

Europe on US Trade Rivalry: a Dark Horse or a Geopolitical Outcast?

A Comparative Case Study on Europe's
Perspective on American Trade Wars

Radboud University



Loran de Hollander

s4351762

July 17, 2020

Wordcount: 24116

Supervisor: dr. Ivan Boldyrev

Master of Economics

Specialization: International Political Economy

Nijmegen School of Management

Abstract

The current US-China trade war has become a contentious topic for scholars of international political economy. Studies show the dynamics of historical American trade wars – including its actors, methods, and distributional consequences – are in line with the broader debate on trade. However, research lacks both a European perspective on these trade wars and a comprehensive comparative examination. This study aims to determine how the European perspective has changed and how the historical tendency on trade throughout American trade war episodes helps understand trade ideology over time. Relying on a theoretical framework of literature on American and European trade policy, and the context, dynamics, and consequences of trade wars, a comparative case study is conducted. The results indicate that similarities are best explained using arguments based on economic logic. Differences are best explained using political economy arguments in which the return of protectionism is explained by the changing debate on trade and European perspective. Hence, the EU should increase its political power equaling its economic strength. Further research should focus on additional factors that explain the contemporary tendency towards protectionism in trade policy in light of the shifting drivers of the global economy from the Transatlantic axis towards Asia.

Table of Contents

<i>List of Figures</i>	4
<i>List of Tables</i>	5
<i>List of Abbreviations</i>	6
<i>Introduction</i>	7
<i>Literature Review</i>	11
Theories on International Trade	11
Towards a Policy of Free Trade	13
The Return of Protectionism	15
The Concept of a Trade War	16
The European Perspective	18
<i>Methodology</i>	22
<i>Historical Analysis</i>	23
The 1930s: Towards Reciprocal Trade Between the Two World Wars	23
US-UK Trade War	23
The European Perspective	28
The 1980s: Trade Rivalry During the Heyday of the Free Trade Ideology	31
US-Japan Trade War	31
The European Perspective	36
The Present: Strategically Choosing Sides While Stuck in the Middle	40
US-China Trade War	41
The European Perspective	45
Comparative Case Study Analysis	50
US Trade Wars Over Time	50
Europe's Perspective Over Time	55
<i>Conclusion</i>	61
Recommendations for the EU and Future Research	65
<i>Bibliography</i>	67

List of Figures

Figure 1: Conceptual Trade War Triangle	9
Figure 2: The Problem of Trade Wars	17
Figure 3: GDP (current US\$) Japan and US (with respect to China) (The World Bank, 2020)...	33
Figure 4: GDP (current US\$) EEC and US (with respect to Japan) (The World Bank, 2020).....	38
Figure 5: GDP (current US\$) US and China (with respect to Japan) (The World Bank, 2020)...	42
Figure 6: GDP (current US\$) EU and US (with respect to China) (The World Bank, 2020)	47

List of Tables

Table 1: World Trade in 1929 and 1936 (% of world's total trade).....	25
Table 2: Inbound FDI into Europe as % of total FDI (Dunning, 1997).....	39

List of Abbreviations

AI	Artificial Intelligence
BRI	Belt and Road Initiative
CCP	Chinese Communist Party
D	Democrat
EC	European Commission
ECSC	European Coal and Steel Community
EEC	European Economic Community
EP	European Parliament
ETDA1	Economic and Trade Deal Agreement – Phase 1
EU	European Union
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GVC	Global Value Chain
HK	Hong Kong
IP	Intellectual Property
MOU	Memoranda Of Understanding
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NTB	Non-Tariff Barriers
OR	Oregon
R	Republican
RTAA	Reciprocal Trade Agreement Act
SOEs	State-Owned Enterprises
TPP	Trans-Pacific Partnership
TTIP	Transatlantic Trade and Investment Partnership
UK	United Kingdom
US	United States
UT	Utah
VER	Voluntary Export Restraint
WTO	World Trade Organization
WWI	First World War
WWII	Second World War

Introduction

Trade wars have many legal aspects and technicalities, like customs, regulations, arbitration, and other typical issues for students of international trade law. For economists, trade wars become extraordinarily exciting when placed in a broader historical, economic, and political context of trade policy. Trade policies manage the international exchange of goods and services and are a powerful instrument for governments in international competition (Irwin, 2017; Velut, 2015). Countries create trade barriers by enforcing tariffs or restrictions to force other countries to change course on specific issues (Irwin, 2017). Extreme forms of protectionist trade policy can result in a trade war. More specifically, trade wars can be an attempt by governments to directly target industries in a foreign country to undercut their influence.

The current trade war between the United States (US) and China is no exception. In addition to the economic dimension, the rivalry also has political, cultural, and military dimensions (Irwin, 2020). This leads to an unpredictable political and business environment (Steinbock, 2018). The global economy can suffer from trade disputes between countries, especially due to the intensification of international trade and global competition (Velut, 2015). Besides, neighboring countries not necessarily linked to the trade war may benefit or suffer from this period of turbulence as the global value chain (GVC) is reconfigured. The few studies so far on the US-China trade war only include the costs of a potential full out trade war for the US and China but do not include the prospects for and the response of dynamic trading powers like the European Union (EU)¹ (Crowley, 2019). The greatest risk, in the long run, is said to be that the US and China split the world into two spheres of influence (Colback, 2020; Liu & Woo, 2018; Tam, 2019). Europe may be forced to strategically take sides with its trade policy when it is politically and economically jammed between the US and China.

European countries have experienced many trade wars in which the US tried to force other countries to change their trade policy (Conybeare, 1985; Irwin, 2017). Moreover, the European continent has dramatically changed over time. The history of trade policy and

¹ Although during the 1930s, there was no institution representing merged national interests, continental European countries had a similar interest after the Smoot-Hawley Tariff Act was signed into law (Bidwell, 1930). Partially following Siles-Brügge's (2014) example, the terms 'Europe', and 'EEC' (in the 1980s) or 'EU' (in contemporary times) are used interchangeably and refer to the supranational European entity throughout its history, whether or not there was any form of legal European integration.

American trade wars, as explained by Irwin (2017), illustrates the path by which the US found itself as a hegemonic power in the globalized world of today and how Europe constructed its stance toward this reality (Eichengreen, 2008; Gstöhl & De Bièvre, 2018). European countries have experienced the development of the US as the economic and political hegemon since World War II (WWII), as well as the rise of China from the 1980s onward. The European Economic Community (EEC) was forced to integrate further in order to withstand rising commercial competition. Although an increasingly divided EU seems to have lost its relevance in global politics, trade figures suggest otherwise: it remains the largest single market, trader, and investor (Gstöhl & De Bièvre, 2018).

In literature, trade policy has been subject to changing theoretical conceptualizations and definitions that tide with developments in the international political economy discipline (Velut, 2015). Studies on international trade theory, as applied to European countries and American trade wars, are comprehensive, and have proliferated academic literature (Crowley, 2019; Dür, 2010; Gstöhl & De Bièvre, 2018). Nevertheless, a comprehensive comparison of Europe's perspective – that is, its role, relationship with the trade competitors, and the policy response – has been lacking. Dür (2010) argues that most studies focus on specific, temporally limited developments like Europe's response to transatlantic bargaining. Due to the focus on specifics, the bigger picture of the EU's perspective on US trade policy at all, let alone its role during trade wars, is missing (Elgström & Smith, 2006; Gstöhl & De Bièvre, 2018). The bilateral relationship with the US is well studied, yet, the bilateral relationship between Europe and the trade adversary is less prominent in analyses of the European perspective on American trade wars (Schoppa, 1997; Winand et al., 2015). Finally, Rodrik (1995) found few systematic studies on determinants for cross-country protection of certain industries.

As Irwin (2017) has noted, studying US commercial rivalries helps in understanding whether today's disputes and Europe's perspective are truly different from or like those in the past. Lessons learned – or forgotten – can help to explain the EU's perspective. All actions take place in the geopolitical arena and Europe has a conceptual connection to geopolitics, the US, the trade adversary, and the trade war. Therefore, this research conceptualizes three European Rs, that is, its geopolitical *role* (arrow 1 in Figure 1), its bilateral *relationships* with both the US and the trade adversary (arrow 2 in Figure 1), and its policy *response* to the actions taken during the trade wars (arrow 3 in Figure 1).

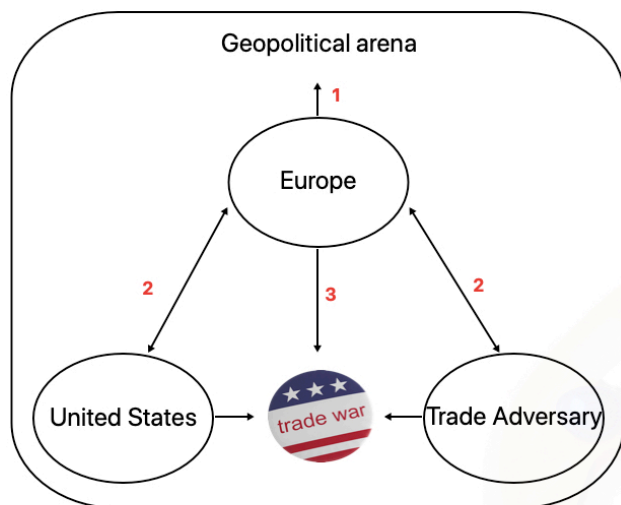


Figure 1: Conceptual Trade War Triangle

The body of literature on concepts in trade theory (Klein & Pettis, 2020; Krugman et al., 2015; Rodrik, 1995; Velut, 2015), US trade policy (Irwin, 2017), and American trade wars (Bidwell, 1930; Conybeare, 1985; Crowley, 2019) are used as a blueprint. Following Conybeare's (1985) comparative study, this research examines three specific trade wars. It considers the European role, relationships, and response before, during, and after the American trade wars against the United Kingdom (UK), Japan, and China, in the 1930s, 1980s, and present, respectively.

The 1930s trade war will illustrate the perspective of continental European countries toward the ascending hegemony of the US and descending colonial power of the UK. The significance of studying this trade war is based on 1) Europe's geographical proximity to, yet cultural and political distance from, the UK, 2) the global power of the US increasing at the expense of the UK, and 3) the debate on trade moving away from protecting domestic markets toward opening markets on a reciprocal basis.

The 1980s trade war will illustrate the perspective of the EEC toward the then-superpower US and rising Asian regional power Japan. The significance of studying this trade war is that 1) the EU was geographically farther away from the trade war, 2) plagued by a depression and a depreciation of the US dollar, the US economy was seriously challenged by Japan in some sectors, and 3) in the debate on trade, the US-sponsored neoliberal rules-based trading scheme prevailed among most major trading powers as the dominant school of thought in which these rules were agreed upon through multilateral organizations.

The ongoing trade war will illustrate the perspective of the more fully realized EU, an economically equal trading partner with China, which is now a global power, and with the

US, which remains a global power, but is polarized and growing slowly. The significance of studying this trade war in this research is that 1) no study has fundamentally focused on the EU's perspective in the trade war between US-China, 2) the contemporary EU is a uniquely integrated trade power, which, however, faces internal disruptions that cause domestic legitimacy problems, and 3) the earlier consensus on reciprocity in the debate on trade appears to accept alternative viewpoints, adjusting the neoliberal free trade push of the US.

A comparison of the EU's role, relationships, and response over time, allows for extrapolation of knowledge on the trade wars to understand how the European perspective on trade ideology can be characterized. Different economic and political standings over time can cause changes in the development of trade policy. Therefore, these standings regulated by the consensus in the debate on trade can have a dramatic effect on distributional consequences *within* countries (Klein & Pettis, 2020; Rodrik, 1995). It is interesting to study the change in consensus present among intellectuals, politicians, or both. Hence, the research question is:

How have Europe's role and relationships during, and response to American trade wars changed over time? Is there a historical tendency throughout American trade war episodes that proves a return to protectionist trade policy? How can these changes and historical tendency help to explain the dynamics and prospects of the debate on trade?

The academic and societal relevance of this research is that Europe's perspective during US trade wars contribute to the analysis of the dynamics in the intellectual and public trade debate. For academic relevance, the understanding of US and European trade policy over time can provide context for the comparative analysis of the actions, roles, and influence during the trade wars. Consequently, the differences and similarities are important to study to identify analogous accounts. The analysis indicates whether the preferences, the focus, and the ideology of intellectuals have shifted and for what reasons. For societal relevance, lessons can be learned from historic dealings with American trade wars for EU lawmakers. It is important to learn whether protagonists have started to understand trade policy differently. This research also considers the origins of the rivalries, the actors that played key roles, and the trade policy methods. Therefore, not only the context that shapes the character of the public debate on trade – also the question of *how* context matters for the dynamics of trade – is of vital importance for EU policymakers.

Literature Review

The literature review provides, a theoretical foundation through discussion of theories on international trade over time, the concept of a trade war – and more specifically, of American trade wars – and the European perspective. This research goes beyond existing accounts by critically reflecting on previous studies on theories on international trade over time. It also explains key concepts, like trade war, to point out views that dominated the trade ideology and policy in Europe and the US over time. Finally, this literature review examines the European perspective to define how the European perspective on trade wars is considered.

Theories on International Trade

International trade theory studies the effects of patterns, origins, and proportions of international trade of goods and services (Leamer & Levinsohn, 1994). When studying trade theory, one should acknowledge global trade patterns to understand what incentives and arguments countries – or groups within countries – have at their disposal to implement certain policies (Krugman et al., 2015). Trade ideology is appealing for political economists because trade politics yields distributional welfare consequences of political-economic decisions (Rodrik, 1995). Governments have worried for centuries about the impact of foreign industries on the competitiveness of domestic industries, and have aimed either to protect industries from imports or to help them sell abroad in world competition (Krugman et al., 2015). These incentives are also based on the economic geography of the production of exported goods and services.

Political and economic interests collide when identifying who sells and buys what to whom (Irwin, 2017; Krugman et al., 2015). National policy tends to represent the interest of the country on the world stage, which might conflict with interests at the local level (Irwin, 2017). If a region with particular economic interests relies on sales to a different country, it is likely to support relatively open trade. Nevertheless, if a product manufactured in a specific geographic area is also imported from a different country, the votes of the policymaker will reflect the interest of the constituency as well. If the gains from trade significantly diminish for vocal groups in society, lawmakers may seize the opportunity to call for a change in the gains, pattern, intensity, and ideology of trade (Grossman & Helpman, 2002; Klein & Pettis,

2020). Consequently, they are more likely to support protective tariffs to add a sales tax to the price of imports in order to keep them out of the domestic market. Interest groups have historically lobbied for trade policies that protect import-competing sectors. According to Rodrik (1995), there is consensus on what protection contains. Protection for industries is higher when it is a labor-intensive, low-skill, low-wage industry. Industries are more likely to be protected if they face high import penetration, have experienced an increase in import penetration, or have been in decline. When industries produce consumer goods rather than intermediate goods, they are more likely to be protected by trade policy as well. Finally, protection received by industry is higher when it engages in little intra-industry trade.

