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In search of new export markets

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The starting point - weak German export competitiveness. Since 2015, German export competitiveness has been on a downward trend and net exports have not contributed positively to real GDP growth. Moreover, the outlook for two of Germany's key export markets, China and the US, is clouded and a strong euro is a further drag on overall export competitiveness.

The China challenge. Its growing domestic production, mercantilist policies and inroads into high-tech sectors, reduce China's potential as a key export market for German goods and intensify competition in global markets. Since China joined the WTO in 2001, the share of sectors in which Germany and China both have a revealed comparative advantage have steadily increased, reaching 40% in 2023. Germany is still leading in terms of global market share for medical and pharmaceutical products, and automotives, although the latter is clearly shrinking. Former strongholds like general and specialized machinery have seen China catching up significantly, with the German machinery sector now calling for a stronger use of trade defence instruments.

The US challenge. The US is set to remain a key export market for Germany accounting for around 10% of total exports. However, even if a trade deal materializes within the next few weeks, market access for European/German firms will likely remain more restrictive than before "Liberation Day". Effective tariff rates could remain at 12-17% (assuming a 10-20% universal tariff), which is significantly higher than the 1% at the start of the year with automotives, steel and potentially pharma hit by sectoral tariffs.

Reconfiguration of global trade - our gravity model shows opportunities for German exports. Despite the above mentioned headwinds, ongoing structural changes in global trade patterns also offer opportunities for Germany. We use a gravity model to show how a strategic reconfiguration of German trade (e.g. via new trade agreements) could look in order to be most beneficial for future German export growth.

The EU-27 opportunity. Remaining intra-EU trade barriers lead to an estimated tariff-equivalent cost for intra-EU trade of 44% for the manufacturing sector on average and 110% for the service sector, according to the IMF. Thus, a reduction of trade barriers would be essential to lift the untapped potential of the EU single market. As part of the recently presented Single Market Strategy, the EU intends to address the ten most harmful barriers, e.g. by harmonizing packaging, labeling and waste rules. Still, even in an increasingly integrated single market, German companies are likely to face increasing competition from non-EU competitors like China.

The Global South opportunity. Our gravity model also sees potential for further trade integration with India, Brazil, Saudi Arabia, Egypt, Thailand and Vietnam. When simulating a degree of trade integration akin to a customs union, German exports to all twelve countries of our Global South aggregate would be boosted by EUR 125 bn (8% of total 2024 German exports). This should serve as a hypothetical upper bound estimate as to how beneficial a reduction of trade barriers via Free Trade Agreements with this group of countries could be.

A three-pillar strategy will help to unlock untapped export potential. The German export model is seriously challenged, but this could be offset by a strategy to (i) strengthen the EU single market, (ii) quickly implement new trade agreements with countries of the Global South (e.g. Mercosur and India) and (iii) enhance and make use of the trade defence toolbox in order to protect the bloc against unfair trade practices (with the July 24 EU-China summit being a key test). Whether this is enough to preserve the German export model remains to be seen. In any case, the trade policy strategy will have to be complemented by structural reforms in labour, tax, and energy policy.

Reconfiguration of global trade

Several drivers are currently at work, leading to structural changes in global trade patterns. Rising trade fragmentation presents a general headwind. Future trade integration for two key German export markets, China and the US, is hampered by (i) increasing self-reliance, coupled with rising competition on global export markets by China and (ii) the threat of higher US tariffs.

Still, the ongoing reconfiguration of global trade could also offer opportunities for other key German export markets. First, a reduction of intra-EU trade barriers would lift untapped potential in the EU-27 single market. Second, new trade agreements with countries of the Global South could facilitate access to key future export markets with middle powers (e.g. India) or hub economies playing an important role.

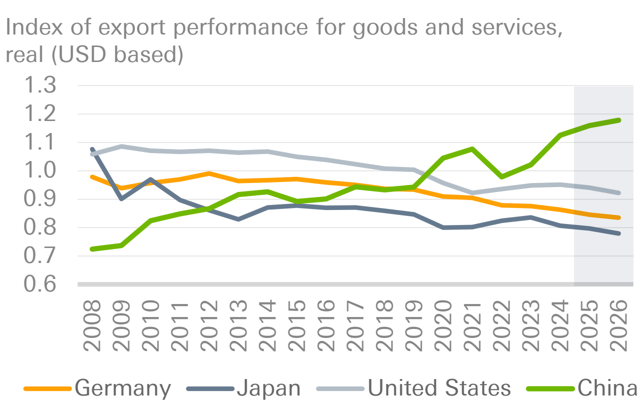
Thus, in the following analysis, we outline how Germany and the EU can successfully navigate this reconfiguration of global trade by relying on a targeted three pillar approach consisting of

1. strengthening the Single Market,
2. broadening access to world markets with bilateral free-trade agreements or strategic partnerships with resource-rich countries, and
3. enhancing and making use of the trade defence toolbox in order to protect the bloc against unfair trade practices or the weaponization of trade.

1) Germany's export competitiveness has suffered – market share in key export products has been lost

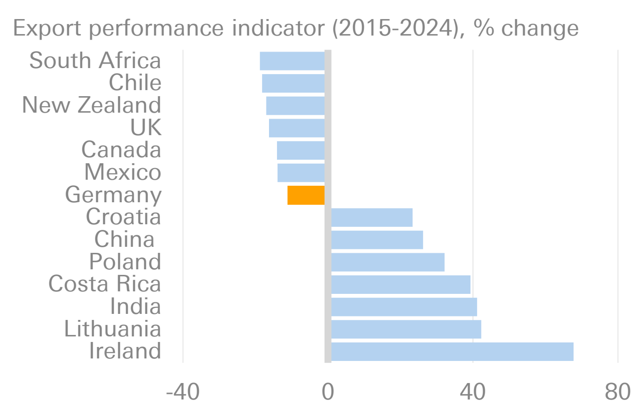
Germany's export performance has declined over the past decade meaning that Germany benefitted less than proportionally from demand of its key export markets.[1] Since 2015, net exports have been a drag on real GDP growth with no reversal expected for the next two years.

