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EU Trade Policy Amid US-China Trade Confrontation

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Abstract

The current United States' aggressive and unilateral trade policy, as well as the rapid rise of the Chinese unique economic system – now challenging the constant rules-based trade's institution and global trading system. In the current on-going US-China trade spat, the European Union (EU) has a substantial interest, even if it has been so far reasonably kept from the United States (US) aggressive trade policy and the reaction of China. In such unpredictable circumstances, I begin to argue that the EU should adopt a practically independent trade policy, which can be made rendering to the contemporary setup and going beyond. Finding that how the EU treated both the US and China, I found that the EU was more adjacent to the US than China, but as China became more open to the world and the EU demand upsurge, the EU today shared an equal interest with both China and the US. I then demonstrate that such situation makes it impossible for the EU to build an extensive trade policy. The EU must make a steady trade policy for protecting its economy; in such case, I never mean that the EU has to make an extensive choice or either siding China or the US, or one against the other – EU to protect its economic market can decide and act henceforth. The EU, even more than China and the US, abide and has a strategic interest in preserving global rules-based organization such as the World Trade Organization (WTO). As the US repeatedly challenged the WTO Appellate Body, I then recommend that the EU should take the leadership for making WTO reforms and negotiation together with other aligned states like China and Japan. The EU must reinforce its domestic tools for addressing present and future challenges, mostly in trade and security related areas. In the time being, I suggest that the EU should prepare itself for a more stringent time; the EU should review and rethink some of its trade policy. In such situations, I believe that the EU parliaments can play a vital role to contest with the current challenges and come up with new trade policy which could overwhelm the current punitive status quo without hurting the contemporary global trading system.

Keywords: United States, China, European Union, Trade Confrontation, Unilateral Measures, Tit-For-Tat Retaliation Strategy, Protectionism, Trade Policy

1. Introduction

The European Union economic market has never been so integrated into the world as it is today. In the EU's Gross Domestic Products (GDP), the part of extra-EU trade rose from 15% in 1980 to almost 25% in 2017,

while the intra-EU trade share has persisted 63% over the same period. Subsequently, the EU is now the world's largest trading bloc – reliant, typically on international trade. Nevertheless, the global trading system on which the EU trade contingent is now engulfed in crisis (Dadush and Wolff 2019).

Recently the Trump's administration protectionist attitude and the punitive trade war with China, indirectly affecting the EU's economy in many ways. Firstly, the current unilateral measures of the US is undermining the function of the rule-based organization such as the World Trade Organization (Jean, Martin, and Sapir 2018). Secondly, such unilateral measures of the US without push-force will open the door for additional trade barriers that could target the EU, which is the most substantial economic market. Lastly, the US regular duties against China and the Chinese tit-for-tat strategy affecting the EU member states (Garcia Herrero 2019).

Witnessing the contemporary trade spat through the Neo-Mercantilist¹ perspective, the Trump Advisor Peter Navarro said, the current trade deficit is mostly because of the Chinese conceited trade policy, the only choice is to make the US economy robust we need to import less and export more, he said (Smith 2019). Whereas (Kraneveld 2019, David 1817) argued that the US trade deficit had been increased since the Vietnam war long before China's economic rise, which highlights that the US trade deficit is not China's fault. The trade deficit is a general and natural phenomenon in the trading system, for example, the trade deficit problem between the countries are by their nature.

Most of the scholars like Polachek (1978-1980) claimed that trade enhances cooperation between states, others like (McMillian 1997, Barbieri 1996) argued that trade reduces conflict and some other disclosed constructive relations. Other studies linked trade with democracy (Polachek, 1994; Oneal et al., 1996; Gartzke, 1998), which means that trade-related issues and trade war in democratic states are far less than non-democratic states (Polachek, Robst, and Chang 1999).

It is perhaps an old idea; the current trade spat of the US with democratic states, the termination of Trans-Pacific Partnership, the unilateral measurement against the EU, in the same vein the Chinese Free Trade Agreement (CFTA) Preferential Trade Agreement (PTA) and other related trade with the rest of the world is more than many democratic countries.

The paper aims to highlight the current trade spat between the US and China and its impacts on the EU. The paper divided into six minor sections, the second section describes the landscape of changing trade policy and its effects on world trade system, the third section deal with the US trade policy towards China, the fourth section describes the Chinese tit-for-tat retaliation strategy, the fifth section describing the impacts of the trade war on the EU and the last section is conclusion and recommendation for the EU to avoid market collapse.

