

Commercial Disputes between the EU and China

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Abstract. *Two of the most significant economic powers in the world, the European Union and China, foster one of the most substantial and influential trade relationships worldwide whilst also facing a complex trade relationship amongst themselves. These conflicts come from trade imbalances, regulation differences, issues with intellectual property rights, and geopolitical tensions. The article explores the reasons for these disputes and their impact from an economic, political, and strategic point of view. It focuses on China's state-supported subsidies, limited market access, and perceived unfair trade practices by explaining them and providing an overview of how they have been used in the last few years and why the European Union is concerned. It also presents China's global goals and its export-driven economy. Furthermore, the article considers the effects of trade defense tools such as anti-dumping tariffs and evaluates how well current dispute resolution methods function, including World Trade Organization frameworks and bilateral talks. The results show the need for solutions that will be fair and beneficial for both parties. By identifying the key challenges that these issues bring and offering policy recommendations, this research aims to help the ongoing discussion about the European Union-China economic relations and their role in the global trade system.*

Keywords: Commercial disputes between the EU and China; Trade Imbalances; Global Trade Stability, Political Reforms.

Introduction

The European Union (EU) and China are two of the largest economies and traders in the world, with China being the EU's second-largest trading partner for goods, following the United States.

In 2023, bilateral trade between the EU and China reached €739 billion, marking a decrease of 14% from the previous year. The EU's primary goods imported from China include telecommunications equipment, electrical machinery and apparatus, and automatic data processing machines. Conversely, the primary goods China imports from the EU comprise motor vehicles, medicaments and machinery. In the year 2023, the EU encountered a negative trade deficit of €292 billion in its trade with China, thus increasing the chance of job losses and decreasing competitiveness in certain industries. One of the only sectors with a surplus for EU was the services sector, amounting to the figure of €14.1 billion. Although the surplus is a positive aspect of the trade relationship, it is overshadowed by a €292 billion trade deficit in the goods sector, which highlights the overall imbalance in the EU-China trade relationship (Eurostat, 2024; Eurostat, 2025).

DOI: 10.2478/picbe-2025-0094

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Literature review

In recent years, the EU-China trade relationship has been marked by significant commercial disputes on topics such as trade imbalances, intellectual property rights and market access barriers.

One of the key disputes was the anti-dumping measures imposed by the EU on Chinese goods, in industries such as steel and solar panels. The European Commission has accused China of market distortions due to state subsidies to domestic manufacturers (European Commission, 2021).

Another sensitive area is the EU's foreign direct investment (FDI) screening mechanisms, which have seen a tightening in response to concerns over the Chinese initiative to acquire critical infrastructure and technology firms (Meunier, 2019). An example of this initiative is presented in the Results and Discussions section.

China perceived these screening mechanisms as protectionist barriers of entry into the EU market. Furthermore, Chinese initiatives such as the "Made in China 2025" have further strained the trade relations between the EU and China (Zenglein & Holzmann, 2019). Although these disputes continue, the two parties have also engaged in negotiations to reduce tensions, such as the Comprehensive Agreement on Investment (CAI). However, political concerns and human rights issues have stalled its ratification, indicating the complexities of reconciling economic and geopolitical interests (Garcia-Herrero, 2021).

Protectionism vs. Free Trade Policy

Protectionism is a set of government-imposed policies that restrict international trade to protect domestic industries from foreign competition. These policies usually involve subsidies, tariffs, and quotas. Many believe these defend domestic employment, promote infant industries, and prevent trade imbalances (Krugman, 1987). However, protectionism can cause internal inefficiencies, higher goods prices and retaliatory measures that may hinder overall economic growth (Bhagwati, 2002).

Conversely, the Free Trade policy is a militant effort to reduce trade barriers and ease the exchange of goods and services between countries. A Free Trade policy should enhance economic efficiency, consumer choice, and global economic integration (Smith, 1776). In contrast, concerns arise that the policy will cause income inequality and affect the labour market, thus challenging the idea of unrestricted free trade (Stiglitz, 2006).

