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ECONOMIC CONFRONTATION AND GLOBAL TRADE REALIGNMENT: ASSESSING THE US–CHINA TRADE WAR, THE EU'S POLICY CHOICES AND STRATEGIC REALIGNMENT (2018–2023)

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Abstract

The Sino-US trade war (2018-2023) is an important event in recent economic rivalries and has consequence with regard to the redefinition of the world trade order, particularly in relation to the policy responses of the European Union. Based on the framework of economic nationalism, this examination argues that both China and the United States applied protectionist policies that privileged national economic security over multilateral engagement. The European Union was then forced to adjust its trade policies in the face of an increasingly dissected world market, seeking to reconcile its economic interdependence with Beijing with its strategic relationship with Washington. The study utilizes a qualitative research methodology supplemented with quantitative information on the movement of trade as well as the effect of tariffs. The main argument of this thesis is that this trade war profoundly reshaped the world trading system through the galvanization of protectionist impulses and diversifying the structure of supply chains, and as such, forced the European Union to engage in more strategic independence through the forging of new trade agreements, the development of industrial policy, as well as active engagement in multilateral reform. The evidence is that the EU's responses were more than simplistic short-term modifications in trade but included the broader elements of technological sovereignty, geostrategic balance, as well as the reinvigorating of its role as an institution propounding multilateralism.

1. Introduction

1.1 Background

The The United States–China trade war, initiated in 2018 under President Donald Trump's administration, marked one of the most aggressive economic confrontations between the world's two largest economies since China's economic liberalization. Framed by the United States as a response to enduring concerns such as intellectual property theft, forced technology transfers, state-driven industrial subsidies, and significant trade imbalances the conflict rapidly escalated.[1] A series of mutual tariffs was levied, aimed at hundreds of billions of dollars in merchandise, upsetting international trade flows, and laying bare the vulnerabilities of the increasingly intertwined world economy. The trade war, from 2018 through 2023, grew from being solely over tariff disagreements and instead became an overall strategic competition based on export restrictions, bans on technology, restrictions on investments, and intensified diplomatic competition. The initial outbreak of the COVID-19 pandemic in 2020 added fuel to the fires of tension by upsetting the supply chain, raising protectionism in trade, and giving rise globally to an economic sovereignty and resilience debate, mainly in economies based on Chinese manufacture or American

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technological foundation.[2] Though the conflict was centred on U.S.–China bilateral tensions, its repercussions were global. The trade war generated widespread economic uncertainty, redirected investment flows, and prompted major trading blocs including the European Union (EU) to recalibrate their trade strategies and economic alignments. For the EU, a traditional advocate of open markets and multilateral cooperation, the escalation of economic nationalism between the U.S. and China presented both risks and opportunities. Caught between two rival powers, the EU sought to defend its strategic autonomy while preserving its commercial interests in a fragmenting global trade environment.[3] Consequently, the trade war highlighted growing scepticism toward global trade institutions and fuelled debates about the future of multilateralism in a world increasingly dominated by unilateral economic actions and power-based negotiations.

1.2 Problem Statement

While substantial research has examined the bilateral tensions between the U.S. and China, relatively few studies have holistically addressed the global spillover effects particularly the response of other major economic actors such as the European Union. Much of the existing literature overlooks how European economies adjusted their trade policies, economic strategies, and diplomatic posture in response to this great-power economic rivalry. Moreover, the direct economic impacts ranging from trade diversion to industrial policy shifts remain insufficiently explored within the broader context of the global trading system.

1.3 Research Question

1.What are the economic implications of the U.S.–China trade war (2018–2023) on both countries respectively?
2.How have EU countries responded to this strategic economic conflict in terms of trade policy and economic positioning?
3.How has EU proven to be a multilateral body and a creating a buffer in absence of strong global economic governance?

1.4 Research Objectives

1.To analyze the economic consequences of the trade war on the United States and China, focusing on GDP trends, trade balances, and sectoral disruptions from 2018 to 2023.
2.To evaluate the European Union's economic and strategic response to the U.S.–China trade war, including shifts in trade agreements, industrial strategy, and diplomatic positioning.
3.To examine the implications of the trade war for global economic governance for EU and the future of multilateral trade norms.

1.5 Hypothesis

EU recalibrated its economic policies with greater strategic autonomy and diversification of partnerships in the wake of the US–China trade war from 2018 to 2023.

1.6 Theoretical Framework

Economic nationalism, defined as the prioritization of domestic economic interests over international considerations, finds a compelling illustration in the backdrop of the US-China trade war. As both nations maneuver through this complex economic landscape, the interplay of economic nationalism with foreign and domestic policy emerges as a critical element shaping their respective strategies.[4] At the core of economic nationalism 'is the notion that a nation's economic policies should serve to bolster national interests and protect domestic industries from foreign competition. This philosophy underpins many of the tariff policies and trade barriers introduced by the United States during the trade war. Studies illustrate how domestic political pressures and interest groups influence the integration of economic nationalism into foreign policy, highlighting the way national leaders leverage economic power to garner electoral support and shape public opinion.[5] Domestic interests indeed play a significant role in guiding the US approach to China, underscoring the relationship between political agendas and economic policymaking. The US-China trade war is heavily marked by economic nationalism, particularly through the United States' imposition of tariffs aimed at protecting

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domestic industries from foreign competition. Boylan et al. note that this nationalist approach has resulted in a notable shift in public sentiment towards protectionism, deviating from the historical precedent of liberal trade policies in the US. The assertion of economic nationalism by the US has often been perceived as a defensive strategy against economic threats posed by China's growth and technological advancements'. The trade war has featured tariffs and sanctions targeting critical sectors in China, such as technology and manufacturing, illustrating a broader strategy of economic statecraft.[6] Moreover, the increase in tariffs aimed at reducing the US trade deficit with China underscores the economic nationalist perspective, which prioritizes national interests over global trade integration. The long-term implications of this approach, as articulated by Feng, include not only disruptions in bilateral trade but also potential consequences for the stability of global trade networks'. This economic nationalism poses risks of creating a fragmented global market that could heighten tensions between nations.

In contrast, economic multilateralism, which promotes collaboration and the establishment of collective norms governing trade, is a crucial element of the EU's response to the US-China trade war. The proclivity for economic nationalism often manifests most visibly through protectionist policies, which disrupt international trade, weaken global cooperation, and heighten economic fragmentation. Such tendencies have grown stronger in the past decade, particularly in response to financial crises, rising populism, and geopolitical rivalries.[7] Protectionism is frequently justified by governments as a safeguard for domestic industries and employment, yet its long-term effect is to undermine the predictability and stability of the global economic system. Against this tide, the European Union (EU) has positioned itself as a countervailing force, consistently advocating for open markets, collective engagement, and the preservation of a rules-based order. Even as political movements within member states have flirted with nationalist rhetoric, the EU as an institution has sought to uphold a broader vision of economic integration that transcends narrow domestic pressures. 'The EU's approach is not merely rhetorical but embedded in a carefully calibrated strategy that blends bilateral and multilateral engagement. On one level, the Union has pursued bilateral agreements with major economies such as Japan, Canada, Vietnam, and most recently New Zealand, demonstrating its ability to negotiate deals that advance specific interests while also fostering global connectivity.[8] These agreements provide tangible benefits such as enhanced market access, regulatory cooperation, and strengthened supply chains that secure national and regional priorities. At the same time, they signal the EU's capacity to act decisively and pragmatically in a competitive international environment.This dual strategy highlights the adaptability and resilience of multilateralism against the backdrop of burgeoning nationalist sentiments.In response to American protectionism and the paralysis of the WTO Appellate Body, the EU established the Multi-Party Interim Appeal Arbitration Arrangement (MPIA).[9] This initiative highlights the EU's commitment to a rules-based trading system, advocating for cooperative efforts to address trade disputes' instead of resorting to unilateral measures.

Additionally, the EU's emphasis 'on reforms relating to subsidies, transparency, and dispute resolution further demonstrates its dedication to multilateralism.[10] By strengthening international institutions instead of succumbing to protectionist pressures, the EU aims to facilitate cooperation among member states and other trading partners, thus reinforcing a collective approach to achieving economic prosperity via multilateral engagement'. The EU's positioning amid the US-China trade war reflects a delicate balancing act leveraging its economic relations with both powers while promoting multilateralism as a preferred strategy.[11] The EU's existing trade agreements and commitment to fair trade practices signify a long-standing emphasis on maintaining high standards in trade, akin to a form of economic

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statecraft[12]. This strategy encapsulates the EU's aim to avoid being entirely subordinate to US demands or disengaged from Chinese markets. The EU's strategic positioning is further exemplified by its commitment to "open strategic autonomy," which seeks to enhance the EU's resilience while remaining open to international trading opportunities. This approach represents an evolution of the previously mentioned economic multilateralist framework, adapting to changes in the global landscape' without fully retreating into nationalism.

1.7 Literature Review

1.7.1 Economic Nationalism in the U.S. Approach

Under the Trump administration, the United States adopted an explicitly protectionist and sovereignty-centered trade agenda known as "America First," reflecting a sharp turn toward economic nationalism. This strategic shift aimed to reclaim economic control from global institutions, reduce reliance on foreign competitors especially China and restore domestic industrial strength.[13] Economic nationalism, in this context, became a guiding framework for policy decisions that prioritized the interests of the American workforce and industrial base over the principles of global free trade.

At the core of the U.S. strategy was the aggressive use of tariffs as economic weapons. Between 2018 and 2020, the United States levied tariffs on more than $360 billion worth of Chinese imports, targeting a wide array of goods including steel, aluminum, electronics, and consumer products.[14] These tariffs were justified as necessary to protect American industries from unfair Chinese trade practices, such as state subsidies, dumping, and intellectual property theft. The administration argued that this protection would revive U.S. manufacturing, reduce the long-standing trade deficit, and restore economic fairness. While some domestic sectors like steel saw short-term gains, other industries, especially those reliant on global supply chains, faced increased costs. Nonetheless, the use of tariffs reflected a nationalist logic: using state power to protect and prioritize national industries over global competitiveness.[15] The Trump administration often framed trade restrictions as matters of national security, extending the logic of economic nationalism to strategic and technological domains. Chinese companies such as Huawei and ZTE were portrayed as risks to U.S. infrastructure and data privacy, resulting in their exclusion from U.S. markets and restrictions on technology transfers.[16] Platforms like TikTok also came under scrutiny due to data security concerns, sparking executive orders to ban or restructure their U.S. operations. Furthermore, the administration-imposed export controls on semiconductors, AI technologies, and advanced electronics, arguing that technological superiority was essential for maintaining U.S. national power. These measures blurred the lines between economic policy and national defense, reinforcing the view that economic strength was inseparable from geopolitical security.[17] Another key feature of the U.S. economic nationalist strategy was the resurgence of industrial policy. The administration emphasized reshoring manufacturing, particularly in sectors deemed vital for national security, such as pharmaceuticals, rare earth minerals, and electronics. The COVID-19 pandemic intensified this concern by exposing the vulnerabilities of global supply chains, especially those heavily dependent on China. Federal incentives, executive orders, and policy frameworks were introduced to encourage domestic production, repatriate jobs, and reduce exposure to foreign disruptions.[18] This revival of industrial policy echoed earlier eras of economic nationalism, where the state played a central role in shaping the economic landscape to serve national goals and enhance strategic autonomy.