Once it is clear which industries need protection, Irwin (2017) notes that there are four ways in which governments can directly affect the prices of goods and services, using export taxes, export subsidies, import taxes, and import subsidies. If a government wants to boost and protect its businesses, only export subsidies and import taxes are rational to conduct, respectively (Dür, 2010; Irwin, 2017). In addition to these sales taxes and subsidies, indirect policies like standards and regulations concerning certain goods and services can enhance or limit trade (Hochberg, 2020). Since resources are relatively immobile over time, many US states and European countries have a defined, long-term economic interest concerning trade policy (Eichengreen, 2008; Irwin, 2017). In trade debates, US policymakers in Congress tend to support a specific interest or set of interests, related to a specific geographic area, rather than the national interest. During recessions and economic crises, tariff levels tend to rise (Rodrik, 1995). And finally, there is historical evidence that, once protection has been given to certain industries, it is difficult to take that away (Gardner & Kimbrough, 1989).

Rodrik (1995) also examines the differences between what is said to be the ‘political’ and ‘technical’ tracks of protection. On the one hand, the political track of protection deals with the consequences of trade policy for specific groups in society. The political track also allows for an open discussion on what the results of trade policy are. The technical track deals with questions of whether there has or has not been protection for industries. Therefore, this track deals with specified rules for what protection should look like. This technical track becomes more relevant when interests are aggregated, and standardization of norms and regulations is needed to understand a rules-based trading system.

Towards a Policy of Free Trade

Irwin (2017) provides insights into the motivations for and effects of government policies that restrict or encourage international trade as he studies domestic and foreign considerations to understand political and economic objectives. His works are used as blueprints to understand the US discussion of its trade policy over time, yet there is room for improvement. Irwin (2017) argues that over the long sweep of history, there have been only two ruptures that have led to major shifts in US trade ideology: the Civil War and the Great Depression. Also, he argues that the average tariff has decreased over time. This research argues that both claims are controversial. First, there have been many disruptions since the Great Depression. One is happening right now. However, this path towards the free trade ideology did not happen at once. Second, the average tariff might not be the best measure to look at to understand how the free trade ideology has unfolded, and how protectionist tides still came about.

Until the Civil War, the US government had relied on protectionist tariffs on imported goods to generate revenue (Irwin, 2017; Rodrik, 1995). Over time, consensus on dominant theories has adjusted to economic reality to explain different levels of trade protection. In line with the dominant trade ideology, trade policy was based on principles of import restriction until the Great Depression. US Congress “used to debate the tariff on a product-by-product, industry-by-industry basis, which only reinforced the incentive of business and labor groups to organize at the industry level” (Irwin, 2017, p. 17). Velut (2015) has labeled this period of trade policymaking to society-centered, instead of on system or state². Since the number of sovereign entities increased and trade expanded along inter-regional trade routes, the dynamics of national policy to intervene in international trade changed too (Conybeare, 1985).

Due to the Reciprocal Trade Agreement Act (RTAA) signed in 1934, trade authority moved from Congress to the President, and the US tariff levels dropped “as the President is

² Velut (2015) classified three groups of theories of trade policy centered around either: 1) society, 2) system, or 3) state. First, trade policy based on theories centered around *society* are primarily interested in domestic politics and have dominated studies on trade theory during the first trade war. Using this perspective, “the policy process is a result of a struggle of influence among various interest groups, a political competition arbitrated by decision-makers” (Velut, 2015, p. 7). Second, trade policy based on theories centered around *system* are primarily interested in the global level of analysis. During the second trade war, this type has dominated studies on trade theory as “they focus on the relation between the world’s distribution of power and the structure of international trade” (Velut, 2015, p. 5). Third, trade policy based on theories centered around *state* are primarily interested in “conditional autonomy of government on the hand” (Velut, 2015, p. 9). These theories have recently gained momentum as institutional forces are brought into the equation to decide on Chinese, American, and European trade policy.

presumed to be less susceptible to pressure from narrow pressure groups” (Rodrik, 1995, p. 1487). Since then, many economists believe that all types of countries can trade to their mutual benefit (Dixit & Norman, 1980; Irwin, 2017, 2020; Krugman et al., 2015). Developed countries, led by the US, pursued a reciprocal policy of removing barriers to international trade and opening markets (Irwin, 2017). This trade ideology went beyond economics by arguing that free trade was also a force to promote world peace (Destler, 2005; Irwin, 2017; Krugman et al., 2015). After the Great Depression, voting on trade agreements became the standard instead of voting on specific tariffs. Interest groups organized based on factor type or economic class (Grossman & Helpman, 2002; Hiscox, 2001; Klein & Pettis, 2020). Principles on reciprocity have dominated trade ideology theories ever since (Krugman et al., 2015). During this period, trade policy has been based on the neoliberal free-trade system, making the case for trade theory centered around a system (Velut, 2015).

The consensus among intellectuals has been that free trade has become the default option for trade policy, even if not the optimal policy in an imperfectly competitive world (Krugman et al., 2015). Even when a country is more efficient in all production factors, and producers in a less efficient country can compete only by lower costs, some international trade between the two is beneficial for each (Balassa, 1965; Dixit & Norman, 1980). Free trade, therefore, occurs when the government intervenes only to support free-flowing goods and services. Moreover, trade provides benefits by allowing countries to export goods whose production requires resources that are abundant locally while importing goods whose production depends on resources that are scarce locally (Krugman et al., 2015). Factors such as the abundance of land, capital, labor, and technology, relative to the other country explain why some export product A and others product B. International trade also allows producers to specialize in manufacturing fewer types of goods, giving them greater efficiencies of large-scale production, which is then exported (Bernard et al., 2003). Another advantage of free trade of goods and services is for consumers: the variety of goods and services for sale increases through international competition (Gagnon, 2007).

Despite these arguments in favor of free trade, trade policies are systematically biased against trade as policies are used to transfer resources to import-competing sectors and factors rather than export-oriented sectors and factors (Rodrik, 1995). Krugman et al. (2015) argue that it is important to note that countries do not want to rely on only one country for a certain

critical product, like ingredients for medicine. Natural resources partly explain why some countries export certain products while others cannot. Still, most global trade patterns for certain goods and services are significantly more nuanced and dominance in certain sectors can be changed, or even reversed. Import-competing producers are often better informed and organized than consumers. Consumers might not be effective politically in opposing such import quotas on foreign goods, even though these quotas may be costly to them. However, international negotiations can bring in domestic exporters as a counterweight. Exporters find consumer interests on their side if they lobby to open markets and ask for the mutual elimination of import quotas to protect them and consumer interests. The efforts of interest groups to compel policymakers to support import-competing industries have not lost momentum. In other words, “the political-economy puzzle becomes why the bias against trade remains even when governments develop alternative, more efficient sources of tax revenue” (Rodrik, 1995, p. 1478).

The Return of Protectionism

The debate over how much international trade is desirable took a new direction in the 1990s when the world rapidly globalized (Krugman et al., 2015). This shift toward the free trade ideology as dominant school of thought has shaped liberal trade policy and redistributed welfare within countries. The weakening of traditional protectionism intensified concerns about the societal impacts of international trade (Destler, 2005). Yet, the debate on the dominant trade ideology also allowed for a contemporary discussion of the economics of whether the benefits of trading goods and services that a country produces domestically are greater than the distortion of some industries that are outcompeted (Destler, 2005). Trade was still protected while traditional protectionism was weakened. Countries that lowered their tariffs introduced other types of trade barriers in line with Rodrik’s (1995) technical track of protection. For instance, there has been a tendency among developed countries to move from using tariffs towards using non-tariff barriers (NTB) in trade policy. An example of this type of trade policy instrument is a voluntary export restraint (VER). A country is voluntarily restraining its export to another country to slow down the adversary’s economic growth. NTBs are higher in countries that are larger in terms of their GDP or imports (Rodrik, 1995).

As quickly as major free trade agreements like the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) were established, so grew the international political movement opposing globalization (Krugman et al., 2015). Since then, manufacturing workers and labor movements have opposed trade agreements, whereas multinational firms and capital-owners have supported them (Irwin, 2017; Klein & Pettis, 2020). Low-skilled workers often fear that trading with other countries will drag their wages down closer to those of low-skilled workers in other (less developed) countries. Nonetheless, many countries went through with lowering barriers to international trade not only for economic benefits, but also to protect strategic goals. Hence, the explanatory power of state-centered trade theory has increased to encompass contemporary trade policies (Velut, 2015). For instance, industrial policies to promote domestic business have gained renewed interest since the rise of China. In addition to a protectionist backlash because of increased global competition, these industrial policies could be the reason that economic relationships between states deteriorate (Velut, 2015). The analysis of this research examines whether today's complex relations during the US-China trade war produces a nuanced shift in the dominant trade ideology that proves a return to protectionism (Fajgelbaum et al., 2020).

The Concept of a Trade War

Throughout US history, trade policy has been the source of bitter political conflict (Irwin, 2017). This continued struggle over commercial ties and influence has led to at least three trade wars in which the US participated: against the UK in the 1930s, against Japan in the 1980s, and against China right now. Conybeare (1985) has argued that except for the trade war in the 1930s, trade wars have not received much theoretical attention. He describes trade wars as rivalries in which countries are primarily concerned with economic objectives directly related to the traded-goods sector of the economy. While some trade wars in the past have only been fought over traded goods, services have become increasingly important. With the diversification of the types of trade subject to protection came the broadening of trade policy methods and tools as well (Velut, 2015). The definition used in this research understands a trade war as a continued bilateral protectionist rivalry over commerce in which countries create barriers – in some form – on large volumes of goods and services, thereby increasing transaction costs, in order to force another country to change a certain policy (Crowley, 2019;

Findlay & O'Rourke, 2009; Grossman & Helpman, 2002; Jacks et al., 2008; Krugman et al., 2015). Krugman et al. (2015) used a highly simplified game-theoretic example to explain the logic behind a trade war – best known as the Prisoner's dilemma – as shown in Figure 2.

Adversary			
United States		Free trade	Protectionism
	Free trade	10 / 10	20 / -10
	Protectionism	20 / -10	-5 / -5

Figure 2: The Problem of Trade Wars

Imagine only two countries, the United States and the Adversary, and that these countries have only two policy options: free trade (cooperation) or protection (defection). Each government, making the best decision for itself, will choose protection even though both are better off if neither protects. Nevertheless, “by acting unilaterally in what appears to be their best interests, the governments fail to achieve the best outcome possible. If the countries act unilaterally to protect, there is a trade war that leaves both worse off” (Krugman et al., 2015, p. 254). If there is continued defection and countries are prevalent in protecting their industry, a trade war is a fact. Here, both countries lose according to the game and are worse off than when they cooperated. Each government is better off if it limits its freedom of action but decreases the uncertainty of the adversary imposing tariffs, provided the other country limits its freedom of action and its uncertainty as well. In practice, the model appears to argue that a country is better off when it establishes a trade agreement. For the adversary, the same is true, because all types of countries can trade to their mutual benefit. There is a theoretical consensus on the fact that eventually, trade wars are always harmful to the welfare of the average consumer, and to most industries reliant on international trade (Krugman et al., 2015).

This model based on economic logic attempts to explain why nations protect and engage in a trade war, yet, it is incomplete since most people are not worse off with free trade. Therefore, it does not allow us to understand why the Trump administration supports import restrictions and protects relatively powerful and loyal interest groups within the US. In contemporary times, a return to this protectionist trade policy can be best understood considering political economy arguments (Rodrik, 1995). An attempt to explain this paradox is to investigate classes within society that fear opening markets because they fear for their privileges and jobs in the current economic situation (Klein & Pettis, 2020). An examination into classes *within* societies cannot be complete without the inclusion of the concept of agency, by which economic logic can be ignored, and political economy arguments prevail (Jones, 1994; Klein & Pettis, 2020; Rodrik, 1995). Moreover, many studies on trade wars focus on either a single American trade war or compare several trade wars (Bidwell, 1930; Colback, 2020; Conybeare, 1985; Jones Jr., 2016; Palca, 1986; Steinbock, 2018; Urata, 2020). Krugman et al.'s (2015) model falls short on explanatory power when countries delegate negotiating power concerning trade policy to a third level of supranational institutions, like the EU (Velut, 2015). The formation of 'European' trade policy has made the European perspective during American trade wars ever more compelling and provided new academic research opportunities. Hence, this research contributes further to the literature, specifically considering Europe's perspective (Ruffin, 2013).

The European Perspective

As the key actors who decide on trade policy in the US have changed, so have the pivotal actors in European trade policy (Meunier & Nicolaidis, 1999; Young, 2012). In order to analyze the interaction of the European perspective – with its three pillars – during American trade wars, it is helpful to discuss what is meant by 1) *European* trade policy, 2) its geopolitical *role* during American trade wars, 3) its *relationships* with the US as well as the trade adversaries during American trade wars, and 4) its policy *response* during American trade wars.

The term '*European*' trade policy is only valuable as far as to describe the trade policy of the European continent. For the sake of consistency and simplicity, when examining European trade policy, the collection of historically powerful countries on the European continent is the subject of study. The UK is excluded for the following political and cultural

reasons. Although the *Pax Britannica* had officially ended, the UK was still a substantial colonial power economically at least as powerful as the US during the interbellum, and was the major adversary during the US-UK trade war (Findlay & O'Rourke, 2009). In contrast with the UK, European countries' heyday were long over. Not only has the UK opposed integration of the European continent at many levels during multiple periods, but no Western European country has dominated the world order as the UK had until the end of the 19th century (Johnston, 2008; Siles-Brügge, 2014). Since the inception of the European integration process, it has become even more logical to study Europe, as it forms a unique political and economic bloc that is greater than the US in terms of population, and is like both the US and China in terms of economic power (Eichengreen, 2008).

Because of the historical context of the geopolitical *role* of European countries, many scholars place much emphasis on the response of Europe to American trade wars (Smith & Woolcock, 1999). For instance, Bidwell (1930) devoted a full article to Europe's response to the Smoot-Hawley tariffs. After WWII, Europe's role was amplified by the US as it provides financial needs to the European continent by setting up the Marshall Plan (Winand et al., 2015). With the signing of the Treaty of Rome in 1957, a predecessor of the EU was born, and the green light was given to turn the EU into a truly unified market with a common trade policy to slowly reclaim its geopolitical role (Krugman et al., 2015; Winand et al., 2015). On an increasing variety of issues, the EU sought to speak with a single voice when the Bretton Woods system collapsed in 1973 (Krugman et al., 2015). After the fall of the Berlin Wall, the EU primarily used the WTO as the scheme for negotiations on trade, as the trade ideology reinforced the belief in a global rules-based trading system. Currently, the EU still is "depicting itself as the most committed advocate of the multilateral trading system" (Young, 2012, p. 424). Irrespective of its economic power in the global economy, the EU is also preoccupied with internal problems on EU integration and expansion meaning it is challenged in its role as the global actor it wants to be at the expense of China and the US (Winand et al., 2015). In short, Europe's geopolitical role has changed due to its composition, economic growth, trade ideology, and historical events (Eichengreen, 2008).