2. The Landscape of Changing Trade Policy

2.2. Background

In the previous seventy years, global trade has been overseen by well-reputed and well-organized rules, based on transparency, and non-discrimination – the states are bound to trade-related policies and commitment on duties and other related instruments. Such actions have brought much openness, solidity, and increase trust among

¹ Mercantilism is a national economic policy designed to help the country reduce its trade deficit; in such circumstances, the states trying to minimize its import and maximize the export which allows a country to overcome the trade deficit. The theory was more dominant from the 16th to 18th century in the modernized part of some European countries in the pro-industrialization period. For more critical study about the economic theory, mercantilism see, Lars Herlitz (1964) The concept of mercantilism, *Scandinavian Economic History Review*, 12:2, 101-120, DOI: 10.1080/03585522.1964.10407639 <https://doi.org/10.1080/03585522.1964.10407639>; Erik S. Reinert, Sophus A. Reinert, *Mercantilism and Economic Development: Schumpeterian Dynamics, Institution Building, and International Benchmarking*, Volume 10, n. 1 • 2011; for general understanding see, Samia Rekhi, mercantilism, concept factors and characteristics, available at, <http://www.economicdiscussion.net/mercantilism/mercantilism-concept-factors-and-characteristics/20980>

trading partners, which improved trade and expand the market. From the General Agreement on Tariffs and Trade (GATT) to the World Trade Organization (WTO) – both institutions ensure trade flow more efficiently and smoothly. The rules and regulations by both GATT and now WTO has helped and created trade prospers across the world (González and Veron 2019).

Even with dynamic and rules-based organizations, the international trade system in the last two years is at risk. In one vein, if trade spats increased technological advancement, the geopolitical competition, the trade and investment policy reshaping the global economy. The rules are fragmented, and international trade ascendancy has enfeebled.

The recent US-China trade war is the high-stake conflict, and the consequences of the current trade war are far behind from the two countries. The International Monetary Fund recent report projected that the global investment, trade, and out-put remained under threat, the worldwide growth rate was estimated to be 3.7% in 2018 due to weak performance and the trade war between the US and China the global economy is projected to grow 3.5% in 2019 and 3.6% in 2020 (IMF 2019).

The current trade war is based on technology (González 2019), disrupting the world order by the dominant states through military advantages that hold most of the world's updated and sophisticated techniques (Ciuriak 2018). Such actions have paved the way for cybersecurity-related trade conflict, which is a global phenomenon affecting almost every country around the world (Stuart Madnick 2019). These activities will allow the distribution and re-distribution of economic power with the strength of power politics and rivalry, which will disrupt the global economic order.

(Bergsten 2018) This showcase that the world is now entering to geo-economics world order using the economy as a tool for achieving strategic goals. Economic interdependence is vital for bringing and promoting peace and security, for most of the individual states with more military might trying alone to manage or reduce the reliance, which caused a severe threat to the global economy. Whether justifies or not, good or bad, security and economy are hard to separate; in the same vein, a healthy economy needs protection to safeguard (Roberts, Moraes, and Ferguson).

Coalescing all, the EU is the most open and most significant trading bloc in the world. To achieve its interest, the EU should not be a bystander in the US-China trade war – EU, both directly or indirectly affected by the Beijing policy and practice with responses to the US approach towards China. To avoid further consequences, the EU should decide its foreign policy to avoid many risks.

2.3. America First, and the Rise of China, the impending Challenges for the EU

Recent China's fast-growing power and economic influence are reshaping the global economy, Asian security, as well as changing the dynamics and structure of global governance in lasting ways. The rapid rise of China is not only limited to the EU but for the countries and societies around the world. A rising China is bringing enormous opportunities for cooperation in many areas, including trade, regional stability, besides ensuring world peace and security (Christiansen and Maher 2017). The EU and China are linked closely to enduring partnerships; both are the two of the three largest economies in the world. EU contended that China, because of its sheer size and dominant economic system China is no more a developing country. Still, China is a key global actor, its increasing presence in the world including in EU China should act most responsibly, transparent, ruled-based, non-discriminatory and open its market to the world (EuropeanCommission 2019b).

