

# “How Should Western Economies Regulate and Negotiate International Trade ?” A Comparative Analysis of how the U.S. and the European Union’s Recent Approaches to International Trade Regulation affect Economic Growth and Regional Stability

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Published January 2026

Editor: Federica Iannó

## **Abstract**

Although international trade is often regarded as central to economic growth and regional stability, the US has reversed its stance on free trade to reclaim industries and reassert its global standing. Conversely, the EU has hardened its stance on free trade as the basis for its alliances and is currently aligned with the West, even as long-term trade partners sever their ties to the US. The unilateral powers afforded to the US president by the invocation of an ‘emergency status’ and the comparatively more checked negotiation of the EU have each created unique diplomatic situations. By comparing and contrasting the two distinct legal methods of trade negotiations and policy implementation maintained by the US and the EU from primary legal sources: EU Parliamentary Guidelines, US Constitution, Declaration of Independence, European Trade Agreements, secondary sources that analyse these documents, and real-GDP data, I aim to examine both legal processes for trade negotiations and provide advice on the long-term health and stability of both legal and diplomatic systems. The EU has strengthened its diplomatic relations through trade, whereas the US has damaged its relations by undermining trade agreements, including recent unilateral regulations under the International Emergency Economic Powers Act. Restricting its use in favour of democratic frameworks may enhance and solidify the US’s geopolitical presence. Limiting the president’s unilateral authority in international trade negotiations and moving toward a permanent, democratic/EU-style model with constant checks and balances would help the US maintain its position as the leader of the Western bloc.

Keywords: IEEPA, EU Commission, EU Parliament, real-GDP, Supreme Court, EU-Mexico Trade Agreement

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## 1. Introduction

International trade has been under threat in the recent geopolitical environment. Since the emergence of mercantilist ideology, trade has been a cornerstone of economic growth; however, neo-protectionist policies have threatened this belief, undermining regional cooperation. This work will examine recent legal methods for negotiating trade agreements in the EU and the US. By analysing such systems and the corresponding diplomatic trends, a decision can be made on which model better promotes regional security and political stability; typically, the one that relies on checks and balances.

## 2. Public Attitudes Towards International Trade

The concept of free trade is inextricably linked to global peace. Since the birth of city-states, trade has remained vital to economic growth, promoting cooperation. The intention behind the instruments of free trade after WWII was to create international economic interdependence so profound as to make worldwide conflict unthinkable. Free trade has promoted peace and financial stability, a view shared by Americans and Europeans.

The American support of free international trade is driven by the conviction that it benefits both consumers and the economy. In October 2019, the Chicago Journal of Global Affairs surveyed Americans' beliefs regarding free trade, finding 87% thought international trade was beneficial for the economy and 83% believed it benefited American Companies, both values higher than the

previous 50% and 59% between 2004 and 2016, respectively, while voter registration data concluded that partisanship did not affect responses.<sup>1</sup> A second study in April 2025 identified a partisan correlation: while beliefs about international trade remained unchanged from 2019 (between 80-90%), 55% of Americans supported free trade, with 34% of those identifying as Republican, 56% as Independent, and 74% as Democrat.<sup>2</sup> Overall, Americans believe international trade benefits the economy, consumers, and businesses, but are divided on whether free trade should be supported.

In a similar study conducted by the EU Commission, Europeans also voiced support for international trade, but with some regulations. This study, conducted from January to February 2024, found that 62% of respondents stated they benefit from international trade, and 74% said that the EU is more effective at defending the trade interests of member states than if those states were acting alone.<sup>3</sup> The EU's free trade system among member states and its unified foreign trade policy remain popular among its citizens. Additionally, 82% supported specific trade regulations with non-member states. Although some Europeans advocate trade regulation with non-members, free trade has stabilised the EU internally.

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<sup>1</sup> Brendan Helm, 'Record Number of Americans Say International Trade Is Good for the US Economy' (*JSTOR*, October 2019)

<sup>2</sup> Craig Kafura, 'Most Americans Think the United States Should Pursue Global Free Trade' (*The Chicago Council on Global Affairs*, 5 May 2025)

<sup>3</sup> European commission, 'Europeans' attitudes on trade and EU trade policy' (*European Commission*, June 2024)

Both Europeans and Americans agree that free trade with some regulation is beneficial to their economies, although the implementation of these agreements differs. Although both grant final legislative authority over trade agreements to their highest assemblies—the European Parliament and the US Congress—the US, in practice, has proven more volatile in the creation of trade agreements and protective measures due to conflicting legislation.