Consistent with economic nationalist ideology, the Trump administration demonstrated a strong skepticism toward multilateral trade institutions, particularly the World Trade Organization (WTO). The U.S. criticized the WTO for being ineffective in curbing China's

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trade abuses and for constraining America's ability to defend its economic interests[19]. In response, the administration blocked the appointment of judges to the WTO Appellate Body, effectively paralyzing the organization's dispute settlement function. Instead of relying on multilateral rules, the U.S. pursued unilateral trade actions and bilateral deals, such as the U.S.–Mexico–Canada Agreement (USMCA), which replaced NAFTA.[20] This pivot away from multilateralism reflected a nationalist belief that sovereign economic policy should not be constrained by international legal frameworks, particularly when those frameworks are perceived to serve rival powers. Together, these elements tariffs, security-based trade restrictions, domestic industrial revival, and multilateral disengagement demonstrate how economic nationalism shaped U.S. trade policy during the trade war with China.[21] The Trump administration's approach represented a deliberate departure from decades of neoliberal trade policy, asserting that economic independence, national sovereignty, and strategic protectionism were essential for restoring American economic power in a competitive and uncertain global environment.

1.7.2 China's Economic Nationalist Response

While the rhetoric of China's economic policy remained more measured compared to the overt "America First" discourse in the United States, China's response to the trade war clearly reflected economic nationalist principles. Faced with mounting tariffs, technology restrictions, and strategic decoupling, the Chinese leadership adopted policies aimed at strengthening domestic economic autonomy, safeguarding national industries, and asserting greater control over critical sectors.[22] These actions were not merely reactive but indicative of a broader ideological shift toward state-led economic resilience the cornerstone of modern economic nationalism. In response to escalating U.S. pressure and global supply chain disruptions, the Chinese government introduced the "Dual Circulation Strategy" (DCS) in 2020. 'This framework signaled a major reorientation of China's economic model by placing greater emphasis on domestic consumption and self-sufficiency (internal circulation), while selectively maintaining international trade and investment ties (external circulation)[23]. The strategy aimed to reduce dependency on volatile foreign markets, especially the United States, and buffer the economy against future external shocks, such as trade restrictions or global crises like the COVID-19 pandemic[24]. Through policies such as expanding domestic innovation, boosting household consumption, and reducing reliance on foreign technology and raw materials, China sought to create a more insulated, self-sustaining economy. In this way, the DCS aligns with economic nationalism by reinforcing the primacy of national economic interests, reducing exposure to global economic vulnerabilities, and asserting control over China's developmental' trajectory.

One of the most visible arenas of China's economic nationalist response has been in the technology sector. After the U.S. imposed restrictions on major Chinese firms such as Huawei, ZTE, and SMIC, China doubled down on a technological self-reliance campaign[25]. This effort has involved massive state-led investment in strategic areas such as semiconductors, artificial intelligence, 5G networks, quantum computing, and green technology. The central government, through initiatives like Made in China 2025 and later Sci-Tech Innovation 2030, sought to develop indigenous alternatives to Western technologies, reduce dependence on foreign suppliers, and secure leadership in critical innovation sectors.[26] This drive reflects the core economic nationalist belief that technological sovereignty is essential to national power, and that reliance on foreign innovation undermines both economic and political security. Moreover, the U.S. export bans reinforced the perception within China that geopolitical rivals could weaponize interdependence, thus strengthening the internal consensus that domestic capability-building must become a national priority.

China's long-standing model of state capitalism

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which blends market mechanisms with strong government intervention intensified during the trade war period, particularly through the support and protection of "national champion" firms. These are large, often state-affiliated enterprises that the government considers critical to national economic development and global competitiveness.[27] Through subsidies, tax relief, regulatory support, preferential procurement, and favorable credit access from state-owned banks, China bolstered key domestic industries such as telecommunications, clean energy, high-speed rail, aerospace, and robotics. These measures were designed not only to help firms withstand the impact of U.S. trade sanctions, but also to ensure their dominance in both domestic and international markets. This strategy aligns with economic nationalism by prioritizing the growth and protection of strategic domestic firms, viewing them as instruments of state power and symbols of national pride.[28] By fostering homegrown champions, China aims to challenge Western economic hegemony and assert itself as a self-reliant technological and industrial leader. China's response to the U.S.–China trade war reflects a deeply strategic form of economic nationalism, characterized by state-driven economic planning, selective openness, and self-strengthening in core sectors. Through initiatives like the Dual Circulation Strategy, aggressive technological localization, and robust state support for national firms, China has demonstrated a commitment to securing its long-term economic sovereignty. Rather than pursuing unfettered globalization, Beijing has opted for a model of controlled integration, where external engagement is subordinated to internal stability and national strategic interests hallmarks of a nationalist economic doctrine.

1.7.3 EU's Economic Response

The European Union's economic strategy response to the US-China trade war 'between 2019 and 2024 has evolved to address significant disruptions in global trade dynamics, primarily driven by protectionist measures from the United States and retaliatory tariffs from China. This review synthesizes relevant literature to elucidate the EU's strategic adaptations, the relationship between the EU and its key trading partners, and the broader implications for the international economic order. The EU recognized early on that the US-China trade war could have substantial repercussions for its internal and external economic relations. Protective tariffs imposed by the US targeted various sectors, notably steel and aluminum, which could lead to a ripple effect affecting EU exports and economic stability.[29] The EU's response involved a two-pronged strategy: safeguarding its interests while encouraging multilateralism and cooperative efforts with third-party nations, particularly in Asia. In this context, the EU aimed to leverage its trade policy to reduce risks associated with over-reliance on either the US or China, promoting stability within the international economic order'.[30] One of the primary mechanisms through which the EU has exerted influence is its commitment to maintaining a stable international economic order amidst the volatility presented by the US-China trade war. Research indicates that the EU's multilateral initiatives have helped mitigate the negative impacts inflicted by protectionist policies, which have historically dampened trade growth and economic welfare for all involved parties.[31] Felbermayr et al. highlighted that the imposition of non-tariff barriers (NTBs) by countries engaging in trade wars diminishes welfare, with an estimated decline of 0.78% in the EU.[32] This underscores the necessity for collective response strategies that can enhance resilience against economic shocks stemming from unilateral actions. The EU's focus on fostering regional connectivity and economic resilience has also played a critical role. The examination of regional disparities within the EU indicates that areas with better accessibility and connectivity exhibit greater economic resilience.[33] As urban centers interact with rural regions in Europe, the exchange of knowledge and resources contributes to stronger economic outcomes. This framework not only enhances the EU's internal capabilities but also

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establishes a unified front against external economic pressures, as seen during the US-China trade tensions. Moreover, the EU has adopted a strategic approach towards its external trade relationships, which includes signing preferential trade agreements and engaging in diplomatic negotiations that prioritize multilateralism. Hoffmeyer-Zlotnik et al. explain how multilateralism in EU trade agreements simultaneously addresses migration and economic mobility issues, suggesting a comprehensive approach to global interdependence.[34] Furthermore, the EU's promotion of a common commercial policy illustrates its intent to bolster soft power in international arenas, positioning itself as a leader in promoting an equitable trading system.[35]

Additionally, the EU has shown resilience in its economic policies by proposing initiatives that seek to balance national interests with broader European goals. Initiatives such as a European Economic Security Committee illustrate the EU's commitment to collaboration and strategic coordination among member states, seeking to withstand external economic coercion from major powers like the US and China. This cooperation accentuates the significance of unity within the EU structure, enhancing its bargaining power on the global stage during periods of heightened economic nationalism.

As economic contexts evolve, characterized by rising nationalism and protectionism, the EU's steadfast embrace of multilateralism provides a counterbalance to such trends. In dealing with the US-China trade war's implications, the EU's approach is not merely reactive but strategically proactive, aiming to secure a precedential framework in which international trade can thrive despite unilateral challenges. This perspective underscores the EU's role not merely as a market but as a pivotal player in cultivating a rules-based international economic order.[36] Moreover, 'empirical research establishes that the trade conflict undermines global production networks, thereby affecting European companies that rely on Chinese manufacturing and markets. Cappariello et al. demonstrated how rising protectionism leads to significant consequences for Global Value Chains (GVCs) and economic performance across affected regions, underscoring the urgency of reevaluating trade dependencies within the EU.

Importantly, the EU's role as a facilitator of trade diversification suggests opportunities to position itself as a more attractive trading partner for nations seeking alternatives to US or Chinese markets.[37] From an economic modeling perspective, potential impacts of the trade war illustrate that while EU economies might benefit in the short term due to the diversion of trade flows, they are not insulated from adverse macroeconomic shocks associated with sustained tariff impositions. Research indicates that following an escalated trade conflict, the EU could experience indirect benefits through improved competitiveness, although these gains depend on effective policy responses to trade uncertainties. Furthermore, studies reveal that European economies could face GDP reductions amid widespread global trade contractions influenced by US-China trade hostilities.[38]. Additionally, trade relations were notably affected as the EU sought to utilize trade as a diplomatic tool rather than solely as an economic mechanism. The EU's diplomatic strategy involved direct engagement with China for negotiations while managing its complex relationship with the US, which remains fraught with its own trade tensions. As Goulard articulated, the EU's navigation through these relationships required keen awareness of trade disputes between major partners and a proactive approach to safeguard its export-led growth'.[39]

1.8 Methodology

This study adopts a qualitative research design grounded in the interpretivist paradigm, which seeks to understand complex socio-economic and political phenomena through contextual and subjective analysis. Given the focus on the economic nationalism underpinning the U.S.–China trade war and the European Union's strategic response, a qualitative approach is best suited to explore policy narratives, institutional

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behavior, and strategic positioning rather than merely quantitative outcomes. The study employs a thematic content analysis of official documents, policy statements, trade reports, speeches, and institutional responses from 2018 to 2023. This method enables the identification of recurring themes, ideological patterns (such as economic nationalism), and the interpretation of trade strategies within their political and geopolitical context.

