Eurochambres Chief Economists
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The impact of trade policy uncertainty on investment in the EU

EUROCHAMBRES

Table of contents

Executive summary

Over the past decade, a rapid succession of crises has generated exceptional levels of political and economic uncertainty, affecting European firms and households alike. Armed conflicts, geopolitical tensions, the fragmentation and weaponisation of trade have given rise to a "polycrisis" context and made uncertainty a persistent feature of the economic environment. During the past year and with the start of the Trump II administration in the Unites States, uncertainty in trade policy in particular has reached unprecedented heights, raising concerns about its potential impact on European firms' expectations and investment behavior. While companies have so far shown a remarkable degree of short-term resilience, persistent uncertainty may weigh on business investments. This paper thus analyses and seeks to quantify the impact of trade policy uncertainty on investments in the EU using the most recently available data.

Eurochambres Chief Economists Group conducted an original empirical analysis covering 24 EU Member States over the period 2000–2025. The results identify three main findings. First, there is a **statistically significant and economically meaningful negative relationship** between trade policy uncertainty (TPU) and investment in the EU. Higher levels of TPU are associated with lower levels of business investments, confirming that uncertainty has the potential to impact firms' willingness to invest.

Second, this negative **effect is stronger in more open, export-oriented economies**, where firms are more exposed to changes in expected market access and trade conditions. Third, the impact of trade policy uncertainty becomes **more pronounced over time**. The analysis shows that **the effect of trade policy uncertainty** is not immediate, but rather **delayed and cumulative**: as longer lags of TPU are introduced, the estimated negative coefficients increase in magnitude, indicating that firms adjust their investment decisions gradually. As a result, the full impact of an uncertainty shock materialises only with a delay, suggesting that the consequences of today's elevated TPU levels may not yet be fully reflected in current investment data.

These findings underline the importance of a stable and predictable trade policy environment for sustaining investments in Europe. In an increasingly uncertain global economy, Europe's position as a leading trading partner will be crucial in supporting business confidence and sustaining investments. Stable trade policies, effective trade agreements, fair competition, and stronger coherence between internal and external EU policies are only some of the ways that will help mitigate uncertainty and support continued investments by EU businesses.

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The impact of trade policy uncertainty on investment in the EU

1. Introduction

Investments hinge on risk, and risk is rooted in uncertainty. Over the past decade, a succession of unexpected crises has generated exceptional levels of political and economic uncertainty, affecting European firms and households alike. These recent challenges are increasingly interconnected, with shocks no longer being understood as isolated, but as mutually reinforcing, giving rise to what has been described as a "polycrisis" (Rakowski et al., 2025; World Economic Forum, 2023). In this context, overlapping crises – including pandemics, geopolitical tensions, conflicts — have rendered uncertainty a persistent feature of the economic environment. Policymakers often struggle to respond to sudden changes in economic and political conditions, which can result in inconsistent or uncertain policy responses and further contribute to instability in the policy landscape.

At the same time, Europe has undergone major changes in its trade relations: from Brexit and the decoupling from the Russian economy following the war in Ukraine to worsening trade relations with the United States. This growing instability has significant implications for European businesses, particularly those that are internationally active, and has revived the policy debate on the EU's need to diversify trade relations and reduce exposure to external shocks. Recent work by Arjona et al. (2023) shows that trade-related risks are amplified when dependencies concern strategically relevant products and when supply chains display limited substitutability. In this sense, uncertainty in trade policy – or, trade policy uncertainty (TPU) – can have significant implications for firms' expectations and investment decisions. While stability and consistency in economic and trade policies are key preconditions for sustained investment (Handley & Limao, 2012), heightened uncertainty may instead lead firms to be more risk-averse and to scale back investments, weakening innovation and competitiveness.

Against this backdrop, this paper examines the impact of trade policy uncertainty on European businesses' investment levels. Specifically, it asks *to what extent does uncertainty in trade policy affect European businesses' investments?* The analysis covers 24 EU Member States over the period 2000–2025 and employs a fixed-effects regression framework. The results reveal a statistically significant and economically relevant negative relationship between trade policy uncertainty and investment. This effect is stronger in countries with a higher share of exporting firms and becomes more pronounced when time lags are taken into account. A 100-point increase in TPU is associated with a decline in the investment-to-GDP ratio of 2.4 percentage points, rising to up to 4.4 percentage points in export-oriented economies when a one-year lag is considered. By focusing on the EU business sector and using the most recent data, this study seeks to *quantify* and provide new empirical evidence of TPU's impact on business investments.

Overall, persistently elevated levels of trade policy uncertainty in the global economy may have significant implications for European firms' investment decisions, both in the short and longer term, with longer-term effects remaining difficult to predict. In this context, Europe's position as a pre-eminent global trading partner remains crucial. Stable and predictable trade policies, effective trade agreements, fair competition, and coherence between internal and external EU policies can help mitigate uncertainty and support investment and competitiveness in international markets.

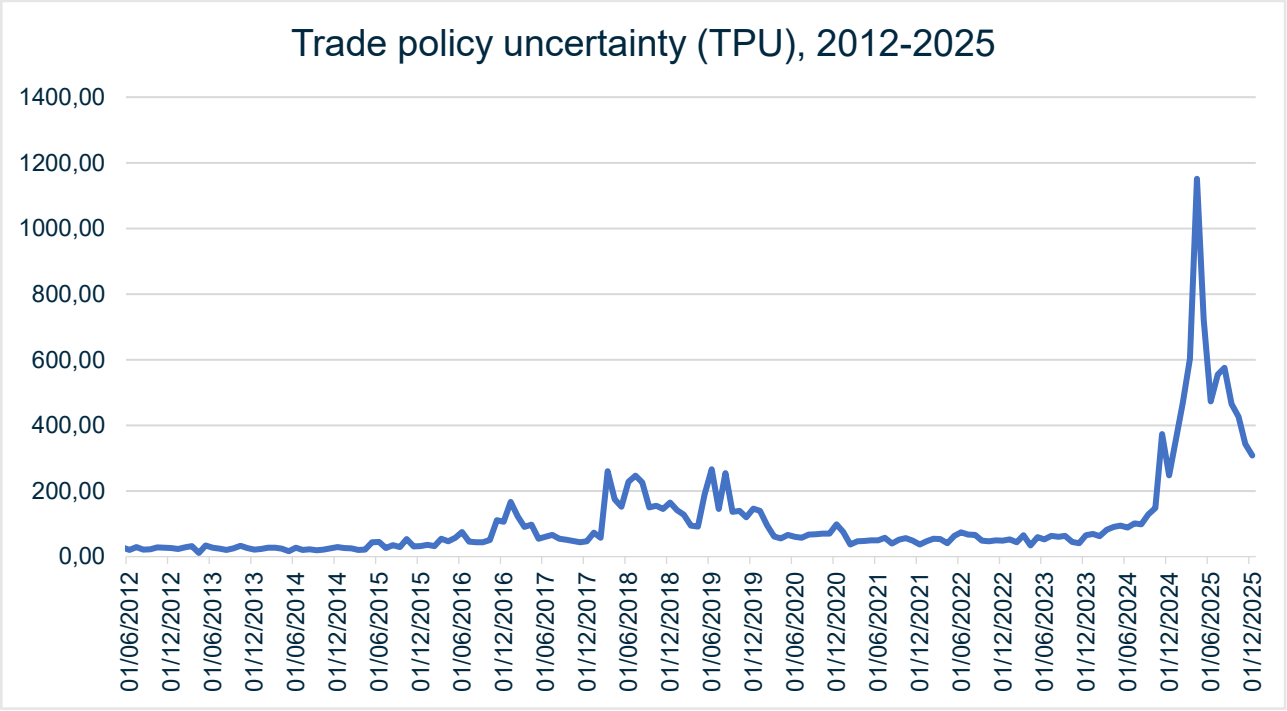
2. Current trends

2.1 Trade policy uncertainty (TPU)

Policy uncertainty can be understood as the inability of economic actors to correctly assess the timing, scale, and nature of policy adjustments. Scholars identify different types of policy uncertainty, according to the considered policy area: economic policy uncertainty (EPU), monetary policy uncertainty (MPU), fiscal policy uncertainty (FPU) and, crucially for this study, trade policy uncertainty (TPU) (Long and Morgan 2023; Farooq et al, 2025).