Figure 1: German export performance has been declining since 2015



Source : OECD, Deutsche Bank

Figure 2: Winners and losers in export competitiveness



Source : OECD, Deutsche Bank

1 See OECD Economic Outlook – Database Documentation

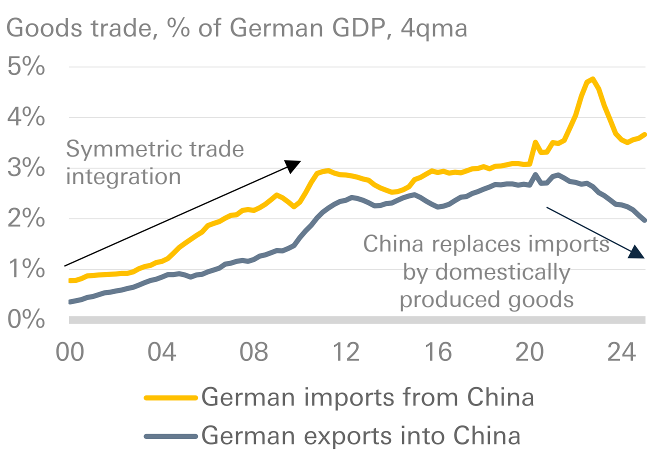
The OECD's indicator of export competitiveness, which measures how a country's real exports of goods and services are performing relative to its target export markets and provides forecasts for the next two years, shows that similar patterns of declining export performance are expected for the Germany, the US and Japan, while China is expected to see further gains in export performance.

1a) The China challenge

China's strong export competitiveness is particularly concerning for Germany. Its growing domestic production and inroads into high-tech sectors reduce China's potential as a key export market for German goods and intensify competition in global markets. In the early 2000s, we saw symmetric trade deepening with both German exports and imports rising as a share of GDP. However, this has changed massively since 2020 (see Figure 3). Now, there is continued trade integration on the import side, but disintegration on the export side.

This intensifying competition is further underscored by analyzing sectors where both countries possess a "Revealed Comparative Advantage" (RCA). A country has a "revealed comparative advantage" when its share of global exports in a specific sector is larger than the global average. Notably, since China joined the WTO in 2001, the share of sectors in which both countries have a RCA steadily increased, reaching 40% in 2023 (see Figure 4).

Figure 3: Structural trend of a widening trade deficit with China



Source : Destatis, Deutsche Bank

Figure 4: Intensifying competition with China

Source : UNCTAD, Deutsche Bank
* Share of sectors in which China and Germany have a revealed comparative advantage, relative to all sectors in which Germany has a revealed comparative advantage; based on 232 sectors with available data

We now look at individual sectors that are sufficiently large in terms of export volumes and put them into three different categories. First, those where Germany is still leading in terms of market share. Second, those where China is rapidly catching up, but Germany is holding ground and third, those where Germany appears to have lost ground irrevocably.

1) Germany is still leading in terms of market share for medical and pharmaceutical products and automotives, although the latter is clearly shrinking (Figure 5, Figure 6).

Figure 5: Medicinal and pharmaceutical products

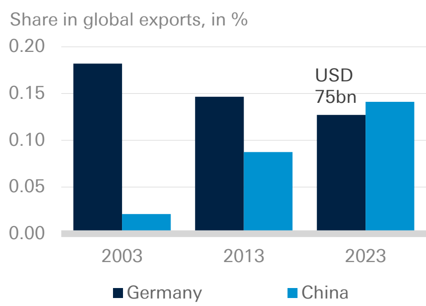
Source : UN Comtrade, Deutsche Bank

Figure 6: Road vehicles

Source : UN Comtrade, Deutsche Bank

2) China catches up, but Germany is holding ground. Former strongholds like general and specialized machinery have seen China catching up significantly and overtaking Germany with respect to global market share without Germany losing market share dramatically (Figure 7, Figure 8).

Figure 7: Specialized industrial machinery



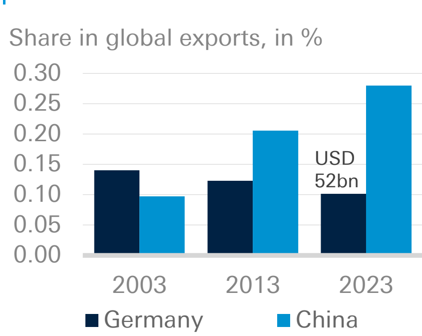
Source : UN Comtrade, Deutsche Bank

Figure 8: General industrial machinery & equipment

Source : UN Comtrade, Deutsche Bank

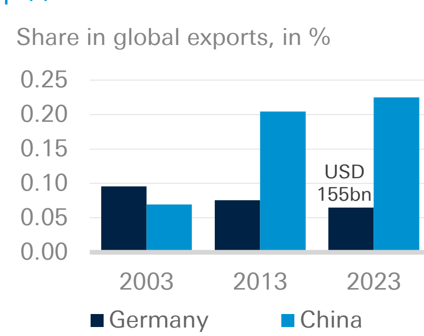
3) German loss in market share appears irreversible. In electrical machinery, manufactures of metal and miscellaneous manufacturing the loss of market share seems definitive (Figure 9 to Figure 11) given the sharp rise of Chinese market share.

Figure 9: Manufactures of metal



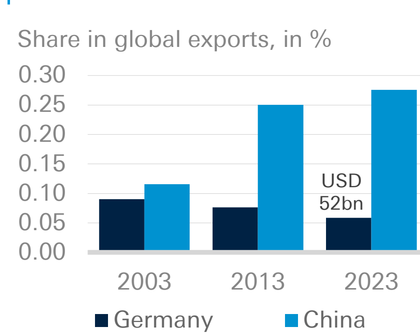
Source : UN Comtrade, Deutsche Bank

Figure 10: Electrical machinery and appliances



Source : UN Comtrade, Deutsche Bank

Figure 11: Miscellaneous manufactured articles



Source : UN Comtrade, Deutsche Bank

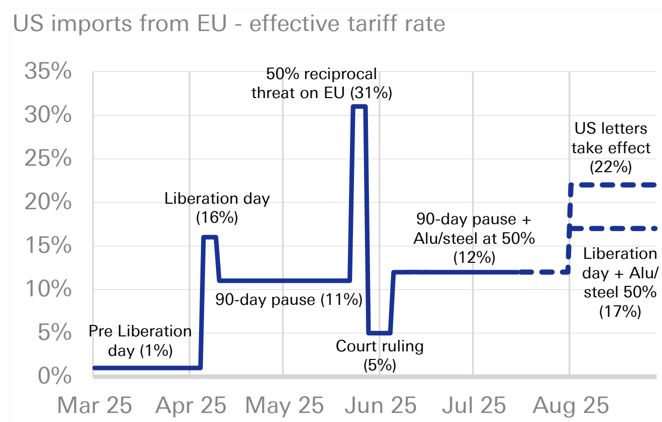
1b) The US challenge

The US is a key market for German exports, with goods exports amounting to EUR 161 bn last year (10% of total exports). However, more restrictive trade policies of the new US administration cloud the outlook. German/EU exports to the US are currently subject to an additional 10% "reciprocal tariff", while a 30% universal tariff starting from August 1 is looming with trade negotiations ongoing.