In 2018 recently, the attitude "*America First*" has put Beijing at the core of the trade policy plan through the combination of heavy duties, taxes, tariffs, and revised instruments of screening or import-export control. The US, for a very long time looking at China to amend its policy and set new measurements to normalize its relations with the US. The US also hopes China would adopt economic liberalization and avoid stealing intellectual property, which would bring China closer to the global world. The US deliberate that China is reluctant to such policy, consequently, Trump administration has taken specific features to protect the national

security of its own, the US is now decoupling the US and other aligned states (West States) from the Chinese economy (Mike 2018).

The current US government has espoused policy that is dealing alone with China, not only neglecting the traditional aligned states but also impose massive tariffs on goods like aluminum and steel with the new threat to impose more on autos sector. Thus, it indicates that the US exposed no limit in confronting WTO rules when getting in the means of imposing tariffs on metal. Instead of acting with other actors' concerns with China to reform and revise trade rules, the US government undermined global trade governance with power politics². The US pressing bilateral talk with China, and still, the issue has increased threat to the agreement, which must not be merely one-sided – instead seems complicated, the question arises here if the deal reaches between China and the US in 2020 or later what would it look like? Moreover, to what promise the bilateral talk will hold? There was a chance of negotiation in 2018 in the G20 meeting when both leaders met, but the deal might have been struck, even though it is unpredictable to come with a standard solution (Beattie 2019).

Any outcome at the current stage is unpredictable; should a bilateral agreement reached, the other states, along with the EU, can enjoy a free ride for a particular time even if the deal is unsuccessful (Constantinescu et al. 2019). It is argued by Plummer that, according to the United Nations Conference on Trade Development (UNCTD) that the main EU' exports are the chief beneficiary of the current trade war between the US and China (Plummer 2019b). In the same vein, there is a possibility it will strengthen the way for EU-China bilateral trade-deal. On the other hand, even if the agreement between the US and China decided, it will create additional trials vis-à-vis businesses. If the deal reached on power base or unfair means, it would affect the whole trade system, and the US will hit the EU with more heavy tariffs. If the deal reached based on additional duties, as announced already, the new tariffs trade war will likely disrupt the supply chain, trigger a reduction in investment, slow productivity growth, and importantly will further hurt the already deteriorated rules-based order. Under the most critical time, the global income will reduce by 1.7%, almost 1.4 trillion US\$ (Constantinescu et al. 2019).

The US-China trade war created uncertainties and friction in trade; the EU will be affected both directly and indirectly. The predication is quite impossible to understand what will happen in the future. Nevertheless, what is apparent is that “America First” Trump administration the skepticism regarding some global institutions that the EU and the US created, becoming a threat to the EU as Trump administration challenging such institutions (Plummer 2019b)³.

The story of tit-for-tat could also cloud the EU-US relations by imposing tariffs on each other. The US administration has listed almost the targeted products amount nearly \$21 billion worth EU export to the US starting from high products including aircraft to hunting knives (USTR 2019a) for now they will await the final decision of WTO, the step was taken by the EU to share Huawei data of 5G to reduce security threat, and increased cooperation with China has also added fuel to the fire as the US pressured them to boycott Huawei to place pressure on China (Chee 2019).

3. US Trade Policy Towards China

Based on the US open trade policy and massive trade deficit, the Trump administration policy-makers believe that other nations have taken advantage of the US. (EuropeanParliment 2018). The trade policy of the US towards China might be called “the Trump Doctrine” in the global trade arena, which in turn based on or at least the part of comprehensive economic nationalist ideology. Such nationalist ideology always looks at the gains from trade, ignoring the international rules of trade, disregarding and altering way of the deal in the global and

² “EU Trade Policy amid the China-US Clash: Caught in the Cross-Fire? p. 5

³ The decision to impose tariffs on steel and aluminium imports based on national security considerations of the US, it is currently being challenged by the World Trade Organization (WTO), which is leading to global chaos in these newer sectors and industries. Such independent actions are undermining the EU-US created organisations which are tangible threat to such ruled-based organisations in global level. Similar automobiles and autos parts which are EU's main export commodity to the United States is also threatened. The US-China trade war stems from a robust new approach to US trade policy, but this is a common concern in Europe.

general value chains, and hamper the necessity for collaboration in global business to defend self-interest (Nordhaus 2018).