A single definition of what is meant by the *relationship* the EU has with both the US and the adversary in the trade war is challenging. Yet, one can study the non-trade relationship the country has with the EU at that moment in time. For instance, which of the two actors has the upper hand in bilateral relations? What is the state of cooperation within Europe to have

a common relationship with the US and the adversary in American trade wars? These factors have an impact on the trade relationship. For instance, if there is a legitimate bilateral relationship, trade relations might be solid too. Indeed, these relationships can change throughout the trade war, resulting in improved (Palca, 1986) or worsened trade relations (Bidwell, 1930). It also matters who is negotiating on the behalf of Europe and what their interest is (Meunier & Nicolaidis, 1999; Winand et al., 2015). Until the Treaty of Rome, all external powers of European countries were still the area of competence of the sovereign country. After the Treaty of Rome, the EU was granted “authority to elaborate, negotiate, and enforce all aspects of trade relations with the rest of the world” (Meunier & Nicolaidis, 1999, p. 479). While sovereign governments are still responsible for foreign affairs, “trade policy has been the centerpiece of the EU’s engagement with the rest of the world, with the terms of access to the EU’s substantial market as a key instrument of the EU’s external relations” (Young, 2012, p. 423).

Finally, Europe’s perspective of American trade wars would not be complete without a detailed review of the policy *response* of Europe to the trade war. A policy response can take form in retaliatory action on strategic goods and services. In the 1980s, ‘laissez-faire’ politics in the US and the EU tended in the direction of more domestic liberalization (Wolf, 1983). Consequently, the EU’s trade ideology became more liberal and multilateral, except for the protection of agriculture and the use of protectionist anti-dumping policies (Young, 2012). Contemporary responses move through the WTO, which is recognized by the EU as the only legitimate decision-making actor to shape the multilateral rules-based trading system (Young, 2012). Nevertheless, the WTO cannot direct on which goods and services retaliation is legitimate. Therefore, it remains a political ball game to target specific industries that are important for the trading actor, and what this means for the future of trade policy. Considering the European perspective during three American trade wars is what takes this analysis beyond current accounts on international trade theories and ideas.

To sum up my main argument, scant attention has been paid to explaining the European perspective in the dynamics and nature of US trade policy over time. Since small changes in external conditions can have drastic effects on trade policy, Europe’s perspective is of vital importance, and can contribute to the explanatory power of the understanding of the dynamics and prospects of American trade wars. Furthermore, questions on which groups are protected,

and what the political consequences are for these ‘losers of globalization,’ is addressed to understand whether there is a true return to protectionism over time. Finally, this research focuses on the future of both trade policy and the trade ideology. Does the historical tendency throughout US trade episodes prove that a return to protectionist trade policy is here to stay? Does this mean there is a shift in drivers of the global economy away from the rules-based, multilateral Transatlantic axis towards Asia? Or can the EU act in the interest of all parties involved?

Methodology

This research uses a case study to conduct a historic economic analysis from an American and European perspective on the lessons of the previous trade wars for the current and future episodes. According to Gerring (2007, p. 20), a case study can be regarded as a thorough study of a single case, however, “case study research may incorporate several cases, that is, multiple case studies.” Since three trade wars (cases) are intensively investigated in this study, this research is a comparative case study, as this methodological approach is the most suitable to analyze what is new in each case, and what is repeated on the American and European sides over time.

As one trade war is defined as a case, it is, for the purpose of this study, the unit of observation in the form of an event in time. Some assumptions are required to limit the case so it can be studied appropriately. For instance, it is assumed that an American trade war is sufficiently investigated if the study includes the context before, and during the event, as well as the consequences after the trade war ends. Also, Europe’s perspective depends on its three components: 1) geopolitical role, 2) relationships with the US and trade war adversaries, and 3) policy response to the trade war. These components are significant for the conceptualization of the research, and result in the development of hypotheses to understand the logic of discovery (Della Porta & Keating, 2008).

Following Bartolini’s (1993) method when using time in the collection of data, the research design is explicitly diachronic. As the American trade war is studied over a period, this research design allows for a comparison of the development of Europe’s perspective and American trade wars between periods in time. The primary sources that are used to ‘collect data’ are books and journal articles. To a lesser extent, news articles, memoirs, and weekly magazines are studied. As fewer helpful journal articles were published in the 1930s, and books were the major way of publication, the first trade war is mostly covered by books from that period and later. The two more recent cases of American trade wars are covered by journal articles, as contemporary studies are increasingly more reported upon by journals. Finally, historical statistics on trade are examined to contribute quantitatively to the comparison of the three American trade war episodes.

Historical Analysis

Through historical analysis, this research seeks to go beyond existing accounts on international trade theory and the three separate American trade war episodes by employing a European context. This analysis does so by diving deeper into the three American trade wars against the UK, Japan, and China. Moreover, it compares the trade wars as well as the European perspective over time to answer the research question. The analysis of each trade war has two components: 1) a discussion on the US and the trade adversary before, during, and after the trade war, and 2) a discussion on the European perspective, that is its role, relationships, and response.

The 1930s: Towards Reciprocal Trade Between the Two World Wars

This section discusses the considerations and objectives at stake in the period before, during, and after the 1930s US-UK trade war. The characteristics of the trade war are discussed, as well as the variety of factors that are involved to explain the European perspective.

US-UK Trade War

The debate on trade saw a remarkable change in the 1930s. Whereas the US came from a position of protecting its markets to help domestic industries, the UK came from a position of free trade. Yet, these trade ideologies would swap through a reconsideration of the automatic forces in economic logic before the trade war between the US and the UK began. An amalgamation of these viewpoints was the end product after the trade war in which rules were established “for a relatively open and multilateral system of trade...in a way that would reconcile openness and trade expansion with the commitments of national governments to full employment and economic stabilization” (Ikenberry, 1992, p. 289). To understand the economic and political context of this remarkable change in the US and the UK, the period before the enacting of the Smoot-Hawley tariffs should be understood.

Before the Trade War

In the period before the US-UK trade war, **United States** manufacturing industries dominated global markets (Irwin, 2017). A protectionist trade ideology dominated American politics as high tariffs were in place to restrict manufactured imports. For the Republican electorate working in the

manufacturing industry in New England, this worked sufficiently. Conybeare (1985) noted that, in leading up to the implementation of the tariff, the power of the US as an ascending hegemon was exemplified when it declared its tariffs to be autonomous. Acknowledging the success of the protection for manufacturing, both parties in Congress struggled to find a way to shift the focus of trade policy to protect agricultural interests too. Although Republicans controlled the Presidency and the Congress, geographical differences determined what tariffs each politician supported. Tariffs were particularly a local issue to keep in mind while drafting policy (Bidwell, 1938). Therefore, lawmakers are concerned with issues that are important for (some groups) in society (Velut, 2015). Hence, Republicans from the agricultural Western states put pressure on the Republican leadership to work out tariffs for imported agricultural products to equalize tariffs with the manufacturing industry (Irwin, 2017). Consequently, President Herbert Hoover promised protective tariffs to farmers (Findlay & O'Rourke, 2009). The political determination was pronounced to work on which would later become the Smoot-Hawley Tariff Act (Irwin, 2017). These considerations and objectives on interests distilled from society speak for to the tendency of this period, which society-centered trade theory helps best to understand (Velut, 2015).

For the **United Kingdom**, the period leading to its trade war with the US marked the end of *Pax Britannica* and an unstable economy (Johnston, 2008). Despite domestic critique from some groups in society represented by the Labour Party, the UK government continued to advocate for trade policy based on free trade principles (Bidwell, 1938). In contrast to the protectionist trade policy of the US advocated by the Republicans, the UK had been in favor of free trade for decades (Irwin, 2017). Yet, dissatisfaction with this opposite position from the US grew over the years following World War I (WWI). The UK still had substantive global power with colonies all over the world. Because of its proximity to the US, Canada, especially, was of considerable help in indirectly addressing the UK's standpoints regarding the drafting of the Smoot-Hawley tariffs (Irwin, 2017). In part, US manufacturers were right to fear British products. Consumers acknowledged the quality of British products and were more likely to pay a higher price – due to the tariffs already in place – for these products (Bidwell, 1938).

During the Trade War

Following the creation of multiple cross-party voting coalitions, log-rolling of votes that resulted in setbacks, many special interests signaling their discontent with the new tariff, and mud throwing

of both parties in both chambers of Congress, Hoover signed the new Tariff Act into law on June 17, 1930. Under this act, tariff rates rose steeply and US trade fell sharply, as shown in Table 1 (Bidwell, 1938; Krugman et al., 2015).

% of World's Total Trade	Exports		Imports	
	1929	1936	1929	1936
<i>United Kingdom</i>	11.1	10.6	15.9	18.2
<i>United States</i>	16.2	11.7	12.8	11.2

Table 1: World Trade in 1929 and 1936 (% of world's total trade)

For the **United States**, the trade war unfolded in line with the American protectionist trade ideology. In fact, it strengthened the belief that domestic industries would be helped and the economy would be stabilized if tariffs would stop British imports. Yet, the reaction of businesses and the public was mostly negative, in response to Congress's slow action in drafting the legislation at a time when conditions in the real world were changing dramatically. Haggard (1988) emphasized the importance of special interests in the construction of the Smoot-Hawley tariffs and classified it as a textbook example of pressure group politics that turn out badly. Because of the Great Depression, and amplified by the new tariffs, the US experienced the most serious collapse of trade in a hundred years. The fight between lawmakers with manufacturing interests and those with agricultural interests was intense, as Republicans in the north would see their relatively powerful lobbying position deteriorate after the tariffs were imposed. Irwin (2017) illustrates in many ways that the creation of the Smoot-Hawley tariffs was controversial, as it was drafted during a period with quickly changing preferences and economic outlooks. Krugman et al. (2015) argue that political coalition-building was burdensome to respond to the UK's retaliation. The system of log-rolling is of key importance to understand the dynamics of the actions of policymakers during this period: "any tariff reduction would be opposed by those members of Congress whose districts contained firms producing competing goods, while the benefits would be so widely diffused that few in Congress could be mobilized on the other side" (Krugman et al., 2015, p. 254). Thus, a highly uncertain future of trade policy-making seemed to be upon the US, and Hoover would be confronted with his insufficient leadership in the following election (Irwin, 2017).

For the **United Kingdom**, the Smoot-Hawley tariffs left no choice but to retaliate and – as a firm response – retreat into inter-colonial trade with the imperial economic bloc (Dür, 2010; Irwin, 2017). The trade war unfolded not in line with the British trade ideology based on free trade

for decades before the trade war started. The UK quickly learned that their free trade ideology could produce a backlash if the other party in the trade war defects and protects its domestic market. Consequently, a trade war became fact as the bilateral protectionist rivalry over commerce led to a sales tax added to large volumes of goods and the trade ideology shifted from free trade to protectionism. Yet, it was not because the US wanted to change foreign policy, but to change the relative position of its domestic farmers. The sudden changes to respond to the Smoot-Hawley tariffs resulted in a drastic decline of trade with the US (Bidwell, 1938). US agriculture, especially, suffered significantly as a result of British tariffs, although initially, the tariffs were put in place to help US agriculture. While 70% of US goods entered Britain duty-free in 1930, only 20% was left untaxed by the end of the following year (Irwin, 2017). As the UK changed its focus to an imperial preference, the bargaining position of the UK regained some power, as their dependency on the US was smaller than the other way around (Bidwell, 1938). Moreover, the UK abandoned the gold standard to be even less dependent on the US. It resulted in a depreciation of the pound sterling against the US dollar. Consequently, British products became more competitive in all markets except for the US market. This was problematic for the US, as Canada and Britain were two of its biggest export markets. Although the goal of the Smoot-Hawley tariffs was to equalize the playing field between domestic agriculture and manufacturing, UK retaliation caused US exporters to experience difficulty, with competitive disadvantages selling in markets that were part of the former British Empire (Irwin, 2017).

After the Trade War

The Smoot-Hawley tariffs were depicted in literature as an irresponsible, controversial, (Krugman et al., 2015) ill-timed piece of legislation (Irwin, 2017) that in many ways had the reverse economic effect (Conybeare, 1985) and slowed the process of the US becoming the new political and economic hegemon (Bidwell, 1938).

In the **United States**, Hoover failed to play a vital role as he characterized tariff policy as an autonomous domestic issue, and lost the presidency to Democrat Franklin D. Roosevelt. Although Roosevelt argued that he would negotiate with other countries to reduce trade barriers and help exporters, he “immediately made it clear that measures to promote domestic economic recovery would take priority over foreign trade policy” (Irwin, 2017, p. 417). The New Deal after the Great Depression was a vital way for him to turn the corner with a new

type of reciprocal theory based on trade policy with an increased focus on bilateral trade agreements rather than plain protection of domestic markets. The Roosevelt administration moved the trade ideology on policy to elevate the bureaucratic shift of influence to a meaningful level (Irwin, 2017). Consequently, the RTAA was signed into law in 1934, which many intellectuals mark as the end of the US-UK trade war. Most importantly, the RTAA was the end of the decisive role that Congress had in trade negotiations, as this power moved to the Executive. From then on, an agreement did not need congressional ratification to avoid the infamous logrolling of votes, which had serious implications for negotiations with other countries. Consequently, participants in trade policy discussions within the government were economists and lawyers – who would adhere to the new reciprocal trade theory – instead of business executives and bankers, who would be more interested in the obsolete restrictive trade policies (Ikenberry, 1992). By building a reconstructive system, “the time had come for the United States to exercise its leadership and establish world trade policies on an open, non-discriminatory basis” (Irwin, 2017, p. 422). As the UK was still an important player and would continue to be so for the US for a long time, the US State Department was eager to negotiate a trade agreement with the UK, which was, after Canada, the largest export market for the US (Irwin, 2017). Therefore, the British perspective was still relevant to the system put in place after the US-UK trade war (Ikenberry, 1992).

The short-term response of the **United Kingdom** to form a trade alliance with the imperial system of former colonies slowed the diminishing of its global power. In contrast with the US, the trade ideology changed with a trade policy that had to ensure both economic stability and full employment (Ikenberry, 1992). As a result of the trade war, the US became more open to free trade and were focused on constructing a rules-based trading system. The UK turned more cautious in an attempt to secure full employment and economic stabilization. The intellectual debate on trade policy in the UK after the trade war was still based on the imperial preference system and the pound sterling as the central currency to avoid economic vulnerability. Therefore, the UK was hesitant to fully embrace the free trade ideology once again, as it had done for decades before the Smoot-Hawley tariffs. The eventually negotiated US-UK trade agreement in 1938 combined the two world views by establishing “rules for a relatively open and multilateral system of trade and payments, but they did so in a way that would reconcile openness and trade expansion with the commitments of national governments

to full employment and economic stabilization” (Ikenberry, 1992, p. 289). Discussions among intellectuals on the goals of trade found consensus around topics of full employment, economic stabilization, and social welfare (Ikenberry, 1992). These goals were different from the goals before the trade war. This time, the call for a new type of trade policy ideology was vast, explaining the reasons for ending the trade war on the British side.