Trade policy uncertainty (TPU), therefore, specifically pertains to the unpredictability surrounding trade rules, tariff schedules, quotas, trade agreements or other measures that shape cross-border economic activities. While always an element of international relations, its intensity has varied substantially over time and has risen markedly in recent years, as clearly visible in Graph 1.

Graph 1. Trade policy uncertainty 2012-2025



Data retrieved from Trade Policy Uncertainty (TPU Index) developed by Caldara et al (2019) [monthly TPU index]. Available at: https://www.policyuncertainty.com/trade_cimpr.html.

Historically, significant shifts in the global trading system have been linked to increasing levels of TPU. Episodes of trade integration, such as China's accession to the World Trade Organization (WTO), and of disintegration, notably the United Kingdom's decision to leave the European Union, have both generated heightened uncertainty regarding future trade arrangements (Handley and Limão, 2022). A significant escalation in TPU compared to previous data began in 2016. The Brexit referendum and the election of the first Trump administration both signalled a break with the long-standing pro-trade stance traditionally associated with the United Kingdom and the United States. These developments introduced doubts about the continuity of established trade agreements and risked undermining the effectiveness of the global trading order as a whole. The 2018 U.S.–China trade conflict

further intensified the concerns linked to global fragmentation, contributing to a broad rise in uncertainty at the international level and eliciting the question of how firms respond to an unpredictable trade environment.[1]

As seen from Graph 1, historical levels of TPU have overall been rather homogeneous, with key increases in 2016, 2018-19 (US-China trade conflict), and a slight increase around the onset of the COVID-19 pandemic. The years 2024-2025, however, have seen a stark and historically unprecedented steep rise in TPU. This coincided with the re-election of the Trump administration and, most importantly, with the announcement and foreseen implementation, in April 2025, of unprecedented tariffs for virtually all countries, which brought global levels of trade policy uncertainty to unparalleled levels. The TPU monthly index reached 1,151.36 on 1 April 2025, substantially surpassing its earlier peak of 266.00 in June 2019, underscoring the exceptional intensity of trade policy uncertainty during this period. This clearly highlights the magnitude of the uncertainty shock recently felt in trade policy, with significant implications for economies and businesses.

Trade policy uncertainty has since diminished, as countries and firms tried to adapt to this new reality and, in some instances, managed to conclude deals with the Trump administration, which offered some degree of certainty. TPU nonetheless remains historically high. In December 2025, the TPU index remains approximately more than 250 points above its average level over the previous four years 2021-24. In view of the magnitude of change in global trading conditions, and of the persistently high levels of trade policy uncertainty, investigating the exact extent of the impact that TPU can have on the European economy as a whole, and on business investments more specifically, remains a highly relevant research question to try to answer.

2.2 Investment expectations

Economic forecasts initially reacted rather strongly to the uncertainty shock experienced in the global economy and in trade policy, anticipating a pronounced slowdown in global activity and a sharp contraction in investment both in the EU and abroad[2]. Yet, as of late 2025, investment and trade in the EU have proved more resilient than expected, suggesting that the immediate impact of recent trade policy developments has been less severe in the short run than early projections indicated[3].

Looking at current investment trends helps clarify how European firms are responding to this environment. Despite expectations of a sharp decline, investment levels have held up better than foreseen, supported in part by improving macro-financial conditions—most notably, easing inflation and lower borrowing costs. At the same time, the full impact of high trade policy uncertainty may simply not yet be visible, as investment responses often materialise with a lag.

Expectation data from the EU business sector reveal a sentiment of cautious resilience set against a still-fragile environment. Eurochambres Economic Survey 2026, a survey ran on

[1] For a description of historical events related to TPU dynamics and episodes of trade integration and disintegration, check: Handley, K. and Limão, N. (2022).
[2] On the effects of US tariffs, please consult the recent work by Motyovszki (2025)
[3] According to data from the European Commission (2025), investment in the EU (excluding Ireland) is estimated to have grown by 0.8% in the first two quarters of 2025 compared to the second half of 2024. Exports of goods and services grew by 1.9% in Q1 2025, largely attributable to frontloading ahead of US tariffs implementation.

more than 41,000 European businesses, on their expectations for the year 2026 reveals that investment expectations for the coming year have *improved* if compared with expectations for 2025, but remain clearly below their long-term average (EES, 2026). The European Commission's Autumn 2025 Economic Forecasts presents similar findings. While investment projections were upwardly revised compared to the Spring 2025 Economic Forecasts, the report still strongly highlights the dampening role of persistent trade restrictions and uncertainty on investments and economic growth (European Commission, 2025).

Firms themselves continue to identify uncertainty as a significant barrier to investment. The European Investment Bank Investment Survey 2025 (EIB, 2025), ran on more than 12,000 European companies, found that uncertainty is currently experienced as the number one barrier to investments. Moreover, when investigating firms' intention to invest in the next year, only a modestly positive net share (4%) planned to increase investments. Current business data on investment inclination and expectations is thus consistent with a climate where caution remains predominant and risk perceptions are high.

Overall, investment dynamics have so far benefited from more favourable financing conditions and from European firms' resilience in adapting to rapid changes in the global trade environment. However, the broader context remains challenging: persistent trade policy uncertainty, the restructuring of global value chains and ongoing geopolitical tensions continue to weigh on firms' confidence and future investment decisions. While short-term outcomes are performing better than initially feared, the outlook remains fragile, and the delayed effects of sustained uncertainty may continue to shape European investment behaviour in the period ahead.

Box 1. Special outlook: the US tariffs

Arguably one of the most relevant sources of global trade policy uncertainty has been the re-election of Donald Trump as President of the United States in 2025. Tariffs – that is, taxes on imported goods – were a fundamental element of his campaign and of his presidential agenda. However, their implementation has itself been marked by considerable uncertainty, with repeated announcements, revisions, and delays regarding their scope, timing, and coverage.

For Europe, greater clarity emerged in July 2025 with the EU–US trade agreement establishing a 15% tariff ceiling for most EU exports to the US, with exemptions for the aircraft industry and some pharmaceutical goods. While data suggests that these measures are concerning US more than EU businesses (EIB, 2025), they nonetheless represent a substantial shift in transatlantic trade relations and a persistent source of economic uncertainty for both sides of the Atlantic. In the following Boxes, we therefore look at research carried out by national Chambers of Commerce in several European countries on the state of their economies following the announcement and subsequent implementation of US tariffs. In particular, we draw on evidence from Austria, Italy, Serbia, and the Western Balkans.

Box 1.1. Austria

In **Austria**, the **WKÖ Economic Barometer** (summer 2025) (WKÖ, 2025) surveyed over 3,000 companies and reported an overall short-term improvement in economic sentiment across Austria. About 31% of exporters expect higher export sales over the coming 12 months, while 23% anticipate a decline and 46% expect stability. Despite this positive performance in foreign trade, investment intentions remain restrained: only 15% of Austrian companies plan to increase investments, while over a third intend to reduce them, resulting in a negative investment balance of -21 percentage points. Pessimism is particularly pronounced among small businesses and manufacturing firms.

This edition includes a dedicated section on uncertainty as prevailing factor affecting the economic environment. **46% of Austrian companies cite *economic uncertainty* as the main reason for investment reluctance**. Another third report *regulatory and political ambiguities* as key obstacles, impacting planning security and further complicating investment decisions. Economic uncertainty is in fact found to be much more likely to affect long-term business activities such as investment and employment than short-term ones. Overall, nearly half of surveyed firms (43%) indicate that persistent economic uncertainty is undermining their competitiveness and long-term decision-making (see Annex 7.1).

In such a context, the Austrian Federal Economic Chambers (WKÖ) has played a crucial role in sustaining the Austrian business sector and bolstering its international expansion. Since 2003, WKÖ has worked with the Austria's Federal Ministry for Economy, Energy and Tourism (BMWET) on the "**go-international**" initiative, providing counselling, direct financing, and information to over 47,000 Austrian companies.