1.9 Data Collection

Data will be collected from the following primary and secondary sources:

Primary Sources

This study 'will utilize a range of primary source materials to analyze the policy directions and strategic responses of the major actors involved in the US–China trade war. These include official U.S. government policy documents such as reports from the Office of the U.S. Trade Representative, executive orders, and records of trade negotiations. From the Chinese side, key sources will include government-issued white papers, official speeches and policy statements outlining strategies like the Dual Circulation model and the "Made in China 2025" initiative. Additionally, the research will incorporate European Union policy documents, trade strategies, and institutional statements issued by key EU bodies such as the European Commission and the European Parliament, to assess the EU's positioning and response to the' strategic economic conflict.

Secondary Sources

This study will analyse 'secondary literature to support the analysis of the US–China trade war and its broader implications. Academic journals and scholarly books focusing on international trade, economic nationalism, and global political economy will provide theoretical and contextual foundations. Reports from reputable think tanks such as the Peterson Institute for International Economics, Bruegel, Carnegie Endowment for International Peace, and the Center for Strategic and International Studies (CSIS) will offer policy-oriented insights and empirical evaluations. Credible news sources, including *The Economist*, *Financial Times*, and *South China Morning Post*, will be consulted for up-to-date developments and expert commentary. Furthermore, World Trade Organization (WTO) documentation, including official rulings and summaries of dispute cases', will be used to assess the multilateral trade framework's role during the trade conflict.

1.10 Significance of the Study

This study contributes to a 'more comprehensive understanding of the global ramifications of economic conflict between major powers. By incorporating the perspective of the European Union, the research broadens the scope beyond bilateralism and illuminates the ways in which third-party powers respond to and are affected by economic warfare. The findings are relevant not only for scholars of international political economy but also for policymakers seeking to navigate a world increasingly characterized by trade weaponization, strategic decoupling, and shifting global' alliances.

Structure of the Study

Chapter 1:

- Background of US-China Trade War (2018-2023)
- Problem Statement
- Research questions and Objectives
- Theoretical Framework (Economic Nationalism)
- Methodology
- Structure of the study

Chapter 2: The U.S.-China Trade War – Origins and Evolution

- Timeline and Key Events (2018–Present)
- Shifts in U.S. Trade Policy (Trump and Biden Administrations)
- China's Response and Countermeasures

Chapter 3: The EU's Trade Strategy During the US–China Trade War

- The EU's Initial Response to the Trade War

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- Shifts in EU Trade Policy and Economic Strategy
- Pursuit of Strategic Autonomy and Supply Chain Diversification
- Trade Agreements and Global Partnerships (e.g., with ASEAN, China, U.S.)
- Balancing Between the U.S. and China: Diplomatic and Economic Implications

Chapter 4: The European Union in a Fragmenting Global Trade Order

- The EU's dilemma between defending multilateralism and securing its own interests. Economic Exposure of the EU to US–China Rivalry
- EU's Strategic Positioning in Global Trade Realignment
- Technology, Security, and the EU's Response
- The EU and Multilateral Trade Governance
- EU–China Relations in a Shifting Order

Chapter 5:

- Summarizing the findings of the study

2 Chapter Two: The U.S.-China Trade War – Origins and Evolution

The U.S.-China trade war, which escalated 'significantly starting in 2018, marks one of the most critical economic tensions in recent history, underscoring the rivalry between these two world powers. The timeline of key events leading up to and throughout the trade war illustrates profound strategic economic considerations, diplomatic maneuvers, and the evolving landscape of global trade relations. Central to this conflict are issues such as the increasing trade imbalance, intellectual property' concerns, and the U.S.'s perception of China's rapid ascent as an economic superpower.[40]

2.1 Timeline of US-China Trade Conflict 2018-2023

The trade levies between China and the United States officially escalated in July 2018 as part of the commencement of a dramatic new phase in global economic relations. 'The U.S. government under President Donald Trump introduced tariffs across the broadest possible range of Chinese imports, citing worries over unfair trade practices, market rigging, and systematic intellectual property robbing as grounds for the policy. The moves were presented not solely as economic corrective actions but as part of an overdue strategy of responding to what the U.S. saw as China's rising dominance' in strategic sectors like technology and manufacturing.

In retaliatory fashion, 'China levied its own retaliatory tariffs on US exports, culminating in a tit-for-tat spurt typical of a full-blown trade war. The conflict threw established trade patterns out of gear and marked the end of multilateral trade cooperation as both giants opted for more protectionist and unilateral policies. By 2020, empirical studies revealed that the economic fallout was substantial. Both nations experienced measurable downturns: reduced GDP growth, elevated consumer prices, and increased costs of imported goods adversely affected domestic markets.[41] These impacts reverberated beyond bilateral relations, altering global trade networks as countries sought alternative suppliers and markets to mitigate uncertainty and rising costs. Furthermore, this period of trade hostility encapsulates a broader geopolitical power struggle between the two largest global economies. The economic measures taken were as much about strategic positioning as they were about correcting trade deficits. Negotiations between Washington and Beijing were often strained and inconclusive, with intermittent truces failing to resolve the underlying tensions. Scholars such as Hur and Boland argue that the trade war should be understood not in isolation, but as part of a continuum of U.S.-China rivalry extending into areas such as technology, security, and global governance.[42] The fluctuating market responses during this time reflect the uncertainty that characterized the global economic order, as businesses and investors reacted to each development with volatility and caution. In essence, the 2018–2020 trade war represents more than a dispute over tariffs it is a manifestation of a deeper contest for global

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economic and technological supremacy, one that continues to reshape international economic relations and strategic' alliances.

As the U.S.-China trade 'war extended into 2021 and beyond, the global economic context became increasingly complex due to the onset and prolonged effects of the COVID-19 pandemic. The pandemic acted as both a magnifier and an accelerator of existing vulnerabilities, particularly within global supply chains. Lockdowns, labor shortages, and transport disruptions exposed the fragility of the just-in-time manufacturing model that many multinational corporations had relied on for decades. This placed renewed scrutiny on the deep interdependence between the United States and China, especially in critical sectors such as pharmaceuticals, semiconductors, and consumer electronics.[43] By 2022, the continuation of punitive tariffs and the imposition of new trade barriers including tighter restrictions on technology transfers and export controls targeting strategic industries such as AI, quantum computing, and 5G infrastructure intensified the adversarial nature of bilateral relations.[44] These developments signaled that the trade conflict had evolved from a temporary policy dispute into a long-term strategic competition. As a result, both nations were compelled to reevaluate their economic strategies, reassess dependencies, and pursue more self-sufficient and secure industrial policies. In the U.S., this was exemplified by legislation such as the CHIPS and Science Act, aimed at revitalizing domestic semiconductor manufacturing. Meanwhile, China doubled down on its "dual circulation" strategy to insulate itself from external shocks and reduce reliance on' Western technologies.

The growing talk of economic decoupling an intentional reduction of bilateral trade and investment ties introduced the looming risk of a bifurcated global economy. Such a split could result in the formation of competing trade blocs centred around the U.S. and China, with countries pressured to align themselves with one camp or the other based on political, economic, and technological interests. Scholars and policymakers have warned that this fragmentation threatens the principles of multilateralism and open markets that have underpinned globalization for decades.[45] It also raises questions about the future of international cooperation in addressing global challenges such as climate change, cybersecurity, and public health, which require coordinated responses beyond the confines of great power rivalry. 'In summary, the post-2021 phase of the trade war underscores not only the persistent tensions between the United States and China but also the broader implications for global economic governance. The convergence of geopolitical rivalry, technological decoupling, and supply chain insecurity has ushered in a new era of strategic competition, where economic policy is deeply entangled with national security concerns and long-term visions of global influence. The timeline of the U.S.-China trade war from 2018 through 2022 encapsulates a significant chapter in international trade relations characterized by escalating tensions, retaliatory measures, and profound implications for the global economy.[46] The underlying tensions rooted in trade imbalances and competition for technological supremacy continue to shape not only bilateral relations but also the economic strategies of many nations interacting within the global market.[47] As both countries navigate this complex interplay of competition and cooperation, it remains crucial for policymakers to seek pathways toward resolution that prioritize sustainable economic' relations and broader international stability.

2.2 Trump's America First Policy and Trade Sanctions on China

In 2018, under the administration of President Donald Trump, the "America First" policy took shape, marking a significant shift in the United States' approach to international trade and foreign relations. This strategy emphasized national sovereignty, economic nationalism, and protectionism, seeking to prioritize American interests in global dealings. Historical comparisons draw parallels with earlier iterations of American isolationism, a trend that underscored a populist sentiment

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that resonated with large segments of the American electorate.[48] By adopting these measures, the Trump administration aimed to curtail perceived economic disadvantages faced by the United States in the era of globalization, primarily targeting trade practices with China, which was viewed as a principal adversary in this domain.[49] The imposition of tariffs on Chinese imports was one of the most direct actions taken that illustrated the core tenets of the "America First" doctrine. Trump's administration enacted a series of tariffs starting in July 2018, amounting to hundreds of billions of dollars on various Chinese goods. This was based on allegations regarding China's unfair trade policies, intellectual property theft, and competitive practices deemed detrimental to American economic interests.[50] 'As tariffs were raised sometimes up to 25% on numerous items China retaliated with its own tariffs on U.S. exports, particularly in agriculture and manufacturing sectors, leading to a burgeoning trade war that would have repercussions on both economies and global trade.[51] The trade war was more than just a strategic economic shift but also an attitude of nationalism that was the foundation of numerous Trump policies. Beyond the economic effects of the trade restrictions was the bigger debate over the future of America's role in the world order. The shift from multilateralism, as Trump repudiated pledges in the direction of international agreements and institutions, was part of something bigger a large-scale move toward any sort of isolation that aimed at redefining the role of the United States in the world.[52] This approach raised questions about the sustainability of global trade dynamics, as the imposition of tariffs led to shifts in supply chains and consumer options, instigating a reconfiguration of international trade relationships that persists today. In conclusion, Trump's "America First" policy in 2018 was characterized by a robust shift toward protectionism and economic nationalism, fundamentally altering U.S.-China trade relations through the imposition of tariffs and restrictions. These developments reflected a growing nationalist sentiment and a strategic attempt to bolster American economic interests at the expense of traditional multinational agreements and engagements. As the trade war evolved, it became evident that these unilateral measures did not only affect bilateral relations but also reshaped global economic structures, underscoring the lasting complexity and interconnectedness of international trade. The implications of this pivot will continue to resonate in both U.S. and global economic policies' as nations navigate the challenges and opportunities that arise from increased protectionist tendencies.