Global trade conflicts have increased significantly in recent years due to imbalances (further discussed in the Results and Discussions section), proving the complexity of balancing protectionism and free trade. Although protectionism can mitigate short-term economic shocks, it can also lead to inefficiencies and international economic conflicts in the long-term, as we can see with the situation between the US and China and, more recently, the EU and China (Rodrik, 2011). Conversely, the potential benefits of economic liberalisation can be seen with free trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). At the same time, a free trade approach could potentially raise domestic industry vulnerabilities.

Comparative Advantage and Trade Efficiency

In 1817, David Ricardo published his theory of Competitive Advantage, which states that countries should specialise only in producing goods where they have an efficiency advantage, thus maximising their economic prosperity. Studies such as (Krugman & Obstfeld, 2018) have confirmed that comparative advantage drives global production and bolsters trade benefits. Modern adaptations of Ricardo's theory also recognise other dynamic factors such as technological

innovation, factor mobility, and structural shifts in the worldwide economy (Grossman & Helpman, 1991). Rather than specialising in certain goods or services with the help of global value chains, countries are now specialising in product components/stages rather than final products, thus leveraging technological capabilities and supply chain efficiencies. Furthermore, nations with high R&D budgets and digital infrastructure can adjust their comparative advantage by adapting to the evolving trade landscapes (Baldwin, 2016).

New Trade Theory and Economies of Scale

The New Trade Theory (Krugman, 1979) challenges traditional assumptions of perfect competition and constant returns to scale. The theory argues that economies of scale, product differentiation, and network effects are crucial in shaping trade patterns. New Trade Theory explains why trade can occur even between nations with similar factor endowments by acknowledging the presence of monopolistic competition and increasing returns to scale. Furthermore, the use of this theory has been utilised to understand the rise of global production networks, the dominance of multinational corporations and the strategic importance of high-tech industries.

Gravity Model of Trade

Another classic trade theory is the Gravity Model of Trade, published in 1962 by Jan Tinberg. The principles of this theory focus on GDP and geographical distance, stating that larger economies tend to attract each other into trading more; however, due to distance, the volume of trade decreases because of higher transportation costs and cultural differences. Although empirical evidence proved the theories' applicability in assessing trade policy impacts, regional integration effects and non-tariff barriers, critics argue the model is not capturing more modern factors such as digital trade and service sector dynamics (Anderson & van Wincoop, 2003).

Strategic Trade Theory and Government Intervention

Building upon traditional theories, the Strategic Trade Theory (Brander & Spencer, 1985) presents the role that governments can play in shaping the competitive advantage of domestic producers through targeted subsidies, trade policies, and innovation support. By fostering domestic firms in industries with increasing returns to scale—such as aerospace and high-tech sectors—nations can secure a competitive edge in international markets. Empirical research suggests that strategic intervention, when well-designed, can lead to long-term economic benefits without violating World Trade Organization (WTO) regulations (Melitz, 2003).

By building this theoretical framework, the authors provide an analysis of trade theories to better understand the current dynamics of global trade. Understanding the differences between protectionism and free trade, alongside the principles of comparative advantage, New Trade Theory, Strategic Trade Theory, and the Gravity Model, enables a more in-depth evaluation of the ongoing international trade disputes. The above framework will serve as the foundation for the subsequent Results and Discussions section, thus strengthening the academic contribution of this paper. Strategic government interventions and usage of global value chains prove the dynamism and adaptiveness of current international trade, thus magnifying the relevance of this paper in the contemporary economic landscape.

Methodology

This research investigates the commercial disputes between the EU and China, focusing on trade imbalances, regulatory discrepancies, intellectual property issues and geopolitical factors.

