

~Association Perspective~

# EFDA: Geopolitical Shifts and Evolving Policy Priorities are Reshaping the Economic Environment

## Political and Economic Uncertainties are Major Challenges

Tariff wars, carbon reduction, regional conflicts and developments in international relations will continue to shape the global industry in 2025. Policies and attitudes of the U.S. new administration on whether to raise tariffs on specific products from certain countries, whether the EU CBAM's emissions calculation will be significantly adjusted in H2 this year, the Russia-Ukraine and Israel-Hamas wars with still no end in sight, or the subtle changes in competition or alliances between economic powers (such as the US, China, and the EU) will continue to bring more uncertainties to the global market, further heightening the concerns of many business owners about the future of their industries.

“The level of uncertainty in the global economic and political landscape has continued to increase beyond what we have experienced in the past.

**Rapid geopolitical shifts and evolving policy priorities are reshaping the economic environment**, requiring both society and businesses to adapt swiftly to a constantly changing reality. This volatility presents significant challenges, particularly in terms of strategic planning, as recent political developments have demonstrated how unpredictable the global stage has become,” said EFDA President Andreas Bertaggia.



▲ EFDA President Andreas Bertaggia



## Businesses Need to be Flexible and Adaptable

In order to survive in a market full of uncertainties and create greater competitive strengths to face future challenges, not only leading companies but also many SMEs with a forward-looking vision have begun to speed up the pace of their regional market layout and make more appropriate adjustments in response to more rapid policy changes. For example, some Taiwanese fastener manufacturers have recently set up new factories in Vietnam, large car manufacturers are planning factory expansions in the U.S., or Japanese and South Korean companies have set up large-scale industrial clusters in Southeast Asian countries, etc.

“In such an environment, **agility and adaptability remain crucial for businesses to navigate ongoing disruptions**. However, it is also important to recognize that **change can bring opportunities**. While some market segments face significant headwinds, others stand to **benefit from emerging economic realities and evolving policy frameworks**,” noted President Bertaggia.

## Revitalizing the Economy and Reducing Bureaucratic Burdens

Promoting the economic recovery of the EU and enhancing the external competitiveness of industries within the region are important directions in the current policy making for many European governments. In the past, bureaucratic systems have often resulted in inefficient implementation and excessive burden on industries. Therefore, the EU has begun to make some improvements in the promotion of various programs and policies in order to respond to external political or economic challenges.

“At the European level, we observe **a shift in political priorities, particularly in light of the changing dynamics in EU-U.S. relations**. There is now **a stronger focus on revitalizing the economy and reducing bureaucratic burdens**, as seen in the introduction of initiatives such as the Clean Industrial Deal released in February this year. Notably, **the proposed improvements in the Carbon Border Adjustment Mechanism (CBAM) reporting process represent a step in the right direction**, easing some of the administrative challenges faced by our industry. However, until significant changes are made to CBAM, EFDA continues to advocate for the exclusion of downstream products such as fasteners made from CBAM, as we believe the application of CBAM to these products places an unnecessary burden on our sector,” added President Bertaggia. “In terms of policy focus, we note that

**while sustainability remains an important long-term objective, immediate priorities have shifted towards economic resilience and strengthening Europe’s self-defense capabilities. The increasing emphasis on reducing bureaucratic complexity is a welcome development**, as excessive regulatory burdens can hinder competitiveness, especially for European companies operating in a globalized market. While the core objectives of many regulatory initiatives are well-founded, their implementation often results in reporting obligations that exceed the practical capacities of our industry. It is crucial to **strike the right balance between regulation and competitiveness** to ensure European businesses can thrive in the international arena.”

## Watch Out for the Impact of Trade Tensions

The retaliatory tariff increases between the U.S. and Canada, the escalating trade war between the U.S. and China, and even the recent war of words between the U.S. and Europe over whether or not to increase taxes on specific products of the other side are all adding to the tension in the global trade situation. Many of the major players in these markets are concerned that if these tensions continue to spiral out of control, consumers may face higher prices and inflation, which could have a knock-on effect in the marketplace.

“**The escalating trade tensions pose another significant challenge**, with potential ramifications for the broader economy. Rising prices, driven by trade restrictions, are likely to contribute to inflationary pressures. As inflation increases, interest rates may follow, which in turn raises financing and investment costs—factors that have historically led to slower economic growth, particularly in already fragile market conditions,” noted President Bertaggia.

## Fair Trade and Open Market

Trade between countries should be based on the principle of fairness. However, if one party competes on an unequal basis (e.g., large subsidies or tax rebates from the government), it may cause an imbalance in the supply chain of the market, resulting in unfair competition.

“At EFDA, we remain committed to **advocating for fair trade policies, sustainable business practices, and an open market that fosters long-term industrial growth**. In these challenging times, **close cooperation between industries and policymakers** will be essential to overcoming obstacles and identifying opportunities that support Europe’s economic future,” concluded President Bertaggia. ■