Further in such circumstances, trade policy interconnects with so-called national security, which means that trade is an essential factor for some nation to emphasize its effect in the supposed new-period of significant power rivalry with other peer competitors or adversaries (The Hudson Institute Washington 2018)

What lies behind the Trump aggressive trade policy toward China as to fulfill his pre-campaign promises; to bring and create jobs, to balance the prolonged imbalanced trade deficit and the production of reinvigoration. As the election concluded, Trump shifted his policy towards a balance and constraining Chinese non-market forces to balance the trade deficit with China (Tianhao and Yan 2018). According to recent 2019 statistics, the US runs a high trade deficit of almost \$419 billion with China (Amadeo 2019); for this, the US imposed steep tariffs on Chinese products to overwhelm the trade deficit, to overcome such deficit the Trump's administration using different strategies like antidumping and other discriminatory and independent trade policy.

Over the last twenty-five years, the antidumping and administered protections are the trade policy that the state used as a domestic tool of fighting against external competitors. The aggressive trade policy "*antidumping*"⁴ was pioneered by the US administrations. Today antidumping is the most used remedy law of the US governments, where dumping means unfair – the Chinese markets dumping goods to the US market, where the US's anti-dumping laws provide tools to fight against unfair trade (Congressional Research Service 2019). Such discriminatory policy is now pragmatic to Chinese export aimed to investigate more frequently, which means more antidumping duties, of late China, is involved in many antidumping circumstances unlike other states (Bown and McCulloch 2007).

According to the official report released by the United States Trade Representative (USTR) in 2019, defined that the central trade policy of the US to China or other trading partners are, to defend the US corporations as well as the US workforces from biased trading environment – which means to restore a balance trade relations between the trading partners and encourage China for fundamental structural changes in their trading system. (USTR 2019b)

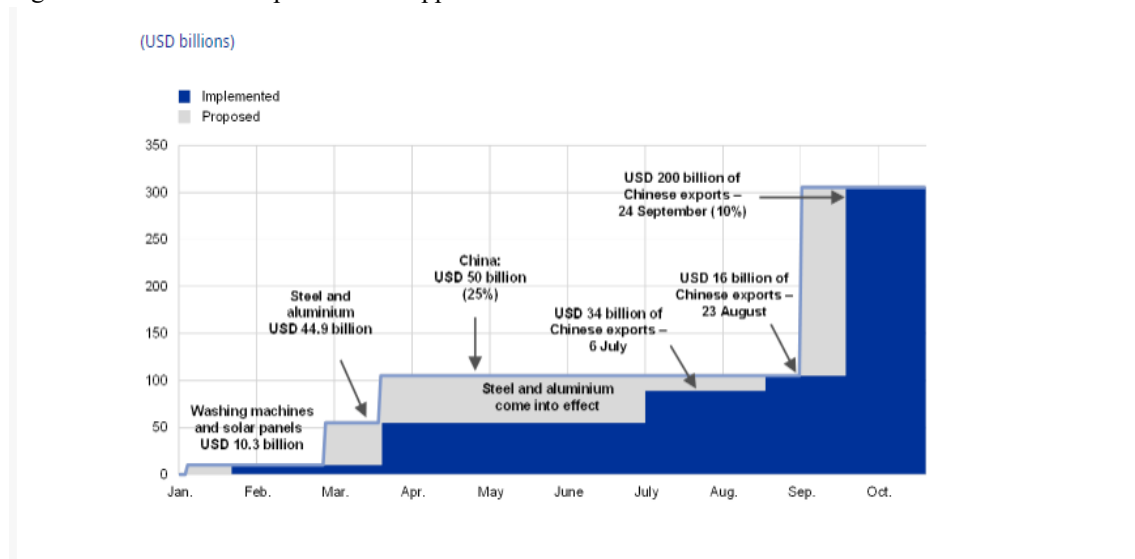
Increased Tariffs and Other Unilateral Measures

Increased tariffs on Chinese goods are at the forefront of the US trade policy towards China. These increased tariffs are based on long-dormant trade status under the different sections. For example, according to Section 201 of the Trade Act of 1974, this section authorizes the premier to restrict some imports, which are seriously injurious or cause harm to the domestic industries. This section is termed as (safeguard action). Secondly, according to section 232 of the Trade Expansion Act of 1962, which describes the premier is allowed to impose duties and high tariffs and restrictions on goods and services, which are considered a threat to national security, which is called (national security clause). Lastly, according to section 301 of the Trade Act of 1974, by which the US has the right to unilaterally enforce right under trade agreements and respond to other trade policies which are considered unfair and that cause burden to the US business – which is called the (reciprocity provision).