The hypothesis of this paper is to identify the key factors driving trade conflicts between the EU and China, such as: (1) Trade Imbalances as a Core Divider: The EU has a persistent trade deficit with China, which is aggravated by the fact that while China is exporting, the EU is on the demand side. Without considerable policy adjustments, such as China providing greater market access and the EU diversifying its investments, trade imbalances will continue to cause problems. (2) Regulatory and Political Differences: The research also investigates Chinese subsidies and market restrictions on EU businesses. On one hand, China sustains its industries through direct government support, and on the other, the EU is ruled by market-based principles. These concerns with respect to subsidies, market access, and intellectual property rights are at odds; such disparities in regulation shall thus call upon the EU for stricter trade defenses, which could translate into additional protectionist measures. Additionally, this research evaluates how well current dispute resolution methods work, focusing mostly on how the World Trade Organization (WTO) and bilateral negotiations operate. It also suggests policies to reduce trade tensions and promote strong economic relations between the EU and China.

The research for this paper has been carried out by employing both qualitative and quantitative methods, highlighting that the quantitative data has been only collected and reviewed but has not undergone further analysis and implementation in statistical models.

The data has been collected through a review of: (1) Official trade statistics: Eurostat trade reports (2023-2025) have been reviewed for data on trade volume, imports, exports, and deficits; WTO reports have been analysed regarding trade disputes; Reports from the U.S. Trade Representative and European Commission have been analysed on trade policies and tariffs. (2) Government and Institutional Reports: Analysis of ECB bulletins on China's economic model and growth projections; Analysis of policy documents from the Chinese Ministry of Commerce on investment regulations and trade policies; Review of reports from the IMF on trade policies and currency manipulation. (3) Academic Research and Industry Studies: Review of peer-reviewed articles on comparative trade theory, gravity trade models, and protectionism; Economic analysis of global supply chains and China's export-led growth model; Review of studies on the impact of government subsidies on market competition. (4) Case Studies and Legal Documents: Analysis of WTO dispute settlement cases related to EU-China trade conflicts; Review of legal rulings on anti-dumping tariffs and intellectual property rights enforcement; Analysis of Bilateral trade agreements such as the Comprehensive Agreement on Investment (CAI) between the EU and China.

The collected data had to be pre-processed and categorised depending on relevance and credibility to ensure that the article has a structured approach. This has been done through: (1) Data cleaning and verification: To ensure consistency, the trade statistics were cross-checked across various sources (e.g., Eurostat, WTO, and national trade bodies); The reports from various organisations have been compared for discrepancies and, of course, validated based on the latest recent updates. (2) Textual and Thematic Analysis: The qualitative data from reports and case studies were analysed using thematic analysis to identify recurring patterns or themes; Key themes such as market access restrictions, tariff policies, and currency interventions were extracted and categorised. (3) Comparative policy analysis: The policies between the EU and China were compared to determine their impact on trade relations; The effectiveness of dispute resolution mechanisms was assessed based on historical case outcomes.

While the study utilizes comprehensive data sources, some limitations exist. The research relies on publicly available economic data. However, data can change or be biased. Policy decisions and trade negotiations are constantly evolving, making long-term predictions uncertain. Additionally, external factors, like geopolitical changes and global economic crises, may affect trade relations beyond what this research covers. By combining economic data analysis with policy and geopolitical insights, this approach provides a complete understanding of EU-China trade disputes.

Results and discussions

To achieve the goals in the hypothesis stipulated above, the authors will deep dive in China's protectionist policies by analysing its growth model, currency policies, state-owned companies, barriers of entry and market access. Furthermore, the characteristics of EU consumer demand will be presented together with the latest international trade policies and tariffs to better understand the implications for EU-China Relations.

China's Export-Led Growth Model

Since 1984, China has pursued an export-led growth model, prioritizing manufacturing and exports, which helped it become the second-largest economy globally. This strategy generated trade surpluses, particularly with the EU, and enabled sustained growth rates of around 10% until the late 2000s. However, since 2007, growth has declined, raising concerns about the long-term sustainability of this model (The World Bank, n.d.).

