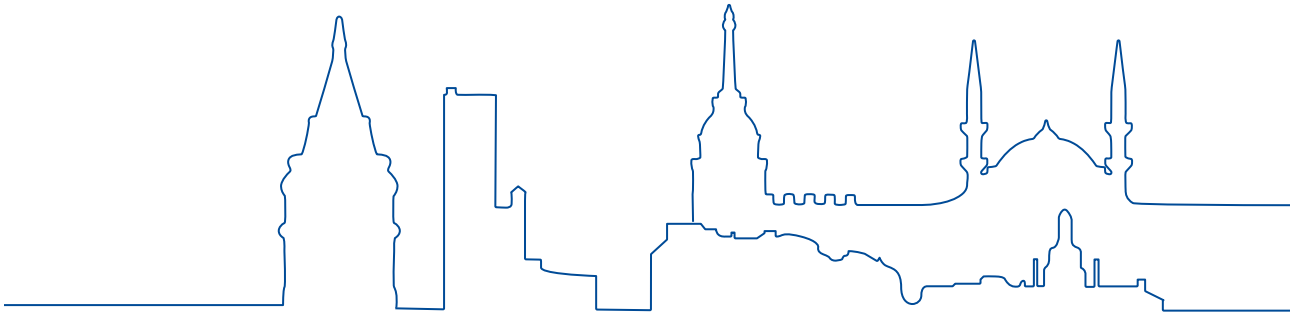


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THE RISE OF SELECTIVE PROTECTIONISM WITHIN THE EU'S EVOLVING ECONOMIC ARCHITECTURE

Ali Baydarol, 2025/26 Mercator-IPC Fellow

Amid intensifying competition among large-scale economies—namely between the United States, China, and the European Union (EU)—analysts and experts have increasingly termed the EU's economic policy framework as protectionist.[1] While it is true that protectionism plays a more substantial role in characterizing the EU's recently adopted trade and industrial policies, it does not fully describe the EU's evolving economic architecture. An often-neglected distinction is the direction toward which the EU has embraced protectionism, i.e., toward China and the United States, and the one that it has not, i.e., toward middle powers—countries that do not exercise global hegemony over economic, political, or military issues but still wield recognizable influence in global affairs, stemming from their meaningful diplomatic, economic, or military capabilities.[2]

This mixed application of EU protectionism is a clear example of the term "selective protectionism." This term helps to explain the EU's practice of protecting its common market from more powerful economic actors to ensure competitiveness and economic sovereignty without applying those same protectionist measures to other, smaller economic actors. In fact, this phenomenon can even encourage further market openness toward the latter group of actors, usually identified as middle powers, to ensure economic resilience against large-scale competitors. This commentary documents instances in which the EU, while competing with large-scale economies and taking corresponding protectionist steps, is simultaneously competing for increased cooperation and partnerships with middle powers in order to bolster its resilience against large-scale economies.

The EU's Protectionist Turn toward Large-Scale Economies

One clear manifestation of the EU's mounting protectionism toward large-scale economies has been its evolving tariff policy. As far back as 2018, the EU responded to the tariffs imposed by the first Donald Trump administration on the EU with counter tariffs on the United States. The key goal of the EU's tariffs was to affect USD 3.4 billion of American imports, particularly targeting American bourbon whiskey, motorcycles, jeans, and agricultural products.[3] More recently, in 2024, the EU introduced anti-subsidy tariffs of up to 35.3% on electric vehicles (EVs) that are made in China, which were implemented in addition to an existing 10% base duty.[4] This led to tariffs of up to 45.3% for certain EVs imported from China.

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Besides trade, the EU's industrial policy is another indication of mounting EU protectionism. Several scholars agree that from the late 2010s onward, the EU's industrial policy has been losing its neoliberal character, especially due to state subsidies.[5] Accordingly, in 2018, the European Commission began approving state aid provided by EU members under the Important Projects of Common European Interest (IPCEI), which allocated over EUR 37.6 billion in state subsidies.[6] The IPCEI resulted in ten joint programs with the participation of some EU member states to undertake high-tech and high-risk projects (e.g., batteries, microelectronics, cloud computing, etc.).[7] In 2023, the EU legislated the European Chips Act to accelerate the EU's digital transformation, particularly to reduce its dependence on external markets including but not limited to the United States and China for semiconductor technologies, thereby enhancing its competitiveness in that regard. This act, just like the IPCEI, encourages member states to provide state aid to certain industries.[8]

One of the latest policy instruments is the EU's Automotive Package, which was proposed in December 2025 to back vehicles and their strategic components that are made in the EU through public financial mechanisms. This was clearly a protectionist response to the increase in market share of Chinese electric vehicles in the EU market in the 2020s, the rise of U.S. tariffs on EU-based car exports during the second Trump administration, and the decline of European car sales in the two largest markets, the United States and China, in 2025. Not long after the Automotive Package, in March 2026, the European Commission proposed the Industrial Accelerator Act (IAA), which is also a public financial support mechanism to back industrial production inside the EU, covering not only the automotive sector but also the steel, cement, aluminum, and net-zero technologies sectors.