Figure 12: Germany has deepened export integration with the US

Source : Destatis, Deutsche Bank

Figure 13: The US effective tariff rate on the EU has been volatile

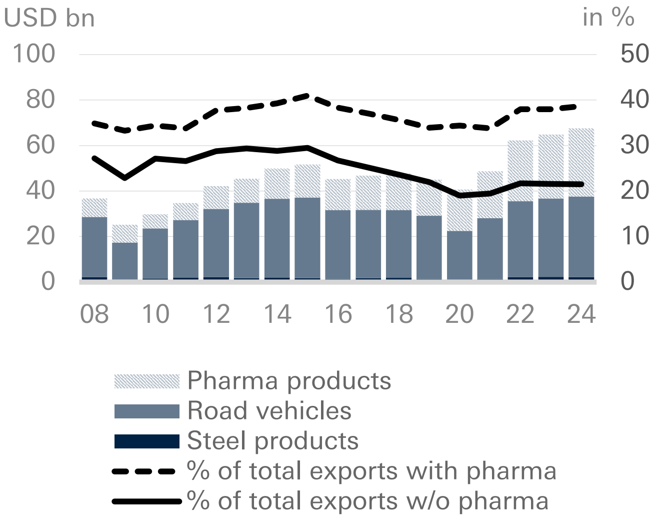


Source : Deutsche Bank, OECD
*See Europe Blog: Uncertainty and the trade shock: Have we overestimated its impact on Europe? July 14

On top, there are sectoral tariffs of 25% on cars/parts, as well as 50% on aluminum and steel (up from 25% since June 4). Effective tariffs rates could remain at 12-17% (assuming a 10-20% universal tariff), which is significantly higher than the around 1% at the start of the year with automotives, steel and potentially pharma hit by sectoral tariffs (Figure 13 and Figure 14).

Even though we expect a framework deal to materialize by August 1 (or over the course of the summer if deadlines are prolonged even more), as we noted here, market access for European/German firms will probably remain more restrictive than before "Liberation Day". An across-the-board 10-20% tariff appears to be a new baseline for imports into the US. Moreover, sector-specific tariffs on car/parts, steel and aluminum are unlikely to be removed entirely. The EU might instead secure tariff-rate quotas (TRQs) for these products, like the UK. However, it is unclear whether these quotas would reflect existing trading volumes or be more restrictive. Furthermore, recent court rulings and the possibility of further sectoral tariffs (e.g. on pharmaceuticals or semiconductors) indicate that uncertainties remain regarding future US trade policy. As a result, alternative destinations like the EU Single Market or some emerging markets may become increasingly important for German exporters.

Figure 14: Around USD 40 bn of German exports affected by US sectoral tariffs currently



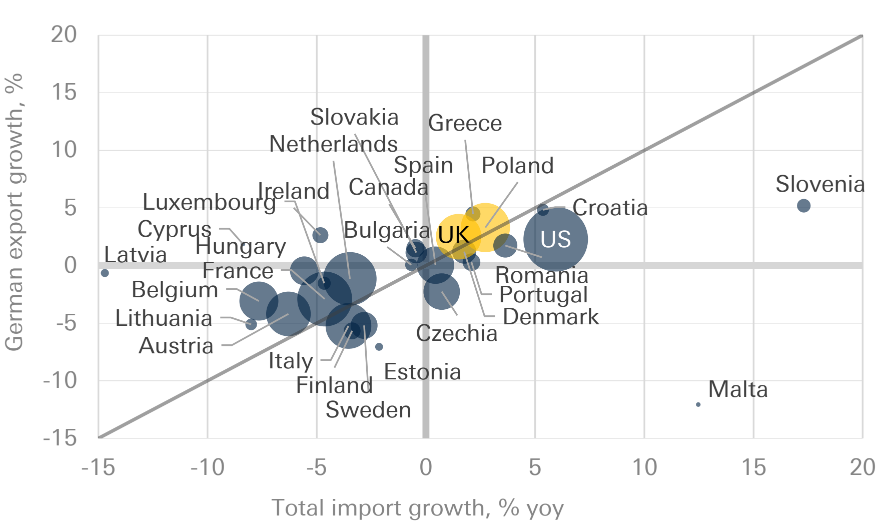
Source : Destatis, Deutsche Bank

2) Taking stock - bright spots in terms of export markets in 2024

Before we turn to the outlook for future key German export markets, we take stock of the status quo in 2024.

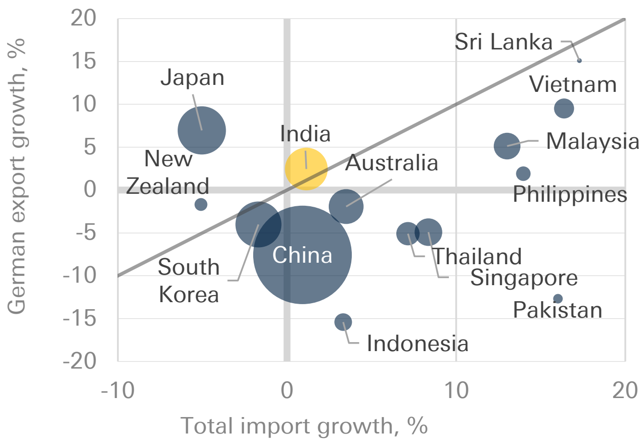
The following charts plot each country based on two key metrics: overall import growth in 2024 (x-axis) and the growth of German exports to that country (y-axis). Furthermore, the size of each bubble represents the total export volume from Germany to that country in 2024, offering a visual representation of market significance.