Before 2010, China's investment-to-GDP ratio peaked at 47%, significantly higher than the 20% in developed economies. This high investment, especially in infrastructure, supported the export-led approach. Nevertheless, diminishing returns became evident, prompting two additional investment cycles: one post-global financial crisis and another after COVID-19. The first cycle involved a large-scale stimulus, increasing fixed asset investment growth to 60% in 2009, but it led to overcapacity post-stimulus. In response, China implemented supply-side reforms in 2015 to reduce industrial excess and unsold housing stock. The second cycle, initiated in 2020, saw targeted support for manufacturing but increased capacity outpacing subdued demand, particularly under the zero-COVID policy, leading to a rise in loss-making businesses to 28% since 2018 (European Central Bank, 2024).

China's 13th Five-Year Plan, published in 2015, acknowledged the slowdown in the growth of its economy and called for reforms to support enhancements in innovation, stimulate domestic consumption and reduce dependence on fixed investments (Liu et al., 2019). However, the implementation of the plan has been slow due to demographic shifts, it is a well-known fact that China has a declining birth rate and an ageing population.

Furthermore, the currency devaluation strategy used by the Chinese government, aimed at making exports more attractive, has, nevertheless, hindered the growth of its domestic market. China must adopt an import promotion strategy focusing on high-quality, innovative products and enhancing buying power and internal consumption (Zhang, J., 2023). Liu et al. (2024) support this view, emphasising that sustainable growth must shift from a quantity-driven to a quality-driven export strategy.

Chinese Currency Policies

Chinese monetary policy has always had some control/intervention from the government. Before 1978, the RMB was tightly controlled and was pegged artificially to other foreign currencies. At that point, China had a centrally planned economy with minimal engagement in global trade. To enhance competitiveness, the RMB was devalued several times until 1986, when a two-tier exchange rate was introduced: an official rate for government transactions and a market rate for foreign trade. In 1994, these rates were unified under a single exchange rate pegged to the U.S. dollar to support an export-led growth model (Morrison, W. M., & Labonte, M., 2008).

The RMB's devaluation has facilitated foreign direct investment (FDI), particularly export-oriented FDI, which can benefit from a lower local currency, depending on foreign currency costs for production. However, firms with higher production costs in foreign currency tend to gain less from currency devaluation due to proportional increases in expenses (XING, 2006).

From 2005 to 2015, China adopted a managed float system, allowing the RMB to fluctuate within a set band based on a currency basket. Following the addition of the RMB to the IMF SDR basket after 2015, China aimed to liberalize its currency and financial market. However, in response to the U.S. Trade War initiated by President Trump in 2018, China reverted to tighter control over the RMB (IMF News, 2016). Currently, while influenced by market forces, the RMB's value is still closely monitored by the People's Bank of China (PBOC), with ongoing efforts to establish it as a global reserve currency, especially with countries involved in the Belt and Road Initiative (U.S. Department of Treasury, 2024).

State-Owned Enterprises (SOEs)

China's State-Owned Enterprises (SOEs) benefit from government support, providing them a competitive advantage over European firms in both domestic and international markets, further evidence of China's Protectionism theory being applied. Accurate estimates of the number of SOEs are challenging due to limited data from Chinese authorities. A study by the Stanford Institute of Economic Policy Research reveals discrepancies between government figures and actual findings: while official government data cites only 391,000 SOEs, the research identified 363,000 fully state-owned companies, 629,000 with up to 30% state ownership, and 867,000 with some form of state ownership. Between 1999 and 2017, state capital investment declined from 37% to 31%, while provincial government investments increased from 9% to 35%, indicating a shift to indirect state control. In terms of growth, central government-owned companies outperform privately owned firms, with those having up to 10% state ownership growing 48% faster in asset size and those with 10%-30% ownership growing 73% faster. Productivity is higher in companies with up to 50% state ownership compared to fully state-owned enterprises, likely due to benefits such as lower borrowing costs and various incentives (Stanford University, 2024).

