



ANALYSIS

A New Trade Policy Era

The need for a rule-based
trade coalition

2025

Summary

So far, the EU has reacted to US tariffs by seeking to limit the damage of the new US trade policy, most notably through the deal agreed by the President of the European Commission, Ursula von der Leyen, and US President Donald Trump at Turnberry, Scotland, on 27 July 2025. While the Turnberry deal was necessary in the short term, it reflects a reactive approach that does not protect long-term EU interests or set the rule-based trading system on a sustainable path.

In connection with the June 2025 European Council, Ursula von der Leyen proposed that the EU deepen its cooperation with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) – a free trade area made up of large economies from five different continents. According to von der Leyen, this constellation of countries can ‘show to the world that free trade with a large number of countries is possible on a rule-based foundation’.

The most realistic way for the EU to revive a rule-based trading system, is indeed to build new, supporting structures together with like-minded partners. We therefore propose that the EU launch a rule-based trade coalition (RBTC). To be successful, the coalition would have to generate real commercial benefits for its members. In the analysis, we suggest six areas of cooperation that would add substance to the strategic direction indicated by von der Leyen and others. According to our proposal, the RBTC would be WTO compatible, but not part of the WTO. As in the past, the best way to strengthen the multilateral trading system is to act both within and outside the GATT/WTO institutional structure.

In line with von der Leyen’s proposal, the EU and the CPTPP would form the core of the coalition, but more countries could be invited to take part. Besides the EU27, EU candidate countries and CPTPP members, other EU FTA partners that are either part of the Ottawa group of like-minded WTO members or the MPIA, should be considered. Together, the countries we identify represent more than half of world trade in goods. The coalition could remain open to more partners, provided that they are open to real trade integration. Countries that ignore WTO commitments, rely on import substitution policies or insist on maintaining high tariffs and other trade barriers would be less suitable as RBTC partners.

It is crucial to recognise that we have entered a new trade policy era. The new era will require solutions that take inspiration from but are not necessarily the same as in the past. New institutions that shape international trade relation will emerge over time. The only question is whether the EU is among the economies that shape those institutions and whether they support rule-based trade or not.

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1 The rule-based trading system under threat

The multilateral rule-book has been the basis for international trade relations for almost 80 years. Under the GATT and its successor, the WTO, world trade has expanded at an unprecedented rate, contributing to growth and prosperity around the world.

Recently, however, the US has stopped using WTO rules as a point of reference in its trade policy. The United States Trade Representative, Jamieson Greer, even referred to the WTO as ‘untenable and unsustainable’ in an article in the New York Times. [WTO scholars Henrik Horn and Petros Mavroidis](#) conclude that current US trade policies ‘violate fundamental commitments in the WTO Agreement, as well as its spirit’. The National Board of Trade Sweden shares this assessment.

While China is rhetorically committed to global trade rules, it too violates the spirit and possibly the letter of its WTO commitments by giving preferences to and subsidising domestic firms on a large scale. For instance, [the OECD](#) recently concluded that below-market borrowing is ‘a widespread subsidy instrument in China’.

Consequently, rule-based trade faces a grave threat. When two of the world's leading economic powers pursue trade policies that disregard the spirit of the WTO agreements and ignore commitments they have negotiated, signed and ratified, there is a great risk that more countries will abandon the rule-based trading system.

2 The need for a proactive strategy

So far, the EU has reacted to US tariffs pragmatically by seeking to limit the damage of the new US trade policy. The primary example of this approach is the bilateral deal struck with the US on 27 July 2025. But the EU's initial response has been mainly reactive and does not undo the structural damage done by US and Chinese trade policies.

The new policy environment has led the EU to restart and accelerate previously stalled negotiations with Mercosur, Australia, India and Mexico. At the European Council in June 2025, Ursula von der Leyen furthermore proposed that the EU deepen its cooperation with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). According to von der Leyen, this constellation of countries will be able to shape a rule-based global trading order. It would ‘show to the world that free trade with a large number of countries is possible on a rule-based foundation’.

3 The long-term solution: a rule-based trade coalition (RBTC)

The most realistic way for the EU to revive a rule-based trading system that doesn't require WTO consensus, is to build new, supporting structures with like-minded partners. In line with the ideas discussed in connection with the June European Council, we therefore propose that the EU launch a rule-based trade coalition (RBTC). The EU and the CPTPP would form the core of the coalition but more countries could be invited to take part.

The RBTC would be WTO compatible, but not part of the WTO. A core undertaking would be that all coalition partners refrain from imposing new trade restrictive measures on each other or harm each other's economic interests more broadly. As a political assurance, it would be similar to the standstill commitment that was agreed at the 1986 Punta del Este GATT Ministerial Meeting, which launched the Uruguay Round. [A similar proposal is discussed here](#). The partnership should also ensure that coalition partners don't provide better terms to non-RBTC countries than to each other.