2.3 Biden's Administrations' approach towards US-China Trade

In 2021 and 2022, the Biden Administration took several significant steps concerning the sanctions imposed on trade with China, largely continuing the aggressive stance adopted by the previous administration under Donald Trump while also attempting to recalibrate certain aspects of U.S.-China relations. Ensuring American economic competitiveness, safeguarding national security interests, and resolving structural problems in the bilateral trade relationship that had long fuelled tensions between the two superpowers were the main tenets driving these actions. Retaining tariffs that were put in place during the Trump administration was one of the Biden Administration's main initiatives. The administration-maintained tariffs on a range of Chinese goods totalling more than $72 billion that were left over from Trump's Section 301 actions. This included tariffs on consumer goods, technology products, and raw materials, reflecting a commitment to maintain a tough stance toward China despite some expectations that Biden would roll back these measures.[53] Additionally, existing tariffs under Sections 201, 232, and various sanctions related to the International Emergency Economic Powers Act were largely preserved as the Biden Administration aimed to signal continuity regarding trade enforcement against China's perceived unfair practices.[54]

Biden Administration expanded the use of export controls, focusing specifically on high-

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tech industries critical to national security. This included targeting China's access to advanced semiconductor technologies through restrictions that limited the export of equipment and materials necessary for high-tech manufacturing. The administration emphasized the importance of these measures in safeguarding U.S. technological leadership, particularly in the face of rising competition with China. Establishing stringent licensing requirements for U.S. companies operating in industries with potential national security implications became a notable aspect of the trade strategy during this period.[55] In terms of strategic framing, the Biden Administration characterized the relationship with China as one of "strategic competition," which denotes a multifaceted approach incorporating not only economic measures but also a realignment of foreign policy to strengthen alliances and multilateral cooperation in Asia. This approach included measures such as the introduction of the Indo-Pacific Economic Framework (IPEF) to bolster economic partnerships within the region as a counterbalance to China's influence. By doing so, the administration aimed to create a more cohesive front among allies to address both economic and security concerns regarding China.[56] Last but not least, "the Biden Administration also sought to balance its trade policies with diplomatic engagements." High-level meetings between Chinese and American officials persisted, but they were characterized by a cautious and competitive negotiating style. While resolutely addressing issues like trade imbalances, human rights violations, and technological exchanges, the administration acknowledged the necessity of pursuing diplomatic engagement with China. Sanctions that targeted particular Chinese companies for human rights violations highlighted the ongoing tension in U.S.-China relations and supported the administration's larger rhetoric of advancing democratic values and safe trade practices internationally.[57] In conclusion, the steps taken by the Biden Administration toward sanctions on trade with China from 2021 to 2022 illustrated a blend of continuity and adaptation from the previous administration's policies. While maintaining significant tariffs and export controls, the Biden Administration also introduced a strategic framework aimed at enhancing economic collaborations with allies to counterbalance China's burgeoning economic power. Through these combined efforts, the administration aimed to protect American interests while navigating the complexities of competition and cooperation in the evolving global' landscape.

2.4 China's Response to the U.S. Tariffs

China's economic response to the U.S. trade policies initiated during the trade war, which commenced in 2018, exhibits a multifaceted approach aimed at mitigating adverse effects, enhancing economic resilience, and asserting its status in the global economic order. This response has evolved through periods of escalating tariffs, counter-tariff measures, and adjustments to trade strategies that reflect China's broader developmental objectives.

2.4.1 Initial Response to U.S. Tariffs (2018-2019)

The trade war began with the U.S. imposing tariffs on approximately $34 billion worth of Chinese goods in July 2018, which was met by retaliatory tariffs from China on U.S. products of comparable value. According to the studies, this marked the beginning of a tit-for-tat trade confrontation that would encompass several phases. In essence, China responded by implementing tariffs on over $110 billion of U.S. exports, targeting key sectors such as agriculture, automotive, and electronics[58]. The initial response involved more than mere tariffs; it included diplomatic efforts and campaigns to defend China's position in international forums[59]. China aimed to position itself as a proponent of free trade, framing U.S. tariffs as violations of World Trade Organization (WTO) principles, while simultaneously seeking to strengthen ties with other economies to mitigate impacts on its global trade relationships.

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2.4.2 Impact of COVID-19 and Continued Strategy Adaptation (2020-2021)

As the COVID-19 pandemic emerged, China faced additional challenges that shifted its trade dynamics. The pandemic exacerbated the economic fallout from the trade war and initiated discussions on supply chain resilience. In response, China adjusted its trade focus, diversifying its markets away from the U.S. and expanding trade relationships with countries such as Brazil, Germany, and Japan.[60] Research by Miao & Yang indicates that this diversification strategy not only sought to reduce reliance on U.S. markets but also to stabilize China's domestic economy in the face of rising global uncertainties. Additionally, China's government implemented domestic policies to bolster key industries that had been disadvantaged by the tariffs. These included increased investment in technology and innovation, which were considered essential for strengthening its competitive advantage despite external pressures.[61] Policies promoting self-sufficiency in semiconductor manufacturing emerged as a strategic response to U.S. bans on technology exports to Chinese firms, especially those linked to national security concerns.

2.4.3 Long-term Economic Adjustments and Strategic Realignments (2022-2023)

From 2022 onwards, China's economic response to the protracted U.S.–China trade war took on a more strategic, multi-dimensional character, reflecting a deliberate shift from short-term retaliation to long-term economic restructuring. Rather than relying solely on reactive measures such as tariff reciprocity, China increasingly embraced a forward-looking approach that combined industrial upgrading, selective market liberalization, and renewed multilateral diplomacy.[62]

One of the most significant manifestations of this strategic reorientation was the refinement and implementation of the "Dual Circulation Strategy," which gained prominence in Chinese policymaking circles by 2020 and became more systematically executed by 2022. The strategy rests on two complementary pillars:

1.Internal circulation, which prioritizes domestic demand, innovation, and supply chain security, and

2.External circulation, which continues to leverage international trade and foreign investment where strategically beneficial.

This approach reflects a clear recognition within the Chinese leadership that external pressures particularly those driven by the U.S. may not be temporary but rather indicative of a long-term strategic rivalry. In this context, economic resilience, autonomy, and technological self-reliance emerged as foundational goals of China's new economic thinking.

2.4.4 Industrial Upgrading and Innovation-Driven Development

China began accelerating investments in high-tech industries and advanced manufacturing sectors such as semiconductors, renewable energy, AI, and biotechnology, all of which are considered vital to future economic competitiveness and national security. Through state-led initiatives such as "Made in China 2025" and later "Sci-Tech Innovation 2030,"[63] the government actively supported the transformation of its industrial base to move up the global value chain. This industrial upgrading is aligned with the broader goal of reducing dependency on foreign particularly American technologies and components, a vulnerability laid bare during the trade and tech restrictions imposed by Washington.

2.4.5 Selective Market Opening

Paradoxically, Paradoxically, while China emphasized domestic circulation and national self-reliance under the "Dual Circulation" strategy, it also undertook deliberate steps to open selected sectors of its economy to international capital and trade partners. A clear example was the gradual relaxation of restrictions on foreign ownership in the financial sector, allowing global banks, insurance firms, and asset management companies to expand their operations in the Chinese market (IMF, 2022; Liu & Woo, 2021). At the same time, China consolidated

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its role in multilateral trade frameworks, most notably through its leadership in the Regional Comprehensive Economic Partnership (RCEP), which came into force in January 2022. RCEP not only linked China more deeply to Asia-Pacific economies but also provided a platform to reinforce supply chain connectivity in response to trade war disruptions (Petri & Plummer, 2020; Ji, 2022). This dual-track strategy reflects a calculated balancing act: on one hand, Beijing sought to reduce external vulnerabilities and shield itself from U.S. pressures by fostering domestic innovation, consumption, and industrial upgrading; on the other hand, it recognized the indispensable role of foreign investment, advanced technologies, and access to global markets in sustaining long-term growth (Zhao, 2023; Kwan, 2019). By sequencing liberalization selectively opening high-value sectors while tightening control in strategic domains such as technology and data China aimed to maintain sovereignty over its economic trajectory. Thus, the policy demonstrates both pragmatism and the influence of economic nationalism, blending outward integration with inward self-reliance to secure resilience in an era of heightened geopolitical and economic confrontation.

2.4.6 Reaffirming Multilateralism and Global Engagement

In contrast to the U.S.'s growing retreat from multilateral trade institutions under the Trump administration, China adopted a more outward-facing diplomatic posture, positioning itself as a champion of globalization and multilateralism. China has consistently reaffirmed its commitment to the World Trade Organization (WTO) and emphasized the need for reforms that reflect the interests of developing economies.[64] This diplomatic positioning serves both strategic and symbolic purposes countering narratives of Chinese isolationism while seeking to expand its influence in global governance institutions. Studies such as Zheng et al. have explored the implications of the elimination of trade tariffs, suggesting that reinstating normalized trade relations could potentially restore trading dynamics; however, the underlying adjustments from the trade war may create permanent shifts in how supply chains are structured globally.[65] The potential for decoupling between the U.S. and Chinese economies has prompted China to focus on nurturing domestic industries and fostering innovation to maintain growth trajectories independent of U.S. markets.