The European Perspective

To understand Europe’s perspective on the US-UK trade war in the 1930s, the role, relationships, and response set the limits to the dynamics of the trade debate.

Europe’s Role

The geopolitical role of European countries was based around the political context of the ascending hegemonic power of the US (Eichengreen, 2008, Findlay & O’Rourke, 2009). Europe’s role in the US-UK trade war can be characterized as nationalist in terms of its trade policy and in war with itself. The geopolitical role of European countries to was follow and respond to historical events instead of to initiate and lead (Eichengreen, 2008). From 1918 and far into the 1920s, recovery from WWI was the main priority for European countries. Therefore, new American technologies invented between the two wars could not always be used (Eichengreen, 2008). In contrast with the US, Europe experienced a huge backlog of understanding in both technology and skilled management. Like the US and the UK, European countries restricted imports to rebuild economies after WWI (Findlay & O’Rourke, 2009). Moreover, European countries had huge debts from WWI that had to be paid back to the US. In terms of agriculture, this led to an output of farmers in Germany and France that was greater than demand, causing a depression. Their situation was, therefore, comparable with American farmers. Still, the role of European countries concerning the impact of the American agricultural depression on the world economy was relatively minor.

Europe’s role during the trade war was significant, as leaders placed tariffs on both American and British products. Although cooperation among European countries was limited in legal structures, one can make the argument that Europe responded with one voice against American and British tariffs. However, the fact that they ‘responded’ meant that their role during the trade war was one of countering, and not of controlling and leading.

After the trade war, the common wish for further cooperation and European integration was due to the interdependent European economies and the desire to use Germany's industrial capacity peacefully (Eichengreen, 2008). Shortly after the establishment of the European Coal and Steel Community (ECSC), the cooperating countries "agreed to surrender another key element of their national sovereignty, the ability to use trade policy to regulate the national economy" (Eichengreen, 2008, p. 10). Indeed, the countries gave up the ability to counter each other with tariffs, as they had done during the US-UK trade war. This retrenchment in the string of methods that could be used in future trade wars or rivalries over commerce shows the honest attempt and belief that European countries have a common interest, which would lead to further integration in the years ahead. It also meant Europe's role would become more significant as Europe became greater than the sum of every European country together. The trade debate during WWII was clouded, as production was in war mode, but the impact of the conventional war and the trade war was that the global economy, managed by trade policy, moved from a focus on restriction to reciprocity (Irwin, 2017). Although European countries saw no alternative but to accept its role to participate in a trading system ruled by the US, hesitation on how liberal the economic order should become was still present (Ikenberry, 1992).

Europe's Relationship

The bilateral power relationship of European countries with both the US and the UK was unequal, as the individual power of European countries was significantly weaker than the American and British counterparts. During and after WWI, many European countries faced the same challenges until the implementation of the Smoot-Hawley tariffs.

Following the UK in its response to the Smoot-Hawley tariffs, the US-UK trade war prompted retaliation from the Europeans, indicating the protectionist realm of the degraded relationship between the US and European countries. While the position of the UK was roughly equal to the US, European countries had a junior position in the relationship with both the US and the UK. Driven by its ascending hegemonic power, the American agenda was to exercise its power in the relationship during the trade war. The fact that the US did not consider the potential response of European countries when they implemented the Smoot-Hawley tariffs demonstrates their minor position in the bilateral relationship with the US.

After the trade war, nevertheless, “American officials wanted to avoid looking as if they were imposing policies on the Europeans,” as the US knew that a system based on coercion would not be beneficial in the long run (Ikenberry, 1992, p. 320). The relationship of European countries with the US became more intense, and the US was fully accepted as the new political and economic hegemon. The US departed from its traditional trade policy of protectionism, as the end of the trade war marked the beginning of a period of global reciprocity (Bidwell, 1938). The RTAA paved the way for the beginning of some European countries with open economies to form closer economic ties to the US (Irwin, 2017). With the signing of multiple trade agreements, the trade relationship strengthened in power.

Europe’s Response

The Smoot-Hawley tariffs were not only a disappointment for European countries; they were a significant blow to the recovery from WWI (Bidwell, 1930). It was not only disastrous for American foreign trade, but it also led to a series of events that culminated in the collapse of world trade (Bidwell, 1938). European countries were still paying their debts from WWI. Although only 6% of European exports were for the US, these US dollars were needed to pay these debts and finance imports (Irwin, 2017). The American tariffs dramatically changed the orientation in the opposite direction, degrading the public and intellectual debate on trade. The realm changed from willing to experiment with less protectionist trade policies – to grow their economies and pay their war debts to the US – towards a full-blown trade war. European countries had no choice but to retaliate against the tariffs too. Therefore, France, Italy, and Spain immediately retaliated (Irwin, 2017). Other countries followed later, as the institutions responsible for trade policy lay within countries and the scale of the retaliation was dependent on societal preferences. Europe was not united in one legal structure, yet its response in actual policy to the Smoot-Hawley tariffs was very much united. Bidwell (1930, p. 15) notes that there was one European attitude, stating: “in the United States there has developed since the war the greatest market for manufactured goods of all time, far exceeding in its purchasing power anything which the world has ever witnessed. Europeans feel that [the American] protective tariffs have prevented them from securing reasonable participation in supplying that market.”

A society-centered trade theory best explains the European response (Velut, 2015). Preferences of groups in society, like farmers, resulted in a common European response to

American and British tariffs. Tariffs were the only method used as *ad valorem* rates in groups of commodities increased due to the sales tax (Velut, 2015). Due to the insufficient options to address the decline in global demand for products, the position of European manufacturers worsened “because American manufacturers were so efficient at mass production and protected by high tariffs, European exporters faced significant obstacles in selling in the United States” (Irwin, 2017, p. 403). On that note, the UK hoped to join European countries to counter the US tariffs with strong measures. Yet, pressure from the Crown Colonies pushed harder to introduce the Import Duties Act of 1932 (Conybeare, 1985), excluding most European countries at first from this imperial preferences scheme. Eventually, Britain allowed fifteen countries that were not already part of imperial preferences to join the UK-led scheme through bilateral agreements (Conybeare, 1985). It means that the push of former colonies was a more powerful response for the UK than European countries could offer. Europe’s response, although impactful for the US and the UK, can be characterized as one of a ‘follower’ of British and American actions.

The 1980s: Trade Rivalry During the Heyday of the Free Trade Ideology

This section discusses the considerations and objectives at stake in the period before, during, and after the 1980s US-Japan trade war. The characteristics of the trade war are discussed as well as the variety of factors that are involved to explain the European perspective.

US-Japan Trade War

The debate on trade found consensus in the American-sponsored neoliberal multilateral rules-based system, in which markets were opened on a reciprocal basis. The dominant trade ideology, wherein the free market operated with little intervention of governments, shifted the focus of trade policy from the national sphere to the multilateral sphere in international organizations like the GATT. Therefore, technical trade policy-making processes were increasingly further away from groups that had to deal with the political consequences of income distribution. Moreover, increased globalization allowed other countries to have a say in trade debates, at times giving the US a taste of its own neoliberal medicine. To understand the economic and political context of the US and Japan, the period before the protectionist tide in the 1980s should be understood.

Before the Trade War

For the **United States**, increasing trade deficits and declining manufacturing industry at the beginning of the 1980s became the economic symbols of the US' troubles with trade, Irwin (2017) notes. Until the end of the 1970s, the US had a trade surplus with most countries. A new recession took place in 1979, which was the most intense recession since the Great Depression. Following the collapse of the Bretton Woods system, capital flows among countries grew and allowed for the increasingly significant US trade imbalance that emerged. In a nutshell, Irwin (2017, p. 566) stated: "the dollar's appreciation dealt a crushing blow to the competitive position of domestic producers of trade in goods. The strong dollar undermined exports by making American goods more expensive to foreign consumers, and gave imports a significant edge in the domestic market by making foreign goods less expensive to consumers." Consequently, from 1983 onward, the US imported more manufactured goods than it exported (Irwin, 2017). These economic trends resulted in concerns by lawmakers about the competitiveness of the American economy, as they were unable to change course directly. Employment of blue-collar workers in the manufacturing industry declined and plants closed, decreasing production in the Rust Belt, a historically Democratic region. Republicans became more supportive of free trade, while Democrats were less supportive, switching position on trade policy (Keech & Pak, 1995). This gave impetus to the implementation of protectionist policies to help domestic industries against imports from Japan (Fukao, 1990; Irwin, 2017). While workers were released from their jobs and low-skilled jobs were off-shored to countries like Japan, the total output in the US manufacturing industry kept growing through improving technology and equipment. The more general trend of workers moving from agriculture to manufacturing led to rivalries in increasingly more industries in which Japan was a competitor. Moreover, in the build up to the trade war, the US economy transformed into a service economy, with over 67% of the labor force employed in services (Irwin, 2017).

Japan has had an extensive bilateral relationship with the US since the end of WWII, in which Japan has gained a spot on the global scene under the watchful guidance of the US (Porges, 1991). However, in the remarkable prelude to its trade war with the US in the 1980s, intensification of Japan's competitiveness is an important factor in understanding how a trade war could emerge (Feenstra, 1988; Irwin, 1996; Jones, 1994). Japan was increasingly involved in key industries like automobiles, steel, and semiconductors since the end of the 1960s, pressuring the American industry to produce more efficiently and at lower costs (Irwin, 2017). Also, Japan significantly

liberalized its foreign exchange controls, allowing its investors to buy American assets (Fukao, 1990). Consequently, the Japanese yen depreciated and decreased prices of Japanese goods relative to the prices of American goods (Irwin, 2017). As illustrated in Figure 3, Japan's growth of GDP came closer to that of the US at the end of the 1970s.

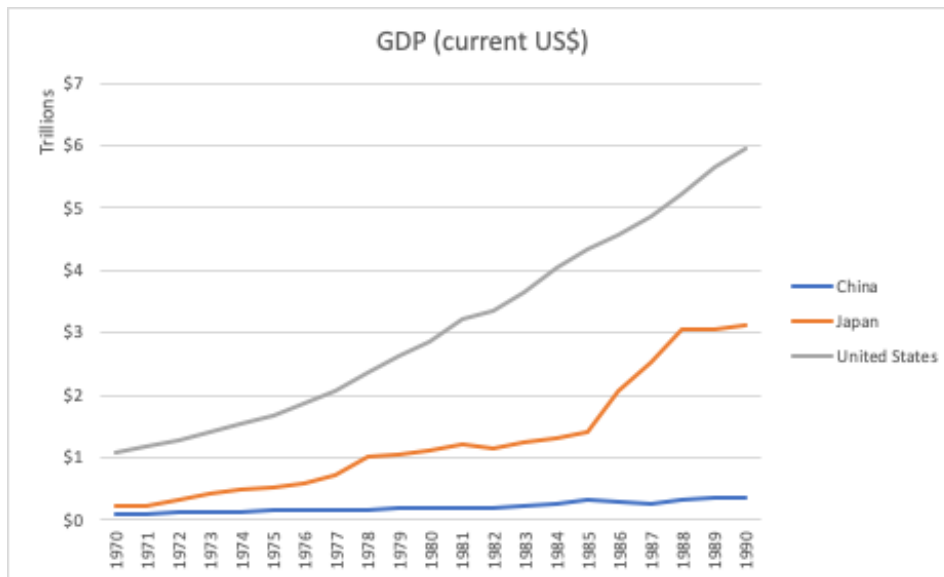


Figure 3: GDP (current US\$) Japan and US (with respect to China) (The World Bank, 2020)

During the Trade War

It is difficult to point to one event that started the US-Japan trade war in the 1980s. (Urata, 2020). Although Japan was a rising economic competitor capable of stressing American production, it did not have the upper hand in other areas covered in the bilateral political relationship, which allowed the US to confront Japan with demands. The US could force Japan to change the course of its trade policy, still, for a high price that led to the US-Japan trade war.

In the **United States**, lawmakers in the 1980s operated under the utter belief in the free market principle. Using tariffs to fight over a commercial rivalry was disavowed as ‘destructive politics’ by President Ronald Reagan. Yet, Japan flooded the US with massive amounts of only a handful of types of products. For the Reagan administration, it was difficult to strike a balance between standing by its election promise of less government intervention and the free trade principle, while also helping laid-off workers whose jobs had been shipped to Japan. Although union leaders and businesses demanded the US to start a trade war with Japan in an old-fashioned way with tariffs and quotas, Reagan asked Japan to voluntarily restrain its export to the US. NTB

increased in the US until it covered 45% of the share of imports (Irwin, 2017). Therefore, the US-Japan trade war happened mostly through international organizations, in line with the track of technical protection: tariffs were not the main method of trade warfare (Rodrik, 1995). This was particularly noteworthy as the US government decided to go against the neoliberal situation by restraining markets for their profit. Irwin (2017, p. 590) notes: “the main differences between an import tariff and an export restraint is that a tariff generates revenues for the government while an export restraint generates a quota rent for exporting firms.” The US used the VER to curb the rapid growth of Japanese imports in three important sectors: automobiles, steel, and semiconductors (Irwin, 2017). The US and Japan were in a rivalry over commerce by giving each other little technical room to maneuver.

Until the increasing pressure from the Japanese industry, the US refused to use VERs to a great extent because of its unbreakable hegemonic tradition to believe in the free market and the US market (Dryden, 1995). Japan viewed this method as favorable compared to facing tariffs or quotas, as it would profit from “the extra revenue that they received from charging a higher price in the protected market for their limited exports” (Irwin, 2017, p. 577). A total of 236 VERs were effective and most of them were constructed as a set of rules outside the General Agreement on Tariffs and Trade (GATT) realm (Irwin, 2017; Low, 1993). Their effects are confusing for multiple reasons. American producers benefited from the negotiated VERs, as they could still sell their product. Nevertheless, it did not significantly help increase the income of American manufacturers apart from the additional relief from the government (Irwin, 2017). Krugman et al. (2015, p. 225) explain how the US lost the fight over automobiles to Japan: “First, Japanese and US cars were not perfect substitutes. Second, the Japanese industry to some extent responded to the quota by upgrading its quality and selling larger autos with more features. Third, the auto industry is not perfectly competitive. Nonetheless, the basic results were what the discussion of [VERs] earlier would have predicted: The price of Japanese cars in the United States rose, with the rent captured by Japanese firms. The US government estimates the total costs to the United States to be \$3.2 billion in 1984, primarily in transfers to Japan rather than efficiency losses.” Hence, American downstream industries and consumers paid an artificially high price for a cheaper (and better quality) Japanese product.