Box 1.2 Italy

The **Istituto Guglielmo Tagliacarne-Unioncamere** – the Research Centre of the Italian Chambers of Commerce on Enterprises and Public Policy Impacts – conducted a business survey to assess the impact of the tariffs announced by the Trump Administration on Italian enterprises. The analysis was performed between March and May 2025 and is based on responses from a representative sample of 2,400 Italian manufacturing firms with 5-499 employees.

When asked about the impact of US tariffs on their business activities, Italian companies overall expected to be mostly affected by a *direct impact on exports* (41.6%) rather than through *indirect effects*. Among these indirect effects, however, *higher procurement costs* (28.6%) and *reduced sales of intermediate or semi-finished goods destined for the US market* (24.2%), are also significant channels of impact (see Annex 7.2). In response to the tariffs, around a third of firms plan to *seek alternative export markets outside the US* (with a preference for EU markets), while 24.3% intend to *raise prices of goods and services destined to the American market,* and 13.5% are willing to *absorb costs* to maintain their US presence. Strategies involving *increasing or relocating production to the US* appear less popular (see Table 1).

Table 1. Percentage of firms adopting various sales and production strategies in response to the US tariffs (%, multiple choice)

Firms' strategies	%
We will increase the prices of goods and services sold in the United States	24.3
We are seeking alternative export markets outside the U.S., with a preference for EU countries	20.1
We are seeking alternative export markets outside the U.S., with a preference for extra-EU countries	13.6
We are willing to absorb the tariff costs in order to maintain our sales presence in the U.S. market	13.5
We plan to increase production at our company's existing U.S.-based facilities	1.8
We plan to relocate or establish some production facilities in the United States	1.4
Other	2.4
No strategy planned	46.6

Source: Istituto Guglielmo Tagliacarne-Unioncamere, survey 2025

The survey also investigated response and support measures sought from Italian companies to mitigate the effects of tariffs. The three most requested measures were *export incentives to support international diversification* (59.8%), *financial support measures* (33.3%), and services such as *market intelligence, training, and assistance in accessing new markets* (20.6%). Compared to larger firms, smaller companies (fewer than 10 employees) place greater emphasis on direct support measures, with 39.2% of small firms asking for financial aid (compared to 33.3% overall) and 22.4% seeking business support services (versus 20.6% overall).

In this context, the network of Italian Chambers of Commerce is actively involved through effective institutional support programs. The initiative Support for Italy's Export (SEI Project), for example, supports internationalisation of Italian firms through tailored information, guidance, and training. Since 2021, more than 10,500 companies have benefited from over 62,000 specialized services provided by dedicated export advisors. The program is thus a clear instance of the role local institutions play as efficient enablers, able to turn industrial policy objectives into practical and accessible tools for the business sector.

Box 1.3 Serbia and the Western Balkans

The experiences of **Serbia** and of the **Western Balkans** offer a clear example of US impact, not only on the EU, but on Europe more broadly. As the largest economy within the Western Balkans, Serbia is simultaneously the most exposed to these global pressures and the most significant source of resilience and economic stability in the region.

Serbia's economy is currently undergoing strenuous economic conditions, with considerable downward revisions of its economic growth for 2025 (from 4.2% to 2.1%) due to a combined impact of external and internal factors – primarily the effects of protectionism and rising geopolitical tensions.

On the one hand, Serbia is experiencing spillover effects from economic stagnation in the EU, which is Serbia's most significant economic partner. Lower demand from EU countries – particularly Germany and Italy – stemming from generally limited EU GDP growth has been directly affecting Serbia's industrial and services sectors. At the same time, the United States imposed a 35% tariff on imports from Serbia – one of the highest in Europe. On top of this, Serbia is suffering on account of its involvement with the Russian economy, which makes it susceptible to increased tariff rates and has a strong negative impact on its economy.

A clear example of this is the experience of NIS (Naftna industrija Srbije), historically one of the largest and most successful energy companies in Serbia. In 2024, NIS accounted for approximately 4% of Serbia's GDP and 10% of central government budget revenues. The company operates the country's single oil refinery and, before the sanctions, it controlled around 80% of the retail market for petroleum products. However, due to Russia's 50% ownership stake, it was subject to sanctions from the US. Following their introduction in October 2025, the supply of crude oil through the JANAF pipeline was suspended, the company entered a loss-making zone, its retail market share fell to around 65%, and many long-term business partners are currently fearing additional secondary sanctions. The company has now been significantly devalued, and negotiations are underway between the Government of Serbia and the Russian owner (Gazprom) regarding the withdrawal of Russian capital. Options include a sale to a third party, state buyout or nationalization.

Overall, due to its geographical position, being landlocked and surrounded by EU and NATO member states, Serbia has limited room for deterioration in its political relations with Brussels and Washington. Long-term cooperation with the EU is rooted in shared European values, the Government's foreign policy commitment to EU membership, the country's diaspora ties, and alignment with EU standards in business, law, education, social policy, and culture. Further economic integration of Serbia and the Western Balkans with the EU (through the EU, the EEA or the European Single Market) would thus be the way forward to reduce political risk in the region, strengthen credit ratings and increase the economy's resilience to external shocks and persistent uncertainty.

Having looked at the recent trends in trade policy uncertainty and business investments in Europe, as well as to businesses' responses to elevated levels in uncertainty, we now turn to the literature to investigate existing studies and data on the relationship between TPU and business investments.

3. Literature Review

A well-established strand of economic theory highlights uncertainty as a key determinant of firms' investment decisions. According to the "Bad News Principle" (Bernanke, 1983), higher uncertainty increases the value of waiting and induces firms to postpone irreversible investments. Firms therefore invest only when the expected cost of delaying the decision—such as foregone profits, missed growth opportunities, or the risk of losing competitive advantage—exceeds the informational value of waiting in order to reduce uncertainty. Recent contributions have extended this framework to contemporary economic contexts, showing that uncertainty can also delay investments aimed at mitigating external shocks, particularly in highly open and trade-dependent economies (Banerjee & Dutta, 2022).

Building on this theoretical framework, a growing empirical literature has focused on trade policy uncertainty (TPU) as a specific source of uncertainty affecting firms' economic decisions. Since the mid-2010s, several studies have examined how increased uncertainty surrounding trade policies, tariffs and international agreements influences investment, production and trade flows.

Caldara et. al (2020), for example, examine the effects of TPU on the US economy, and find that an unexpected increase in TPU reduces both corporate investment and aggregate output. At the micro level, their analysis shows that firms exposed to higher TPU accumulate on average 2% less capital over the following year. Industries experiencing a sharp rise in TPU also see significantly lower investment growth. On the aggregate level, the authors estimate that TPU-induced private investment in the US fell by approximately 1% in 2018. They also find that exporters are significantly more sensitive to TPU than firms serving only domestic markets. Surprisingly, it is not actual tariff increases, but the mere announcement or anticipation of potential trade barriers, that generates substantial macroeconomic effects. The authors conclude that trade uncertainty should be regarded as an independent economic policy shock—on par with tax or technology shocks. For policymakers, this implies that the mere creation of a "climate" of potential trade conflict can trigger real economic contraction.

Handley et al (2022) provides a key theoretical contribution related to TPU and business decision-making. They argue that, when firms make decisions about market entry, export expansion, and investment, risks of policy uncertainty are inevitably factored in. Non-tariff risks, threats of tariff increases, or instability in trade agreements create an "option value of waiting"—in other words, firms delay investment until policy clarity emerges. This delay hinders innovation, export diversification, and market integration. From an empirical standpoint, they find sharp declines in trade activity following tariff threats during the first Trump administration. Moreover, the effects of TPU are asymmetric: while trade barriers can be implemented quickly, removing them takes time and rebuilding trust. As a result, firms often respond to TPU with disproportionate caution. The authors call for greater consideration of TPU in trade and economic policymaking. They emphasize that TPU not only affects short-term trade flows, but can also undermine long-term growth and productivity by discouraging investments in innovation and international expansion. Reducing TPU is therefore seen as a strategic imperative for sustainable economic development.