In order to be successful, the coalition would also have to generate real commercial benefits. As with all long-term trade policy undertakings, support from the business community will be essential.

4 Potential areas of RBTC cooperation

The purpose of an RBTC would be to supplement the WTO and uphold the rule-based trading system. It should both support rule-based norms and create new commercial benefits for the participating countries. The following is a list of six potential areas of cooperation.

4.1 Strengthen the Multi-Party Interim Appeal Arbitration Arrangement

A rule-based trade coalition could make the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) the main instrument for dispute settlement among coalition partners as long as the WTO appellate body remains blocked. The EU should therefore stress the importance of more countries joining MPIA, starting with EU candidate countries (only Montenegro and Ukraine are currently members), and our FTA partners.

4.2 A cohesive rule-based trade area

Secondly, RBTC partners could align rules-of-origin to form a larger, cohesive rule-based trade area between countries that share trade agreements with each other. With the EU's network of bilateral or regional trade agreements as a basis, such an alignment should be possible without extensive renegotiation of existing trade agreements.

Previously, we have identified three potential ways to do this, via (1) diagonal cumulation, (2) extended cumulation or (3) mutual recognition of rules of origin. Many EU trade agreements are bilateral. There are advantages to this approach, but it can also limit the benefits as trade becomes increasingly specialised and fragmented. It is therefore an attractive option to link the EU's network of bilateral trade agreements to each other. The main idea here is to go from a hub-and-spoke system of bilateral FTAs to an *integrated network of rule-based trade*. Such a vision is also more compatible with a modern trade reality dominated by international supply chains. See [The need for enhanced EU cooperation with the CPTPP](#) for a more detailed proposal.

Current US policies to raise tariffs are certainly worrying but it is important to keep in mind that they mainly hurt the US as long as other countries don't retaliate. As our simulations show, the main effect of a sharp rise in US tariffs will be to reduce US trade (imports and exports) with other countries, while other countries trade more with each other. The crisis therefore also represents an opportunity for the EU. By reshaping its hub-and-spoke system of FTAs into a more cohesive, rule-based trade area, the EU could strengthen its role as a centre of gravity in world trade. Historically, such a position has been associated with significant geopolitical benefits.

4.3 Deepen regulatory cooperation among RBTC partners

Currently, there are only mutual recognition agreements (MRA) for goods between a smaller subset of OECD countries. The EU, for instance, has MRAs with

- Australia (medical devices, machinery, and low voltage equipment),
- Canada (electrical equipment, machinery, and telecommunications),
- Japan (telecommunications and electrical products),
- New Zealand (medical devices and telecommunications), and
- the US (telecommunications equipment and pharmaceuticals).

Within an RBTC context, more ambitious negotiations to set up MRAs could take place, particularly to support the green and digital economy. It would also open up the possibility to expand current MRA coverage in existing agreements.

A less ambitious, but more feasible approach in the near term, would be to agree on promoting regulatory cooperation between the partners, such as sharing information on regulatory developments and aim to align on the use of standards in certain areas.

4.4 Enhanced RBTC digital cooperation

Another promising area would be enhanced cooperation to stimulate digital trade between partners. The European Commission's recently published International Digital Strategy acknowledged the need to expand and develop the EU's network of digital trade agreements, digital partnerships and trade and technology councils. A key challenge is to ensure that digital trade, supported by the free flow of data, can occur seamlessly across partner countries rather than be hampered by the current hub-and-spoke system.

There are already a number of existing agreements and processes that could serve as useful benchmarks for this, for example the Digital Economy Partnership Agreement (DEPA), Data Free Flow with Trust (DFFT), and the digital chapter of the CPTPP. While these are not EU-led processes, it is important that the EU take an active part in digital cooperation formats that are now growing internationally and produce commercially relevant results. In order to stimulate productivity through innovation, we need digital trade integration with partners we can trust.

4.5 RBTC cooperation in the event of supply chains disruptions

Yet another potential area of cooperation would be talks with the objective of developing common principles to be followed in the event of serious disruptions in supply chains, including information sharing and other transparency measures, mutual commitments not to apply export restrictions or export taxes, and joint monitoring and coordination.

In [a new analysis](#), National Board of Trade makes a number of proposals for how the EU could use its network of FTAs to enhance preparedness. See the annex of that analysis for a summary.