Japan was blamed for its ‘unfair’ trade practices and for keeping its markets closed to US manufacturers (Schoppa, 1997). Irwin (2017, p. 602) notes that “Americans were both awed by

Japan's technological prowess and fearful of its industrial dominance." Complaints came in about inadequate intellectual property (IP) protection and the hierarchical management structure in which industrial lobby groups like the *keiretsu* made significant contributions to domestic debates on trade policy. At first, Japan resisted making any changes, as its products were better, and foreign countries should have tried harder to sell in Japan. Later, they made changes to their market, arguing it was more open, but Irwin (2017, p. 604) notes it was not clear for exporters and commentators "whether these concessions had any real effect in promoting trade." Consequently, NTB increased on the Japanese side until it covered 43% of the share of imports, only 2% less than the barriers in the US (Irwin, 2017).

Due to changes in monetary policy agreed upon during the Plaza Accord in 1985, the dollar fell back against the yen and European currencies, which allowed for exports to accelerate once again. It had a significant impact to realign exchange rates, rebalance trade imbalances, and to start to ease the protectionist policies that had contributed to the US-Japan trade war. Japan's trade surplus reduced (Baker & Fiffer, 2008). Hence, in the last years of the 1980s, the US had a stronger economy and more leverage to bargain (Schoppa, 1997). Consequently, "pressures in Congress to address trade problems also began to dissipate" (Irwin, 2017, p. 613). Changing circumstances, economic adjustments, and increased opposition for the US marked the end of the trade war (Irwin, 2017). Kaplan (1986, p. 101) concluded that in the rivalry with Japan, "trade restraints have failed to achieve their primary objective of increasing the international competitiveness of the relevant industries." In other words, the promotion and protection of US industries through a trade war using this type of method was cumbersome and did not succeed (Urata, 2020). The US attempted to restrict Japan's exports to the US and to increase its exports to Japan by 'opening' the Japanese market. The US utterly failed the first objective and only partly achieved the second (Urata, 2020). Hence, it is argued that the net loss due to trade restrictions in the US-Japan trade war totaled \$26 billion in 1984 (De Melo et al., 1992).

After the Trade War

While a few minor protectionist policies caused an ongoing saga in the 1990s for the **United States**, the period after the US-Japan trade war served as the basis for multilateral discussion to remove NTBs, the last barrier to globalization. Foreign competition was welcomed, and domestic industries needed to compete globally (Irwin, 2017). For industries heavily reliant on cheap labor

and less capital, the US was not a beneficial place for the long term anymore. This also meant further globalization was persistent: “major initiatives to roll back trade barriers and deepen America’s integration into the world economy” (Irwin, 2017, p. 625) proved the explanatory power of system-centered trade theory, as the neoliberal mindset of the public and intellectual debate on trade was dominant (Velut, 2015). The leading system was capitalism in which decisions were reached upon a set of principles with as little government intervention as possible in the (international) economy. Since the fall of the strong dollar, the American industry was still innovating but did not have to work disproportionately hard to compete with its strong currency in combination with foreign competition. Going into the 1990s, the political and business environment would become calmer than the 1980s concerning trade. The protectionist policies during the US-Japan trade war were only a temporary episode of the US’ reciprocity journey in the 20th century, based on the further opening markets (Irwin, 2017).

Japan faced multiple defeats at the end of the trade war. The US victory due to a strong yen, a recession, and the symbolic end of the Cold War were too much to cope with for Japan. The country dripped off as “it entered a prolonged economic slump; in the face of a stronger yen and a weaker economy, Japanese producers were no longer the major competitive threat they had been a decade earlier” (Irwin, 2017, p. 624). Moreover, the importance and bargaining position of Japan diminished when BRICS-countries – and most importantly China – took the main stage (O’Neill, 2001). Japan was not a serious economic competitor anymore in most markets.

The European Perspective

To understand Europe’s perspective on the US-Japan trade war in the 1980s, the role, relationships, and response set the limits for the dynamics of the trade debate.

Europe’s Role

Gstöhl and De Bièvre (2018) argue that since the 1970s, European countries traded through the EEC’s common commercial policy. Europe’s geopolitical role in terms of trade must, therefore, be understood by studying the aggregated economic power within the EEC and common direction on multiple policy areas. Europe’s role before the trade war is one that is in line with the US on many themes, as both adhered to a policy during this period based on a neoliberal mindset as the center of the system. The lead-up to the US-Japan trade war was a period in which the EEC

was working on integrating the internal market. As the common commercial policy included agriculture as well, this theme was a different story for the EEC. Not all EEC members were excited to implement a CAP, but it was widely embraced once countries started to benefit. Internally, differences among European countries in the North and the South played an important role in Europe's perspective on the challenge of whom to support in the US-Japan trade war. Preferences for trade policies became increasingly more integrated as "the preferences of the negotiator usually reflect the aggregation of different domestic constituencies mediated through domestic and European institutions" (Gstöhl & De Bièvre, 2018, p. 10).

The impact of the US-Japan trade war on the EEC was not as direct as it was for Japan. The role of the EEC was not so much in the trade war itself but was established by conflicts with the US on a bilateral basis. As the bilateral relationship between Japan and the US worsened to the extent that a trade war emerged between a global hegemon and a rising Asian economic power, the bilateral relationship with the US and the geopolitical role of the EEC was in jeopardy. The protectionist groundwork for the US-Japan trade war also provided a stimulus for stronger European cooperation, especially on the common agricultural policy (CAP) (Cowles, 2012; Irwin, 2017). The protection of European farmers became one of the main tasks of the EEC, as 73% of its budget was spent on the CAP (PBO, 2018). The joint EEC policy on agriculture led to the EEC becoming a net exporter of many agricultural products "after it set domestic target prices so high that large production surpluses appeared...[that] were dumped on the world market using export subsidies" (Irwin, 2017, p. 584). Hence, because of the trade war, the European role in the world market was to play along with the shifting trade ideology discourse towards protectionism.

Trade policy was there for the EEC to protect exporters on its way to further integration with the eventual signing of the Single European Act of 1986, which identified and removed potential obstacles within the single market (Cowles, 2012; Dür, 2010). It was "the first major formal revision of the Treaty of Rome which resulted in significant changes" to the EEC (Cowles, 2012, p. 115). The focus of the common commercial policy developed quickly towards trade in services, in which the EEC had a comparative advantage in the GVC (Gstöhl & De Bièvre, 2018).

Europe's Relationship

Zooming in on the bilateral relationships between the EEC and both the US and Japan, a relationship that with the US is different than that with Japan. The relationship with the US was

profitable and in line with the common wisdom of a trading system based on reciprocity. American businesses profited from the trade of advanced technology, chemicals, computers, and transportation equipment (Eichengreen, 2008). In addition to these economic ties, there was crucial cooperation in strategic and military elements. Yet, European countries were also concerned that the American security guarantee through the North Atlantic Treaty Organization (NATO) would not be upheld. In contrast, the relationship between the EEC and Japan had an economic focus without a cultural pillar. In both relations, the CAP was protected to export subsidized agricultural products on the global market (Parliamentary Budget Office, 2018).

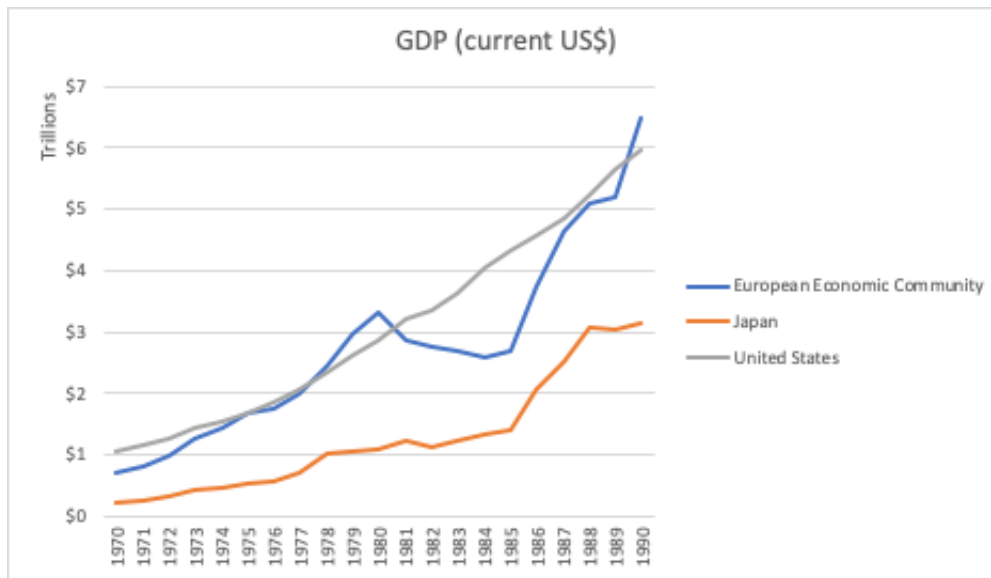


Figure 4: GDP (current US\$) EEC and US (with respect to Japan) (The World Bank, 2020)

As the economic and political conditions worsened in the period before the US-Japan trade war (as illustrated in Figure 4), the EEC's neoliberal mindset was challenged as the EEC sought to protect its market to overcome economic downturns (Eichengreen, 2008). Economic conditions in Europe declined, specifically, when the oil crises occurred. Also, the protectionist tide overshadowed the free-market mindset when trade in goods became increasingly accompanied by trade in services, as discussed in the section on trade theory in the Literature Review. It called for a diversification of not only the goods and services protected, but also a broadening of trade policy methods as Velut (2015) argued. This new type of trade policy included increasingly important NTB as anti-dumping duties that became relevant from the 1970s onward (Young, 2012). Moreover, investment rates in Europe soared from domestic savings and because Europe received vast amounts of foreign direct investment (FDI) from the US and Japan. The end of the Japanese

economic threat released some pressure from the public debate in Europe that it should reform its institutions along Japanese lines (Eichengreen, 2008). The period after the US-Japan trade war was indicated as one of global expansion for Europe, after the American example. With rising incomes and productivity due to increasing FDI from both Japan and the US, the European Commission (EC) was confident to declare in 1993 that the establishment of the single market was complete (Eichengreen, 2008). An increasingly more integrated market led to lower energy prices as “industries previously fragmented along national lines” now were consolidated and rationalized at the European level (Eichengreen, 2008, p. 346). As more countries joined the European project, it became more attractive to invest in one European country, as this would give access to the whole European market as shown in Table 2. Bilateral economic relations improved, but the major increase in investments in the EEC came from intra-EU trade.

	Before trade war	After trade war
US	39%	45%
Japan	17%	21%
Intra-EEC	31%	51%

Table 2: Inbound FDI into Europe as % of total FDI (Dunning, 1997)

Europe's Response

The European response to the American-Japanese rivalry is important to understand, but hard to scrutinize. The trade ideology discourse shifted towards protectionism both because of the US-Japan trade war, as well as bilateral collisions with the US. Both the growing US economy and its trade deficit troubled Europe, but most importantly they were afraid of “the possibility that the US might grow closer economically to Japan” and the EEC would be on its own (Cowles, 2012, p. 110). The EEC responded to the trade war by imposing similar NTB on imports from both the US and Japan as the Americans had on Japanese imports. NTB increased in the EEC until it covered 54% of the share of imports (Irwin, 2017). The EEC also responded by intensifying its investment in EEC countries, as shown in Table 2, which led to an increase in intra-EEC investment. As the global trading system had been institutionalized through the GATT, claims used primarily for Japan affected the EEC too (Gstöhl & De Bièvre, 2018). The EEC received a similar treatment as Japan from US trade policy. Still, the public debate in the US was rather focused on Japan as a competitor. Quotas were given to European steel businesses in VERs, which was an acceptable

option for them as they could sell at the higher American price, even if their output was limited by the quota (Irwin, 2017). The US acknowledged the benefit in this deal too, as, thanks to the EEC's efforts to establish an internal market, one deal implied that all members of the EEC would adhere to it. Nevertheless, just as restraining the Japanese industry did not work to promote US industries and increase their international competitiveness, the EEC could still trade with the US.

Both the EEC and Japan were a threat to the competitiveness of American industry but respected the hegemonic position of the US. They knew, most importantly, that on non-trade themes, the US was a crucial ally. On multiple occasions, the relatively insufficient political and economic geopolitical power of the EEC compared to the US was exposed during the trade war. During the meetings that led to the Plaza Accord in 1985, Germany, France, and the UK took a seat during the secret meetings at the Plaza Hotel in New York. The countries agreed on the depreciation of the US dollar against the Japanese yen and the German mark, by a coordinated intervention in currency markets (Destler & Henning, 1989).

The Plaza Accord marked the end of the strong dollar, after which the US took a more aggressive stance against unfair trade practices, including the EEC's CAP. The Plaza Accord marked an important change in trade policy as the dollar depreciated against the Japanese yen and European currencies and the US economy showed hopeful signs. The bargaining position of the US consequently grew stronger. In other words, the EEC took a loss by letting the US dollar depreciate but knew that the Japanese yen would ultimately be hit the hardest. Yet, Southern European countries experienced a price fall in crucial export products like pasta and citrus. Consequently, the US and the EEC would continue to protest each other's moves, depress world prices, place emergency quotas, and sometimes use traditional methods with import tariffs when no other option remained (Irwin, 2017).

The Present: Strategically Choosing Sides While Stuck in the Middle

This section discusses the considerations and objectives at stake in the period before, during, and after the current US-China trade war. The characteristics of the trade war are discussed as well as the variety of factors that are involved to explain the European perspective.

US-China Trade War

The dominant trade ideology has not changed much in the early 21st century as it is still based on a neoliberal system supporting free trade among economists (Krugman et al., 2015). Yet, the public debate on trade has become intensely complex and polarized compared to the 1980s. Therefore, there seems to be a return of protectionism only in trade policy due to political rhetoric (Fajgelbaum et al., 2020). In other words, the public debate on trade departs from the intellectual debate on trade. For the public, the consensus has focused on the unsatisfactory consequences of trade agreements in society, while intellectuals still acknowledge the advantages of trade based on reciprocity. The reasons for this return are hardly visible in economic trade theory, but can be explained based on political economy dynamics (Rodrik, 1995). To understand the economic and political context of the US and China, the period before the current trade war should be understood.

Before the Trade War

For the **United States**, a globalizing world economy requiring leadership presented the perfect opportunity to intensify its economy's integration into the global economy since the 1990s (Irwin, 2017). The signing of important trade agreements – like NAFTA, the establishment of the WTO, and the permanent normalization of trade relations with China – marked a collection of trade actions in which markets were opened (Irwin, 2017). Trade policy was truly based on reciprocity. Before NAFTA was signed, however, a huge political battle was fought in Congress to pass it (Irwin, 2017). In the early 1990s, American politics shifted and became more partisan. Democrats represented the Rust Belt manufacturing and Republicans took over the South (Han & Brady, 2007). Trade agreements faced a new, diverse type of public opposition that had not observed before (Mayer, 1998). The setting to discuss trade policy became contentious in a polarized Congress (Irwin, 2017).