TPU can also have relevant implications for innovation. Farooq et al. (2025) look at different types of uncertainty, including TPU, and investigate their impact on R&D activities. The analysis reveals that uncertainty related to trade and fiscal policy has the most significant dampening effect on innovation, and that the effects of uncertainty on innovation materialise with a delay. More specifically, innovation indicators typically decline 6 to 12 months after a shock. At times of elevated trade and fiscal uncertainty, companies are likely to become more risk-averse due to a higher difficulty in planning. This can lead them to invest less and, as a result, to produce less innovative outputs. Another key aspect of this study is geographical heterogeneity: regions with weaker governance structures or limited financial resources exhibit more pronounced reductions in innovation in response to uncertainty.

The study by Nana et al (2025) makes a methodological contribution by disaggregating uncertainty shocks and emphasizing that economic policy analyses should differentiate 'uncertainty' based on its origin, scope, and transmission mechanisms. The authors use a new, high-frequency uncertainty index based on newspaper articles and machine learning

to capture economic policy uncertainty in real time. Using a gravity model for 143 countries in 1980-2021, they find that TPU has strong negative effects on bilateral trade especially when it arises unexpectedly. Countries that are highly dependent on a few export partners or have low economic diversification react particularly sensitively to TPU, which would suggest engaging more in diversification of trading partners. They also find that emerging markets and smaller economies tend to be more affected than large developed economies.

Similarly, Osnago et al (2018) analyse how binding trade commitments stimulate international trade by reducing TPU. The authors use a comprehensive panel of bilateral trade flows and find that binding trade commitments significantly increase trade volumes. The effect is asymmetric: exporting countries react particularly positively to the reduction of TPU in importing countries. The authors argue that the World Trade Organization (WTO)—beyond mere tariff reductions—provides a stabilising framework for international trade activity. Trade grows not only because of lower costs, but also due to the *expectation* of future policy stability. The implication is that binding trade commitments are a crucial trust factor for businesses and serve as an economic policy signal that reduces uncertainty, facilitates investment, and promotes market integration.

Finally, the study by Ebeke et al (2018) investigates the relation between trade uncertainty and investment focusing specifically on the Euro Area. They find that the investment-to-GDP ratio is on average 0.8 percentage points lower for five quarters following a one standard deviation increase in the level of trade uncertainty. They demonstrate the robustness of their findings using different measures of trade uncertainty and trade openness. The analysis thus suggests that uncertainty linked to trade tensions can lead to lower trade growth, reduced investments and overall limited economic growth.

On top of the literature outlined above, it is relevant to mention that some studies also highlight – whether empirically or theoretically – a potential *positive* impact of TPU on different economic variables, including investments. Risk-averse firms, faced with high uncertainty, may adapt to a more uncertain environment, take more risks and actually *increase* investments (Nana, 2025). Similarly, Xia et al (2023) state that an increment in TPU can actually bolster innovation output because challenges urge businesses to adapt novel strategies and technologies to remain competent and internationally competitive. Other research suggests that TPU can positively affect investments under specific conditions - for example, if investments are fully reversible and based on the expected value of profits (Handley and Limão, 2022). A study focused on French SMEs (Hamza et al, 2023) argues that increased economic uncertainty leads companies to invest more efficiently by avoiding both overinvesting and underinvesting, especially in highly competitive environments. Across the literature, however, data more strongly supports the hypothesis that trade policy uncertainty *reduces*, rather than increases, business investments, and we position our research in line with the former rather than the latter argument.

After having looked at the literature and considered the potential impact of TPU both at theoretical level and through the empirical data found by existing research, we now turn to our analysis. Compared to existing studies, our investigation focuses specifically on the EU business sector, whereas most of the literature takes the US as main object of analysis. The impact of uncertainty (even when coming from the US) on the EU is instead much less studied. In addition, the use of newly available data for our empirical analysis is a significant added value of this research.

4. Empirical Research

4.1 Data

The empirical analysis sets to estimate the potential impact of trade policy uncertainty (TPU) on European business investments. As a measure of uncertainty, we use the trade policy uncertainty (TPU) index[4] developed by Caldara et al. (2019). This is a monthly index that captures the degree of uncertainty surrounding trade policy at the global level. More specifically, the index is constructed by systematically tracking the joint occurrence of terms related to trade policy and uncertainty across a broad set of major newspapers. Relying on high-frequency textual data, this is a timely indicator of shifts in uncertainty in the trade policy field. To capture business investments, we instead use the Investment Ratio (IR), calculated as the gross fixed capital formation-to-GDP ratio. Using Investment Ratio (IR) rather than absolute investment levels offers several advantages. While absolute investment figures largely reflect country size, the IR instead ensures meaningful comparability across countries. By normalizing investments by GDP, we are able to capture the intensity of investments efforts – that is, how much each economy allocates to capital formation relative to its output, regardless of country size. Moreover, expressing investments as a share of GDP partially absorbs business-cycle effects, helping to distinguish uncertainty-driven changes from fluctuations in aggregate demand. Finally, the investment-to-GDP ratio is easier to interpret from a policy perspective. Variations in the share of output allocated to investments provide a clear indication of long-term shifts in resource allocation and fit within the broader EU practice of expressing key indicators relative to GDP. Data on the IR is retrieved from Eurostat's National Accounts[5]. We gather time-series monthly data for 24 EU Member States (EU-27 excluding Croatia, Cyprus, and Malta due to lack of data) spanning the period January 2000-September 2025 (with September as the final month, as Eurostat investment data are available up to the third quarter of 2025). Table 2 below provides a summary of the data.

Table 2. Variables description

	Trade Policy Uncertainty (TPU)	Investment Ratio (IR)
Definition	**TPU Index**: obtained by counting the frequency of joint occurrences of trade policy and uncertainty terms across major newspapers	**Investment Ratio (IR)**: Gross Fixed Capital Formation GFCF / GDP * 100
Time	Monthly	Quarterly
Period	Jan. 2000 – Sept. 2025	Monthly estimation of quarterly data
Geographical scope	Global	24 EU member states (EU-27 excluding Croatia, Cyprus, and Malta)
Source	policyuncertainty.com (Caldara et al., 2019)	Eurostat National Accounts

[4]Available online at: https://www.policyuncertainty.com/trade_uncertainty.html

[5] IR figures are available as quarterly data (the third quarter of 2025 is the latest available data at the time of writing). We thus use the Chow-Lin method to estimate data at monthly frequency (Chow, Gregory C., & An-loh Lin., 1971), based on OLS estimation of a linear relationship between the quarterly series and the corresponding aggregated values of the monthly indicator, ensuring that the disaggregated estimates remain consistent with the observed quarterly totals.

4.2 Econometric Model

In order to identify the relationship between trade policy uncertainty (TPU) and Investment Ratios (IR), we employ a standard two–way fixed-effects (FE) estimator. FE allows us to control for time-invariant, country-specific characteristics (e.g., institutional quality, long-run governance patterns, geography, cultural traits, long-standing trade structures, economic development level, historical industrial composition) that may influence both investments and trade policy uncertainty. FE also allows for consistent estimation even when there is a potential correlation between these unobserved country-specific characteristics and the explanatory variable (in this case, TPU)[6].

Analytically:

$$IR_{it} = \beta\, TPU_{i,t-k} + \lambda_t + c_i + \varepsilon_{it},$$

Where IR is the Investment Ratio and TPU is the Trade Policy Uncertainty index, c_i captures country-specific structural traits, and λ_t denotes time dummies that control for common shocks affecting all economies simultaneously. Without these controls, global fluctuations would be mechanically absorbed by the estimated TPU coefficient, potentially generating spurious co-movement (Arellano, 2003; Wooldridge, 2010). Standard errors are clustered at country level, as repeated observations within the same country may display serial correlation and heteroskedasticity in the error process, due to the persistent nature of macroeconomic aggregates such as investment and uncertainty. To assess the timing of the impact of trade policy uncertainty, we estimate alternative dynamic specifications in which the TPU index is introduced with different lag lengths ($k = 3,6,9,12$ months). This reflects the well-established idea that, under uncertainty and irreversibility, investment responses tend to be delayed, as firms optimally wait and accumulate information before undertaking sunk investments (Dixit & Pindyck, 1994; Bloom et al., 2007).