2.5 Conclusion

The U.S.–China trade war, unfolding from 2018 through 2023, represents a profound transformation in global economic relations. What began as a dispute over tariffs and trade imbalances rapidly evolved into a complex strategic contest with implications far beyond bilateral trade. At its core, the conflict reflects the deepening rivalry between the world's two largest economies, shaped by competing visions of economic development, technological leadership, and global influence. The Trump and Biden administrations' subsequent responses demonstrated a growing consensus within the American political establishment regarding the use of economic, technological, and policy tools to counter China's rise. The U.S. strategy evolved into a more comprehensive framework of economic nationalism entwined with national security, from Trump's "America First" tariffs to Biden's focus on strategic competition and high-tech export controls. Conversely, "China's response shifted from reactive tariff measures to a sophisticated and long-term strategy aimed at industrial upgrading, multilateral engagement, and economic self-reliance." China's intention to maintain its place in a more competitive and fragmented global economy is demonstrated by its selective market liberalization, high-tech innovation focus, and adoption of the "Dual Circulation" strategy. The pandemic further exposed the vulnerabilities in global supply chains and accelerated efforts on both sides to restructure dependencies and assert economic sovereignty. China's economic response to U.S. trade policies from 2018 to 2023 has evolved from immediate retaliatory actions to a long-term strategic repositioning aimed at enhancing economic resilience and asserting its

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role in the global economic order. By diversifying trade partners and investing in key industries, China has sought to offset the adverse effects of tariffs and protect its developmental model. As the trade conflict continues to influence international economic dynamics, understanding China's adaptive strategies provides vital insight into its future economic trajectory' and its role on the global stage.

Chapter 3: The European Union's Policy Choices Amidst the Trade War (2018–2023)

3.1 Introduction

The European Union entered the U.S.–China trade confrontation as a structurally "third" actor deeply interdependent with both economies yet lacking the unilateral leverage of either superpower. The EU's economic ties with the U.S. and China are profound: the transatlantic relationship anchors investment, services, and high-value trade, while China has emerged as one of the EU's largest trading partners, particularly in goods and manufacturing value chains[66]. This dual dependence placed Brussels in a delicate position, as unilateral tariffs by Washington and retaliatory measures from Beijing directly threatened European exports, supply chains, and overall competitiveness. Initially, the EU's response focused on defensive measures protecting its industries from spillover shocks, initiating WTO dispute consultations, and negotiating exemptions from U.S. tariffs on steel and aluminum (Durante, 2022). Yet as the confrontation deepened, the EU recognized that it could not remain a passive bystander. Its response evolved into the broader doctrine of "open strategic autonomy," designed to combine resilience with openness while avoiding a slide into outright protectionism (European Commission, 2021). This doctrine reframed trade not merely as an economic instrument but as economic statecraft within a contested global order: keeping markets open where possible, but simultaneously developing tools to deter economic coercion, safeguard technological leadership, and reduce critical dependencies on external suppliers. The EU's 2021 Trade Policy Review crystallized this shift, setting the tone of being "open, sustainable and assertive."[67] It emphasized that trade policy could no longer be isolated from wider strategic concerns: climate commitments, digital governance, and supply-chain security were woven into the very fabric of external economic relations. Furthermore, instruments such as the Carbon Border Adjustment Mechanism (CBAM), the Anti-Coercion Instrument, and enhanced investment screening mechanisms demonstrated that trade had become intertwined with security and resilience objectives.[68] In this sense, the EU's positioning in the U.S.–China trade war illustrates a critical recalibration: leveraging interdependence while safeguarding autonomy, and projecting influence through regulatory power and multilateral frameworks rather than unilateral economic might.

3.2 The EU's Initial Response

The European Union's (EU) initial response to the 'escalating trade tensions exemplified a multifaceted strategy aimed not only at containing collateral damage from the United States' imposition of Section 232 tariffs on steel and aluminum but also at addressing the broader implications of tariff escalations that threatened global economic stability. In order to safeguard its economic interests, maintain transatlantic ties, and reaffirm its position as a major actor in the international trading system, the EU took a number of calculated steps. The EU's first priority was to lessen the negative effects of the US's Section 232 tariffs, which the US defended on "national security grounds" in spite of strong opposition to the justification. In addition to having an impact on EU exports, these tariffs, which levied duties on steel (25%) and aluminum (10%), also carried the risk of starting a larger trade war.[69] Brussels quickly initiated a number of World Trade Organization (WTO) disputes against the United States in order to counter this. In order to demonstrate the EU's commitment to a rules-based trading system, these legal actions sought to contest the tariffs' legality under international trade regulations.

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EU rebalanced "measures in response to the tariffs, implementing retaliatory duties on a range of American goods such as bourbon, jeans, and motorcycles to offset the economic impact on its industries and signal its discontent with unilateral American actiom. 'This approach reflected the EU's dual strategy of legal contestation and economic defense; it underscored Brussels' intention to uphold its trade interests while using multilateral channels to address the dispute. In a significant development in October 2021, the EU successfully negotiated a sectoral détente that allowed a transition from 'the blanket tariffs imposed by the US to a more moderated framework of tariff-rate quotas (TRQs).70 Under this arrangement, EU steel and aluminum exports to the United States were subjected to specific quota limits, beyond which higher tariffs would apply. This agreement demonstrated the EU's skilled diplomatic maneuvering to secure concessions while avoiding a confrontational trade environment that could exacerbate tensions. This negotiation not only mitigated the immediate threats posed by the tariffs but also reflected the EU's recognition of the need for cooperative arrangements that could prevent further escalation of trade disputes. By establishing TRQs, both parties gained a framework that allowed for ongoing trade in crucial sectors while limiting excessive tariff impositions that could harm economic interests on both sides'.

The 'EU's negotiation strategy extended beyond the Section 232 tariffs and encompassed parallel frictions in transatlantic trade, such as the long-standing 'Airbus-Boeing dispute. This dispute, characterized by accusations of unfair subsidies between the two aerospace giants, had led to several rounds of retaliatory tariffs that strained relations further. In June 2021, the EU and the US announced a suspension of retaliatory tariffs related to this dispute for a five-year period, signaling a pragmatic reset in relations intended to facilitate broader trade discussions and foster stability in transatlantic commerce(Bhat, 2021). This diplomatic breakthrough reaffirmed the EU's preference for negotiating solutions through collaboration rather than entrenching divisions through punitive measures. It emphasized the EU's strategic prioritization of maintaining a cohesive transatlantic partnership, crucial not only for economic reasons but also for shared geopolitical objectives in a world characterized' by increasing complexity. The EU's approach during this period was not solely reactive; it was 'characterized by a strategic combination of legal contestation and diplomatic engagement71. Recognizing the significance of both the US and China as major economic players, the EU sought to maintain open communication channels with both capitals to strengthen its position without succumbing to binary alignments. This position enabled the EU to manage its relations with the US, which was marked by both cooperation and competition, while at the same time maintaining strong engagement with China, an economic giant with decisive effects on the EU's future. By promoting a balanced diplomatic stance, the EU presented itself as an independent actor equal to the task of brokerings dialogues that transcended simplistic divisions, innovatively utilizing its relations with both countries in order to maintain its economic interests and propagate multilateralism. Such dual engagement policy is evidence of an awareness of the subtleties of the geopolitics involved and is indicative of the EU's adaptable response to the challenge presented in' the US-China trade war.

3.3 The EU's Strategic Autonomy and Trade Policy Adjustments

The 'concept of "strategic autonomy," particularly as recast into "open strategic autonomy," has become the central organizing principle for the European Union (EU) in the realm of international trade following the upheaval of 2020. This principle demonstrates the EU's dedication to preserving global trade openness while addressing the risks associated with strategic dependencies. The EU's approach to trade relationships has been influenced by the adoption of this dual ethos,

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which places a strong emphasis on diversified sourcing, improved enforcement procedures, and the development of new defensive tools against market distortions. Open strategic autonomy is a sign of a sophisticated awareness of the international trading landscape, where the EU aims to protect its economic interests while also taking the lead in creating a robust and flexible trading system.[72] This strategy sees the value of reducing reliance on single-source suppliers, especially in vital industries like raw materials, technology, and pharmaceuticals, while simultaneously maintaining openness ensuring that the EU continues to be a center for trade and investment. For example, the EU has made diversifying its supply chains a top priority in order to reduce the risks associated with over-dependence, especially in the wake of disruptions brought on by the COVID-19 pandemic and geopolitical tensions.[73]

This diversification strategy is evident in various 'policies aimed at sourcing essential goods from multiple global partners. The EU seeks to reinforce its supply chain resilience while also addressing broader sustainability goals.[74] The EU's implementation of the Critical Raw Materials Act, which encourages domestic resource extraction and sustainable sourcing while lowering reliance on external suppliers, is an example of effective action in this direction. The EU has also reemphasized the importance of strengthening trade enforcement mechanisms in the framework of open strategic autonomy. This involves modifying current frameworks to handle issues brought on by unfair trade practices, like government subsidies and non-EU actors' dumping.[75] The adoption of new defensive instruments such as the Instrument for Trade Emergencies (ITE) illustrates the EU's proactive stance in addressing risks to its market integrity. These tools enable the EU to respond to disruptions and unfair practices, ensuring that economic stability is preserved even amidst rising protectionism globally. Moreover, the emphasis on strengthened enforcement is not merely about combatting unfair practices; it also reflects the EU's commitment to aligning market access with adherence to fundamental values such as environmental sustainability, labor rights, and human rights. The integration of non-trade policy objectives (NTPOs) in EU trade agreements reinforces this conditionality, requiring trading partners to comply with these standards to maintain preferential access to the EU market'.[76]

3.4 The EU-China Comprehensive Agreement on Investment (CAI) and Political Realities

The stalled Comprehensive Agreement on Investment (CAI) between the EU and China, which was concluded "in principle" in December 2020, 'exemplifies the political complexities that accompany the EU's commitment to open strategic autonomy. The subsequent breakdown of negotiations amid reciprocal sanctions revealed the limits of deepening market ties with China, underscoring the reality that trade policy is increasingly intertwined with political values and security considerations(Funke and Wende, 2022). This case highlights the challenges and conflicting interests inherent in the EU's strategy of balancing market access with the promotion of European values. The political ramifications of the CAI negotiations prompted the EU to reassess its approach, emphasizing the need for vigilant scrutiny of vulnerabilities and adopting a selective "de-risking" strategy to manage exposure to potential economic and security threats posed by trading partners, primarily in high-tech' sectors.