The above sections indicate that the increased tariffs on Chinese imports based on Section 301; actions against increased taxes on washing machines and solar panels approved under Section 201, while Steel and Aluminum import from EU, Mexico, South Korea, and Canada passed in section national security clause.

⁴ The anti-dumping duties (ADD) apply to goods that have been "dumped" into the US market, sold at prices lower than those that would be charged in the domestic market of the exporting country. It can also be defined as An anti-dumping duty is a protectionist tariff that a national government imposes on foreign imports that it believes are priced below fair market value. Dumping is a process in which a company exports a product at a lower price than it normally charges in its own local market.

Fig.1 Timeline of tariffs planned and applied in 2018

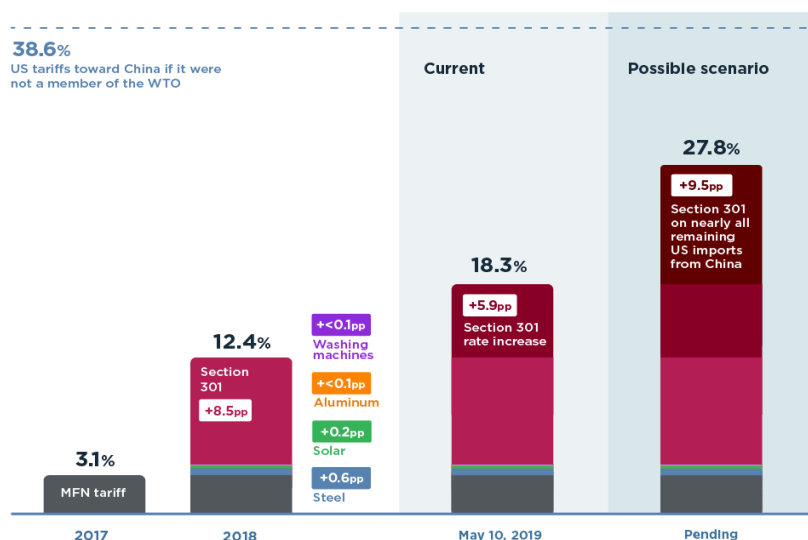


Sources. European Central Bank (EUCentralBank 2019)⁵

According to Chad and Eva, the measurement of US trade protection in 2018, they argued that the five circles of duties passed by the Trump worth \$303.7 billion, while dealing with the duties most of its are imposed by the administrations adding to 14.9% increase in the volume of US imports (Chad Bown 2019). Among other trading partners, China is the first state knockout by massive US special unilateral trade duties. As per se May 10, 2019, Trump announced to increase taxes from 10% to 25%, which means if valid, the US will impose 18.3% tariffs on average (Chad P. Bown 2019). Bradsher also argued that China has hot almost some \$60 billion of its US imports with an extra 5% and 10% tariffs (Bradsher 2019).

It can be concluded that Trump’s administration is trying to save their domestic industries and bring jobs by imposing taxes on other imported goods. Among all trading partners, China is the most vulnerable to such tariffs and involved in the tit-for-tat game with the US. The US discriminatory trade policy not only hurting China but also posing significant threats to the world economy and rules-based organizations such as WTO.

Fig. 2 Average Tariffs rates on imports from China before and Trump’s protection act



Source. Peterson Institute for International Economics⁶

⁵ https://www.ecb.europa.eu/pub/economic-bulletin/articles/2019/html/ecb.ebart201903_01~e589a502e5.en.html#toc4 retrieved at 12/11/2019 17.55

Most of the observers believe that it is still not clear what is the reason behind such high duties, on political statements, argued by most of the scholar that such high tariffs aim to reduce the bilateral trade deficit, renegotiate the old agreements and negotiate new deals which favor US interest, another aim is to bring all manufacturers back to the US or punish all those country who are involved vice-versa (Lawrence 2018). In the same vein, these high duties may not favor the international system; it will probably increase uncertainty destroying the market, disrupting the supply chain, an alarm for consumers and farmers. Subsequent retaliation by the trading partners would thus pose tremendous challenges – hampering global investment, and possibly the global economy (Kolb 2019). Smaller trading states which are more vulnerable to trade war are exemptions cases if they negotiate sooner.