Figure 15: Europe - UK and Poland have been the bright spots for German exports in 2024



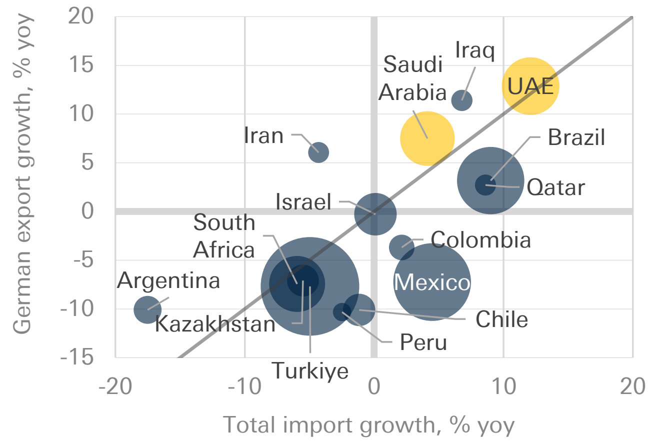
Source : IMF, Deutsche Bank

Figure 16: APAC - India was the "bright spot" for German exports in 2024



Source : IMF, Deutsche Bank

Figure 17: Latam and MEA - Saudi Arabia and UAE were the "bright spots" for German exports in 2024



Source : IMF, Deutsche Bank

The segment above the 45° line in the upper right quadrant in each of the three above charts singles out “the bright spot for German exports”. These are countries where global imports were rising in 2024 and where imports from Germany grew more than overall imports as well (i.e. Germany benefitted from a rising share of a "growing pie"). The segment below the 45° line in the upper right quadrant shows those countries where overall imports were rising, but Germany benefitted less than proportionally from this.

For Europe, Poland and the UK are such “bright spots” (see Figure 15). In Asia, India, Vietnam and Malaysia have seen both German imports and overall imports rise (see Figure 16). Growing German exports in an overall shrinking export market might also be positive for now (see Japan), but does not qualify as a "bright spot", in our view. In Latam and MEA, Saudi Arabia and the UAE stood out in 2024, while Brazil has also seen its overall imports rise and German exports to Brazil rise (see Figure 17).

3) Future export markets - What does our gravity model predict?

We use a gravity model to estimate how much Germany would be expected to trade based on fundamental factors (GDP, distance) and trade policy (customs union). Larger trading partners closer to Germany with trade agreements will have more interactions than smaller, farther places without trade agreements (for more details see the Model Deep Dive Box below).

Figure 19 visualizes untapped potential for German exports by comparing actual and predicted German exports across various countries. The size of the bubble indicates the GDP of the respective country. All countries located below the 45-degree line have untapped export potential, as predicted German exports to those countries are larger than actual exports.

Figure 18: Our gravity model in more detail

Our analysis utilizes a multiple linear regression model applied to Germany's 50 largest export partners.

While the traditional gravity model posits that total trade between two countries is determined by their distance and the size of GDP, our analysis employs two simplifications. First, we focus solely on German exports, instead of total trade, as this aligns with the scope of our study. Second, we use the distance between capitals as a proxy for overall distance. This may over- or underestimate the true distance, particularly for neighboring countries or those where the economic center is geographically distinct from the capital.

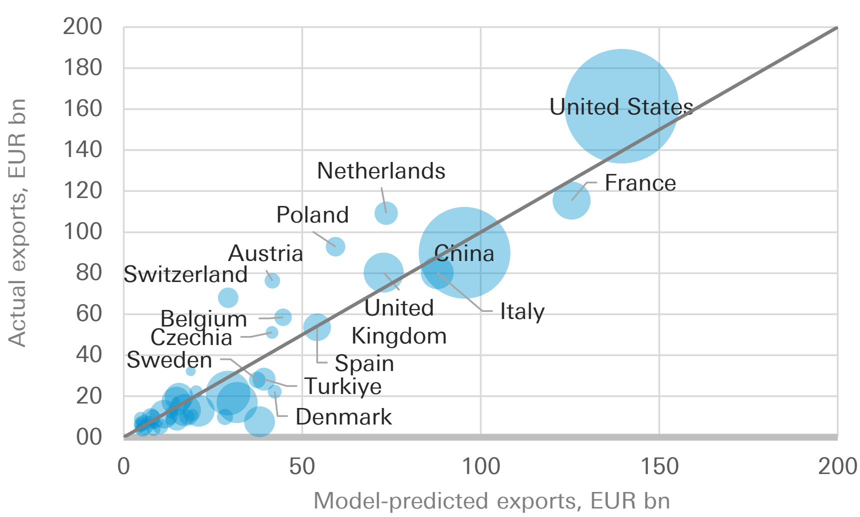
We enhanced our model used in a previous report* by including an additional independent variable: a dummy variable indicating membership in the European Customs Union (1 if a member, 0 otherwise). This addition increases the R-squared to approximately 0.82 (Adjusted 0.80) adding to the explanatory power of the model. The inclusion of this dummy variable is motivated by the expectation that countries within a customs union, having reduced trade barriers, will exhibit increased trade amongst themselves.

The model remains a substantial simplification of reality and should be viewed as such. Other potentially important variables, frequently included in gravity models, are shared borders, common languages, or a common currency.

Source : Deutsche Bank
**Germany Schnappschuss: New centres of gravity, April 22*

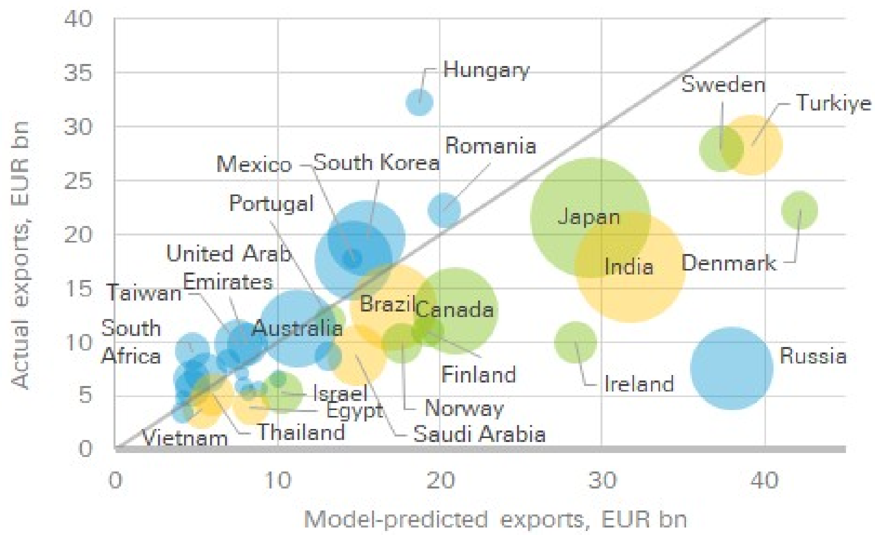
For countries with current exports above EUR 40 bn our gravity model indicates untapped potential for France, Italy, Turkiye and Denmark .