4.6 RBTC coordination in the event of broad and blatant WTO violations

While it is important to strengthen the MPIA and continue to broaden its country coverage, it can only solve trade disputes between MPIA members. To uphold a rule-based trading system in the absence of a functioning WTO dispute settlement body, it is also important that RBTC partners can react when non-MPIA countries impose measures that constitute broad and blatant violations of their WTO commitments.

Doing this effectively requires cooperation with like-minded partners. Two types of cooperation could be considered in this context, consultation and coordination on countermeasures. [The former EU trade negotiator and head of the EU delegation to the WTO, John Clarke, recently suggested this.](#) The possibility to coordinate countermeasures with other countries already exists under the EU's Anti-Coercion Instrument (ACI) so it would not break new ground for the EU. In fact, according to the ACI, the EU '*should* coordinate with like-minded partners and in particular with those that have similar instruments or are similarly affected by economic coercion' (our emphasis added).

Depending on the nature of the violation, different legal paths should be considered together with RBTC partners in order to pursue WTO consistency.

5 Potential RBTC partners

The following is a non-exclusive list of potential RBTC partners. In line with the discussion in connection with the June European Council, the EU and the CPTPP would form the core of the coalition, but more countries could be invited to take part.

Our two main criteria for RBTC partner selection are:

- (1) the EU already has or is in the process of signing a free trade agreement with the country in question, and
- (2) the country is like-minded at the WTO.

Besides the EU27, EU candidate countries and CPTPP countries, our list includes other EU FTA partners that are either part of the Ottawa group of like-minded WTO members or the MPIA.

- The 11 CPTPP members with which the EU has or is currently negotiating bilateral trade agreements are Australia, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the UK and Vietnam.
- Other EU FTA partners that are either part of the Ottawa group or the MPIA are: Brazil, Costa Rica, Guatemala, Iceland, Kenya, Korea, Norway, Switzerland and Ukraine.

In total, the list of potential RBTC partners include 56 countries:

- 27 EU member states,
- 9 EU candidate countries,
- 11 CPTPP members and
- 9 additional EU FTA partners that are part of the Ottawa group or the MPIA.

Together, these countries represented more than half (52 per cent) of world trade in goods in 2024. In comparison, China represented 16 per cent and the US 8 per cent of world trade (measured as exports from these countries).

The coalition would remain open to more partners, provided that they are like-minded and open to commercially relevant trade integration. Countries that ignore WTO commitments, rely on import substitution policies or insist on maintaining high tariffs and other trade barriers would be less suitable as RBTC partners.

6 Benefits of the proposals

6.1 Systemic benefits

The first and most obvious benefit is the launch of a stable format of cooperation among countries who support rule-based trade. It directly addresses a strategic objective of EU trade policy. As such it sends a clear signal to all countries that rule-based trade is not going away anytime soon.

6.2 Economic benefits

Secondly, the proposal would benefit the EU and RBTC partners economically while leaving economies left outside the coalition at a disadvantage. This occurs in four related ways.

1. It provides a new platform for trade integration despite deadlocks at the WTO.
2. It creates a low cost-low risk environment for trade and investment within the coalition. Supply chains would face predictable conditions and reduced red tape as long as trade takes place between countries who are part of the RBTC.
3. An RBTC would leverage the EU's existing network of bilateral and regional trade agreements by gradually reorganising its current hub-and-spoke structure into a larger and more cohesive rule-based trade area. In a world of global supply chains, this is likely to benefit the EU and its partners.
4. It creates an insider/outsider dynamic *over time*, where there are benefits associated with being inside the RBTA, whereas there are costs and risks associated with being part outside the RBTA. A domino effect, [previously associated with the spread of FTAs by Richard Baldwin](#), could occur.

7 Shaping the rules for a new era

A potential objection to our proposal is the view that the coalition does not represent trade cooperation *within* the WTO. Instead, it creates a new avenue for international trade cooperation that is WTO compatible but outside the WTO. In response to that, it is important to note three things.

First, rule-based trade cooperation already takes place in many different fora. Free trade agreements represent a legitimate and recognised exception to WTO norms. Today, there are more than 300 FTAs and the current trend is to include more countries and to create mega-regional FTAs. One of the most recent examples – the CPTPP – span five continents and cover 15 per cent of world trade. Two other examples are the Regional Comprehensive Economic Partnership (RCEP) and the EU-MERCUSOR agreement, both of which represent around 30 per cent of global trade. Yet another example is ASEAN.

For services, the Trade in Services Agreement (TiSA) was negotiated entirely outside the WTO. While TiSA never made it to the finish line, it aimed at liberalising trade in services among 23 countries on five continents, including the EU, the US, Japan, Australia, and others. The participating economies accounted for around 70 per cent of global trade in services.