4. China's tit-for-tat Strategies

According to foreign trade laws, the main objective of the Chinese Trade policy is to increase its opening to the world, promote sound economic development, and develop foreign aid. For this, the Chinese government is effectively working to improve manufacturing value-added, and steady growth in exports and import of the latest technologies, as well as encourage foreign direct investments (Bin 2015).

For Beijing, it is now challenging to deal with the Trump trade agenda. More or less, it is even painful to understand what the Trump administration wants, which is extremely difficult for the Chinese policy-makers to respond effectively. The US and China are now involved in the tit-for-tat two-player game; the tit-for-tat is usually started from cooperations, which means doing good with others will be rewarded with good. In the case of the US-China trade war, the tit-for-tat is used as a counter-retaliation strategy. This means to start from cooperation but finish with selfishness and exploit cooperation or “teach them a lesson”(Naughton).

When Trump administration was ready to impose sanctions on China, China was not very serious about the trade war rumors. Once Trump Administration imposed high tariffs on Chinese products, China responded in tit-for-tat strategies on the one hand and proposed to listen to what Trump wants on the other side. The expectation that both states will reach on a deal in the G-20 meeting in Argentina was ineffective. The tension grew stronger when the US hit more sanctions on China's ZTE in 2018 and Huawei in 2019.

The tit-for-tat actions of the Chinese are stronger than the US reactions, but what matters in the international arena is power politics. For example, the escalation of the trade war between the two states is not just Huawei, when the IEEE (Institute of Electrical and Electronics Engineers) restrict Chinese employees of Huawei of peer-reviewing the research papers, in the same vein, the Chinese scientist was susceptible to quit the IEEE editorial jobs and support the Huawei.

The Chinese netizens from across the world voiced to support Huawei and criticize the US sanctions. In the meantime, the Chinese Ministers of Commerce announced sharply that we are preparing a list of foreign organizations, enterprises and individual deemed if they fail to comply with the market rules and regulations would be blocked and will take severe actions against all enterprise that are seriously hurting Chinese domestics enterprises (Zhao and Yin 2019).

As the trade war escalated, President Xi announced that self-reliance and innovations are vital to prepare for significant challenges in the future. He mentioned on a visit to Jiangxi province that “Technological innovation is the root of life for businesses, only if we won our intellectual property and core technologies, then we can produce products with core competitiveness and [we] will not be beaten in intensifying competition” (Jun Mai 2019).

⁶ https://www.piie.com/blogs/trade-and-investment-policy-watch/trumps-2019-protection-could-push-china-back-smooth-hawley?utm_source=updatenewsletter&utm_medium=email&utm_campaign=2019-05-15 retrieved 12/11/2019 18.20

Nevertheless, China is taking all measures to remain stable and protect its economy from falling again. Meanwhile, China's economic despairs will make it a little modest rival in the long-term but will have a more significant threat to the US today. It is more rational when rising powers have experienced such slowdowns in the past; they become more oppressive at home and more aggressive abroad. Now many witnesses have realized China to be landed just on such a path (Beckley 2019).

It could be concluded that in the US-China trade war, China and the US are not only the victims –such escalation pose a significant threat to other developing or developed countries. Feldman argued that trade war is not a good thing, even the countries that seem to be profiting at the moment. He cited an old proverb “When two elephants fight, it is the grass who suffers” or, in other words, everyone else is crushed regardless of those who win. The reason for the other countries to be more worry is that the US and China are the two largest diverse economic markets in the world, which means that tariffs and duties on each other goods will affect the consumers across the globe (Finley 2019).

In most cases, according to most of the scholars who argued that in the US-China trade war, the European countries are more sufferer. If in one vein the US and EU work together to build a more liberal global system which helps to overcome many problems, so, on the other hand, the EU economies continue to participate in US-like-minded such the G-7, G-20, and the OECD, where the US considered the EU his best trade and investment partners. Dealing with the same problem at the same time, it would be difficult for the EU to decided their trade policy in such harsh circumstances. In such a situation, the EU should not choose either partner, but instead, wait and think for the right time to decide (Plummer 2019a).

The following part of the paper will discuss how the US-China trade war affecting the EU and how the EU maintaining its trade policy towards both China and the US, and if the trade war impacting the EU altogether, which measures should EU adopt to avoid harm to EU economy?