Protectionist Yet Selective: The EU's Engagement with Middle Powers Through Its Contemporary Industrial and Trade Policy

Central to the argument of "selective protectionism" is how the IAA, a notable industrial policy instrument, prescribed the scope of the "Made in the EU" clause, which defines the term as not only limited to EU member states but also encompasses the EU's free trade agreement (FTA) partners and the countries with which the EU has a customs union (CU).

Accordingly, "Made in the EU" involves more than 70 countries, excluding China and the United States, with which the EU does not have any FTA or CU. Specifically, the EU allows these 70 economic partners, most of them middle powers, to access public financial support mechanisms to back the EU's industrial policy, stimulating "selective protectionism" within its economic architecture.[9] Excluding these 70 countries from public financial support mechanisms would have undermined their competitiveness within the EU market, which is one of the largest export markets—if not the largest export market—for most of the EU's FTA and CU partners.[10] Such an exclusive definition of the "Made in the EU" clause could have weakened European supply chains as some of the FTA and CU partners play substantial roles in European supply chains. Arguably, this is one important reason why the EU's industrial policy has not taken a protectionist turn toward its FTA and CU partners, illustrating how the EU's protectionism is selective toward large-scale economies but not middle powers.

Concerning trade policy, the EU has recently signed FTAs with two significant economic actors: India and the Mercosur bloc (Argentina, Brazil, Paraguay, and Uruguay). Currently, India is the fifth largest economy worldwide, accounting for roughly 3.5% of global GDP.[11] The four countries of the Mercosur bloc constitute approximately 2.5% of global GDP.[12] At the same time, these FTAs are not just limited to industrial goods but rather are fairly comprehensive. While the EU-Mercosur FTA involves industrial

goods, services, and public procurement, the EU-India FTA includes industrial goods and services. These FTAs are, for instance, more comprehensive than the CU between the EU and Turkey despite the fact that a CU is supposed to be legally superior to an FTA. Another striking point is that the EU has suddenly finalized these agreements following roughly two decades of stalled negotiations, displaying the EU's urgency in enhancing partnerships with middle powers as it turns away from the United States and China. In this regard, the EU's current trade policy is another manifestation of "selective protectionism".

The Implications of Growing Selective Protectionism for Middle Powers

The EU aims to protect its existing partnerships with middle powers and establish new partnerships with them where possible. Interestingly, a similar observation can be made about China's foreign economic policy orientation. One notable indication of China's attempts to advance collaboration with middle powers is the Belt and Road Initiative (BRI)—China's infrastructure and investment strategy to deepen connectivity, trade, and geopolitical influences across Asia, Europe, Africa, and beyond. Since 2013, the operating costs of the BRI has reached USD 1.399 trillion, with construction contracts and non-financial investments serving as the two building blocks of this project.[13] At the same time, however, China has introduced stricter export controls on rare earth elements in 2025 (e.g., licenses for exports and controlling the processing technology chain), which are crucial for the production chains in key sectors, including clean tech, defense, electronics, and EVs. These controls place notable pressure on the supply chains of the United States and the EU.[14]

The term "selective protectionism" inevitably connects to the debates on middle powers[15] and their quest for strategic autonomy in particular.[16] Enhancing partnerships with more than "one major power center" serves middle powers' move toward strategic autonomy, which can be defined as a state's quest to achieve freedom from external dependence and freedom to autonomously define and pursue foreign policy objectives.[17] In the academic literature on the subject, both international system-level (e.g., multipolarity) and domestic-level factors (e.g., political motives, economic infrastructure) are emphasized as playing a role in pushing middle powers to pursue strategic autonomy.[18] Therefore "selective protectionism" appears as another international system-level variable, signaling opportunities for middle powers to partner with more than one large-scale economy. Here, Uruguay serves as a striking example, being both a BRI member since 2018 and having participated in the free trade deal recently signed with the EU through the Mercosur bloc.

Lastly, "selective protectionism" appears to have a role to play in shaping the global political economy for some time. China's emergence as a global technology competitor, the United States' retreat from multilateral leadership and networks, and the industrial pressures faced by the EU do nothing but bolster this expectation.

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Notes

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