### 3. The American System

The American government is founded on the principle of separation of powers and checks and balances, developed in response to British tariffs in the late 18th century. The US Constitution provides for separate powers between the executive and legislative branches in the creation of trade deals. However, in recent decades, increased executive power has enabled the president to rapidly change trade policy without congressional approval.

The sanctity of productive international trade, regulated and yet open, was a core part of America's foundation. Although the Declaration of Independence lacks legal force, its language profoundly influenced the US Constitution. The cited restriction on trade and the imposition of tariffs influenced the structure of American democracy.<sup>4</sup> Article I, Section VIII of the Constitution expressly gives Congress the power to 'regulate commerce with foreign nations'.<sup>5</sup> Additionally, any treaties made

between the president and a foreign nation must have the 'consent of the Senate' as outlined by Article II, Section II. Although intended to provide a check on the executive, this generates an unintended consequence: the gridlock created by a divided government.<sup>6</sup> This system of trade arbitration is the norm for the vast majority of negotiations, and its lack of significant criticism attests to its reliance on democratic institutions and checks and balances.

In 1977, following a period of economic uncertainty, Congress passed the International Emergency Economic Powers Act (IEEPA), which defined the scope of presidential economic authority during crises. IEEPA's statute found in 50 U.S.C § 1701, subsections a and b, holds that a "state of emergency" may be invoked in the event of an "unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States, if the President declares a national emergency with respect to such threat".<sup>7</sup> Section 1702 clarifies that the president may "investigate, regulate, or prohibit— (i) any transactions in foreign exchange, (iii) the importing or exporting of currency or securities."<sup>8</sup> Subsequently, the IEEPA was amended in 2007 to increase civil and criminal penalties, affording the president greater

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<sup>4</sup> Jefferson Thomas, 'Declaration of Independence: A Transcription' (*National Archives*, 7 August 2025)

<sup>5</sup> US Constitution art I s 8

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<sup>6</sup> Alexander Hamilton, 'Federalist Papers: No 70' (*Lillian Goldman Law Library, Yale Law School*, 18 March 1788)

<sup>7</sup> 50 USC § 1701(a)–(b)

<sup>8</sup> 50 USC § 1702

control over the country.<sup>9</sup> The IEEPA was most recently enforced by Presidents Bush post-9/11, Obama post-2008 financial crisis, and Trump in early 2025 regarding southern border security. Regardless of the reason for its invocation, when applied, the opposing party viewed its implementation as an abuse of presidential authority.

#### 4. The EU System

Compared with the powers specifically granted under the IEEPA, the EU's powers regarding trade agreements with non-members are more complex but involve lower volatility in international relations, akin to typical congressional oversight in the US.

European trade negotiations are primarily the responsibility of the EU Commission, which negotiates on behalf of the Union, following consultations with the Council, the Parliament, and other relevant EU institutions and bodies.

As provided by Article 3(1)(e) TFEU, the standard commercial policy is an exclusive competence of the EU. Thus, EU member states are required to comply.<sup>10</sup> When negotiating, the European Commission follows guidelines sent from the Council of the European Union and the European Parliament. The Commission later submits the settlement to both mentioned bodies for approval and consent, respectively. Once passed, the Council and the

Parliament work on new legislation or on revising existing trade laws to ensure full implementation. Although negotiations are more complex due to multiple legislative bodies and ratification processes, trade deals are viewed as more equitable for both sides, promoting further unity and cooperation within the EU and with non-members, as each member is incorporated into the negotiations. The EU system has more effectively promoted unity and stability in and around Europe through its model of trade arbitration.

#### 5. Analysis of IEEPA's Effects

Real GDP data and diplomatic analysis illustrate the negative consequences of volatile trade negotiations following the recent use of IEEPA. Conversely, European unity on trade policy has promoted cohesion amid Russian aggression.