4.3 Results

Table 3 displays the results. All models are estimated for time and countries fixed effects. Model (A) captures contemporaneous trade policy uncertainty, TPU_t. The estimated coefficient on TPU_t is -0.004 and statistically significant at the 10% level (p<0.10). This implies that, conditional on country and month fixed effects, a 100-point increase in the TPU index is associated with a reduction (on average) of about 0.4 percentage points in the investment-to-GDP ratio (IR). This suggests that, as expected, increases in trade policy uncertainty are associated with a measurable contraction in the share of output allocated to fixed investment. To provide a sense of magnitude, the average level of the TPU index in the period April 2025 (month of the Liberation Day, April 2) to December 2025 is approximately *110 points* higher than the average recorded in the first three months of the year, suggesting that the post-April increase in trade policy uncertainty may have been associated with a non-negligible reduction in investment intensity.

Models (B)–(E) in Table 3 replace current TPU_t with increasingly lagged values of trade policy uncertainty. Model (B) considers a three-month lag (TPU_{t-3}) and estimates the

[6] This is a realistic concern as structural and policy conditions across EU countries may be correlated. This would create a problem for Random Effects (RE) models due to violation of the orthogonality condition $Cov(c_i, X_{it}) = 0$. The FE estimator remains instead consistent precisely because it conditions out these unobserved components (Wooldridge 2010; Baltagi 2013).

coefficient at -0.004 (p<0.10). This implies that a 100-point increase in lagged TPU is associated with a reduction of about 0.4 percentage points in the investment-to-GDP ratio. As the lag length increases, the estimated effect becomes progressively larger, with a higher statistical significance level. In Model (D), with lag at nine months, the coefficient reaches -0.010 (p<0.05), implying a 1.0 percentage point decline in the investment ratio for a 100-point increase in lagged TPU. Finally, considering a twelve-month lag (Model (E)), a 100-point increase in TPU is associated with a 2.4 percentage point decline in IR (p<0.01).

Table 3. Baseline results

	IR	IR	IR	IR	IR
	(A)	(B)	(C)	(D)	(E)
TPU	-0.004* (0.002)				
TPU t-3		-0.004* (0.002)			
TPU t-6			-0.003** (0.002)		
TPU t-9				-0.010** (0.004)	
TPU t-12					-0.024*** (0.009)
Country FE	Y	Y	Y	Y	Y
Monthly FE	Y	Y	Y	Y	Y
Observations	7,415	7,342	7,270	7,198	7,126
R2 (within)	0.190	0.191	0.192	0.192	0.193

The dependent variable is reported at the top of the column. Robust standard errors clustered at the country level in parentheses.
*, **, *** denote significance at the 10%, 5%, and 1% levels, respectively.
Source: Istituto Guglielmo Tagliacarne-Unioncamere elaboration

The Models' estimates clearly point to a delayed effect of TPU on investments. As the lag increases, the coefficient also grows in magnitude, suggesting that firms do not immediately adjust their investment intensity when uncertainty rises. Investment plans typically involve budgeting cycles, internal approval procedures and time-to-build, so a TPU shock today can actually affect spending decisions after several months. The monotonic increase from roughly -0.4 to -2.4 percentage points indicates that the full impact of an uncertainty shock materialises only with a delay, as uncertainty persists and firms gradually revise or cancel projects. In this sense, Model A, estimating contemporaneous TPU, is to be considered a *complement* of the lagged models: rather than a one-off, short-lived response, trade policy uncertainty appears to have a *cumulative* and *increasingly strong effect* on the investment-to-GDP ratio over time.

Table 4. Results on subsample of countries with high export openness[(a)]

	IR	IR	IR	IR	IR
	(A)	(B)	(C)	(D)	(E)
TPU	-0.008** (0.003)				
TPU t-3		-0.008** (0.002)			
TPU t-6			-0.007** (0.002)		
TPU t-9				-0.018** (0.006)	
TPU t-12					-0.044** (0.015)
Country FE	Y	Y	Y	Y	Y
Monthly FE	Y	Y	Y	Y	Y
Observations	2,163	2,142	2,121	2,100	2,079
R2 (within)	0.198	0.198	0.197	0.196	0.195

(a) Countries in the Top Quartile according to export-to-GDP ratio. More information on included countries is found in Annex 8.
The dependent variable is reported at the top of the column. Robust standard errors clustered at the country level in parentheses.
*, **, *** denote significance at the 10%, 5%, and 1% levels, respectively.
Source: Istituto Guglielmo Tagliacarne-Unioncamere elaboration

Given the international nature of trade policy uncertainty, we replicate the analysis for the subset of EU economies that are structurally most exposed to global trade—specifically, those in the top quartile of the export-to-GDP distribution (i.e., EU countries with the highest exports-to-GDP ratios)[7]. Also in this case, all models are estimated for time and countries fixed effects. The results of the estimates are reported in Table 4. Model (A) uses contemporaneous TPU as main regressor: the coefficient is -0.008 and is significant at the 5% level. This implies that, within highly open economies, a 100-point increase in the TPU index is associated with a decline of about 0.8 percentage points in the investment-to-GDP ratio. Again, Models (B)–(E) introduce progressively more lagged values of TPU at 3, 6, 9, 12 months. In Model (B), the coefficient on TPU_{t-3} is again -0.008 and in Model (C) it is -0.007 (in both cases p<0.05). In Model (D), the coefficient on TPU_{t-9} rises to -0.018 (p<0.05) – that is, a 1.8 percentage points decline in IR, while in Model (E), with TPU_{t-12}, it further increases to -0.044 (p<0.05) – a decline of about 4.4 percentage points in investment ratio.

Compared with the full-sample results (Table 3), the estimated effects are *systematically larger* for high-export countries, both at current time and at longer lags. This suggests that trade policy uncertainty is quantitatively more disruptive in economies that depend more on cross-border trade. In export-intensive economies, changes in expected market access, tariffs or trade rules directly affect a larger portion of firms' revenues and profitability, making

[7] Countries in Central and Eastern Europe tend to show exceptionally high openness and are therefore included in this subset of the analysis. Countries such as Slovakia (75.5%), Slovenia (62.5%), Ireland (58.2%), Czechia (56.7%), Belgium (56.7%), and Hungary (57.5%) exhibit export ratios well above 50% of GDP. A second group of countries displays moderately high openness, with export shares between 35% and 45% and is also included in the analysis. This includes Estonia, Latvia, Lithuania, Poland, Austria, and Denmark. More information on trade openness of EU countries can be found in Annex 8.

investment plans more sensitive to shifts in TPU. The increasing magnitude at longer lags indicates that, once again, the impact of uncertainty accumulates over time: as uncertainty persists, firms in highly open economies revise or scale down investment projects, leading to sizeable reductions in investments up to a year after the initial shock.

5. Discussion and Policy Recommendations

The empirical evidence clearly shows that trade policy uncertainty has the potential to exert a tangible and persistent negative impact on investment activity in the European Union, with effects that are particularly pronounced in economies relying more heavily on foreign markets. This pattern underscores the importance of a stable and predictable trade environment combined with a strong and integrated Single Market that encourages trade and investment activities by economic operators. Measures aimed at ensuring clarity, continuity and practicality in trade policy are therefore all essential conditions for sustaining investment and long-term economic growth.

Recommended action points:

1) Ensure stability through trade agreements and geographical and economic diversification

2) Strengthen and expand global rules for international trade to enhance predictability for investors

3) Strengthen business support and pursue an SME-focused industrial policy to enhance European competitiveness

4) Deepen the single market by removing existing barriers and leverage its strength abroad

5) Support business confidence as a driver for increased investment

1) Ensure stability through trade agreements and geographical and economic diversification

At times of unprecedented global trade uncertainty – currently substantiated by recent trends of the TPU index – it remains more important than ever for the EU to continue advancing swiftly with an ambitious trade policy that opens doors in foreign growth centres, ensures a level playing field, and gives companies stable and predictable frameworks to invest, grow and diversify through rules-based trade (also in view of the significant heterogeneity across EU countries, see Annex 8.2). In this volatile global environment, trade deals and trade agreements are unique and proven tools that allow businesses to gain new access to some of the most dynamic world markets. They also enable a further diversification of European sources of supply thereby markedly enhancing the resilience of European supply chains against external shocks. Trade agreements set clear and predictable conditions for a trading relationship, and serve as platform for enhanced cooperation which reduces uncertainty for investors and businesses, and especially for SMEs.