Figure 19: Our gravity model for German exports flags untapped potential for France, Italy, Turkiye and Denmark



Source : Destatis, CEPII, World Bank, Deutsche Bank

Figure 20: Untapped potential in the Global South - India, Brazil, Saudi Arabia, Egypt, Thailand and Vietnam



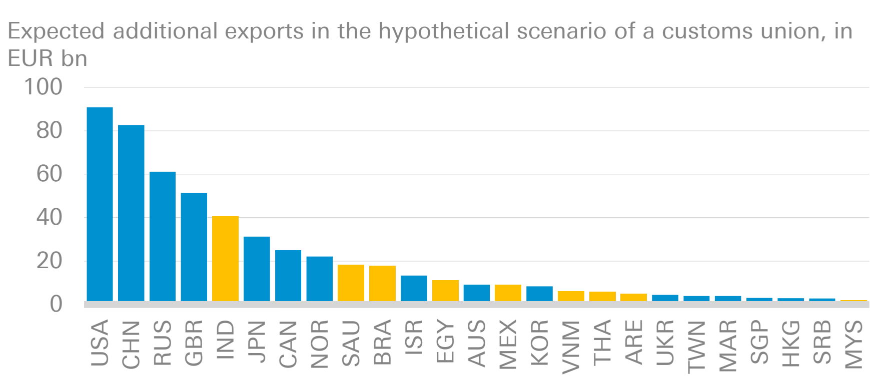
Source : Destatis, CEPII, World Bank, Deutsche Bank

Zooming in on those countries with current export volumes below EUR 40 bn (see Figure 20) reveals additional promising markets within the Global South: India, Brazil, Saudi Arabia, Egypt, Thailand, and Vietnam (all highlighted in yellow) and among developed countries (Japan, Ireland, Canada, Norway, Finland and Israel).

3a) How much could German exports be boosted by entering new trade agreements - a hypothetical scenario

As a next step, we use our model to project potential exports when simulating a degree of trade integration akin to a customs union. While this is hypothetical, these projections serve as a useful benchmark for identifying the potential benefits of trade agreements. Considering the diverse nature of trade deals, which are difficult to put into one variable, the customs union framework offers a simplified basis for comparison. Figure 21 quantifies the potential increase in German exports by comparing these projections with current actual exports.

Figure 21: Trade agreements with the UK, India and Mercosur could unlock substantial potential for German exports



Source : Destatis, CEPII, World Bank, Deutsche Bank

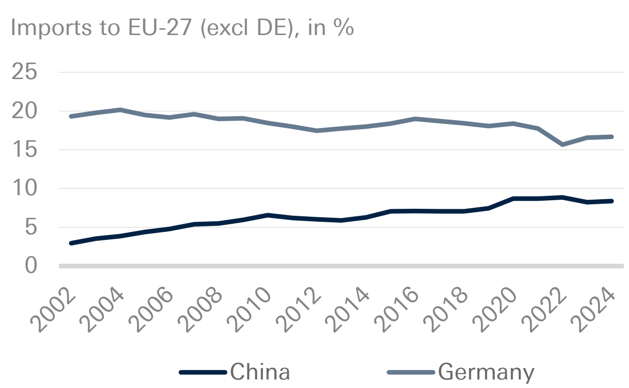
3b) The EU-27 opportunity - lifting untapped potential of the EU Single Market

Although the EU already is the most important export market for Germany, there is still untapped potential. 54% of German goods exports, worth EUR 838 bn, went to EU trading partners last year. However, the above analysis indicates that German companies have not yet fully exploited the potential of some intra-EU export markets like France and Italy (Figure 19).

Over the next few years, German exports could benefit from the removal of intra-EU trade barriers. Inspired by the Draghi and Letta reports, this is a key priority of the second Von der Leyen Commission, with sectors like energy, defence, telecommunication, digital and services being in focus. Remaining barriers lead to an estimated ad valorem equivalent extra cost for intra-EU trade of 44% for the average manufacturing sector and 110% for the service sector.[2] According to think tank estimates, the completion of the single market for goods could lead to economic benefits of 1.5-2.4% of EU-GDP annually in the long term, and 1.8-2.9% of EU-GDP for a fully integrated service market.[3]

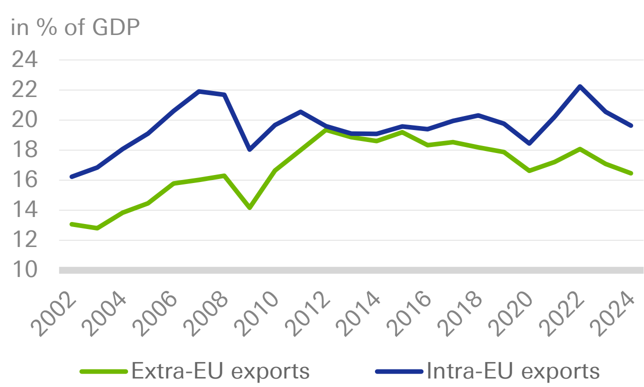
As part of the recently presented Single Market Strategy, the EU intends to address the ten most harmful barriers,[4] such as harmonized packaging, labeling and waste rules, as well as facilitating the cross-border posting of qualified professionals. A hurdle that remains largely unaddressed is the difficulty for exporting companies to gain an overview of national and EU rules they must comply with. According to EIB surveys (see here), 60% of EU exporters and 74% of innovators report that they have to comply with significantly different regulations across EU countries, with the services sector hit hardest.

Figure 22: Germany accounts for a larger share of EU imports than China - but the gap has narrowed



Source : Eurostat, Deutsche Bank

Figure 23: Germany - Intra-EU exports grow faster than extra-EU exports



Source : Eurostat, Deutsche Bank

However, even on an increasingly integrated single market, German companies are likely to face increasing competition from non-EU competitors. China, for example, has steadily increased its share of EU imports (excl. Germany) from 2.9% in 2002 to

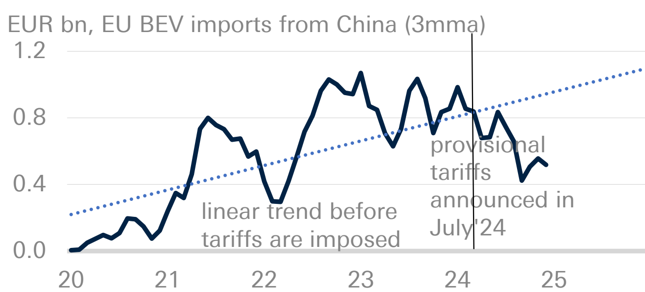
2 IMF (2024). Europe's Declining Productivity Growth: Diagnoses and Remedies. Regional Economic Outlook Notes for Europe. November 2024.
3 European Parliamentary Research Service (2023). Increasing European added value in an age of global challenges. Mapping the cost of non-Europe 2022-2032. February.
4 See Businesseurope (2025). Examples of Single Market barriers for businesses – 2025. May 21

8.4% in 2024. At the same time, the share of German exports into the EU market slowly declined, but standing at 16.7% in 2024, it remained significantly higher than China's share (Figure 22). While the export profiles of the two countries have converged over the years, Germany still keeps a significant lead when it comes to pharmaceutical products, autos and specialized industrial machinery (see Figure 25 to Figure 33).