The US economy had become a service economy. Through advances in capital equipment, technology, and other innovations, blue-collar jobs in agriculture and manufacturing disappeared. As they lost importance, the political power of these groups declined too (Irwin, 2017). Trade agreements received much of the blame for the closed factories in the Midwest, diminishing the prospects of trade agreements negotiated in the last decade, like the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). Moreover, the aftermath of

the financial crisis of 2008 was extensively borne by blue-collar losers of globalization. It outweighed the American consumer benefits of lower prices. Therefore, the election of President Donald Trump was unexpected from the viewpoint of consumers who do not want tariffs to add up a sales tax to the price they are paying for an imported product, but simultaneously understandable from the viewpoint of these workers vulnerable to losing their jobs (Goodman, 2019).

The economy of **China** gradually began experimenting with capitalism in the 1980s. It took over Japan's position as it claimed a more significant role as part of the global economy. China became a massive exporter of labor-intensive goods affecting conventional trade flows (Irwin, 2017). Since China's accession to the WTO in 2001, the country increasingly quickly moved up the development ladder to a regional power without much suspicion from the US. After two years of membership in the WTO, Chinese imports to the US caused an increase in low-cost goods for American consumers and, simultaneously, enormous losses of American manufacturing jobs (Goodman, 2019; Irwin, 2017). Almost a million US manufacturing jobs were lost between 2000 and 2007 due to Chinese imports (David et al., 2013). The growth in GDP is displayed in Figure 5.

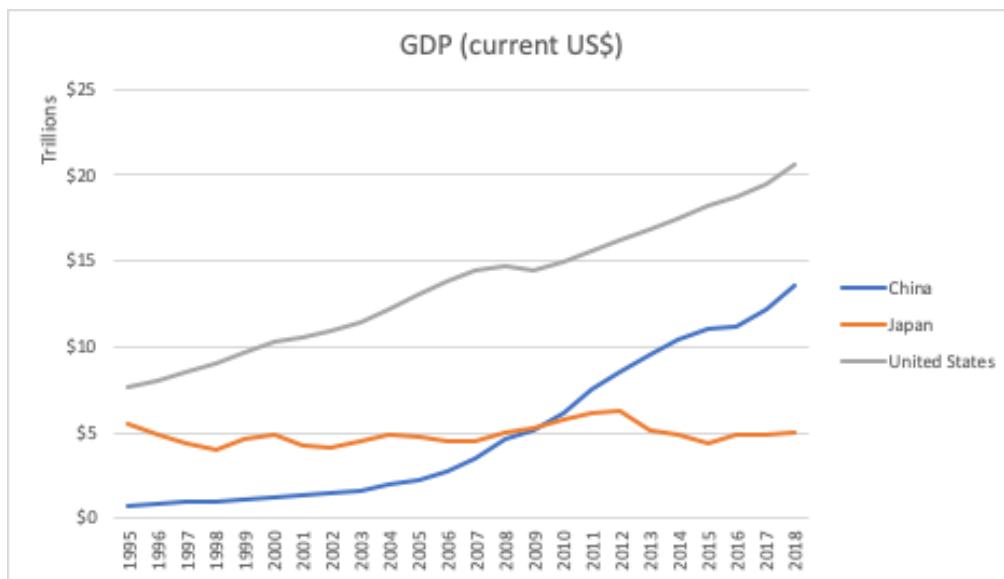


Figure 5: GDP (current US\$) US and China (with respect to Japan) (The World Bank, 2020)

Western countries expected China to transform toward a liberal democracy in return for access to global markets (Swanson, 2018). In reality, China is not a democracy, and Chinese (financial) markets are not as open as had been promised (Irwin, 2020). China's central bank accumulated

vast amounts of US dollars by selling its renminbi currency, meaning that the Chinese currency was deliberately depreciated (Mussa, 2008). Irwin (2017) notes multiple occurrences in which the Bush administration, the Senate, European countries, and multinational firms neglected to criticize China's currency policy. Among other things, this has brought China to an equal economic level as the US, yet, with less experience on the main stage in the play on world powers. China's bumpy rise presents challenges that cannot be solved by simply protecting domestic industries (Irwin, 2017). Therefore, many commentators already noticed the possibility of a trade war breaking out (Chow, 2012; Hughes, 2005; Loridas, 2011).

During the Trade War

On July 6, 2018, the US started the current trade war by imposing tariffs on \$34 billion worth of Chinese products. China retaliated immediately in a tit-for-tat manner, creating a trade war between the two greatest economies in the world (Liu & Woo, 2018). During the peak of the trade war, the US imposed tariffs on \$300 billion worth of Chinese products (Reuters, 2019). Both in China and the US, there is no question that on both sides what began as a trade issue has escalated into something that is tapping deeply into nationalist sentiments, into long grievances and narratives of one cheating the other. And, for significant numbers of Chinese and Americans, national pride and dignity are on the line. Therefore, both China and the US are continuing this trade war, which does not lend itself to one side backing down.

In the **United States**, Trump's direct representation of some groups affected by Chinese imports – rather than focusing on the economy as a whole – has shown some strong posturing in debates on commerce (Irwin, 2020). The Trump administration started a trade war as it represents those extremely unsatisfied with the government and the performance of the economy. Hence, while educated white-collar workers seemed to have done well, blue-collar, uneducated workers felt left behind. Although this type of electorate was supporting the action the Trump administration took to stand up against China, farmers and low-skilled product manufacturers are directly and indirectly trapped in the middle of Trump's trade war (Rappeport, 2019). The blue-collar workers work in sectors that rely on Chinese imports for their factory productions, and China has strategically retaliated in sectors tied to an important Trump-supporting base. Ironically, the sectors that are victims of the trade war may employ the electorate that voted for Trump – most importantly steel and cars – instead of services, technology, and e-commerce, which are sectors of

the future. American consumers pay a higher price for Chinese goods, as the current trade war marks the return of tariffs as the main method of trade warfare. Furthermore, the manufacturing jobs once lost to China are unlikely to return to the US (Li et al., 2018). While in 2019 nothing was accomplished to bring the countries closer together, in early 2020 the Economic and Trade Deal Agreement – Phase 1 (ETDA1) was signed. With the signing of ETDA1, China agreed to buy \$200 billion worth of American products. According to experts, it was never an intention to make this deal a breakthrough, as most of the components of the deal were a repetition of promises made earlier (Swanson, 2019).

The novel COVID-19 virus has thrown a significant spanner in the works. The COVID-19 crisis first hit **China** and subsequently Europe and the US, resulting in a global upheaval in trade, after which every normalcy in trade relations was reset (Haass, 2020). Up until now, China's trade policy has always been one that is in its best interest. Nevertheless, it remains to be seen whether China can live up to promises agreed upon in ETDA1, as its economy was hit hard by the crisis and demand is lower. Moreover, the fundamentally different attempt to manage the COVID-19 crisis has led to renewed tensions between the two countries. Issues are not always related to COVID-19, but it is used as an excuse to pass off previous challenges as new ones. For instance, there is a stricter export control for Huawei, ostensibly to prevent the Chinese technology firm from stealing American IP (McCabe, 2020). Also, Hong Kong (HK) has taken center stage again as the US has claimed that this region no longer has a substantive level of autonomy to speak of 'one country under two systems'. China, indeed, has tightened the screws on HK (Reinsch, 2020). Moreover, Chinese firms listed on the US stock exchange are challenged to comply with US regulation. If not – and they are currently not upholding this end, while benefiting from the deep pockets of US capital markets – the US Congress could delist these firms. China has argued that external audits to increase transparency go against its national sovereignty (Alper, 2020). These exemplary illustrations show that the state has become more important in issues only slightly related to trade, and increasingly more related to national security.

The post-COVID-19 debate on trade draws a sharp line between Chinese firms that comply with forced checks on their business and firms that do not. With the 2020 election campaign on its way, it will be easier for Trump to point out Chinese firms that do not respect US principles on audit and transparency. These talking points might look like loose ends, but it is a pattern in a larger realm in which trade policy is currently made. Trump, in the leading up to the election, has

already confronted China many times with its breaking of trade rules, bilateral promises, and mishandling of the global pandemic. It has become clear that national governments are taking center stage once again when it comes to shaping contemporary trade policy (Velut, 2015).

After the Trade War

Since the **US-China** trade war is still in full swing, the period after the trade war cannot be discussed based on events, let alone its long-term consequences examined. Still, some scholars have written about the potential consequences. The American and Chinese economies are extensively intertwined through global supply chains. It is difficult to decouple and it is ultimately not in the best interest of either country (Hochberg, 2020). Yet, some issues go beyond international trade and should be resolved to turn the corner on the constant threat of further escalation of the US-China trade war. For instance, issues in technology, IP, and national security are not easy to solve because these two country's systems are fundamentally different. Crowley (2019) argues that "the current problems extend well beyond the highly visible US-China conflict to the wider community of countries struggling with the interface between Chinese state capitalism and their capitalist systems, the failure of the WTO to make progress with multilateral negotiations over almost anything, and a dispute resolution system that has veered off track" (2019, p. 7). A crucial shift in globalization seems to occur, which transfers the focus from the transatlantic axis towards China and emerging Asia (Steinbock, 2017). The US will eventually face greater disadvantages in the trade war, which would align China on the winning side in terms of economic and demographic growth, and the vacuum that follows from a departure of the US as the global hegemon (Ng, 2020; Steinbock, 2017). Hence, the rivalry can truly be called a major clash of political and economic systems that is affecting the European future too.

The European Perspective

To understand Europe's perspective on the current US-China trade war, the role, relationships, and response set the limits for the dynamics of the trade debate.

Europe's Role

With the rise of China as a global power since its admission to the WTO in 2001, the geopolitical position of the EU has faced fierce competition from China as well as the US to promote global

competitiveness (Gstöhl & De Bièvre, 2018). In the buildup to the current trade war between the US and China, the EU produced its final stretch of political and economic integration with the enlargement of the number of member states, the launch of the Euro, and the Treaty of Lisbon in 2007 (Devuyst, 2012). The role of the EC is becoming increasingly important, as it is the one voice in areas of exclusive competence through which European countries pursue their trade policies (Meunier & Nicolaidis, 1999). The EU has also played an essential role in negotiating the formation of the rules-based trading scheme of the WTO (Paemen & Bensch, 1995). More than the US, the EU is believed to be willing to work with China on updating the WTO rules-based trading system, as the EU acknowledges it is the only means to address global challenges and contemporary economic reality (Hogan, 2020).

In terms of international trade, the EU is “similar to a country in the realm of trade policymaking and international trade law” but also in many other areas (Gstöhl & De Bièvre, 2018, p. 1). In this way, Europe can be regarded as one country, strengthening the explanatory power of state-centered trade theory. These theories argue that states are the most important actors in trade debates in which governments provide the arguments for policies (Velut, 2015). Regarding its external policies, the EU is most relevant for world trade as the economic and political powerhouse “remains the largest single market, trader, and investor” (Gstöhl & De Bièvre, 2018, p. 1). The EU found its role by constructing its stance toward the new reality of China’s influence in global politics. For instance, the Belt and Road Initiative (BRI) is both more of a threat and an opportunity for the EU than it is for the US. The BRI is a serious attempt to create a Sinocentric economic area, degrading the influence of the US (Müller & Boczek, 2020). The BRI has shown geopolitical dimensions in the buildup to the US-China trade war that has challenged Europeans to communicate with the Chinese on preferences relating to side effects of a close trade relationship: values of freedom and democracy as well as human rights.

While the Chinese Communist Party (CCP) examines the western system as inefficient and a threat to its single-party rule, some European countries have moved closer to the Chinese side of things rather than the European side (Gabusi, 2019). As the world is increasingly globalized and gains from trade are not distributed equally over and within countries, legitimacy problems trouble the EU as it still speaks with one voice about trade (Gstöhl & De Bièvre, 2018). The EU market is closed to foreign agriculture and prices are high from export subsidies (Irwin, 2017). Decreasingly significant – but still crucial – parts of Southern and Eastern European economies also rely on

agriculture and manufacturing, which explains the North-South and West-East divide on many issues in the European Council and European Parliament (EP) (Siles-Brügge, 2014). Also, by choosing trade agreements instead of multilateral agreed-upon lowering of trade barriers, the EU has been less incentivized to change the CAP. While the political power of farmers (as well as manufacturers) has declined with their declining share of GDP, a disproportionate portion of lobbying power has resided with European farmers while the CAP budget has decreased. Therefore, the CAP remains one of the weaker components of European trade policy, as the EU would let arguments of free trade always trump protectionism for other industries.

Europe's Relationship

In a globalized world, the three entities are closely linked, and bilateral relations have grown extremely complicated. China now is the biggest trading partner of the US and the second-biggest trading partner of the EU. The EU and the US are each other's biggest trading partners. In 2017, China surpassed the US in its share of total traded goods. In terms of GDP, the US is still the biggest economy in the world, as illustrated in Figure 6.

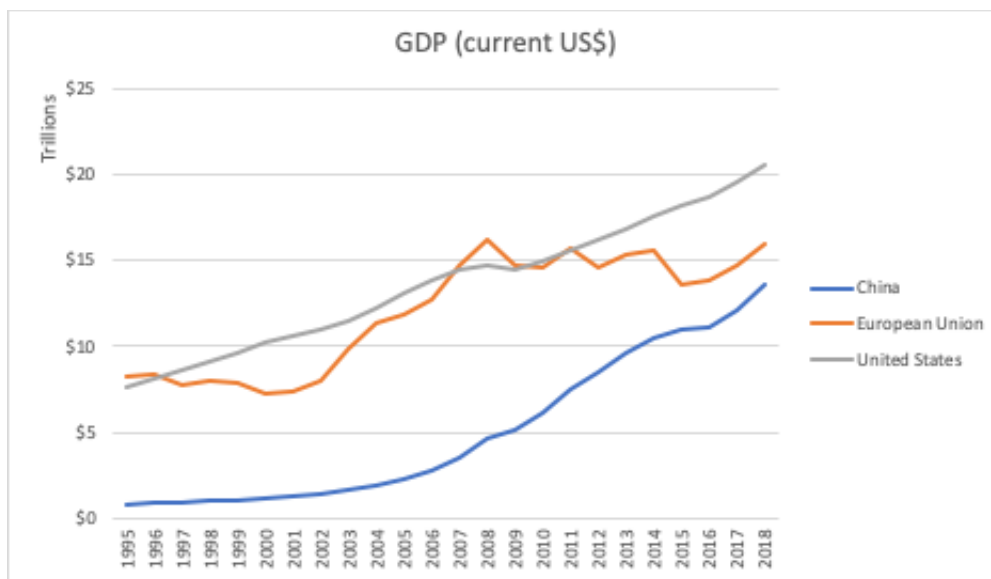


Figure 6: GDP (current US\$) EU and US (with respect to China) (The World Bank, 2020)

The EU has a historically crucial political and economic relationship with the US. As several aspects of the US economy and the EU economy are alike, both powerhouses have competed for markets since the early 2000s. Both the US and EU have transformed into a service economy with supply chains fragmentized all over the world in a true GVC (Gstöhl & De Bièvre, 2018). This has

led to minor but long-term trade disputes in, among other sectors, the aircraft industry and the CAP (Dür, 2010; Irwin & Pavcnik, 2004). Concerning the bilateral relationship with the US, the new European Commissioner for Trade Phil Hogan argued – just before the COVID-19 crisis kicked in – that a minor trade deal is possible to ‘refresh the Transatlantic trading relationship’ (Hogan, 2020). Especially on these issues, the EC benefits from a continued strong transatlantic relationship. While powerful countries within the EU are sometimes at odds with the US, Eastern European countries are close allies of the US, as they are geographically closer to political rival Russia (Ortega, 2020).