No meaningful progress has been made in fostering domestic industry growth. Based on data from the U.S. Bureau of Economic Analysis, during the height of American tariffs in Q1 2025, real GDP growth (R-GDP) fell to -0.6%, down from +1.9% in Q4 and +3.2% in Q3 of 2024.<sup>11</sup> Although R-GDP growth climbed to +3.8% in Q2 2025 following the tariff reduction and new agreements, it remains uncertain whether this is sustainable. Often, as a state imposes tariffs, its trade partners quickly try to restore market flows once tariffs are reduced. This increases trade

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<sup>9</sup> Library of Congress, 'The International Emergency Economic Powers Act: Origins, Evolution, and Use' (*The International Emergency Economic Powers Act: Origins, Evolution, and Use*, 9 January 2025)

<sup>10</sup> European commission, 'Making trade policy' (*Making trade policy*, 2025)

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<sup>11</sup> Bureau of economic analysis, 'Gross Domestic Product, 2nd Quarter 2025 (Third Estimate), GDP by Industry, Corporate Profits (Revised), and Annual Update' (*Gross Domestic Product*, 26 September 2025)

volume in the short term. However, if tariffs remain constant, it is more advantageous for its trade partners to seek newer, high-volume markets, as evidenced by the shift of traditional US allies toward bilateral agreements with non-US markets.

The effects of President Trump's recent tariff negotiations have worsened international relations. According to the Council on Foreign Relations, long-time US allies are seeking to sever trade relations with the US due to the unpredictability of Trump's trade policy. Amid a 7% unemployment rate and a -1.4% Real GDP decline in Q2 of 2025, Canadian PM Mark Carney received widespread support for his initiative to end trade with the US and instead form stronger relations with European allies.<sup>12</sup> Following unfavourable trade talks with the US in July 2025, the EU has sought greater trade diversification, increased defence spending, and energy self-sufficiency.<sup>11</sup> They established or strengthened trade ties with Canada, South Korea, and Japan, and have initiated trade talks with South American states. To remove American arms and European defence as leverage in US-EU negotiations, they have increased military spending, particularly in Eastern Europe, and intensified previous clean energy initiatives to reduce reliance on Russian and American natural gas.<sup>11</sup> Additionally, the aggressive negotiations have divided the US and its traditional Pacific allies, Japan, Australia, and New Zealand. US tariff negotiations have isolated it

internationally, while its traditional adversaries become increasingly opportunistic.

Although EU r-GDP growth is lower than that of the US, the difference is not concerning. The World Bank Group's data on EU GDP growth shows a general decline from +3.8%, in 2000, to +0.9%, in 2024. However, this is primarily attributed to demographic shifts, not trade policy.<sup>13</sup> According to the Carnegie Endowment for International Peace, the EU has begun to favour a stance where "economic policies serve broader strategic goals alongside policy-specific commercial objectives, known as economic statecraft".<sup>14</sup> The report notes that the EU's trade policies can strengthen alliances and reduce Russian economic leverage, while maintaining bloc cohesion. This strengthening of non-US connections is in response to Russia's aggression towards Eastern Europe and the inability to rely on American support.

Mexico is the newest member of this initiative, joining on September 3, 2025, as outlined by the updated EU-Mexico Trade Agreement: Section 1.1 "freer movement of agricultural goods", Section 1.4 "schedule of for the gradual decrease of all tariffs from around 10% to 0% over the next 7 years", Section 1.7 "fewer restrictions on investment in both regions", Section 1.8 "the free movement of capital for liberalization of investments and

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<sup>12</sup> Council on foreign relations, 'Geopolitics of Trump Tariffs: How US Trade Policy Has Shaken Allies' (*Geopolitics of Trump Tariffs: How US Trade Policy Has Shaken Allies*, 10 September 2025)

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<sup>13</sup> World bank group, 'GDP growth (annual %) - European Union' (*GDP growth (annual %) - European Union*, 2025)

<sup>14</sup> Carnegie endowment for international peace, 'Geopolitics and Economic Statecraft in the European Union' (*Carnegie Europe*, 19 November 2024)

other transactions”.<sup>15</sup> As demonstrated by recent free trade agreements and diplomatic trends, the EU could reverse its GDP decline and strengthen anti-Russian alliances by forming concrete free trade partnerships.

