.05
France	−0.06	−1.21	−0.48	−1.33	0.13
Germany	−0.13	−1.32	0.23	−1.54	0.26
Greece	0.00	−0.83	−0.40	−1.51	0.16
Hungary	−0.08	−0.89	−0.19	−1.40	0.37
Ireland	−0.52	−1.18	−1.59	−6.47	1.58
Italy	−0.06	−0.78	−0.08	−0.87	0.10
Latvia	0.00	−0.61	−1.10	−0.73	0.26
Lithuania	−0.03	−0.77	−0.33	−1.14	0.28
Luxembourg	−0.22	−0.11	−1.17	−1.98	−0.02
Malta	0.24	−0.11	−0.63	−1.03	0.42
Netherlands	−0.09	−0.95	−0.65	−1.75	0.25
Poland	−0.01	−0.55	−0.06	−0.87	0.19
Portugal	−0.02	−0.46	−0.48	−1.09	0.20
Romania	−0.02	−0.39	0.17	−0.78	0.21
Slovakia	−0.06	−0.55	0.20	−0.77	0.16
Slovenia	−0.03	−0.55	−0.23	−0.93	0.25
Spain	−0.01	−0.52	−0.40	−1.08	0.14
Sweden	−0.08	−1.03	−0.16	−1.75	0.21

Notes: This table shows the change in GDP, exports and sectoral value added for EU member states. Relative changes in percent.
Source: GTAP, ifo Trade Model.

Table A.5: Change in GDP, Exports and Sectoral Value Added—Trump (IEEPA) + FTAs - P7 (Shallow)

Country	GDP	Exports	Value added		
			Agri. & mining	Manuf.	Services
Austria	0.14	0.71	−1.66	0.04	0.24
Belgium	0.64	2.48	4.96	0.61	0.41
Bulgaria	0.48	1.92	6.67	−2.12	0.17
Croatia	0.19	0.92	−0.50	−0.76	0.41
Cyprus	0.33	1.48	−1.09	−0.57	0.40
Czech Republic	0.25	0.70	0.28	0.19	0.27
Denmark	0.28	1.15	−2.55	0.32	0.48
Estonia	0.40	1.47	−0.02	0.49	0.45
Finland	0.18	1.36	2.11	0.69	−0.02
France	0.15	1.79	−0.91	0.65	0.14
Germany	0.24	1.71	−2.05	0.57	0.23
Greece	0.19	1.03	0.26	−1.01	0.28
Hungary	0.26	1.24	−1.89	0.78	0.27
Ireland	0.55	1.11	−1.76	1.38	0.35
Italy	0.18	2.28	−1.39	0.81	0.13
Latvia	0.19	0.58	−1.01	0.20	0.33
Lithuania	0.11	0.23	−0.96	−0.33	0.33
Luxembourg	0.12	1.39	−0.91	−1.02	0.26
Malta	0.98	2.20	−1.57	2.03	1.00
Netherlands	0.30	1.73	−0.20	−0.03	0.40
Poland	0.15	0.83	−0.75	0.11	0.26
Portugal	0.18	1.40	−0.16	−0.27	0.28
Romania	0.16	0.89	0.99	−0.54	0.23
Slovakia	0.13	0.30	−0.16	−0.20	0.25
Slovenia	0.29	0.81	−1.02	0.48	0.31
Spain	0.21	2.25	−1.14	0.96	0.21
Sweden	0.20	1.29	0.19	0.65	0.12

Notes: This table shows the change in GDP, exports and sectoral value added for EU member states. Relative changes in percent.
Source: GTAP, ifo Trade Model.

Table A.6: Change in GDP, Exports and Sectoral Value Added—Trump (IEEPA) + FTAs - P7 (Deep)

Country	GDP	Exports	Value added		
			Agri. & mining	Manuf.	Services
Austria	0.38	2.40	−1.79	1.16	0.32
Belgium	1.20	5.11	5.38	2.63	0.72
Bulgaria	0.67	3.02	6.70	−1.99	0.40
Croatia	0.40	2.15	−0.71	−1.12	0.75
Cyprus	0.66	4.01	−0.94	−0.32	0.74
Czech Republic	0.53	1.85	0.31	0.96	0.38
Denmark	0.57	3.17	−2.95	1.36	0.67
Estonia	0.75	3.17	0.58	1.48	0.64
Finland	0.46	3.68	1.95	2.08	0.09
France	0.33	4.12	−0.99	1.72	0.21
Germany	0.52	4.06	−2.30	1.78	0.26
Greece	0.39	3.07	0.14	−0.92	0.52
Hungary	0.57	2.70	−2.22	1.65	0.46
Ireland	1.31	2.98	−2.02	1.87	1.25
Italy	0.37	4.71	−1.77	1.81	0.19
Latvia	0.42	1.92	−0.74	0.73	0.50
Lithuania	0.26	1.21	−0.75	−0.01	0.43
Luxembourg	0.62	3.75	−0.40	−0.82	0.78
Malta	1.99	5.31	−2.18	3.24	2.06
Netherlands	0.59	3.69	−0.08	0.75	0.62
Poland	0.30	1.99	−0.61	0.49	0.36
Portugal	0.38	3.13	−0.26	−0.10	0.51
Romania	0.30	1.89	0.98	−0.38	0.39
Slovakia	0.28	0.93	0.00	−0.01	0.39
Slovenia	0.58	1.97	−0.88	1.14	0.50
Spain	0.42	4.58	−1.41	1.96	0.35
Sweden	0.46	3.53	0.17	2.19	0.18