5. The European Union Amid the US-China Trade War

As the trade war between the US and China intensify, the EU is increasingly caught between the dyadic trade confrontation. The European Union has been reconsidering its investment and trade policy towards China. Nevertheless, it is impossible to agree on how to handle the rise of China. While spotting the reality that China's amplified its contribution in the global economy and beveling that China will continue its efforts to embody substantial prospects for the EU corporations, the EU member states have become progressively curious in decrees about China. Recognizing that China is a strategic partner and source of jobs and investment for the EU, the EU following some belligerent policy for framing its way of approach to China (Legrain 2019).

The current EU Commission policy paper argued that “ China is, a simultaneously a cooperative partner with whom the EU has carefully aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests in many areas, and economic competitors in pursuit of technological leadership, and a systematic rival encouraging substitute models of governance.” (EuropeanCommission 2019a) Morelli claimed that deliberate political, and China rising commercial influence in many EU member states is also the cause of pushing the EU policymakers, which underlines the main objective of the EU concentration in China (Morelli 2019).

5.2. The Effect for the EU from the US-China Trade Confrontation and the EU's Response

In one vein if the EU corporations might get benefits from the relieving Chinese export to the US marketplace and vice-versa, (Garcia Herrero 2019) on the other hand, the value chain disruption and regular costs of the US autonomous nuisance of huge duties and undermining WTO rules and regulation will spell trouble not only for the EU but will also affect the rest of the states. The highest victim of such actions is the EU, which is the most significant economic market after the US and China (European-Central-Bank 2019). Furthermore, as time has experienced, the US hostile measures for balancing its trade deficit is not only restricted to Chinese market

alone; it also has both direct and indirect impacts on EU and itself and perhaps there is no reason that the EU will be spared to any contrary measure functional on China. The EU has a realistically both direct and indirect stake in the present US-China conciliation, faltering the clash.

Apart from the query of whether Beijing and Washington may, or will soon reach a point where they will agree and accomplish conciliation and claim victory, the fallout for the EU would come in many forms, including substantive, systematic and strategic reflection. Any agreement by the two states (US, China) would thus have two sides for the EU. On the one hand, if the deal were about Chinese commitment to bring structural reform on industrial subsidies, increased market access in many services, forced technology transfer, or the so-called intellectual property rights, the EU would thus be enjoying the free-ride on the bilateral negotiation. On the other hand, if the deal reaches somehow where Chinese pledge to increase its purchases of the twisted American products under the auspicious of the miss-guided policy of balancing the trade deficit, such agreement will come at more expense of the EU and other countries' goods which may contest with the US in the Chinese market (González and Veron 2019).

From the strategic point of view, the US-China deal could bring most of the trade friction midst the most significant trading partners, dependent mostly on the contract and cooperation. Nevertheless, the probability is if the US and China reached on contract probably the US would possibly turn to the EU with harsher power – more notably afterward the conciliation with Japan as President Trump himself stated that the compensations or the advantages that EU has taken of the US on trade for many years would soon halt. The EU is already facing the US tariffs on aluminum and steel; Trump repeatedly threatened to hit EU cars with harsh duties. Despite the fact, the EU stressed for an amicable agreement with the US (Philip Blenkinsop 2019).

If Trump imposes more extra duties on the EU cars and related parts, one alternative for the EU is to fill a WTO case against such actions and to adopt re-balancing measurement under the WTO safeguard process as they did it in the steel and aluminum case (Peter CHASE 2019). The EU-US trade agreement is the only option that will better halt their tariffs, tenacity the trade differences, and minimalize the cost of both EU and US trade war. Failure to reach on negotiation will bring more tension in terms of more duties.

From the geo-economics perspective, the EU is likely to face three main challenges from the on-going US-China trade confrontation. Firstly, the US-China trade war is limiting global economic growth and may push all fragile economies to the recession, notably in the EU market, it is evident that recession likely rekindles political and economic tension. Secondly, the American unilateral measure put substantial pressure on world rules-based organizations the WTO. Such power politic maybe hampers EU vision for the universal laws, and the UE will regulate to learn how to operate, therefore in a logical manner where geopolitics play essential roles. Lastly, such escalation may lead to the geopolitical situation in the Middle East. The US import a massive amount of oil from these regions and has established a sharp military and political presence in the area. China, on the other hand, also relays on oil-importing from the Middle Eastern countries, while no such existence of military in the region. Growing political tension in the Middle East region has significant implications on the EU, notably in terms of security and migration (Basedow 2019).