Overall, competition between German and Chinese exporters seems a bit less intense on the EU market than what we outlined for global markets above. However, competition for EU market shares could intensify further due to new US tariffs and potential trade diversion of Chinese goods towards Europe[5] .

The EU is making increasing use of its trade defence tools. A recent paper by the German association of machinery manufacturers also urges the government/ EU Commission to act against unfair Chinese trade practices, a novelty for this German sector. [6] Recent EU action shows that the EU has already become more assertive when it comes to perceived violations of the global trade rule book. On October 29, the EU greenlighted additional tariffs on Chinese EVs, following an anti-subsidy investigation launched in October 2023. According to latest data, this has started to slow down EU imports of battery electric vehicles from China.

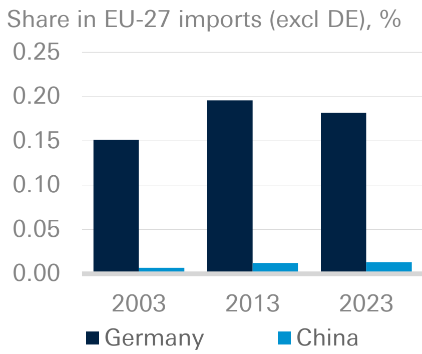
Figure 24: Imposition of anti-subisidy tariffs in July has slowed down EU BEV imports from China



Source : UN Comtrade, Deutsche Bank

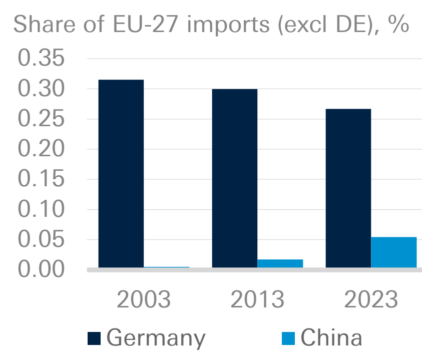
5 See Germany Blog: A first glimpse on Chinese trade diversion. June 6
6 VDMA Positionspapier, China spielt nicht fair, darauf muss die Politik reagieren, June 12, 2025

Figure 25: EU export market - Germany kept its share in pharma & medical products, ...



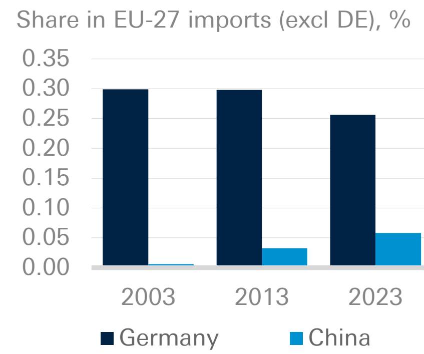
Source : UN Comtrade, Deutsche Bank

Figure 26: ...road vehicles, ...



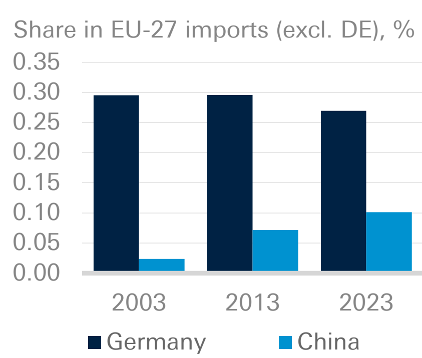
Source : UN Comtrade, Deutsche Bank

Figure 27: ... specialized industrial machinery, ...



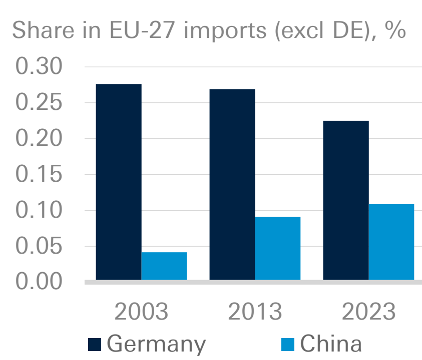
Source : UN Comtrade, Deutsche Bank

Figure 28: ... general industrial machinery & equipment, ...



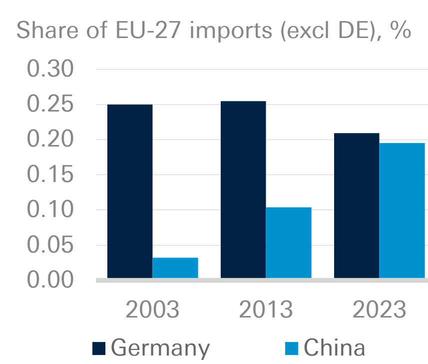
Source : UN Comtrade, Deutsche Bank

Figure 29: ... and manufactures of metal, ...



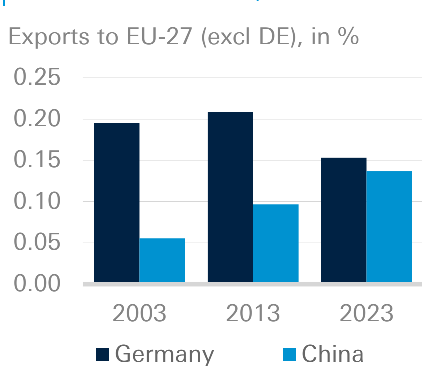
Source :UN Comtrade, Deutsche Bank

Figure 30: ...but China caught up when it comes to electrical machinery & equipment, ...