Subsidies and Market Access

Between 2007 and 2018, China's direct government subsidies rose significantly from 4 billion USD to 29 billion USD, primarily benefitting private firms. Industries like mining, machinery, electronics, and energy received the most support. Analysis indicated that company size was a better predictor of subsidy receipt than profitability, with surprisingly less productive firms being favored. Although subsidies led to slight increases in R&D spending and temporary employment boosts, they did not significantly enhance productivity, suggesting that non-efficiency factors influence their distribution (Branstetter et al., 2023).

China's market access policy remains stringent for foreign businesses that try to penetrate the Chinese market. Balancing government control and market liberalization is done through a framework of negative lists, sector-specific regulations, and Special Economic Zones (SEZs). The National Negative List outlines restrictions for foreign investments, while the Free Trade Zone (FTZ) offers more flexibility for foreign companies. Although recent policy adjustments have relaxed restrictions in sectors like automotive manufacturing and finance. The Encouraged Industry Catalogue promotes foreign investment in targeted sectors, including high-tech and green energy (Zhou, 2024).

To attract foreign companies, China has established SEZs and FTZs, which provide various incentives, tax benefits, and relaxed regulations, such as those in Shanghai FTZ, Shenzhen SEZ, and Hainan Free Trade Port. Future openings are expected in sectors such as biotech and telecommunications, along with anticipated relaxations in banking and automotive industry equity caps (Interesse, 2025).

The EU has raised concerns regarding intellectual property rights (IPR) violations in China, particularly against anti-suit injunctions hindering patent enforcement. EU companies face challenges protecting their patents against misuse by Chinese firms. In 2022, the EU began WTO consultations to address these issues, and in January 2025, it filed a complaint against China for imposing unfair royalty fees on essential patents (EU Commission, 2022).

European Consumer Demand

Between 2001 and 2023, the EU's bilateral trade deficit with China rose from €39 billion to €292 billion. This is the largest deterioration recorded by the EU with any trading partner. The EU's overall trade balance with the rest of the world returned to a surplus in 2023.

In 2001, when China joined the WTO, nearly two-thirds (€23.8 billion) of the EU's trade deficit with China was attributed to "miscellaneous" manufactured goods, which mainly included low-value consumer items like toys, travel goods, and clothing. Between 2002 and 2015, the deficit tripled before stagnating for almost a decade. Now, a quarter of the EU's bilateral deficit with China falls into this category. The quality of products exported from China has risen along with the unrestricted expansion of its global production system. This clearly affects the trade relations that exist and impacts the direct competition occurring between the EU and China. While Europeans still import a large quantity of consumer goods, they are now also importing more electronics and motor vehicles. In 2023, these two segments accounted for 17% of EU imports from China. Furthermore, the share of electrical machinery and equipment in EU imports from China has more than doubled over the past twenty years, now making up most products imported at 21% in 2023. The largest increase in the EU's bilateral deficit with China from 2001 to 2023 occurred in the electrical machinery and equipment segment, where it grew from €3.5 billion to €83.2 billion. This worsening is mainly due to a sharp rise in imports of photovoltaic panels (contributing €20.6 billion to the deficit) and electric batteries (€24.2 billion) (Derrien, 2024).

International Trade Policies and Tariffs

The fragmentation of global value chains (GVCs) has made production processes more dispersed and less coordinated, complicating efficient cross-border business (Bellora and Fontagné, 2020; IMF, 2016). Developed nations benefit from GVCs through access to competitively priced resources and economies of scale (Baldwin & Lopez-Gonzalez, 2015). In contrast, emerging markets like China view GVCs as a means for industrial development (Raei et al., 2019).

Recently, the use of sanctions as a foreign policy tool has surged, with actions targeting another nation to prompt policy changes (Morgan et al., 2023). Countries can impose unilateral or multilateral sanctions, and between the 1990s and today, multi-country sanctions have nearly tripled (Felbermayr et al., 2020).