European companies are actively asking for more advancements on the EU's external economic policy framework. At the European Parliament of Enterprises 2025, Eurochambres' flagship event held in November 2025, more than 750 European entrepreneurs — predominantly from SMEs — voted on key policy issues. When asked whether Europe needs a more pragmatic approach to fostering partnerships with third countries, a staggering **98.60%** of entrepreneurs said **yes** (versus 1.40% voting no), clearly showing that European companies are asking for clarity, promptness and practicality when it comes to defining economic relations with third countries (for more information, see Annex 9).

In this context, the recent vote in the Council to adopt the EU-Mercosur trade agreement is a major step forward, with the potential to spur investment, economic growth and job creation by creating a trading bloc of around 750 million people in Europe and the Mercosur. It will deliver enhanced market access across many sectors, saving EU companies an estimated €4 billion worth of duties every year, constituting one of the most important, perhaps the most important, trade deal ever concluded by the European Union. In the current context of heightened trade and geopolitical uncertainty, the importance of this agreement and its final ratification by the Parliament becomes ever more important. At the same time, the EU should equally ensure the finalisation of trade agreements currently under negotiation, such as the ones with ASEAN, India or Australia, to boost rules-based trade and enhance predictable trade frameworks for traders and investors from Europe and its partners.

Furthermore, ensuring a coherent implementation of EU trade agreements already in place will remain crucial to maximize the economic potential for growth and investments. European companies, and most notably SMEs, need to be aware of how to best use trading agreements to their own benefit. To this end, envisioning dedicated trade implementation action plans across the EU will be extremely advantageous. In line with the "think small first" principle, all trade agreements also need dedicated and up-to-date SME chapters and online tools, as well as easily applicable and coherent rules to maximize their effect and uptake.

Expanding EU trading agreements thereby remains a key element to ensure greater resilience and enhanced economic security, as geographical diversification reduces our economic dependency on a single trading partner and safeguards the EU from spillover effects coming from a one-country crisis. This is especially relevant for EU internationally active companies, as diversification for both sourcing and exports is a crucial way of increasing our collective resilience, especially in times of strained public budgets.

2) Strengthen and expand global rules for international trade to enhance predictability for investors

With multilateral rules currently being under unprecedented strain, it is vital that interested actors, including of course the EU and the business community, continue to invest in preserving multilateral and plurilateral cooperation as foundations for a fair and stable international trade and investment environment. Strong and effective multilateral cooperation on trade and investment should thereby strengthen the World Trade Organization (WTO), which, despite its shortcomings, has successfully acted as a guarantor for the multilateral rules-based system for many years. Placing a focus on issues such as an effective WTO reform, a fully functioning dispute settlement, new global rules for the twin transition, as well as better inclusion of micro, small and medium-sized enterprises (MSMEs) are vital to address some of the challenges the organisation is currently facing, and will help

strengthen the predictability of global commerce and investments.

Especially in the European context, multilateral and plurilateral economic cooperation remains a cornerstone of our prosperity, contributing to an open strategic autonomy underpinned by the predictability of global market conditions as enshrined through the multilateral rules-based trading system. In fact, over half of all European trade is currently based on WTO rules. In view of the worrying increase in geopolitical frictions, and protectionism, strengthening the WTO and rules-based trade will therefore continue to be the best way to meet the challenges of an increasingly fragmented and uncertain trade and investment environment.

3) Strengthen business support and pursue an SME-focused industrial policy to enhance European competitiveness

In response to rising geopolitical tensions, technological disruption, and climate transition, business support and an SME-focused industrial policy constitute important tools to support firms' long-term investment decisions and reduce exposure to persistent uncertainty. Recent crises have exposed strategic dependencies and vulnerabilities in global value chains, reinforcing the need to help companies secure their supply chains and source critical components through greater diversification and facilitated investments at home and abroad. An active, targeted, and SME-focused industrial policy – at both the European and national levels – combined with effective business support, including from actors such as Chambers of Commerce and business support networks such as the Enterprise Europe Network (EEN), can help companies navigate some of the current uncertainties and strengthen their global competitiveness.

In addition to an active EU trade policy, complementary measures targeted at businesses can further support exporting firms during periods of heightened uncertainty. Financial instruments, guarantee and export credit schemes, as well as risk-sharing mechanisms and trade facilitation measures, can help prevent uncertainty from freezing investment decisions, ensuring that temporary shocks do not translate into long-lasting declines in productive capacity. More broadly, anchoring the investment climate in long-term strategic certainty across trade, taxation, and industrial policy remains crucial. Embedding stability within these frameworks would strengthen firms' confidence in their ability to plan ahead, thereby supporting resilient investment dynamics across the Union.

In this context, chambers of commerce and industry are uniquely positioned to support the internationalisation of EU companies, drawing on long-standing and well-established track records in delivering such services. Across Europe, chambers of commerce are deeply involved in export-related services such as training, digitalisation, firm assessments, market intelligence, inward investment attraction, and outward export promotion, which are delivered at the local level and closely align with entrepreneurs' needs. In addition, many chambers count on extensive international network of chambers, present across world markets, helping firms invest, partner and succeed in the world's most dynamic markets.

4) Deepen the single market by removing existing barriers and leverage its strength abroad

Reducing the disruptive effects of trade uncertainty also requires progress in deepening

single market integration. Greater coordination across member states can mitigate uncertainty by limiting fragmentation and gold-plating, addressing information gaps, and lowering barriers to the provision of goods and services.

At the internal EU level, the single market remains the Union's most important driver of competitiveness, growth, and resilience. However, persistent and well-documented barriers continue to fragment cross-border economic activity, particularly for SMEs, and constrain firms' capacity to scale up and invest. Many of these obstacles are long-standing and stem not only from gaps in EU legislation, but also from uneven implementation, weak enforcement, and limited accountability at national level. As a result, businesses often face uncertainty and additional costs when operating across borders within the EU itself.

Deepening integration across the single market should therefore be prioritised as part of a broader strategy to reduce uncertainty and support investment. Particular attention should be given to key areas with high investment potential, including capital markets, services, energy, telecommunications, and the fifth freedom for knowledge and innovation. Progress in these areas would enhance market certainty, improve resource allocation, and strengthen incentives for long-term investment by European firms.

Given the long-standing nature of many single market barriers, credibility will depend on clear ambition and measurable outcomes. The Commission's Single Market Scoreboard, which already provides relevant KPIs, should be used more actively to monitor progress and guide follow-up actions in the coming years.

The economic gains from further single market integration are substantial. Estimates by the IMF suggest that remaining internal barriers within the EU are equivalent to tariffs of around 44–45% for manufacturing and as high as 110% for services. An enormous amount of potential for investment and growth in the EU therefore lies within the Union itself.

5) Support business confidence as a driver for increased investment

In a volatile geopolitical environment, business confidence will remain an important factor influencing investment decisions. The possibility of relying on a predictable regulatory framework, transparent communication, and lower regulatory burdens for businesses, especially SMEs, remains a *conditio sine qua non* to stimulate investments and facilitate cross-border trade.

Results from Eurochambres Economic Survey 2026 show that business confidence expectations for 2026 across Europe are *less* negative than the year before and are returning to their long-term averages. In line with the European Commission's Economic Sentiment Indicator (ESI) and the OECD Business Confidence Index (BCI)13, Eurochambres' results suggest that business sentiment in Europe will continue to stabilise and strengthen throughout 2026, as inflationary pressures ease and the overall economic framework improves.

Despite this, investment remains subdued, not least due to the heightened levels of trade uncertainty, as this report has shown, and the lag factor associated with it. While the share of firms investing remain roughly stable (86% in EIBIS 2025, consistent with 87% in EIBIS 2024), EU firms are revising expectations downward from recent years (EIB, 2025).

While we have reason and evidence to believe that the current economic scenario could lead to lower investment levels from European companies – given the very significant degree of recent uncertainty – it is important to consider that crises often present new and unexpected opportunities for businesses. Uncertainty and trade barriers can also be drivers for businesses to modify the market conditions by adapting novel strategies to remain competitive in world markets. They can also lead to improving overall efficiencies and introducing new technologies. Analysis in this regard is also supported by the recent EIBIS 2025, which shows that, despite the lower levels of investments, EU companies are increasingly focusing on supply chain efficiency and other strategies to remain competitive in the longer term.