Notes: This table shows the change in GDP, exports and sectoral value added for EU member states. Relative changes in percent.
Source: GTAP, ifo Trade Model.

Table A.7: Change in GDP, Exports and Sectoral Value Added—FTAs - P7 (Shallow)

Country	GDP	Exports	Value added		
			Agri. & mining	Manuf.	Services
Austria	0.21	1.61	−1.54	1.62	0.00
Belgium	0.76	3.76	7.53	2.03	0.17
Bulgaria	0.51	2.37	7.15	−1.48	−0.01
Croatia	0.18	1.11	−0.15	0.27	0.20
Cyprus	0.26	1.88	−0.61	0.69	0.27
Czech Republic	0.29	1.23	0.08	1.00	0.05
Denmark	0.25	1.66	−1.10	1.58	0.07
Estonia	0.31	1.60	0.41	1.27	0.12
Finland	0.29	2.33	2.33	1.57	−0.04
France	0.19	2.46	−0.38	1.46	0.04
Germany	0.34	2.87	−2.60	1.84	0.02
Greece	0.18	1.85	0.56	0.39	0.13
Hungary	0.30	1.99	−1.74	1.83	−0.02
Ireland	0.58	1.34	1.41	0.76	0.48
Italy	0.24	3.16	−1.78	1.70	0.06
Latvia	0.22	1.19	−0.02	0.86	0.12
Lithuania	0.14	1.02	−0.98	0.80	0.10
Luxembourg	0.34	1.64	−0.31	0.88	0.31
Malta	0.77	2.34	−0.96	2.45	0.68
Netherlands	0.38	2.53	0.53	1.28	0.21
Poland	0.14	1.21	−0.80	0.82	0.09
Portugal	0.20	1.91	0.14	0.64	0.13
Romania	0.19	1.32	0.74	0.21	0.06
Slovakia	0.18	0.88	−0.57	0.50	0.12
Slovenia	0.29	1.25	−0.87	1.11	0.11
Spain	0.23	2.80	−0.99	1.99	0.09
Sweden	0.27	2.36	0.13	2.11	−0.03

Notes: This table shows the change in GDP, exports and sectoral value added for EU member states. Relative changes in percent.
Source: GTAP, ifo Trade Model.

Table A.8: Change in GDP, Exports and Sectoral Value Added—FTAs - P7 (Deep)

Country	GDP	Exports	Value added		
			Agri. & mining	Manuf.	Services
Austria	0.46	3.31	−1.72	2.76	0.08
Belgium	1.33	6.42	7.82	4.09	0.48
Bulgaria	0.70	3.47	7.14	−1.34	0.22
Croatia	0.39	2.36	−0.41	−0.10	0.55
Cyprus	0.60	4.42	−0.51	0.95	0.62
Czech Republic	0.57	2.40	0.07	1.79	0.16
Denmark	0.54	3.67	−1.59	2.63	0.27
Estonia	0.66	3.31	0.99	2.27	0.32
Finland	0.58	4.67	2.13	3.00	0.06
France	0.37	4.81	−0.54	2.57	0.11
Germany	0.62	5.26	−2.93	3.07	0.05
Greece	0.39	3.92	0.40	0.49	0.38
Hungary	0.62	3.48	−2.14	2.72	0.17
Ireland	1.34	3.19	1.02	1.20	1.40
Italy	0.44	5.63	−2.24	2.74	0.12
Latvia	0.45	2.53	0.22	1.40	0.29
Lithuania	0.29	2.00	−0.81	1.13	0.20
Luxembourg	0.84	4.06	0.14	1.10	0.84
Malta	1.79	5.46	−1.65	3.67	1.76
Netherlands	0.67	4.48	0.58	2.08	0.43
Poland	0.30	2.39	−0.70	1.22	0.20
Portugal	0.41	3.65	−0.01	0.83	0.36
Romania	0.33	2.34	0.69	0.40	0.22
Slovakia	0.33	1.52	−0.43	0.69	0.26
Slovenia	0.58	2.42	−0.76	1.78	0.30
Spain	0.44	5.17	−1.34	3.03	0.23
Sweden	0.54	4.62	0.04	3.68	0.03

Notes: This table shows the change in GDP, exports and sectoral value added for EU member states. Relative changes in percent.
Source: GTAP, ifo Trade Model.

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