The updates to the EU's strategy post-COVID-19 have significantly emphasized the importance of screening for vulnerabilities. This is articulated through the 2021 Industrial Strategy update and the Trade Policy Review, both of which underscore the EU's focus on supply-chain realignment rather than outright decoupling from any particular partner. This nuanced approach recognizes that while certain strategic interests necessitate a distance or diversification, complete disengagement could be detrimental to economic performance.[77] Hence, the push towards realigning supply chains promotes resilience by advocating for enhanced due diligence, sustainability, and the

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reinforcement of enforcement pillars. The concept of "de-risking" suggests that the EU aims to maintain trade relations while consciously allowing for adjustments that enhance domestic resilience. This balanced approach seeks to strengthen the EU's negotiating power globally while ensuring that its economic strategies do not compromise its foundational values or security partnership frameworks.

3.5 EU Trade Agreements and Diversification

In order to operationalize diversification, the 'EU accelerated the negotiation and implementation of agreements beyond its two principal partners, the United States and China, in order to mitigate dependency risks and enhance global market access. The flagship trade deals with Japan (in force since 2019) and Vietnam (in force since 2020) signaled a deliberate pivot towards Asia, embedding the EU more firmly into regional value chains and offering a counterbalance to overexposure to Sino–American competition78. The EU–Singapore FTA (2019) further consolidated ASEAN linkages, positioning Brussels as a key player in Southeast Asia's dynamic trade ecosystem, while the 2023 EU–New Zealand FTA added another layer of trusted partnership with a like-minded, rules-based economy.[79] These agreements illustrate not only a geographic diversification strategy but also a normative one, as the EU consistently anchors such FTAs in sustainability, labour, and environmental standards reinforcing its identity as a "normative power" in trade. Domestically, diversification was reinforced by the EU's internal capacity-building measures. The Recovery and Resilience Facility (RRF), embedded in the Next Generation EU programme, allocated unprecedented financial resources to strengthen EU demand, support investment, and advance the green–digital "twin transition."(Michels *et al.*, 2025) This internal boost not only cushioned external shocks from trade tensions and the pandemic but also enhanced the bloc's absorptive capacity for supply-chain reconfiguration, ensuring that diversification was not merely outward-looking but also rooted in internal resilience. By reducing structural vulnerabilities and fostering technological upgrading, the RRF provided the foundation for greater strategic flexibility' in global trade.

3.6 Conclusion

Between 2018 and 2023 the EU shifted from crisis management to a more coherent geoeconomic posture: an open strategic autonomy that keeps markets open, diversifies risk, and equips the Union with deterrent tools (e.g., upgraded enforcement and the Anti-Coercion Instrument). The Airbus–Boeing truce, the steel/aluminium accommodation, the TTC with the U.S., and a widening FTA network (Japan, Vietnam, Singapore, New Zealand) illustrate selective alliance-building; the CAI freeze, and the 5G Toolbox show principled limits on engagement with China. For global trade governance, the EU's choices imply incremental but meaningful scaffolding around a stressed WTO via the MPIA and reform advocacy while embedding sustainability and security into trade. The Union thus consolidates a dual identity: a strategic partner (especially to the U.S.) and an independent actor investing in its own capacity to shape, and sometimes shield, an open rules-based order.[80]

Chapter 4: The European Union in a Fragmenting Global Trade Order

4.1 Introduction

The European Union holds a paradoxical position in today's shifting trade architecture: it is simultaneously a cornerstone of global trade and a middle power squeezed between major systemic convergences and divergences. As such, the EU courts a delicate dilemma upholding multilateral institutions and norms while safeguarding its strategic autonomy and economic interests. This tension is captured in the escalating debate over "open strategic autonomy," seeing the EU as both an avowed multilateralist and a selective hedger in a crumbling liberal international order.

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4.2 Economic Exposure of the EU to U.S.–China Rivalry

The EU's deep-rooted trade exposure to both the U.S. and China makes it particularly vulnerable when tensions flare. Disruptions in critical sectors rare earths, semiconductors, essential medical supplies have been amplified by global geopolitical spillovers. The COVID-19 pandemic served as a revealing stress test, exposing the fragility of just-in-time supply chains and prompting calls for greater resilience. In response, the EU has ramped up investments in critical mineral autonomy, including domestic extraction initiatives for metals like gallium, while encouraging projects across member states to reduce dependency on China. Transatlantic cooperation deepened on technology, security and supply chains through 'the EU–U.S. Trade and Technology Council (launched 2021), enabling joint approaches on export controls, semiconductors, and standards even as classical trade irritants persisted.[81] With China, tensions intensified over human rights (Xinjiang sanctions), market access barriers, and digital/telecoms security.[82] The 5G Toolbox (January 2020) and subsequent 2023 guidance crystallized a risk-based approach to "high-risk" suppliers, steering member-state restrictions without an outright EU-wide ban an archetypal de-risking move83. Throughout, Brussels sought to avoid binary alignment: cooperate with Washington where interests converge, compartmentalize with Beijing where possible, and build EU instruments to withstand pressure from either' side.

4.3 EU's Strategic Positioning in Global Trade Realignment

The concept of "open strategic autonomy" emerges as a pivotal framework through which the European Union (EU) navigates the complex currents of global trade, particularly due to the realignment prompted by the US-China trade war. This strategic orientation enables the EU to balance its longstanding trade partnerships chiefly with the United States while diversifying its economic engagements across regions such as Latin America, Africa, and the Indo-Pacific. The EU's approach signifies a dual commitment: to maintain robust relationships with traditional allies while ensuring it is not overly dependent on any single partner. This positioning underscores a broader ambition to secure a more resilient and independent role in the rapidly evolving global trade landscape. According to Carvalho et al., 'trade conflicts disrupt global economic cohesion, negatively impacting international trade infrastructures.[84] The EU's strategy seeks to navigate these challenges effectively, aiming for a balanced posture that neither favors unilateralism nor jeopardizes its economic security. The EU's strategy encapsulates the need to preserve and nurture its trading relationship with the United States its closest ally while recognizing the importance of cultivating new partnerships. This involves reinforcing transatlantic ties and developing robust economic relationships with emerging markets in Latin America, Africa, and the Indo-Pacific. This means that the EU is working to enhance trade relations with multiple regions, thereby achieving a degree of economic resilience. Initiatives such as the EU-Mercosur trade agreement illustrate Brussels' intent to forge deeper ties with Latin America.(de Sadeleer, 2025) Moreover, outreach to Africa seeks to tap into the continent's potential and demographic advantages. In this context, trade agreements and investments position the EU as an influential player promoting sustainable development and economic cooperation across diverse economies. The EU's strategic positioning is also deeply interwoven with its role in shaping and defending trade norms on a global scale. By emphasizing multilateral cooperation while asserting the need for autonomy, the EU participates in formulating the rules of international trade. This is articulated in its response to the WTO crisis, exemplified by the establishment of the Multi-Party Interim Appeal Arbitration Arrangement (MPIA), which shows the EU as an active architect of trade governance. By spearheading initiatives like the MPIA, the EU aims to create a framework that sustains effective trade dispute resolution and reinforces a rules-based

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trading system'.[85]

The EU's strategy of "cooperate multilaterally where possible, act autonomously where necessary" reflects its nuanced understanding of its geopolitical environment. This strategy recognizes that collaborating 'with global partners is essential to achieve shared objectives (such as climate change mitigation and economic recovery). However, the EU must also assert its autonomy to protect its interests. The rise of protectionist measures and the emphasis on national security considerations in trade policy highlight the necessity of this balance. China's increasing assertiveness necessitates reevaluating existing partnerships and exploring new avenues for cooperation beyond traditional power dynamics.[86] The EU's strategy effectively positions it to mediate between competing powers while safeguarding its economic interests. This is particularly challenging given the rivalry between the US and China, which has repercussions extending globally, affecting not only the direct participants but also other nations caught in the crossfire'.[87]

4.4 EU's Role in the Multilateral Trade Framework

As the crisis surrounding the World Trade Organization's (WTO) Appellate Body reached a critical juncture, leading to a paralysis of the 'appeals process, the European Union (EU) took proactive measures to ensure that a two-tier dispute resolution mechanism remained accessible for member states willing to engage in multilateral trade. This strategic initiative was encapsulated in the establishment of the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) in 2020.[88] The MPIA emerged as a crucial alternative for resolving trade disputes, allowing participating countries to avoid the stalemate posed by the Appellate Body impasse while reinforcing the principles underpinning the rules-based multilateral trading system.[89] The MPIA represents a 'fundamental pivot in the EU's approach to international trade governance, embodying its commitment to uphold multilateralism even in the face of disruptive global dynamics.' The EU has not only spearheaded the MPIA but has also actively contributed to ongoing discussions regarding the modernization of the WTO framework. Among the proposed reforms, the EU has advocated for improvements in key areas such as transparency in trade practices, subsidy regulations, industrial policy reform, digital trade standards, and sustainability measures.[90] This holistic approach integrates plurilateral flexibility, allowing countries to advance in specific areas of interest while simultaneously defending the core Most Favored Nation (MFN) principles that are central to the WTO.[91] The EU's agenda for WTO modernization aligns with a broader recognition of the necessity to adapt international trade rules to contemporary challenges, such as the growing significance of digital trade and sustainable development practices. By encouraging flexibility and pragmatic approaches to trade negotiations, the EU aims to enhance resilience within the global trading system and reinforce its status as a leading proponent of rules-based trade. Scholars note that this proactive engagement reflects the EU's positioning as a defender of the multilateral order amidst geopolitical tensions and trade disputes'.[92]

The EU's self-presentation as a champion of rules-based trade has further facilitated coalition-building efforts with like-minded nations 'and regional partners. The EU has demonstrated its capacity to mediate intricate relationships between major trading powers, particularly the US and China, through its participation in programs like the MPIA and other plurilateral agreements. The EU has made a special place for itself as a mediator of norms and procedures, promoting adherence to established trade rules while navigating the conflicting interests of various stakeholders, even though great-power rivalry still has an impact on standard-setting within international trade forums. A model of governance that combines economic objectives with wider social values is demonstrated by the EU's active involvement in developing trade policies that support sustainability and environmental goals . The EU's promotion of ambitious agreements on climate, such as the Carbon Border

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Adjustment Mechanism (CBAM), exemplifies its efforts to leverage trade frameworks for environmental protection, albeit not without controversy surrounding compliance with WTO obligations.[93] Nevertheless, the EU remains committed to utilizing its normative power to influence global trade standards, asserting its role as a key player shaping the future landscape of multilateral trade. The credibility of the EU's enforcement mechanisms within the multilateral framework is closely tied to its coherent and assertive approach to trade policy, which encompasses legal and diplomatic avenues for conflict resolution. The MPIA and supportive measures for WTO reforms signify the EU's readiness to defend the integrity of the multilateral trading system, even as it faces increasing challenges from protectionist tendencies and unilateral actions from other major economies.[94] The effectiveness of the EU's enforcement credibility will be tested as new trade disputes arise and as the implications of technological competition between the US and China unfold. The EU's success in mediating these tensions will hinge on its ability to maintain a unified front among its member states and align its institutional capabilities with the demands of contemporary international trade' practices.