In more realistic ways, amid trade confrontation between the US and China, most of the intellectuals argued that the EU is the biggest winner of the US-China trade war, believing that most of the EU companies are likely to get the US \$70 billion additional benefits in the trade war (Chad Bray 2019). While on the other hand, some argued that the EU in some sectors could get more from the US-China trade war (press 2019).

Herrero 2019 also explained that some specific areas would benefit subsequently; to some extent, it will double their production for exports. For example, in the first round of tariffs, both China and the US targeted the US \$50 billion on each other's products. Where the biggest winner with the potential gain of US \$10 billion was the EU from the Chinese market included the EU aircraft and aerospace and primary chemical sectors, as well as the general-purpose machinery sector of the US market. In the second, when the US hit \$200 billion imported

products from China, again give more extra room for the EU to get additional benefit recorded almost US \$96.7 billion. Such advantages indicate that the EU in some sectors is getting tremendous benefits from the dyadic trade confrontation between the US and China, The areas which typically paybacks are aircraft/spacecraft, chemical industries, motor vehicle and semiconductors industries (HERRERO 2019).

In sum, the US-China trade confrontation has created some uncertainties for the EU; the EU will no doubt face direct cost. The biggest threat comes from the US unilateral aggressive duties is unclear, and the probability of such behavior in the future is equivocal. In such circumstances, the EU ought to prepare itself for a difficult decision, which means the EU should revise some of its current red lines in global trade negotiations.

In fact, the EU feels more squash in the trade war and the strategic competition between the US and China. Even if the EU favors global prosperity in terms of supporting multilateralism – such support seems fruitless as the US is not on purpose in creating, particularly under the Trump administration. On such basis, taking the EU's unwillingness to perform it without the US, the dream of multilateralism seems more an option in the past than a possibility in the future. For the EU to avoid further duties from the US, the EU would be to increase its dependence on the US. Still, the probability of more dependency on the US is costly, which means losing more than winning thereof the EU must revise and rethink its trade policy towards the US. Finally, the EU should rebalance itself with China; this would not be a proper choice for the EU because of the limited access to the Chinese market, but indeed, the EU can avoid market collapsing (Garcia Herrero 2019, Plummer 2019b).

6. Conclusion and recommendation

The international trading system is now in jeopardy, the prospect for the EU as well as for the rest of the world – in the contemporary deviating trade-policy are thought-provoking. Such actions are not written on the stones; for instance, the confrontational attitude of the US towards China has created more friction, which will continue – such steps are possibly derelict the international trade environment. It is, of course, no exaggeration to say that the EU and other transatlantic alliance are getting full economic and political support from the US, the Trump's administration most harsh trade policy vis-à-vis the EU, which are experienced – duties on autos, steels, and aluminum. Such functions on the EU did not support by any US business community nor either by congress. Which gives a lesson to the EU to learn from the current dark outlook and respond accordingly.

Assorted decisions for the EU are in the interim; the EU should balance its way of trade with China and looks for a conceivable solution to negotiate with the US, like many other states, the EU should learn to address some internal and external trade imbalances and to open convincingly. Amid US-China trade confrontation, the EU should not be a bystander or free-rider for a short period; the EU must take a firm trade policy for protecting its economy and responding appropriately. It does not mean that the EU has to make an extensive choice or either siding China or the US, or one against the other – EU to protect its economic market can decide and act according to the circumstances the EU is facing.

To avoid additional fiasco, the EU should rethink on the following areas.

- As the trade confrontation between the US and China is getting worse, which indirectly hurting the EU's economy, the EU should cooperate now more with China and act to create more tangible progress to achieve rapid growth.
- As mentioned above, the EU should further fortify its domestic tools to respond to current and future challenges.
- The EU more than the US and China, preserving the WTO rules-based order; thus, the EU should continue to support and nurturing the WTO reforms even if the US autonomously undermining the rules and regulations of the WTO.
- The EU must impress the US and its role and importance in the multilateral efforts.
- The EU, to avoid further duties from the US, should respond more dynamically.

- Apart from China, the EU must also work to enhance cooperation with Japan, which is in the interest of both partners; such enhancement will at least minimize the real impacts.
- The EU can also expand the already signed trade agreements with the rest of the states to evade harmful implications.

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