Europe’s bilateral relationship with China was mainly focused on an economic pillar with policies on trade and FDI (Ortega, 2020). Both the EU and China have benefited tremendously in terms of economic development and consumer benefits. Still, the current EC is jammed between having a strong economic relationship with China on the one hand, but on the other hand managing future challenges like the digitalization of the economy, the political rise of China, and the impact of trade agreements on workers and farmers (Hogan, 2020). The bilateral relationship between the EU and China has transformed from cooperation to a strategic partnership (Heering, 2019)

The EU has published an EU-China strategy in 2019 in which China is labeled in economic terms as an economic competitor and, in political terms, a systemic rival (Heering, 2019). It directly acknowledges China as an economic partner and competitor, but also indirectly acknowledges that China is a country that has a different trading system that cannot be held accountable in the current multilateral system. The EU acknowledges that it should protect its industry against Chinese capital yearning for both yield and influence (Ortega, 2020). Conventional trade routes through Western and Northern European countries are challenged, and, despite security and transparency issues in construction projects, many European countries are signing memoranda of understanding (MOU) with China (Gabusi, 2019). In contrast with the US, European countries and the EU are reluctant to use trade barriers against other countries as they know that Europe’s value chain is largely Chinese, and because of their invincible belief in the rules-based multilateral trading system (Hogan, 2020; Ortega, 2020).

Europe’s Response

The EU is challenged based on their stance in the trade debate and their position in the contemporary geopolitical reality. First, on the intellectual trade debate, a new form of great power

rivalry is used through economic tools like trade policy to achieve strategic political goals. The trade war must be perceived as a proxy war in which states take center stage both in theory and in practice (Velut, 2015). Intellectuals have shifted the focus towards the digital economy as the EC has targeted US tech firms with fines and a service tax. Germany's call for the further promotion of national and European champions, which would loosen EU competition rules in 'new economy' sectors like the digital economy and artificial intelligence (AI), should have an impact on both industries of the US and China (Heering, 2019). Germany was already the unofficial political and official economic powerhouse of the EU, but it also presides over the EU Council for the rest of 2020 (Council of the European Union, 2020). An increase in interventionist actions as a policy response to the US-China trade war could lead to a more defensive strategy against China from the EU. All these tangible actions are in line with Velut's (2015) renewed interest in the state-centered approach of trade policy. Therefore, a return to protectionist trade policy with the current trade war does not only come with a return of tariffs on the American, Chinese, and European sides: Europe's response can be characterized through the domestic institutionalist channel of the EU council (Velut, 2015).

Second, while US trade policy towards China is much more aggressive, US trade policy towards the EU is also protectionist. In this way, the EU is not only responding to the US-China trade war, but it is also taking part in a trade war with the US by itself. European countries – backed by the EC – are strengthened in their attempt to block future takeover efforts and “use of state intervention to prevent foreign takeovers of companies relevant to national security” (Heering, 2019, p. 25). The EU is jammed within these “current frictions [that] run much deeper than the trade confrontations and have more to do with control over technologies such as [AI], key inputs such as energy sources for electric vehicles, and command over connectivity, both physical and digital” (González & Veron, 2019, p. 3). Nevertheless, the response of the EU is limited relative to both the US and China, as the EU has exclusive competence on trade. Yet, foreign policy and national security are dealt with at the national level, which allows for differences in strategic approaches. In a trading world increasingly more driven by power politics and less through the carefully constructed multilateral trading system, the EU is keen to stop powers that could reduce their geopolitical influence as well as its economic might (González & Veron, 2019). Inspired by Chinese policies like ‘Made in China 2025’ and the Trump administration's ‘America First’, the EU has responded by defining its ‘Europe First’ policy too. Heering (2019) argues that critical

industries should be embedded in closed European supply chains providing developments regarding technology and infrastructure to be ready for a more unpredictable global economic environment. Moreover, the EU is geographically in the middle of the US and China. This provides the EU with additional challenges when it comes to COVID-19. However, it could also play a role in solutions to the issues. After China, the EU was the second hotspot of the COVID-19 during the spring of 2020. The outbreak and spread of the COVID-19 virus have forced all countries as well as the EU to manage in sectors of global health as well as the economy that had come to a standstill because of forced lockdowns. As the focus has shifted from geopolitics to ‘geoeconomics’, the EU is careful not to upset China, and now the pandemic places additional challenges to economic recovery. Therefore, Germany has called for a more protectionist and interventionist EU industrial policy to confront both the US and China, while not letting go of international coordination and cooperation (Council of the European Union, 2020). Still, it will be hard to stay aboard the ship with these principles like multilateralism and free trade once global hegemony sails eastward.

Comparative Case Study Analysis

To truly understand the underlying dynamics in the trade wars and who exactly were the actors and contexts responsible, this section compares the case studies to help explain the commonalities among the trade wars. Thereafter, the particularities of Europe’s role, relationships, and responses over time considering the public and intellectual trade debate are examined.

US Trade Wars Over Time

The US economy and its role in global trade have changed dramatically, leading to many differences between their actions during the trade wars, the industries and players at stake, and both the public and intellectual debate on trade. In addition to the significant difference over time, some similarities are equally important to study. This section examines the differences followed by the similarities.

Differences Between US Trade Wars

The forces shaping the differences were obviously many and complex. This research focuses on four significant differences that stand out over time: 1) policy position of lawmakers, 2) trade war methods, 3) political communication, and 4) American political leverage.

First, the objectives and positions of policymakers in the public debate have changed. In the 1930s, Democrats were willing to help Republicans' wish to equalize tariffs for the agricultural sector to the level the manufacturing sector received (Irwin, 2017). In the 1980s, the consensus among policymakers and intellectuals was that trade agreements were the most efficient way to go. Republicans were most supportive of free trade, while Democrats were less supportive of free trade, switching historically entrenched positions on trade policy (Keech & Pak, 1995). Today, Republicans in line with the Trump administration and Democrats are skeptical about the gains from trade as American jobs are shipped overseas. Yet, Republicans tend to focus on national security issues while Democrats tend to focus on the position of workers versus the power of multinationals and damage to the environment. This critique based on different arguments is a fruitful combination to implement protectionist trade policy. The change in the public debate over trade policy is present, and comes down to the fact that trade policy is a local issue. Hence, if a constituency demands a certain policy, policymakers are more likely to listen to these demands if they want to stay in power, an argument fully in line with Rodrik's (1995) findings.

Second, the methods used by countries and actors within these countries during trade wars differ over time. In the 1930s trade war, tariffs were used as a sales tax for finished goods and commodities imported into the US. It is safe to indicate it was the only way a trade barrier could be placed to protect the domestic market. The US Congress initiated tariffs and the President had little to say about them. In the 1980s trade war, the neoliberal free-market system - executed first and foremost by the US - had its heyday, in which tariff was a dirty word. Consequently, different technical forms of protectionism through international organizations were still used to achieve the same result. For instance, VERs and quotas were used to limit the inflow of goods and, for a crucial part, services. Moreover, competence over trade policy resided with the administration. Therefore, it was more likely that trade barriers were initiated for the national interest rather than divided interests in Congress. In the current trade war, trade negotiation power still lies within the Executive, but Congress seems more willing to block or initiate trade policy in the long term. Also, tariffs have made a comeback at the negotiation table in addition to more sophisticated forms of trade barriers like rules of origin, regulations concerning certain goods and services, or norms and standards for quality agreed upon within multilateral organizations. Recently, the rivalry has gone even further than that by limiting the access of information through the expelling of journalists and the treatment of countries like HK as being part of China. In short, methods have transformed in

more sophisticated forms not limited to classic areas of trade, due to the change in the complexity of products and services traded.

Third, the interaction between the policymakers and the public on trade differed over time. Words were limited to the terminology approved by the dominant trade ideology and by the very actors trade policies were centered around: society, system, or state (Velut, 2015). After the 1930s trade war, when the dominant trade ideology in trade policy was society-centered, the RTAA was called a ‘trade agreement’ as the leaders demanded that trade should benefit society as a whole: consumers as well as domestic businesses. In the 1980s, trade policy was internationally coordinated in an American-sponsored system of neoliberal free-market capitalism. Hence, the name changed by calling these agreements ‘free-trade agreements’, as the dominant trade theory adhered to free trade. This is in line with Velut’s (2015) argument that in the 1980s, trade policy theories were built around a system within the international realm of analysis. In the current trade war, the terminology has changed to reflect the public and intellectual debate on trade. American and Chinese competitiveness is a top priority and a crucial component of the national interest. Therefore, the way trade policy is executed is in line with this idea that institutional forces within a country play an important role. Therefore, in the last few years, agreements are called ‘strategic and comprehensive partnerships’ highlighting the important role of the state as a central negotiator in ‘fair’ trade deals (Velut, 2015). Trade deals are comprehensive as trade now includes many areas for which no international rules exist yet.

Fourth, in terms of the leverage of the US, it is important to consider the type of rivalry and the power of the trade adversary. In the 1930s trade war, the UK was a huge trade partner for the US but also a decreasingly important competitor in political terms. The UK was ‘closing the door on its way out’ on the global stage of trade politics. Also, global trade consisted mostly of trade between developed countries. Therefore, the US had some leverage to start a trade war. The UK, nevertheless, could initiate tariffs and did not back down since its relative global power was still crucial and it relied as much on the US as on its Crown Colonies. As the US turned out to be a rival instead of a reliable trade partner, the UK intensified its trade with the imperial preference countries, decreasing the leverage of the US.

In the 1980s, Japan appeared to be on its way in to threaten the US economy with increasing efficiency in manufacturing. The Japanese rise as a competitor for the US brought a trade adversary with little experience on the main stage into the play of world trading powers. Competition was

present only in economic terms, while a rivalry on political terms was still being waged against the Soviet Union. Japan was unable to take on that responsibility too (Hochberg, 2020). Also, during this trade war, more countries were participating in global trade, which translated into more competition for the US. Hence, distributional effects were experienced in inefficient sectors. However, the hegemony of the US gave it a relatively crucial leverage over other countries.

In the current trade war, China's rise can be compared to Japan in the 1980s as an economic threat. Yet, this time, China is not only an economic competitor, but it is also the only political and systemic competitor for the US. China is more powerful in its growth rates and is a country with many more consumers (Hochberg, 2020). Furthermore, China has taken a crucial part of global production with detrimental effects on industries that had not been outsourced in the 1980s. With a true GVC, it is easier to move production once protectionist measures are taken. Therefore, the leverage of the US is relatively small and will decrease further if China keeps growing at high rates, the US is unable to recover from COVID-19, and more Chinese consumers move up into the middle class (Klein & Pettis, 2020).

Similarities Between US Trade Wars

While differences might be obvious between the trade wars, similarities are equally interesting as they can help explain the historical tendency in analogous accounts. Four significant similarities that stand out are examined: 1) a fixed trade war beginning and end, 2) international treatment for domestic problems, 3) groups retaliated against, and 4) US impressions of being cheated.

First, each trade war tides according to a natural course of two fixed components: a prelude of a crisis, recession or downturn of the economy, and the end of a trade war with free trade as the dominant trade ideology over protectionism. While in the 1930s, the Great Depression caused a global financial crisis grounding international trade, in the 1980s two oil crises caused a severe recession, and in 2008 a new financial crisis stalled economic growth and led to job losses. At the end of the trade war, a penchant for policies that allow for free trade over protectionism prevailed. This indicates that either the consequences of the trade war – or the economic crises that surrounded the trade war – were so severe that arguments for free trade won over protectionism in the public and intellectual debate on trade policy. In the 1930s, it was the RTAA that opened the door to a trading system based on reciprocity. In the 1980s, neoliberal capitalism allowed

globalization to obtain its most powerful form, significantly increasing global trade. In the current trade war, it does not seem that free trade arguments trump protectionism soon. Still, the implication from the other two trade wars is that the negative consequences of the excessive protectionist trade policies during the current trade war are so severe that the public debate on trade swings in the direction towards free trade. Therefore, history could, once again, repeat itself. The real effects are yet to be seen, and it could be some time before this happens, as the current clash is complex and visible on more levels.

Second, trade policy is by definition a matter in which other countries are involved. However, the US has used it every time to try to fix a domestic problem. Not only the US but also the EU and the trade adversaries, have participated in trade wars to deal with domestic issues. By implementing protectionist policies, policymakers “are more likely to be influenced by the presence, or absence, in their constituencies of protected industries than by considerations of national interest” (Bidwell, 1938, p. 1). Although methods have changed, the barrier put in place every time can truly be reviewed as a local issue. For instance, in the 1930s, the objective was to equalize the level of tariffs between sectors. In the 1980s, the objective was to secure American industry’s competitiveness as foreign markets innovated and grew at a faster pace. In the current trade war, the objective is similar to that of the 1980s, though the circumstances are more complex, with both greater globalization and inequality in the US (Klein & Pettis, 2020).

Third, the groups in American society that are on the receiving end of foreign retaliation during trade wars have been similar. For consumers, prices increased and both quality and variety decreased due to the sales tax added to final products when tariffs were placed on imports in the 1930s and today. If NTB were present, consumers were limited in the variety of products and services they could choose from. Hence, the argument drafted by Krugman et al. (2015) in their basic model of the ‘loser’s globalization’ and the ‘losers of trade wars’ is confirmed. Farmers and manufacturers have been on the receiving end of foreign retaliation. This could be partly explained by the fact that these sectors can be outsourced to the periphery of the Western world as they are relatively expensive to produce in the Western world. The picture of farmers and manufacturers is more complex. In all trade wars, there was a decrease in demand and outlets to which to sell (agricultural) products and materials became more expensive due to protection of domestic markets when imported parts or commodities were used in production. Agriculture and the manufacturing industry have received most of the protection from the government in the first place.

For political economy reasons, it makes sense, as organized advocacy for these groups lobby for support and against unfair foreign practices (Fajgelbaum et al., 2020). Yet, they are also most negatively impacted due to retaliatory trade barriers. Therefore, they will be targeted if they are staunch supporters of the policymakers in power who participated in the trade war (Rodrik, 1995).