In 2017, the U.S. Trade Representative (USTR) launched an investigation under “Section 301” of the Trade Act due to concerns over China’s technology transfer and IP practices. This led to four rounds of tariffs on approximately two-thirds of U.S. imports from China (Congressional Research Service, 2024). The resulting trade war has significantly impacted welfare and global supply chains, affecting around \$550 billion in Chinese and \$185 billion in U.S. products (Yang, 2023; Zhou, 2023). The U.S. and China signed a Phase One trade deal in January 2020, focusing on various reforms and commitments to purchase U.S. goods (United States Trade Representative, 2020). Although the Section 301 tariffs were set to end in 2022, the USTR decided to maintain them after finding that China continued objectionable practices. In September 2024, under the Biden-Harris administration, the USTR intensified Section 301 investigation and increased tariffs on Chinese goods, including electric vehicles and semiconductors (United States Trade Representative, 2024). As of February 1, 2025, the second Trump administration has declared a national emergency under the International Emergency Economic Powers Act (IEEPA).

Implications for EU-China Relations

Tariffs and anti-dumping duties are key tools used by governments to regulate international trade and protect domestic industries. Tariffs are general taxes on imports aimed at achieving economic goals and raising revenue, while anti-dumping duties address unfair trading practices—such as foreign products sold below fair market value, often due to subsidies (Dinlersoz & Dogan, 2010).

The trade relationship between the EU and China is complex and reached a bilateral trade value of €739 billion in the year 2023. A clear catalyst of this escalation in tensions is the EU's trade deficit, which increased from €104 billion in 2013 to €397 billion in 2022 (Eurostat, 2024). The EU's main concerns, which have been vocalized so many times, are government subsidies and forced technology transfers in China, prompting calls for protective measures such as anti-dumping tariffs. In retaliation, China has accused the EU of protectionism.

In December 2020, the EU and China signed the Comprehensive Agreement on Investment (CAI) to improve market access and ensure fair competition for EU investors in China. However, political and economic incompatibilities have managed to stall the progress of this agreement. EU’s concerns about China's systemic imbalances and overcapacity continue, with the EU publicly considering China as a partner, competitor, and systemic rival. Member states underscored this view in the June 2023 European Council meeting, advocating the need for reform in global trade practices (European Commission, n.d.).

European sectors like automotive, steel, and renewable energy have been adversely affected by subsidized Chinese imports. The latest dispute centers on electric vehicles (EVs), leading the EU to impose anti-dumping duties of up to 36.6% on certain Chinese EVs in 2024, in addition to a 10% import duty (McBride et al., 2023).

Launched by President Xi Jinping in 2013, the Belt and Road Initiative (BRI) aims to interconnect 140 countries with infrastructure investments. While it enhances trade ties, EU members are concerned about sensitivity regarding technology access and desire for a more reciprocal approach to China’s investments to mitigate strategic vulnerabilities (Jie & Wallace, 2022).

WTO mechanisms have once again largely failed to resolve trade disputes between the EU and China, with slow progress on cases initiated by the EU.

Discussions

The EU's demands for China to shift its policies from protectionism towards free trade are well founded and could be beneficial for both parties. As the results above show, for years, China has adopted an export-led growth model combined with a strict monetary policy, a substantial government support for domestic companies and rigorous barriers of entry for foreign companies. This model has driven significant economic success, but its sustainability is now threatened by diminishing returns, demographic changes, and external pressures. To ensure the long-term growth of its economy, China must shift its policy towards a quality-driven strategy that prioritizes innovation and boosts domestic consumption. Furthermore, performance metrics on state subsidies and company state ownership indicate that companies with varying degrees of state ownership, particularly those with less than full state control, tend to experience faster growth and higher productivity. Embracing an import promotion approach focused on high-quality products will be vital for sustainable development in the evolving global landscape.

