

The Effects of the US-China Trade War on the EU

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A trade war occurs between two or more nations when one of these nations uses forms of trade protectionism, such as tariffs and quotas imposed on imports, and the other nation or nations retaliate with their own forms of protectionism. In the case of the US trade war with China, Trump hopes to protect his country's domestic industry and create jobs while at the same time hoping to gain a competitive advantage for domestic producers. However, this trade war affects many more countries than the US and China. Europe could end up benefitting from the trade war with China, as it takes Trump's focus away from Europe and calms tensions between the two economic superpowers. Trump has continued to put pressure on China and as a result they may be forced to open itself up to the rest of the world, and who better than the EU, who has the largest economy outside of the US, to benefit from this opening? If the EU plays its cards right, they could see a rise in agricultural exports to China and a rise in exports to the US as well. If China decides to open its domestic markets to more nations the EU could see an influx in income but they will need to be wary of China using market manipulation and questionable technology. If the EU can keep China in check and draw up a trade agreement on their terms, the upside has no ceiling.

China is currently the EU's second biggest trading partner after the US, but China may look to use Europe and the United States' current tension to try and become the EU's biggest trade partner. Italy and France have already expressed interest in exploring the potential of Chinese investments, and the US has even "voiced its opposition to Italy's signing of a Memorandum of Understanding with China, which anchors Rome to Beijing's controversial 'Belt and Road Initiative' to fund and build infrastructure across Eurasia (Huang)." This

initiative will reduce shipping times and remove barriers to make trade easier between East Asia and European countries. The US and even some members of the EU (especially Brussels) are unhappy with Italy signing the initiative because, “they both see Chinese trade practices as being predatory, criticizing Beijing for market distortions, forced technology transfer and widespread cyber theft (Huang).” While tension between Europe and the United States is high at the moment, their relationship is deeply rooted and it seems that besides a few minor European countries, the EU has America’s back. Included in a recent European Commission report which is backed by Jean-Claude Juncker, the President of the European Commission, and Federica Mogherini, the External Action Service chief, is a statement which labels China as “an economic competitor and systemic rival (Huang).” The European commission has encouraged EU member states not to sign any agreements with China in order to remain united and prevent any internal rifts that may arise from these agreements. Europe still has the opportunity to come out on top of this trade war if they play their cards right and play a neutral entity in the matter. The UN predicts that the EU stands “to gain \$70 billion as both China and the U.S. seek new outlets for their exports, and up to \$90 billion in additional trade due to larger value chain changes in East Asia (Detrick).”

The US and EU have taken a stand against China’s use of market manipulation and grey-area technology. Huawei is a Chinese tech company that has been working on developing 5g technology and is “the world's biggest maker of telecommunications equipment, but has been banned in the U.S. since 2012 over fears it's a security risk (CBC).” As of late Polish officials have arrested two men who worked for Huawei, charging them with espionage, and in December “the daughter of Huawei’s founder was arrested in Canada at the request of the United States, which said she had committed fraud as part of a scheme to violate American sanctions against

companies doing business with Iran (Satariano and Berendt).” Other countries that have followed in the US footsteps in denying Huawei from getting government contracts include, Japan, Australia, New Zealand, and the Czech Republic. In this day and age cybersecurity is a critical issue for governments all over the world, so it is no surprise that Huawei’s acts of espionage for the Chinese government have caused tension between China and the West. Huawei continues to deny that they spied for the Chinese government and the company claims it “complies with all applicable laws and regulations in the countries where it operates (Satariano and Berendt).”

According to the New York Times, a 2012 report stated that Huawei and ZTE (another Chinese tech company) were essentially tools for the Chinese government to spy on other countries and “security firms have reported finding software installed on Chinese-made phones that sends users’ personal data to China (Satariano and Berendt).” The US has a no tolerance policy when it comes to foreign espionage and “the Federal Communications Commission is [even] considering whether to prohibit American telecom businesses from using equipment from any company deemed a national security risk, a move aimed primarily at Huawei and ZTE that would effectively shut them out of creating 5G mobile networks (Satariano and Berendt).” As a result of these restrictions, Huawei has moved its focus to Europe where they are not as scrutinized and “more than a quarter of its 2017 revenue came from Europe, the Middle East and Africa” the only market that is more crucial to them is the Chinese market (Satariano and Berendt).