4.5 Technology, Security, and the EU's Response

The interplay between technology, security, and economic strategy has become increasingly significant in the European Union's (EU) policy response to the US-China trade war. The idea of digital sovereignty, which aims to address technological vulnerabilities brought to light by ongoing geopolitical tensions, is fundamental to this response. It is more important than ever to secure supply chains and promote innovation as the EU faces challenges to its technological independence, especially in vital areas like semiconductors and 5G infrastructure. In the EU's approach to managing its technological landscape, the idea of digital sovereignty has "crystallized," highlighting the necessity of reducing reliance on outside parties, particularly in high-stakes industries like semiconductors. Fears of possible conflict involving Taiwan, which is home to a sizable portion of the world's semiconductor manufacturing, have contributed to the escalation of the geopolitical environment surrounding semiconductor production.[95] The European Commission has recognized these vulnerabilities and has articulated a clear strategy through its European Economic Security strategy, which revolves around enhancing self-sufficiency and resilience against potential supply chain disruptions and threats from hostile state actors. EU's increasing focus on digital sovereignty also resonates with wider global trends in economic security and technology governance. The push towards establishing a strong semiconductor ecosystem, highlighted by the EU Chips Act, aims to increase Europe's semiconductor production share to 20% of global output. This initiative involves substantial investment in research, innovation, and tailored state aid exemptions to stimulate the semiconductor industry throughout Europe. However, this objective underscores a glaring paradox: while the EU strives for autonomy, it remains deeply embedded in global supply chains that connect it to both allies and adversaries. Scholars argue that as the EU seeks to bolster its technological independence, it continues to rely on international partners to meet its tech requirements, illustrating the complexities of achieving' true digital sovereignty.

The debates surrounding semiconductor production 'and 5G infrastructure have highlighted critical fault lines in the discussion of technology and security. The controversy over the involvement of Chinese tech giant Huawei in the provisioning of 5G networks has amplified European anxieties regarding supply chain dependencies and the potential for compromised security.[96] Concerns are rooted not only in the quality and reliability of Chinese technology but also in broader geopolitical considerations, where the EU must balance technological collaborations with national security implications. This perceived threat has prompted the EU to invest in its domestic capabilities, and the Chips Act serves as a primary vehicle for this ambition. The initiative

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is more than just a response to semiconductor supply chain challenges; it reflects a strategic shift towards recognizing and managing technological dependencies as significant national security concerns. As the impact of the US-China trade war reverberates globally, the EU faces mounting pressure to reassess its technological partnerships and safeguard its developmental interests, as both allies and adversaries vie for leadership in advanced' technologies.

The EU's response to these challenges reveals an 'interconnected nexus between economic, technological, and security strategies, suggesting a movement away from a purely economic focus towards a framework that considers the geopolitical implications of technology policy. The ongoing trade tensions between the US and China have forced the EU to scrutinize its economic relations and consider the implications of becoming overly reliant on technology transfer and industrial ties to either side.[97] In particular, the EU's strategy reflects a growing recognition that technology governance is intertwined with geopolitical realities. By adopting a stance that prioritizes autonomy in critical technology sectors, the EU aims to bolster its economic security while navigating the complex international environment shaped by the US-China rivalry.' The implications of the EU's drive for a secure semiconductor supply chain are profound not just for internal market competitiveness but also for Europe's leverage within the global economic order.

4.6 The EU and Multilateral Trade Governance

Amid the 'rising systemic fragmentation characterizing contemporary global trade, the European Union (EU) emerges as a significant actor 'persistently dedicated to preserving multilateral frameworks. The geopolitical landscape has evolved to display heightened unilateralism and protectionism, most notably epitomized by the United States' actions that severely undermined the World Trade Organization (WTO) dispute settlement system. The EU's response to the immediate difficulties caused by the U.S. blockade of the WTO Appellate Body is the establishment of the Multi-Party Interim Appeal Arbitration Arrangement (MPIA), which demonstrates the EU's dedication to preserving effective international trade cooperation. The MPIA is a novel framework intended to help resolve disputes between nations that are prepared to maintain a rules-based trade system in spite of the institutional constraints of the WTO, not just a band-aid solution. This effort was led by the EU, which framed it as an essential step in preserving the multilateral trading framework, which has been seen as in danger of collapsing because of unilateralist pressures and the politicization of trade disputes. By engaging over 20 WTO members who have signed onto the MPIA, the EU has demonstrated its resolve to adapt and preserve multilateralism by providing an interim solution to maintain judicial oversight over trade relations.[98] The interim nature of the MPIA illuminates the broader context in which the EU operates, which involves not only salvaging existing institutional mechanisms but also advocating for substantial reforms in trade governance, particularly in areas related to subsidies, transparency, and dispute settlement. The EU's push for reformed practices is critical in extending the life of multilateral frameworks that benefit global trade. Going beyond immediate institutional fixes, the EU continues to advocate for reforming the WTO's operational and procedural elements to ensure their relevance and functionality in the 21st century.[99] The discussion surrounding these reforms is rooted in the changing dynamics of global trade relationships and emerging economic powers that challenge the established norms of trade governance. The EU's advocacy for enhanced transparency in subsidy allocations and improved rules for dispute resolution aims to address the underlying structural weaknesses that contribute to the fragmentation of the global' trading system.

Scholars have pointed out that 'with the increasing presence of domestic subsidy policies in major economies particularly in China and the United States the EU's focus on establishing clear, enforceable rules concerning

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state support for industries is essential to maintaining a fair trading environment. By proposing reforms, the EU seeks to create a level playing field, ensuring that all participants adhere to agreed-upon trade standards, ultimately enhancing the credibility of the WTO[100]. The EU's approach to interlinking trade, security, and external relations under the framework of open strategic autonomy reflects a comprehensive strategy aimed at becoming more "strategic" in navigating the complexities of modern international affairs. This multifaceted approach acknowledges that security imperatives and geopolitical factors are intricately linked to economic policies, which do not exist in a vacuum. A crucial component of the EU's trade relations is the growing importance of values like democracy, human rights, and environmental sustainability. The EU wants to emphasize its standards as standards for global trade and external cooperation by drafting trade agreements that include these values as requirements for market access. This represents a change in its policies toward a more moral stance, making sure that trade is a means of advancing not just economic expansion but also core democratic values and environmental obligations. Despite systemic fragmentation, the EU has also highlighted the need for adaptive responses to vulnerabilities within its supply chains.[101] According to the EU's 2021 Industrial Strategy update and Trade Policy Review, this emphasis on resilience is a key component of its post-COVID strategy. These documents emphasize the significance of identifying risks and vulnerabilities in supply chains and promoting targeted "de-risking" tactics that improve EU economic security without causing a significant decoupling from international markets. Instead of calling for a total break with interdependence, the EU is pursuing policies that promote supply-chain realignment, which in turn promotes improved due diligence, sustainable practices, and strategic alliances with a wide range of nations. This balanced approach helps to ensure that the EU remains engaged in global markets while simultaneously building a resilient economic framework capable of withstanding external shocks and geopolitical tensions.

4.7 Conclusion

In a fractured global economy marked by heightened geopolitical rivalries, disrupted supply chains, and the weaponisation of trade, the European Union (EU) has assumed a distinctive dual role: mediating between great powers while carefully asserting its independence. The EU has adopted a strategy that is neither overtly protectionist nor passively multilateralist, in contrast to smaller actors forced to take sides. Rather, it has embraced a complex fusion of resilience-building, diversification, and collaboration. The Union's material interests and its identity as a normative power dedicated to rules-based governance are both reflected in this delicate balancing act. The EU's handling of its relations with the US has been a key component of this strategy. Despite recurrent tensions ranging from disputes over subsidies in the aviation sector to disagreements on digital taxation and climate policy the transatlantic partnership has remained indispensable. By negotiating exemptions from some tariffs, stepping up communication through the EU-US Trade and Technology Council, and bolstering NATO's political and economic facets, the EU managed to avoid becoming collateral damage during the height of the US-China trade war. Although the EU did not fully support Washington's tough stance against Beijing, it did strengthen ties with the US in delicate areas like export restrictions on dual-use technologies, 5G security, and safeguarding vital raw materials. By doing so, Brussels signalled its willingness to act as a trusted ally while still preserving space for independent engagement with China and other emerging markets. This dual-track approach reflects a deeper structural reality. The EU cannot afford to sever economic ties with either Washington or Beijing, yet it equally recognises the risks of overdependence on either. Accordingly, its external trade agenda has been marked by diversification. Flagship free trade agreements with Japan, Vietnam, Singapore, and New

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Zealand have anchored new supply-chain linkages in Asia and the Pacific, reducing reliance on the US and China. Similarly, the pursuit of investment partnerships in Africa and Latin America, coupled with an increased focus on "open strategic autonomy," reflects an ambition to reposition the EU as a global economic hub in its own right. The implications of this strategy for the EU's long-term trajectory are profound. By deepening trade with emerging partners, strengthening internal technological capacity, and managing its relationship with the United States without sliding into dependency, the EU has crafted a sustainable posture that both protects its interests and enhances its global influence. Even in an era characterized by rivalry between Washington and Beijing, the Union has demonstrated the ability to influence outcomes rather than being a passive observer of great power dynamics. Its survival in this multipolar world will depend on its ability to maintain this delicate balance between fortifying transatlantic ties, engaging with China sparingly, and developing a larger network of strategic and economic alliances. In this way, the EU's significance comes from its ability to continue being essential to many, not from its affiliation with a single power. Its hybrid posture part mediator, part independent pole ensures that, despite global fractures, the Union will continue to be a decisive actor in shaping the contours of international trade and governance in the decades ahead.