At the same time, these efforts need to be further accompanied by EU and national policy makers to mitigate the overall negative impact of trade uncertainty on investments, and help create new opportunities that will further drive business sentiment and competitive industries in the future.

Lastly, in the current volatile geopolitical environment globally, Europe must equally seize the opportunity to further profile itself to international investors as a reliable, safe and profitable place to do business and invest in.

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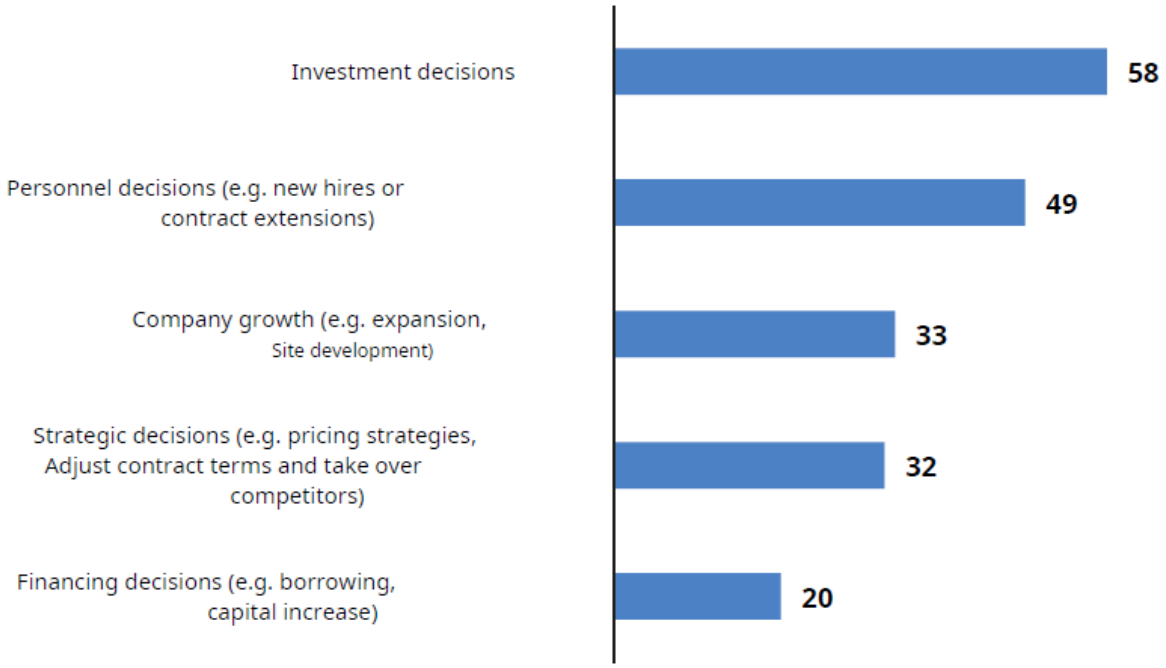
7. Annex 1: Chambers of commerce economic studies

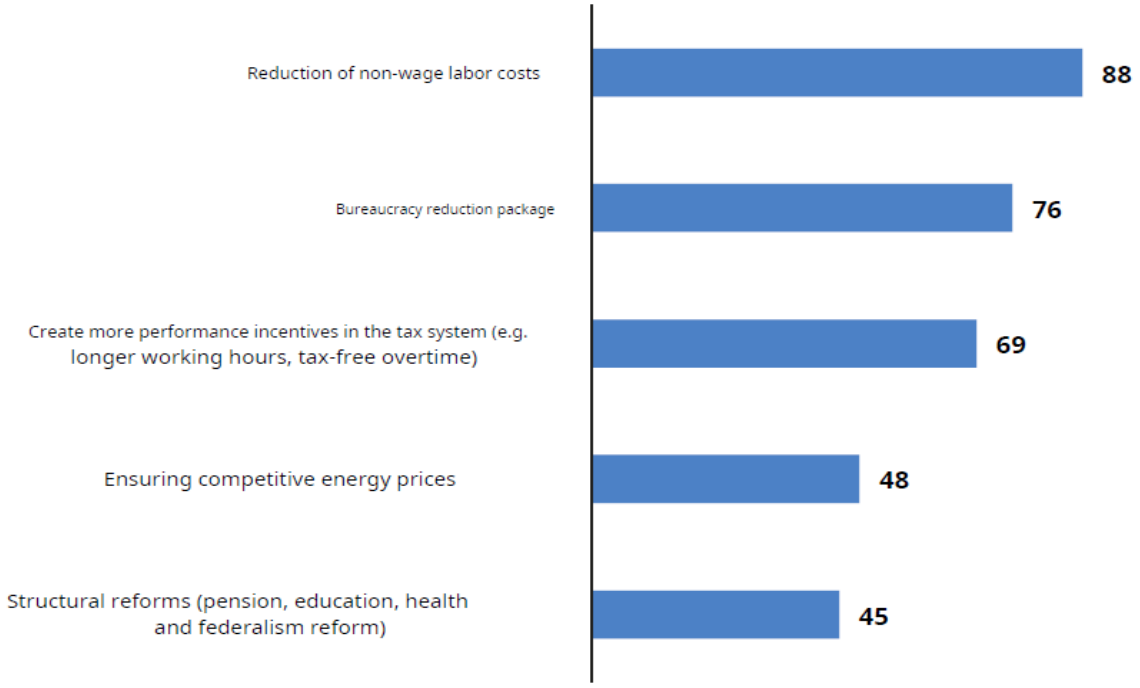
7.1 WKÖ Economic Barometer

Question 6. Which of the following business activities in your company has been negatively impacted by economic uncertainty over the last 5 years? Top 5, in %, multiple answers possible



Note: Responses weighted by number of employees.

Question 7. Which measures are necessary from your company's perspective to stimulate economic growth? Top 5, in %, multiple answers possiblez



Note: Responses weighted by number of employees.

7.2 Istituto Guglielmo Tagliacarne-Unioncamere – Business Survey March-May 2025

Table 1. Percentage of firms which identify these issues as a primary impact of the tariffs adopted by the Trump Administration (%, multiple choice)

Direct impact on exports: Reduction in exports to the United States	41.6
Increase in procurement costs (goods and services) from the United States	28.6
Indirect impact on exports: Decrease in sales of intermediate goods, semi-finished products, and services incorporated into products of other countries destined for the U.S. market	24.2
Increased competition from companies redirecting their sales markets from the U.S. to the EU	17.4
Slowdown/suspension of investment in expanding production capacity (e.g. due to increased uncertainty about economic outlook, reduced resources following export losses, etc.)	9.4
Slowdown/suspension of hiring programs (e.g. due to increased uncertainty about economic outlook, reduced resources following export losses, etc.)	5.8
Opportunities to enter new and specific market segments in the U.S. as a result of high tariffs applied to China (e.g. products previously supplied by China may now be sourced from EU companies)	5.8
Slowdown/suspension of investments in environmental sustainability (e.g. due to increased uncertainty about economic outlook, reduced resources following export losses, etc.)	4.0
Slowdown/suspension of investments in digital transformation (e.g. due to increased uncertainty about economic outlook, reduced resources following export losses, etc.)	3.1
Other	3.1
Don’t know / Cannot yet be assessed	4.8

Source: Istituto Guglielmo Tagliacarne-Unioncamere, survey 2025

Table 3. Percentage of firms which deem this support tool as most useful to address the effects of tariffs (% multiple choice)

Policies requested	**%**
Export incentives	59.8
Financial support	33.3
Support services (e.g. market intelligence, training, assistance in finding new markets, meetings with foreign buyers, legal support, etc.)	20.6
Credit guarantee schemes	12.9
Other	0.4
Don’t know	4.5