## 6. Policy Recommendation

It is thus worth reevaluating the unilateral Presidential powers under IEEPA as American allies abandon the US due to tariff volatility. This can be achieved by adding a commission to IEEPA or by restricting its implementation.

Americans disapprove of the Trump Administration’s policies. The growing support of the Democratic Party following the November 4th gubernatorial elections and Trump’s approval rating of 39% as of November 5th firmly pushes this narrative.<sup>16</sup> Polling from the aforementioned *The Economist* article indicates that voters overwhelmingly prioritise the economy and disagree with Trump’s economic and trade policies. This animosity likely stems from economic shortcomings caused by unchecked tariff policies.

Although many assume that the Trump administration’s use of IEEPA to impose tariffs is justified, those actions are currently under review. Previously in American history, tariffs had only been levied under the stipulations of Section 232 of the Trade Expansion Act of

1962, and Section 301 of the Trade Act of 1974.<sup>17</sup> Trump’s sudden turn away from these measures, invoking IEEPA to assert authority over tariff policy, has been met with resistance. *V.O.S. Selections, Inc. v. Trump*, currently under Supreme Court review, questions the legality of tariff power under IEEPA, with the plaintiff stating that “IEEPA does not grant the President power to impose tariffs at all—it does not mention such a power or imply it”.<sup>16</sup> This calls into question the recent tariff policy, and widespread discontent regarding its implementation warrants discussion to prevent similar abuses of power.

Amending IEEPA to provide retroactive congressional oversight to guide policy decisions may be prudent. It’s clear that traditional congressional oversight more effectively promotes a stable foreign policy and international cooperation than IEEPA. Additionally, the Trump administration’s use of the Act may not be entirely lawful pending the Supreme Court’s review in *V.O.S. Selections, Inc. v. Trump*. Implementing more democratic measures in tariff policy, even if Trump’s use of the statute is deemed legal, would be highly beneficial not only for strengthening democratic processes in America but also for enhancing the statute’s legitimacy.

To achieve this, adding a stipulation to IEEPA that subjects the president to retroactive congressional decisions on its use would be an option. This clause would lead to a Supreme Court ruling on whether the president’s use of

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<sup>15</sup> European commission , 'EU-Mexico agreement: Text of the agreement' (*European Commission*, September 2025)

<sup>16</sup> The Economist, '300 days into Donald Trump's term' (*The Economist*, 16 November 2025)

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<sup>17</sup> Ben Budner, 'The Questionable Legality of IEEPA Tariffs: Does the Major Questions Doctrine Apply?' (*Texas Law Review*, 2025)

the Act falls within the described powers, following a majority vote in both houses of Congress. A verdict in the president's favour would uphold political legitimacy, and a verdict in Congress's favour could invoke congressional hearings on presidential impeachment. Authority over foreign commerce constitutionally rests with Congress, per Article II, Section II of the Constitution. Allowing the possibility of congressional endorsement or denunciation of the president's exercise of commercial power not only follows constitutional law and judicial precedent but also preserves the necessary principle of checks and balances within the US government. Though it is debatable whether the US presidential power is too robust, this would certainly cement democratic processes in an area of presidential authority that has previously been subject to partisan argument. As stated, strengthening existing democratic institutions greatly helps maintain stability and legitimacy in government. Maintaining the possibility of congressional endorsement or denunciation of an area of presidential action that is rarely subject to checks and balances would solidify democratic principles, thereby ensuring the continued legitimacy of IEEPA's future use.

## **7. Conclusion**

In conclusion, based on economic and diplomatic trends, a free-trade approach and/or regulation by multiple legislative bodies better promote economic and diplomatic security than the U.S. system under IEEPA. Although r-GDP grew impressively in Q2 2025, its durability remains uncertain amid the alienation of long-time US allies through tariff diplomacy and the destabilisation of

US geopolitics. To reverse current trends, deeper international cooperation and the strengthening of democratic institutions will most effectively stabilise the West against contemporary Russian and Chinese expansionism. The US should aim to incorporate increasingly democratic processes into IEEPA's implementation to maintain popular support and domestic stability while reducing diplomatic volatility.

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