At the same time, the dramatic increase in the trade deficit, particularly in the sectors of electrical machinery and equipment, accentuates the EU's growing reliance on Chinese imports, especially in high-value goods such as photovoltaic panels and electric batteries. The EU and China must consider strategies that enhance competitiveness and foster a more balanced trading environment. Measures taken, such as tariffs and anti-dumping duties, reflect the EU's efforts to protect its industries from unfair competition and systemic imbalances. As seen with the US - China tariffs, these are only a short-term solution which had a negative impact on both sides.

Alternatively, initiatives such as the Comprehensive Agreement on Investment could bring beneficial improvements for both the EU and China, but political and economic conflicts hindered the progress and implementation. The goal should be to achieve a fair and reciprocal trade environment, but considering recent disputes in the electric vehicles sector, the goal now seems further away. Both parties must understand that a long-term prosperous relationship can only be achieved with collaboration, communication and reform within international trade frameworks such as the WTO.

Conclusion

The commercial disputes between the EU and China highlight the battle between protectionism and free trade, more specifically highlighting the broader challenges of balancing trade liberalization with market access, fair competition and regulatory alignment. Although both parties continue to benefit from their trade relationship, persistent issues such as trade imbalances, restrictive market policies, and state subsidies fuel the tensions between them. Without a strategic, forward-looking approach that will directly address the tension, there is a clear risk of these tensions deepening and leading to greater economic fragmentation and geopolitical instability.

To address these challenges, the EU must adopt a multi-dimensional strategy which will need to include negotiating new trade agreements that prioritize reciprocal market access, fair competition, and enhanced investment protections. Future trade agreements should incorporate binding commitments to level the playing field, thus ensuring that EU companies in China face fewer restrictions while Chinese firms comply with EU regulatory standards when operating in European markets. Existing concerns regarding unfair competition and security risks linked to Chinese acquisitions of strategic industries under the Belt and Road Initiative can be mitigated with clear bilateral investment agreements.

On a diplomatic level, enhanced engagement with China through structured dialogues and economic summits is crucial. On top of the economic measures, the EU should also push for

diplomatic measures to foster greater market openness while avoiding trade escalation again. Coordinated efforts with global partners, such as the U.S. and WTO member states, could exert collective pressure on China to adhere to international trade norms and reduce state intervention.

Reforming WTO dispute resolution mechanisms remains a key priority. The EU, along with its allies, should advocate for WTO reforms that expedite trade dispute resolution, strengthen enforcement mechanisms, and ensure compliance with rulings. Modernizing WTO frameworks to address state subsidies and intellectual property concerns more effectively would enhance the institution's role as a neutral arbiter in EU-China trade conflicts.

At the industry level, rather than resorting to excessive tariffs, which may lead to retaliatory measures and economic instability, the EU should implement sector-specific solutions to strengthen its strategic industries. Policies promoting innovation incentives, research and development (R&D) funding, and strategic partnerships between EU firms and international technology leaders can reduce dependency on Chinese imports. Moreover, investment in resilient supply chains, particularly in key sectors such as technology, semiconductors, and renewable energy, can bolster EU competitiveness while ensuring a sustainable and diversified trade strategy.

Ultimately, while protective measures such as tariffs and trade defense instruments may be necessary in the short term, they should be complemented by a broader economic strategy that fosters sustainable growth, promotes innovation, and strengthens diplomatic channels between the two parties. A pragmatic approach is clearly needed, one that embraces negotiation, regulatory reform, and targeted industrial policies. The approach will be essential in creating a more balanced and resilient EU-China trade relationship while safeguarding global trade stability.

As mentioned in the methodology section, the quantitative data carried out for this research has only been collected and reviewed but has not undergone further analysis and implementation in statistical models. In the future, we would like to further deepen the research by gathering data and assessing the impact of the EU-imposed tariffs and come up with a set of policies that could substitute the tariffs.

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