Chapter 5: Conclusion

This thesis has explored the 'intersection of the U.S.–China trade war (2018–2023), the European Union's evolving trade policy, and the broader dynamics of a fragmenting global trade order. While the bilateral confrontation between Washington and Beijing has attracted extensive scholarly and policy attention, this study has situated the EU as a "third actor" navigating the systemic disruptions generated by that rivalry. It has analysed how the EU balanced its economic exposure to both powers, sought to strengthen internal resilience, diversified external partnerships, and asserted itself within multilateral fora. The chapter concludes by synthesising the core findings of the thesis. It reflects on the EU's strategic agency, the implications of its policy responses for global trade governance, and the lessons this case offers for understanding middle-power behaviour in a multipolar and contested' global economy. Between 2018 and 2023, the European Union shifted from reactive crisis management to the articulation of a more coherent and forward-looking geoeconomic posture: "open strategic autonomy." This approach sought to preserve the EU's traditional commitment to open markets while diversifying risk exposures and equipping the Union with new deterrent and defensive instruments. A growing willingness to protect European interests from outside economic pressure was demonstrated by initiatives like the Anti-Coercion Instrument and the upgraded enforcement regulation. In the end, the EU has solidified its dual identity. In addition to asserting itself as an autonomous global actor that can influence trade norms and protect its economy from pressure, it serves as a strategic partner, especially to the United States, in defending a rules-based economic order. This change represents a paradigm shift in the EU's view of trade, not just as a tool for liberalization, and it also reflects the lessons learned from the U.S.-China trade war, but as an integral component of its broader geopolitical and security strategy.

5.1 Key Findings

The thesis demonstrated that the 'EU's position as a "third actor" in the trade war presented a dual reality: vulnerability and agency. On the one hand, the Union's reliance on its two biggest trading partners was made evident by the imposition of U.S. tariffs on European steel and aluminum under Section 232, disagreements over Airbus-Boeing subsidies, and ongoing difficulties gaining access to the Chinese market. However, the EU took advantage of these weaknesses to develop a new trade doctrine, which is summed up in the idea of open strategic autonomy. This change reframed trade as a component of

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strategic resilience rather than just an economic tool, striking a balance between openness and protections against coercion.

A second core finding was the dual dimension of diversification. Concrete policy choices illustrate this evolution. Selective alliance-building was made possible by the settlement of long-standing disagreements with the United States, such as the steel/aluminum tariffs and the Airbus–Boeing subsidy dispute, while the creation of the Trade and Technology Council (TTC) indicated a strengthening transatlantic economic partnership. At the same time, Brussels' resolve to solidify its position in global value chains and lessen its reliance on any one partner was highlighted by the EU's FTA network expansion, which now includes partners like Japan, Vietnam, Singapore, and New Zealand.[102] Conversely, the freezing of the Comprehensive Agreement on Investment (CAI) with China and the implementation of the EU 5G Toolbox marked clear boundaries to engagement, reflecting both normative concerns and security imperatives. In terms of global trade governance, the EU positioned itself as both a reformer and a stabilizer. By spearheading the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) and advancing proposals for WTO reform, Brussels worked to uphold a strained multilateral system while embedding new priorities sustainability, digital governance, and supply-chain resilience into trade policy. This demonstrates a pragmatic duality: consolidating the EU's regulatory influence and multilateral credentials while simultaneously investing in autonomous capabilities to withstand systemic shocks. Externally, the EU accelerated the conclusion of major trade agreements beyond its two principal partners. Flagship deals such as the EU–Japan Economic Partnership Agreement (2019), the EU–Singapore FTA (2019), the EU–Vietnam FTA (2020), and the EU–New Zealand FTA (2023) anchored the Union in Asia-Pacific value chains and widened its network of trusted partners.[103] [104] These agreements were not merely economic instruments but also carried normative weight, embedding environmental, social, and governance standards in new partnerships. Internally, diversification was operationalised through the NextGenerationEU Recovery and Resilience Facility.[105] By allocating unprecedented funds for the green–digital "twin transition," the EU enhanced its absorptive capacity for supply-chain shocks and fostered technological upgrading. This illustrated that diversification was not confined to geographic markets but also involved strengthening internal resilience' and competitiveness.

Third, the EU emerged as a leading defender and reformer of multilateralism. The paralysis of the WTO Appellate Body, triggered by U.S. obstruction, threatened the integrity of the rules-based system. The EU's creation of the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) offered an interim solution to preserve dispute settlement, demonstrating both leadership and pragmatism. In parallel, Brussels advanced debates on reforming subsidies, industrial policy, and dispute settlement rules, signalling that diversification and multilateralism were complementary pillars of its trade policy.'The EU's evolving relationship with China between 2018 and 2023 highlights the complex interplay between economic interdependence and normative politics, encapsulating one of the most profound strategic dilemmas confronting the Union. On the one hand, China is an indispensable trading partner, deeply embedded in the EU's supply chains, particularly in sectors such as manufacturing, telecommunications, and renewable energy technologies. On the other hand, the asymmetries and risks associated with this interdependence, combined with sharp normative divergences, have underscored the need for recalibration. The trajectory of the EU–China Comprehensive Agreement on Investment (CAI) illustrates this paradox most vividly. Initially concluded in principle in late 2020, the CAI was heralded as a landmark framework to level the playing field for European businesses in China. Yet, its ratification was swiftly derailed in 2021 when mutual sanctions were impose. The freezing of

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the CAI marked a turning point, signalling that the EU was no longer prepared to compartmentalise trade from values when' systemic concerns were at stake.

This securitisation of EU–China ties extended beyond investment to encompass technology and supply-chain dependencies. The debate surrounding Huawei's 'involvement in 5G networks encapsulated broader anxieties over the strategic implications of Chinese technology. While member states differed in their approaches, the EU's coordinated "5G Toolbox" demonstrated a collective recognition that security considerations must be factored into market decisions. Similar concerns emerged around Europe's reliance on Chinese rare earth elements, critical for high-tech and green industries. The COVID-19 pandemic further exposed vulnerabilities, with shortages of medical supplies highlighting the risks of overdependence on a single external partner. These developments collectively reinforced the view in Brussels that resilience and diversification were not merely economic preferences but strategic imperatives. At the same time, the EU has sought to avoid a wholesale decoupling from China. Commercial engagement continues, with bilateral trade in goods reaching record levels even amid political frictions. This reflects a pragmatic acknowledgement that China remains central to global value chains and a critical market for European exports, from luxury goods to industrial' machinery. Therefore, the EU has faced the challenge of finding a middle ground: preserving avenues of communication where feasible while incorporating safeguards to reduce risks and uphold fundamental principles. This strategy aligns with the more general idea of "open strategic autonomy," which maintains trade openness while limiting it in light of sustainability, security, and human rights concerns. In the end, the way the EU has handled its relationship with China shows a significant shift in its geoeconomic stance. No longer is economic interdependence treated as an unqualified good; rather, it is assessed through the lens of strategic resilience and normative coherence. The suspension of the CAI, the adoption of the 5G Toolbox, and policy debates over critical raw materials demonstrate the Union's willingness to recalibrate ties in ways that reflect both material interests and principled commitments. By doing this, the EU establishes itself as a unique player in the multipolar order, not entirely supporting Washington's aggressive posture nor caving in to Beijing's demands for depoliticized interaction. It instead asserts a model of conditional interdependence, wherein the defense of values and security imperatives are weighed against economic ties. Although this delicate balancing act is far from over, it establishes the framework for how the EU may handle systemic rivalry going forward.

The findings suggest that the EU's approach has broader implications for global trade governance. Its pursuit of open strategic autonomy demonstrates that defending openness does not necessitate vulnerability, but requires parallel strategies of resilience and diversification. Its proactive role in WTO reform illustrates that middle powers can play a stabilising function even in a fragmented order. Finally, its conditional engagement with China highlights the potential for trade policy to reflect normative priorities without wholly decoupling from interdependence.

5.2 Future Outlook

Looking ahead, the EU faces an uncertain trajectory. The global trade order is unlikely to return to its pre-2018 equilibrium due to the growing rivalry between the United States and China, the danger of technological bifurcation, and increased pressure on the WTO. Three factors will determine the EU's ability to maintain open strategic autonomy: whether it can continue to shape global rules in collaboration with like-minded partners; whether it can strengthen partnerships with regions like Africa, Latin America, and the Indo-Pacific; and whether it can maintain internal political consensus on the balance between openness and protection. To sum up, the EU's experience during the trade war highlights the fundamental conundrum of modern trade politics: upholding

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multilateralism while adjusting to fragmentation. The Union has shown that agency within constraint is possible. By diversifying partnerships, strengthening internal resilience, and championing rules-based governance, it has positioned itself as both a mediator and an independent power. This trajectory highlights that in a fragmented world economy, resilience and normative leadership are indispensable for sustaining openness and influence'.

Instead of marginalizing the European Union, the trade war between the United States and China has highlighted and strengthened its position as a key player in determining the direction of global trade governance going forward. The EU has shown that it cannot fully support either side or stand by and watch as the two biggest economies in the world engage in systemic rivalry. Rather, it has established a unique position by using its market size, institutional capacity, and regulatory authority to advance an open strategic autonomy model.. This doctrine balances openness to global markets with targeted instruments to reduce vulnerabilities, thereby offering not only a blueprint for the EU's long-term economic security but also a potential reference point for other middle and regional powers seeking to navigate an era of great-power competition.

The EU's changing stance on trade shows that chaos and protectionist fragmentation are not always the results of the post-Cold War liberal economic order's breakdown. Instead, it opens doors for flexible approaches that reframe interdependence in terms of resilience, diversity, and sustainability. The EU's ability to innovate within limitations is demonstrated by initiatives like the pursuit of new free trade agreements, the inclusion of sustainability clauses in external trade policy, and the defense of WTO dispute settlement through interim mechanisms (e.g., MPIA). At the same time, its willingness to freeze the Comprehensive Agreement on Investment with China, adopt the 5G Toolbox, and pursue enforcement instruments against economic coercion highlight its capacity to set principled limits where openness threatens strategic interests.

Ultimately, the EU's response to the U.S.–China trade confrontation highlights its dual identity as both a guardian of multilateralism and an independent geopolitical actor. This balancing act not only consolidates its resilience but also enhances its credibility as a global standard-setter. Looking forward, the EU's ability to translate open strategic autonomy into coherent action across digital governance, climate policy, and supply-chain security will determine whether it can transform systemic disruption into an enduring opportunity to shape a redefined, rules-based global order.

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