


# Chapter 11

## The European Union's Geopolitical Role in the Era of Trade Wars

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### ABSTRACT

*In a world increasingly defined by great-power rivalry and economic coercion, the European Union (EU) is reshaping its trade policy to serve not only economic growth but strategic geopolitical objectives. Anchored in a realist international relations framework, the analysis traces how the EU is transitioning from a normative promoter of global trade rules to a more assertive, interest-driven actor capable of wielding economic tools to defend sovereignty, exert influence, and mitigate external threats. The paper examines this shift through five interrelated domains: (1) the internal foundations of the EU's single market and regulatory power; (2) its strategic posture vis-à-vis the United States, China, and Russia; (3) its emerging instruments of economic statecraft, such as the Carbon Border Adjustment Mechanism and the Anti-Coercion Instrument; (4) the geopolitical implications for the Global South; and (5) its attempts to stabilize a fragmented multilateral order. Drawing on official EU documents, think tank reports, and recent academic literature (2022–2025).*

### 1. INTRODUCTION

The global trading system is undergoing a profound transformation. For decades, the European Union (EU) positioned itself as a steadfast advocate of multilateralism and free trade, relying on the liberal promise that economic interdependence fosters

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peace and prosperity. Yet, recent shocks, from Brexit to the COVID-19 pandemic, from the U.S.-China trade war to Russia's invasion of Ukraine, have shattered the illusion that economic ties are apolitical or inherently stabilizing. In their place has emerged a world marked by strategic rivalry, weaponized interdependence, and a return to power politics. Within this new global context, the EU is reimagining its role, not as a passive rule-taker but as a strategic actor capable of shaping the rules and deploying them for geopolitical ends.

This shift is not merely rhetorical. As the Real Instituto Elcano has noted, the EU is no longer merely reacting to the erosion of multilateral norms; it is proactively developing a geopolitical mindset that fuses trade, security, and foreign policy into an integrated approach to international affairs (González, 2023). Key concepts such as “open strategic autonomy”<sup>1</sup> and “economic security”<sup>2</sup> now dominate the lexicon of Brussels policymakers, signaling a deliberate move toward realist thinking economic interdependence can be both a source of strength and a vector of vulnerability.

From a theoretical standpoint, this evolution reflects the convergence of two traditions. On one hand, realist international relations theory, with its emphasis on relative gains, self-help, and strategic autonomy, offers an apt lens through which to understand the EU's current turn (Baldwin, 1985). On the other, the EU continues to draw from liberal institutionalism, seeking to uphold a rule-based international order, albeit one adapted to the realities of great-power rivalry. This hybridity, realism in tools, liberalism in principles, defines what this chapter conceptualizes as the EU's “strategic dualism.”<sup>3</sup>

Empirically, this dualism plays out across the EU's diverse trade relationships. With the United States, cooperation on transatlantic standards and green technology is juxtaposed with tensions over industrial subsidies and protectionist legislation, such as the Inflation Reduction Act. With China, the EU walks a fine line between economic partnership and systemic rivalry, employing instruments like the Foreign Subsidies Regulation or the Anti-Coercion Instrument (ACI) while still engaging in trade and investment. With Russia, the rupture has been near-total: tariffs and sanctions have become instruments of war-time strategy, decoupling Europe from a long-standing energy partner. In each of these cases, trade policy is no longer confined to economic calculus, it is diplomacy by other means.

Crucially, the EU's internal architecture plays a pivotal role in enabling its external trade assertiveness. The single market, the customs union, and the Brussels Effect (Bradford, 2020) give the EU unique leverage in shaping global standards. This institutional coherence allows the EU to act collectively, despite internal divisions, and to condition access to its vast market in ways that serve broader strategic goals. Yet, the exercise of trade power is not without externalities. As the EU imposes environmental or security-based conditions on market access, such as the Carbon Border Adjustment Mechanism (CBAM), developing countries often bear the brunt.

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