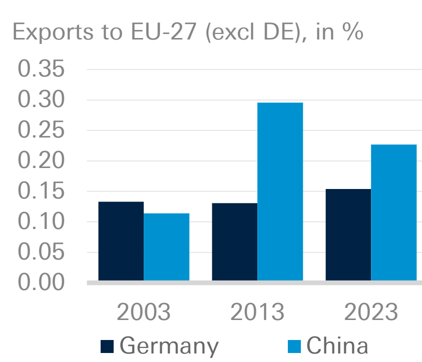
Source :UN Comtrade, Deutsche Bank

Figure 31:...miscellaneous manufactured articles, ...



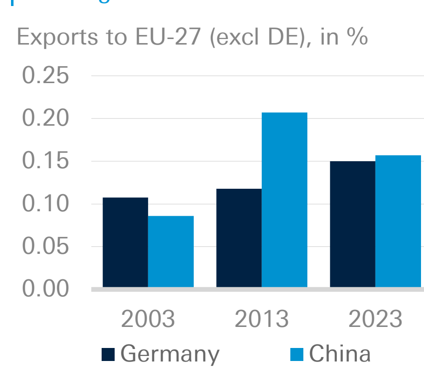
Source :UN Comtrade, Deutsche Bank

Figure 32: ...and is leading in office machines, and...



Source :UN Comtrade, Deutsche Bank

Figure 33: ...articles of apparel and clothing accessories



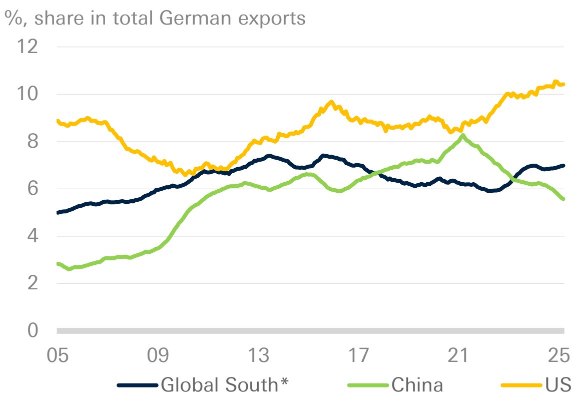
Source :UN Comtrade, Deutsche Bank

3c) Enter the Global South – which countries stand out here?

Current shifts in the global trade order open up a window of opportunity for the EU/ Germany to deepen trade integration with emerging markets. A recent paper by the

Deutsche Bank Research Institute (see here) identified key countries of the Global South. It attributes high potential to India, Saudi Arabia, Brazil, and Indonesia, with size being an important factor in a less globalized, more fractured world. To be sure, there will be fierce competition in tapping the potential of these growing markets with the EU/Germany competing against the US and China among others.

Figure 34: Global South has gained in importance as German export destination



Source : Destatis, Deutsche Bank
**The Global South is defined here as comprising India, Indonesia, Brazil, Mexico, Saudi Arabia, Egypt, the Philippines, Vietnam, Turkiye, and the UAE*

Renewed momentum in the EU's free trade talks. Since taking office in December, the second von der Leyen Commission has concluded negotiations with Mercosur and Indonesia, as well as those for deepened agreements with Mexico and Switzerland.

- Furthermore, the EU has **relaunched negotiations with Malaysia**, agreed to **start talks with the UAE,** and might soon **re-start negotiations with Australia** (see Figure 35).
- **Negotiations with India** have also gained momentum, and a deal on an interim trade agreement – covering tariffs, non-tariff barriers, intellectual property rights, government procurement – may be reached by the end of the year.
- The EU is also seeking **closer ties with the pacific free-trade bloc**, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which includes 12 countries, including the UK, Japan, Canada, Australia and New Zealand. A 39 nation EU-CPTPP cooperation could be an attempt to at least partially restore the international trade order after the WTO has not functioned properly for years. A first step could be a "standstill agreement" in which the countries pledge to keep their markets open for each other and commit to uphold the established rules of multilateral trade.[7]
- At the same time, the EU has entered a number of **strategic relationships with several resource-rich countries** in order to improve access to critical raw materials (Figure 36).

7 Politico (2025). 'Goodbye Trump, hello Asia' is the EU's new trade strategy. Will it work? June 30

Figure 35: EU's new push for FTAs

Country	Imports, 2024, USD bn		MNF simple average duty, 2023	Status	Main sticking points
	from world	from Germany			
Chile	84	3 (4%)	6.0%	Interim Trade Agreement in force since 1 February 2025 Advanced Framework Agreement awaiting ratification of all EU member states	
Mexico	663	19 (3%)	6.8%	Awaiting ratification after negotiations have been concluded in January 2025	
Mercosur	369	17 (5%)	6.8%-13.4%	Awaiting ratification - EU to present legal texts and ratification strategy soon	Agricultural goods (beef, sugar), deforestation
Indonesia	229	3 (1%)	8.0%	Political agreement for a "Comprehensive Economic Partnership" reached on July 13, 2025	Deforestation, Indonesia's nickel export restrictions
India	674	18 (3%)	17.0%	Negotiations resumed in June 2022	India's high tariffs, e.g. for cars; EU carbon border tax
Thailand	309	11 (2%)	9.8%	Negotiations resumed in March 2023	
Malaysia	301	7 (2%)	5.6%	Negotiations resumed in January 2025	Palm oil, deforestation
Philippines	144	2 (1%)	6.0%	Negotiations resumed in March 2024	
Australia	301	12 (4%)	2.4%	Negotiations broke down in October 2023, could resume under the new Australian government	Agricultural goods (beef, sheep meat), naming rights on products like prosecco, feta etc.
UAE	469	11 (2%)	4.7%	Start of negotiations agreed in April 2025	

Source : European Commission, IMF, WTO, Politico, Deutsche Bank

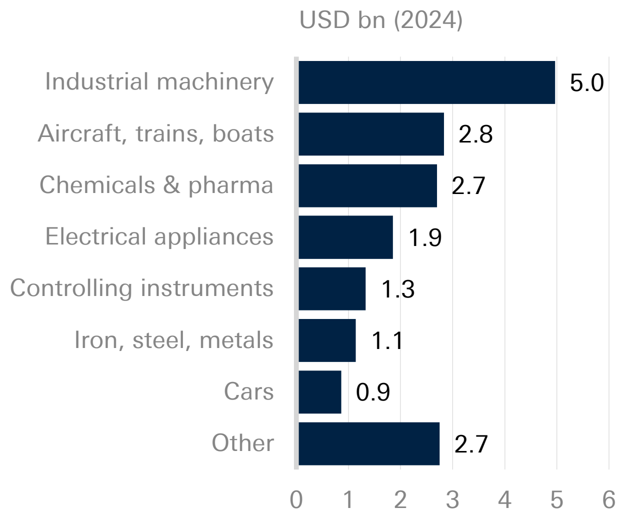
Figure 36: The EU's growing network of strategic raw material partnerships