Source: Istituto Guglielmo Tagliacarne-Unioncamere, survey 2025

8. Annex 2: Export data across EU countries

8.1 Export openness

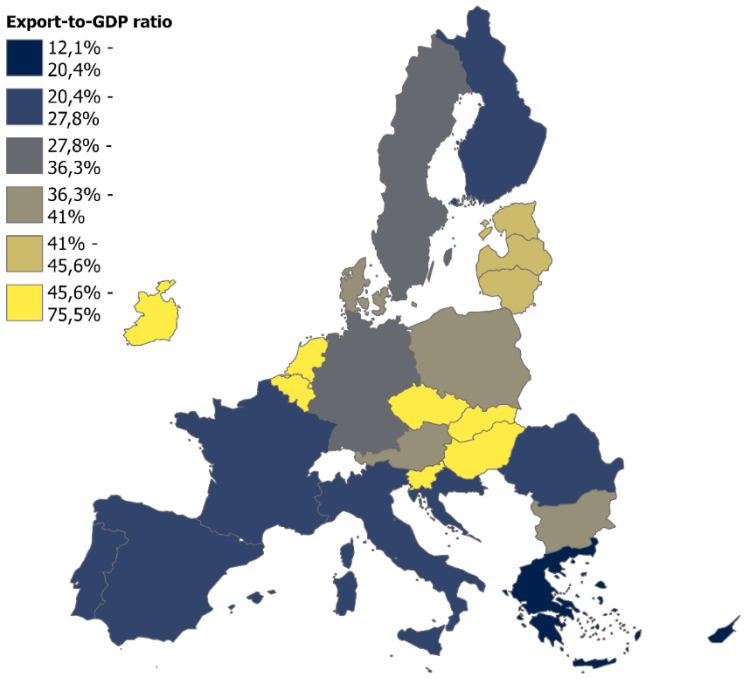
Export openness varies widely across EU economies, reflecting differences in economic structure, market size, and integration into global value chains. In 2024, the average export-to-GDP ratio for the EU-27 stood at 33.8%, but these aggregate masks substantial heterogeneity across countries.

A first clear pattern is the exceptionally high openness of small, highly integrated economies in Central and Eastern Europe. Countries such as Slovakia (75.5%), Slovenia (62.5%), Ireland (58.2%), Czechia (56.7%), Belgium (56.7%), and Hungary (57.5%) exhibit export ratios well above 50% of GDP. These economies host large multinational production networks resulting in strong participation in cross-border supply chains and a high degree of external exposure.

A second group of countries displays moderately high openness, with export shares between 35% and 45%. This includes Estonia, Latvia, Lithuania, Poland, Austria, and Denmark.

Countries in the first two groups of this analysis were included in the empirical research's subset of the analysis investigating the impact of TPU on investments for highly open EU economies.

Figure 8.1. Export-to-GDP ratio, %



The ratio between total export and Gross Domestic product at current prices according to the National Accounts.
Source: Istituto Guglielmo Tagliacarne-Unioncamere elaboration on Eurostat data

Then, there is a third group of countries – Southern and Western European economies – which tend to have export shares not over around 30%. Germany (31.4%), despite being one of the world's main exporters in absolute terms, France (22.3%), Italy (26.3%), Spain

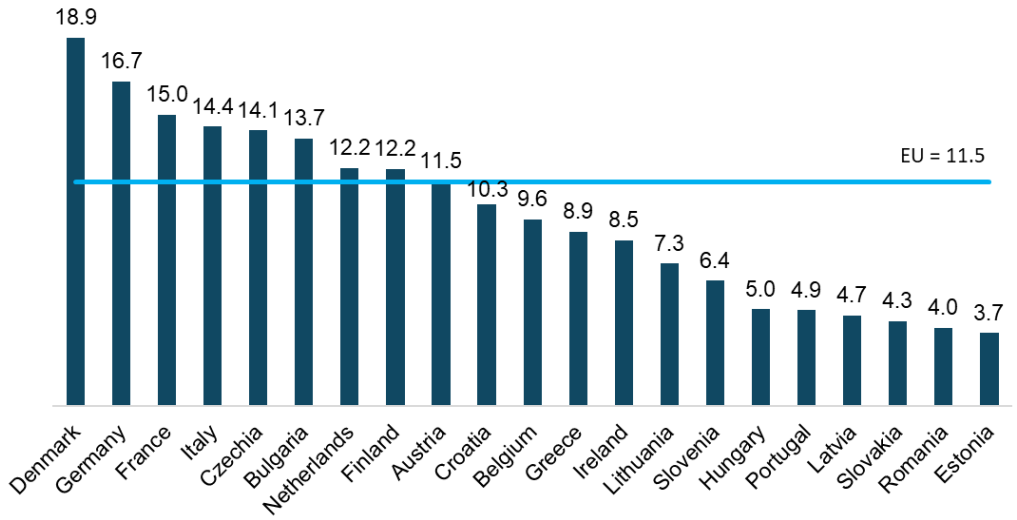
(24.5%), and Portugal (26.5%). Finally, the lowest degrees of openness appear in the smallest or more insular economies such as Cyprus (12.1%), Malta (18.2%), and Greece (20.4%).

Overall, the descriptive evidence underscores the significant cross-country variation in exposure to international trade within the EU. This heterogeneity is relevant for understanding the interaction between trade policy uncertainty and investment dynamics: countries with high export openness are structurally more sensitive to fluctuations in the external environment, making it plausible that TPU exerts stronger or more persistent effects on their investment behaviour – an insight that motivates and complements the empirical distinction between high- and low-openness country groups in our analysis.

8.2 Export country diversification

Figure 8.2 shows how geographically diversified exporting firms in the EU are. It reports, for each EU country, the share of exporting firms that sell to 20 or more foreign destinations over total exporters in 2023, thus capturing the weight of "multi-market" exporters in the national export base. Differences in this indicator signal heterogeneity in the structure of export linkages. At the top of the distribution, Denmark (18.9%), Germany (16.7%), and France (15.0%) exhibit the highest levels of export country diversification. These countries host a relatively large proportion of firms that serve many international markets, reflecting strong integration into global value chains. Values close to the EU average are observed in Italy (14.4%), Czechia (14.1%), Bulgaria (13.7%), the Netherlands (12.2%), Finland (12.2%), and Austria (11.5%). Below the EU average, several countries display more limited diversification. Croatia (10.3%), Belgium (9.6%), Greece (8.9%), Ireland (8.5%), Lithuania (7.3%), and Slovenia (6.4%) fall in the mid-range. Finally, a group of Member States shows very low shares of highly diversified exporters, including Hungary (5.0%), Portugal (4.9%), Latvia (4.7%), Slovakia (4.3%), Romania (4.0%), and Estonia (3.7%). In these economies, most exporting firms tend to focus on a narrow set of foreign markets.

Figure 8.2. Export country diversification: Share of firms exporting to 20 or more countries out of total exporting firms[(a)], 2023 (%)



[(a)] Industry except construction. Malta is not reported because the number of exporting countries is too small. Spain, Poland, and Sweden are not shown because a larger share of firms report unknown information on the number of export countries.
Source: Istituto Guglielmo Tagliacarne-Unioncamere elaboration on Eurostat data

9. Annex 3: Voting results from the European Parliament of Enterprises 2025 – Session on International Trade

The 7th edition of the **European Parliament of Enterprises™** (EPE) was held on 4 November 2025 **in the hemicycle of the European Parliament**. The EPE is the largest event at EU level giving the floor directly to entrepreneurs. Eurochambres brought together over 700 business men and women from across 38 European countries to "become" Members of the European Parliament for one day. These entrepreneurs had the opportunity to debate and vote on some of the most crucial topics currently at the heart of the political debate.

Organised once every two years in cooperation with the European Parliament, the EPE recreates a **parliamentary session and brings entrepreneurs face-to-face with senior EU policymakers for one day** to enhance mutual understanding. The 2025 edition revolved around three key issues for the business community - decarbonisation and competitiveness, Europe's internal market and trade strategy.

To consult voting results from other sessions (Opening Session, Single Market, Sustainability) held during the European Parliament of Enterprises 2025 (EPE 2025), please consult the following link.

Eurochambres – the association of European chambers of commerce and industry – represents more than 20 million businesses through its members and a network of 1700 regional and local chambers across Europe. Eurochambres is the leading voice for the broad business community at EU level, building on chambers' strong connections with the grass roots economy and their hands-on support to entrepreneurs. Chambers' member businesses – over 93% of which are SMEs – employ over 120 million people.

Previous positions can be found here: https://bit.ly/ECHPositions

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