Historically, moreover, the OECD's predecessor, the Organization for European Economic Co-operation played a crucial role to reduce tariffs and promote economic integration among its members after World War II.

Secondly, progress at the WTO has often started with initiatives outside its institutional framework. The Uruguay round began with cooperation within the QUAD (the US, the EU, Japan and Canada) and the OECD because of dissatisfaction with how the GATT worked. In the long term, it is therefore both desirable and possible that an RBTC would strengthen the WTO via closer cooperation within a strong group of like-minded countries.

Finally, and perhaps most fundamentally, it is crucial to recognise that we have now entered a new era in trade policy. The new era will require solutions that take inspiration from but are not necessarily the same as in the past. New institutions (in the broad sense) that shape international trade relation will emerge over time. The only question is whether the EU is among the countries that shape those institutions and whether they support rule-based trade or not.

Sammanfattning på svenska

Summary in Swedish

Hittills har EU reagerat på USA:s nya handelspolitik genom att skademinimera, framför allt via den överenskommelse som träffades mellan Europeiska kommissionens ordförande, Ursula von der Leyen, och USA:s president Donald Trump i Turnberry, Skottland, den 27 juli 2025. Även om Turnberry-överenskommelsen var nödvändig på kort sikt, återspeglar den ett reaktivt förhållningssätt som inte värnar EU:s långsiktiga intressen eller skyddar det regelbaserade handelssystemet.

I samband med Europeiska rådets möte i juni 2025 föreslog EU-kommissionens ordförande, Ursula von der Leyen, att EU fördjupar sitt samarbete med *the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)* – ett frihandelsområde som omfattar en rad stora ekonomier på fem kontinenter. Enligt von der Leyen kan denna grupp av länder ”visa världen att frihandel med ett stort antal länder är möjlig på en regelbaserad grund”.

Kommerskollegium delar synen att det mest realistiska sättet för EU att återuppliva ett regelbaserat handelssystem är att bygga nya stödstrukturer tillsammans med likasinnade partner. Vi föreslår därför att EU börjar bygga en regelbaserad handelskoalition. För att bli framgångsrik måste koalitionen generera kommersiella fördelar för sina medlemmar. Vi föreslår därför sex samarbetsområden som skulle ge substans åt den strategiska inriktning som von der Leyen och andra har föreslagit. Enligt Kommerskollegiums förslag skulle koalitionen vara WTO-förenlig men inte en del av WTO. Liksom tidigare i historien är det bästa sättet att stärka det multilaterala handelssystemet att agera både inom och utanför GATT/WTO:s institutionella struktur.

I linje med von der Leyens budskap i samband med Europeiska rådet skulle EU och CPTPP utgöra kärnan i koalitionen, men fler länder skulle kunna bjudas in att delta. Förutom EU, EU:s kandidatländer och CPTPP:s medlemsländer bör andra länder som EU har eller förhandlar frihandelsavtal med övervägas. Tillsammans representerar de länder vi identifierar mer än hälften av världshandeln med varor. Koalitionen kan förbli öppen för fler partner under förutsättning att de välkomnar fördjupad handelsintegration. Länder som ignorerar WTO-åtaganden eller insisterar på att upprätthålla höga tullar och andra handelshinder är mindre lämpliga som koalitions-partners.

När EU börjar forma ett mer proaktivt och långsiktigt svar på USA:s höga tullar är det viktigt att göra det med utgångspunkten att vi har gått in i en ny era för handelspolitiken. Den nya eran kommer att kräva lösningar som inspireras av men inte nödvändigtvis är identiska med hur det såg ut under den gamla eran. Nya institutioner som formar internationella handelsrelationer kommer att växa fram över tid. Frågan är om EU kommer att vara bland de länder som formar dessa institutioner – och om de stöder regelbaserad handel eller inte.

The National Board of Trade Sweden is the government agency for international trade, the EU internal market and trade policy. Our mission is to facilitate free and open trade with transparent rules as well as free movement in the EU internal market.

Our goal is a well-functioning internal market, an external EU trade policy based on free trade and an open and strong multilateral trading system.

We provide the Swedish Government with analyses, reports and policy recommendations. We also participate in international meetings and negotiations.

The National Board of Trade, via SOLVIT, helps businesses and citizens encountering obstacles to free movement. We also host several networks with business organisations and authorities which aim to facilitate trade.

As an expert agency in trade policy issues, we also provide assistance to developing countries through trade-related development cooperation. One example is Open Trade Gate Sweden, a one-stop information centre assisting exporters from developing countries in their trade with Sweden and the EU.

Our analyses and reports aim to increase the knowledge on the importance of trade for the international economy and for the global sustainable development. Publications issued by the National Board of Trade only reflect the views of the Board.

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