Country	Year	Key raw materials covered
Canada	2021	Rare earths, lithium, nickel, cobalt
Ukraine	2021	Titanium, 20 other CRM
Kazakhstan	2022	30 CRM
Namibia	2022	Lithium, cobalt, graphite, rare earths
Argentina	2023	50 CRM
Chile	2023	Lithium, copper, and 48 other CRM
DRC	2023	Cobalt, copper
Zambia	2023	Copper
Greenland	2023	25 CRM
Rwanda	2024	Tantalum, potentially lithium and rare earth elements
Norway	2024	Magnesium, titanium, vanadium, phosphate rock
Uzbekistan	2024	Copper, molybdenum, and gold
Australia	2024	Raw materials for the green and digital transition
Serbia	2024	Battery and EV value chains (lithium)

Source : European Commission, Deutsche Bank
**CRM = critical raw materials*

A trade agreement with India would improve access to an important export market for German/EU companies. Regarding the potential positive impact on market access, India stands out among all countries with which the EU is currently having trade negotiations. India's global imports stand at a high USD 674 bn in 2024, while the country also maintains relatively high trade barriers with average tariffs of 17%. Last year, Germany exported goods worth USD 18 bn to India, mainly industrial machinery, aircraft, and chemical and pharmaceutical products (Figure 37). Our gravity model (Figure 20) suggests that, based on India's GDP and geographical distance, German exports to India should be twice as high. When simulating a degree of trade integration akin to a customs union, potential German exports to India might reach as much as USD 57.4 bn per year. This illustrates the potential benefits of a comprehensive trade agreement between India and the European Union.

Figure 37: German exports to India - mainly industrial machinery and transport equipment



Source : UN Comtrade, Deutsche Bank

Figure 38: Ratification - easier for "EU-only" than for "mixed" trade agreements

Type of trade agreement	Policy area covered
"EU-only"	> Market access for goods
	> Technical barriers to trade, sanitary/phyto-sanitary measures
	> Service market access (excl. transport services)
	> FDI
	> Trade related aspects of energy
	> Competition and state-owned entreprises
"Mixed"	> Investor-state dispute settlement
	> Portfolio investment
	> Environment
	> Energy (beyond trade related aspects)
	> Security
Potentially "mixed" depending on content	> Justice and Home Affairs
	> Sectoral regulatory cooperation
	> Transport services
	> IP rights
	> Trade and sustainable development
	> Culture (incl. audiovisual provisions)

Source : Conconi et al. (2021), Deutsche Bank

Taking into account India's growth prospects – our economists expect India's GDP to reach USD 7 tr by 2030[8] – the export potential could rise further to USD 95 bn. A future EU-India trade agreement might not remove all the frictions to reap this hypothetical benefits, but it would certainly open substantial, so far untapped, potential.

During ratification, trade-related aspects of the treaty are often provisionally put into effect. Even though trade is one of the EU's core competences, ratification following completed negotiations can be complex. In order not to keep the whole agreement on hold, the Council often decides to apply the "EU-only" trade-related part provisionally. For example, the EU-Chile agreement was split in an Interim Trade Agreement (ITA), which has been in effect since February 2025, and an Advance Framework Agreement (AFA), which will replace the ITA once it is fully ratified. For the Mercosur agreement, the Commission is expected to soon present a ratification strategy, clarifying whether it constitutes a "mixed agreement" or not. Currently, a qualified majority in the Council for an "EU-only" part of the agreement still seems uncertain, with France leads the group of skeptics (also including Austria, Hungary and Poland).[9]

Ratification is especially complex in the case of "mixed agreements" that, beyond trade-related elements, also include provisions outside of the EU's exclusive competences (see Figure 38). Such "mixed agreements" require unanimous approval not only from the Council and the European Parliament's consent but also ratification by each individual member state. As this is a lengthy process with a certain risk that ratification gets blocked by a single member state, there have been calls to return to "EU-only" agreements focused on trade a market access. Chancellor Merz, for example, in his first address to parliament on May 14, said he proposed a new EU free trade initiative with the aim of concluding as many FTA as possible, preferably "EU-only" deals. The ratification of such agreements would

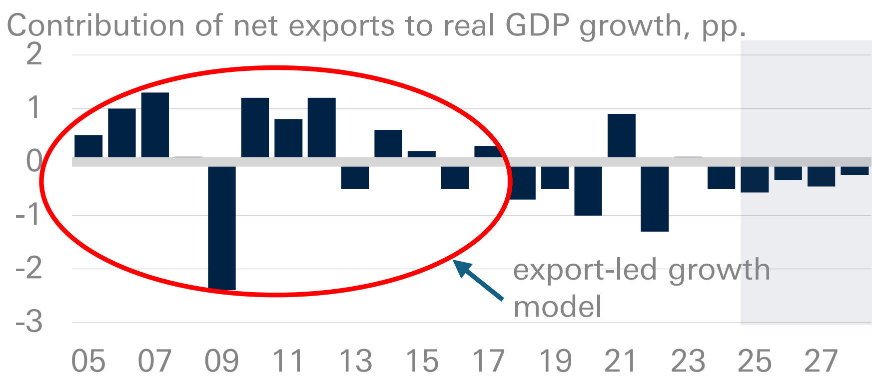
8 See India Economics Weekly: Special report: Is the worst behind us? March 5
9 Euractiv (2025). Germany pushes for Mercosur deal as France rallies allies to block it. June 16

only require a qualified majority in the Council and a simple majority in the European Parliament.

4) Conclusion

Germany and the EU can successfully navigate the reconfiguration of global trade by relying on a targeted three pillar approach consisting of (i) strengthening the EU single market, (ii) new trade agreements with countries of the Global South (e.g. Mercosur and India) and (iii) enhancing and making use of the trade defence toolbox in order to protect the bloc against unfair trade practices. The upcoming EU-China summit on July 24/25 will be a key test to the anti-subsidy tariffs against Chinese EVs. Whether this three pillar approach is enough to preserve the German export model remains to be seen. In any case, the trade policy strategy will have to be complemented by structural reforms in labour, tax and energy policy.

Figure 39: No return to an export-led growth model for now



Source : Destatis, Deutsche Bank

**We would like to thank Tobias Stange for his valuable contribution.*

Appendix 1

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