Currently many European companies such as Deutsche Telekom have been testing 5G networking using Huawei technology and Huawei is also the second largest mobile phone distributor in Poland after Samsung. However, the case against Huawei in Europe is growing and countries such as the UK, Czech Republic, and Norway have expressed their concerns with the company and are siding with the United States. Europe is in a bit of a conundrum when it comes

to condemning Chinese enterprises such as Huawei and ZTE, because they will almost certainly face backlash as a result. For example, after Canadian officials arrested the daughter of Huawei's founder, China retaliated by arresting two Canadian citizens accusing them of "undermining China's national security" and detaining other citizens from Canada since then (Satariano and Berendt). With Europe having much to gain from Chinese investments and trade opportunities following the fallout of the US trade war with China, they are going to have to find a way to keep China in check if they want to take advantage of their current position.

China's president Xi Jinping recently visited Europe to try and ally with key European powers. Even with the Huawei and ZTE espionage allegations, some European countries are convinced that the reward from opening up their markets to China is worth the security risk that it presents. This has led to tension within the EU regarding how much impact EU countries want China to have within Europe. According to the Wall Street Journal President Xi's visit, "has exposed differences within and between EU countries about how much to open up to China's ambitious global investment plans, and how to limit its growing influence in the region (Bisserbe and Wong)." European countries are split between restricting Chinese 5G technology or whether they should invest in it. The EU commission states that "governments should produce risk assessments in coming months, set out measures to contain legal and security threats, and consider Europe-wide minimum-security standards" in an attempt to keep China in check if they get into bed with them. Xi's trip highlights how badly China wants to ally itself with Europe and become the EU's biggest trading partner among the US tensions. President Xi's visit can be seen as a victory for China as it "highlighted Europe's eagerness to secure lucrative deals", they "won Italy's signature in support of China's Belt and Road Initiative", and it seems China was able to draw a veil over the EU's criticisms and internal rifts that occurred before Xi's tour (Bisserbe

and Wong). Europe is in a position where China and the United States are playing a hypothetical game of tug of war for their business and resources. As a result, China's attempts to woo Europe "[counteract] U.S. efforts to rally allies against China" and if they can win over key European countries, it would "head off Washington-led pressure against Beijing" (Bisserbe and Wong). During Xi's visit, him and French President Emmanuel Macron agreed on a thirty-billion-euro aviation contract which piles on "the woes of U.S. manufacturer Boeing, whose 737 MAX planes have been grounded across the world this month, after two fatal crashes (Momtaz)." The deal not only hurts Boeing but also "will ratchet up pressure on Trump to come good on his long-promised trade accord with China", an agreement which "seemed to be facing headwinds last week when Trump warned that tariffs on China would remain in place for a "substantial period" even if a Washington-Beijing deal is struck (Momtaz)". There is also skepticism from the EU regarding Italy's budding relationship with China by signing China's Belt and Road Initiative. Not only has the EU adopted "EU-wide investment screening procedures they feel are needed to protect European national security" as a result, but according to Meg Lundsager from *The Hill* states that European leaders "likely fear that they will not be able to control or even know the details of Chinese involvement in the Italian economy (Lundsager)." This relationship will also "raise fears regarding network security in Europe and then in the United States, given the broad and deep ties between U.S. and European systems (Lundsager)." Italy already has high debt levels and anymore increases credited to Chinese BRI activities would cause restlessness among European markets. Despite Europe being split on whether to give China full access to their markets, with Germany, Italy, and France seeming to side with the Chinese, and the rest of the EU being more skeptical, Europe is still in a win-win situation. The United States and China are

in positions where they are fighting for Europe's support and business, so whatever the EU decides to do it seems Europe will benefit economically either way.

President Trump has been resilient in his trade war with China, cracking down on their shady trade practices and methods by implementing tariffs on several goods imported from China and continued to increase these tariffs as talks became heated. The EU's loyalty and deep ties to the United States are being put to a test in this trade war as European countries are split on the decision to give China market access. With the scandals that have surfaced from China using Chinese tech companies Huawei and ZTE to spy on other countries for them, these security concerns have caused some key European countries to side with the US including, the UK, Czech Republic, and Norway. These scandals along with Europe's history with the United States are the main reason why EU countries are skeptical about getting into bed with China and signing a bunch of agreements that would give Beijing full access to European markets. On the other hand, however, we have Germany, Italy, and France, who have agreed on terms and agreements with China. As a result, the EU is currently split on what should be done when it comes to doing business with China and whether they can be trusted in the long term. If China and the United States do not come to an agreement soon, the EU will stand to benefit from both countries as they will look to continue to battle it out for who will be the European Union's top trade partner. As long as the EU keeps China and EU countries in check with government risk assessments in order to uphold European minimum-security standards and contain security risks, then Europe can benefit from more trade with both China and the United States.

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