Fourth, before and during every trade war, US lawmakers sensed that it was being cheated by a (foreign) boogeyman and, therefore, a rivalry over commerce was legitimized by the public. In other words, the actions of trade adversaries – something as a response to US trade policy – were called unfair trade practices by the US. In part, it is the natural course of political rhetoric to blame something external for internal problems. Reasons that are less shallow might be that although the US constructed the rules for the world economy before and during every trade war, some groups will always pay a price if barriers to international trade are removed. In the 1930s, the US found it unfair of the UK to set up a new trading system based on imperial preferences in which the US was excluded. Yet, it was a response to the implementation of American tariffs. In the 1980s, Japan's economy soared, which outraged the Americans and was, therefore, "once again a source of both envy and anxiety toward so-called unfair trade" (Velut, 2015, p. 10). However, from WWII onwards, the US disregarded the fact that they sponsored the international trading system that was put in place, invalidating the argument of the Americans that Japan was not playing by the rules that the Americans had created. In the current trade war, the Trump administration has called China names many times and has argued that American businesses have been cheated by unfair Chinese trade practices. Although international rules on trade had been modernized, the US benefited tremendously from these rules over time. Hence, there is a historical tendency based on some similarities between trade wars over time. Next, to understand Europe's perspective on both differences and similarities, it helps examine how Europe constructed its stance towards these changing realities.

Europe's Perspective Over Time

This research now turns to the section that places the analysis of Europe's perspective in the broader realm of the various contexts that have shaped the position of European countries. More specifically, it examines the intellectual and public trade debate associated with each trade war on Europe's role, relationships, and response over time. These features are discussed in the following three sections.

Europe's Roles

Europe's changing role over time has been manifested in some areas in particular. From the 1930s onward, Europe's perspective mattered for all actors involved in the trade war. Yet, its geopolitical role is always relative to the power of other actors on the scene. In the 1930s, the geopolitical role of European countries was secondary to the political context of the ascending hegemonic power of the US (Eichengreen, 2008, Findlay & O'Rourke, 2009). Therefore, the geopolitical role of European countries manifested itself in the 'following and responding' to historical events instead of to 'initiate and lead' (Eichengreen, 2008). Europe's role in the trade war was significant as they were participating in placing tariffs on both American and British products. Although cooperation among European countries did not exist in any legal form, Europe responded as one group against American and British tariffs. After the trade war, the common wish for further cooperation and European integration was due to the interdependence of European economies and the desire to use Germany's industrial capacity for peaceful ends (Eichengreen, 2008). Although European countries saw no alternative but to accept its role to participate in a trading system ruled by the US, modest hesitation on how liberal the economic order should become was still present (Ikenberry, 1992). To power up its geopolitical power, European countries gave up the ability to counter each other with tariffs by working together. This retrenchment, in particular, the string of methods shows the honest attempt and belief that European countries had a common interest in trade policy. It also meant Europe's role would become more significant as Europe became greater than the sum of every European country together.

In the 1980s, the hesitant attitude made room for a convincing belief in the American-sponsored liberal economic order. Europe integrated further and the geopolitical role of European trade policy was, therefore, as strong as the EEC. As the EEC was still a cooperative union and not a country, the insufficient political and economic geopolitical power of the EEC relative to the US was exposed on multiple occasions during the 1980s. However, on trade issues, the EEC was a strong player, and its stance on trade policy was in line with the US on many themes, as both adhered to a policy based on a neoliberal mindset as the center of the system (Velut, 2015). Regarding the actual trade war, the role of the EEC was not so much in the trade war itself, but was established by conflicts with the US on a bilateral basis. The role of Europe in trade policy has become more technical through international organizations. The protectionist groundwork for the US-Japan trade war also provided stimulus for stronger European cooperation, especially on

the common agricultural policy (CAP) (Cowles, 2012). The most notable exception to Europe's free-trade stance is on agriculture, on which the Europeans always had a protectionist stance.

The current role of the EU during the American trade war with China is complex. Europe's legal form of cooperation on trade has integrated into the world's largest internal market. In this way, Europe can be regarded as one country, strengthening the explanatory power of state-centered trade theory (Velut, 2015). With the rise of China as a global power since its 2001 accession to the WTO, the geopolitical position of the EU has faced fierce competition from China as well as the US to promote global competitiveness (Gstöhl & De Bièvre, 2018). As the world is increasingly globalized today and gains from trade are not distributed equally over and within countries, legitimacy problems trouble European trade policy. The EU has found its role by constructing its attitude to the new reality of China's influence in world politics. The BRI has shown geopolitical dimensions in the buildup to the US-China trade war that has challenged Europeans to communicate with the Chinese on preferences relating to side effects of a close trade relationship: values of freedom and democracy as well as human rights. Still, this role is complex and is not always in line with the objectives of all member states. Hence, the contemporary feature of a divided Europe damages the vastness of its geopolitical role. It matters for the current trade war, as speaking with one voice has technically never been easier, yet, politically, European internal disruption downplays the geopolitical role of the EU. COVID-19 has widened these disruptions and the divide between 'the North' and 'the South' within the Union. Therefore, the EU stands ready to work with China to update the rules-based WTO trading system. It acknowledges also that this is its only way to address global challenges in the contemporary economic reality while simultaneously not degrading its global role (Hogan, 2020).

Europe's Relationships

Europe's relationship with the US has been steady and strong in political terms, but has taken many forms in economic terms. The relationship with the UK, Japan, and China has been different for many reasons. During the 1930s trade war, the bilateral power relationship of European countries with both the US and the UK was unequal, as the individual power of European countries was significantly weaker than the American and British counterparts. Due to its ascending hegemonic power, the American agenda was to exercise its power in the relationship during the trade war. After the trade war, however, Americans did not want to 'impose' policy on the

Europeans, because the US knew that a system based on coercion would not be beneficial in the long run. Although the UK is a neighbor, for European countries it felt like a distant friend, as the UK preferred its Crown Colonies over its neighbors. The relationship of European countries with the US became more intense and the US was fully accepted as the new political and economic hegemon. The RTAA paved the way for the beginning of some European countries with open economies to form closer economic ties with the US (Irwin, 2017).

In the 1980s, the relationship of the EEC with both Japan and the US can be characterized by a common belief in the free market, except for some sectors in which there was rivalry too. As free trade agreements were signed through multilateral organizations where all participants can negotiate, there was no need for the EU to let go of one of the weaker parts of its trade policy: the CAP. The relationship with the US was profitable and in line with the common wisdom of a trading system based on reciprocity. In addition to these economic ties, there was crucial cooperation in strategic and military elements. Yet, European countries were also wary that America's security guarantee through NATO would not be met. Therefore, the US had the upper hand in the bilateral relationship. In contrast, the European relationship with Japan had a strong economic focus. As the economic and political conditions worsened during the US-Japan trade war, the shared neoliberal mindset was challenged through technical NTB imposed by both the US and EEC. The end of the Japanese economic threat released some pressure from the public debate in Europe that it should reform its institutions along Japanese lines. The period after the US-Japan trade war was characterized by a European global expansion through the multilateral WTO scheme, still following the American system of free trade. The bilateral relations improved economically, but the EEC intra-investment structure was not inferior as the completed internal market paid off (Eichengreen, 2008).

The current relationship of the EU with China and the US is complex. Because of globalization, the three entities are closely linked. As several aspects of the US economy and the EU economy are alike, both powerhouses have competed for markets since the early 2000s. Both the US and the EU have turned into a services economy, with supply chains fragmented into a genuine GVC across the world (Gstöhl & De Bièvre, 2018). Like it did in the 1980s, this close relationship has caused some unsolved rivalries over commerce as well. Europe's bilateral relations with China have focused mainly on an economic pillar with reciprocal trade strategies on goods and FDI (Ortega, 2020). Consumers and businesses have profited from the strong economic link

between the EU and China. Still, the current EC is jammed between having a strong economic relationship with China and addressing the country's human rights issues (Hogan, 2020). It directly acknowledges China as an economic partner and competitor, but also indirectly acknowledges that China is a country that has a different trading system that cannot be held accountable in the current multilateral trading system (Ortega, 2020). Hence, the bilateral relationship has transformed from cooperation to a strategic partnership. Because of the Trump administration's tough stance on China, as well as on allies, the EU was forced to come up with a trade policy based more on a state-interventionist principle, in line with Velut's argument (2015). In contrast with the US, however, the EU is disinclined to use trade barriers against other countries as it knows that Europe's value chain is largely Chinese, and because of their invincible belief in the rules-based multilateral trading system (Hogan, 2020; Ortega, 2020). Also, if China retaliates against the EU, it will only be felt in specific countries, which creates an unequal burden in Europe. It proves the cautious nature of the EU in its trade policy when dealing with both China and the US at this moment.

Europe's Responses

The response of Europe on trade wars has changed over time. In the 1930s, the Smoot-Hawley tariffs were not only a disappointment for European countries; they were perceived as a significant blow during the recovery from WWI (Bidwell, 1930). Since European countries were jammed between paying WWI debts and stabilizing their economy at any cost, they had no choice but to retaliate against the tariffs too. Preferences of groups in society, like farmers, resulted in a common European response to American and British tariffs. The American tariffs dramatically changed the orientation in the opposite direction, degrading the public and intellectual debate on trade. The European trade debate realm changed from being likely to experiment with less protectionist trade policies – to grow their economies and pay their war debts to the US – towards a full-blown trade war.

In the 1980s, the response of the EEC to the trade war is harder to understand, as it was a more technical trade war through international institutions, though nevertheless significant. The EEC responded to the trade war by imposing similar NTB on imports from both the US and Japan as the Americans did on Japanese imports. As most trade policy was canalized through the free trade institution scheme of the GATT, the EEC was sometimes charged by the US with the same

technical NTBs as Japan (Gstöhl & De Bièvre, 2018). The Plaza Accord led to the depreciation of the US dollar against the Japanese yen and European currencies. Consequently, the US economy showed hopeful signs, which, in turn, strengthened the bargaining position of the US. In other words, the EEC was not integrated in terms of monetary policy to confront the strength of the US dollar with the currencies of individual member states, but it knew that the Japanese yen would ultimately be hit hardest.

The current response of the EU to the American trade war with China is complex, as responses can combine both tariffs and technical NTB. The Europeans are challenged based on their stance in the trade debate and their position in the contemporary geopolitical reality. On the intellectual trade debate, a new form of great power rivalry is used through economic tools like trade policy to achieve strategic political goals. An increase in interventionist policies in response to the US-China trade war could lead to a more defensive strategy in response to China. Velut's (2015) state-centered trade policy model once again proves to have great explanatory power as these trade debates are proxy wars for deeper systematic conflicts between China and US. In today's globalized world, the EU is forced to participate in the US-China trade war by responding to American or Chinese requests. As the EU is increasingly divided over its future, the response of the EU is limited. The EU has exclusive competence on trade, but foreign policy and national security are dealt with at the national level. This imperfect integration status allows countries to divert from a common European response, which takes away the credibility and legitimacy of the 'Europe first' approach. Germany, currently presiding over the EU Council, has called for a more protectionist and interventionist EU industrial policy to confront both the US and China (Council of the European Union, 2020; Heering, 2019). However, it is tough to convince all EU member states that Europe can take on both superpowers. Some might depend more on China, while others have closer ties to the US. Moreover, the EU's multilateralism and free trade principles are under pressure abroad as well as at home. In short, the EU must deal with domestic disruptions and foreign considerations while caught between economic objectives and political values.

Conclusion

Despite the flourishing of trade policy research, a precise study that offers comprehensive coverage of the EU's perspective toward American trade wars over time has been lacking. The approach of this research to compare the EU's role, relationships, and response to American trade wars is a step forward for the understanding of US *and* European trade policy. Now that the indication of what the EU's perspective is during American trade wars has been covered, we might be better able to understand trade wars in the future. It is therefore the question of which arguments prevail in the trade debate over time, and how we can connect Europe's role, relationships, and responses to the trade wars to come to an understanding of the dynamics. This section concludes by answering the threefold research question³ and provides recommendations for the EU and future research.

Answering the Research Question: Part I

The factors that changed Europe's perspective over time have allowed to contribute to the dynamics of differences and similarities among US trade wars over time. In terms of Europe's role, Europe seems to have melted together to speak with one voice on trade in all three trade wars. Still, in the 1930s, there was no such European institution that provided this role to speak for all countries. There was, instead, a united response against the protectionist tide. In the 1980s, the role of the EEC was less significant in the US-Japan trade war, but the EEC had become important enough to fight out its trade dispute with the US. The current role of the EU is one jammed between political systems and economic interests, while contending with some serious internal disruptions at home. In the 1930s, Europe's role was only the sum of its parts, yet its reaction was strong and unifying. Ironically, right now, the reaction should be most unified, but the EU response is often plagued with a collective action problem. The historical tendency to move from national to EU level trade policy led on the one hand to a more powerful response as the European market is greater than the sum of its parts. Instead, it also led to regional specifics in the EU that are not considered in trade policy at the union level, creating a regional-federal divide like in the US.

³ The threefold research question of this thesis was formulated in 1) How have Europe's role and relationships during, and response to American trade wars changed over time? 2) Is there a historical tendency throughout American trade war episodes that proves a return to protectionist trade policy? 3) How can these changes and historical tendency help to explain the dynamics and prospects of the debate on trade?

In terms of Europe's relationships, the relationship with the US has changed over time, but has – in principle – been based on mutual understanding for security and political reasons that go beyond trade. The relationship of Europe with the trade adversary during the trade wars has been much different over time. While in the 1930s, Europe was geographically in the middle of the trade war, and – although world trade was limited and few countries were impacted by the trade war – Europe's relationship with the UK and the US set the tone for its response and the dynamics of the trade debate that changed afterward towards one based on reciprocity. In the 1980s, the lack of a deep relationship with Japan allowed the US to impose similar NTB on the EEC. The relationship of the EEC with the trade war itself was insignificant, but the one with the US intensified afterward while they increasingly competed over markets. In the current trade war, the EU has a similar position as the US and China in terms of global power and relationships change more quickly over time. Therefore, their triangle relationships are similar, but the EU plays a role solely based on trade in the debate compared to the US and China.

In terms of Europe's responses, the context of the trade debate limited the possible responses regarding technicalities and reception by the public. From the signing of the RTAA onward, the international economic diplomatic community has focused on a principle of reciprocity, in which trade barriers were to be broken down to trade to each country's mutual benefit. The assignment of this thesis was to understand how trade wars were still present over time and what Europe's perspective was during these trade wars. It appears the case that from the signing of the RTAA via an American-sponsored neoliberal free trade system based on rules and standards in the 1980s, the trade debate has returned to a discussion with a disproportionately large number of arguments in favor of protectionism. Due to recent hyper globalization, 'losers' of this process are easy to mobilize with protectionist arguments. Also, powerful sectors in society that lobby for trade policy have been stable over time securing an unchanging European response to trade wars when these sectors were challenged. For instance, the CAP is protected in all EU trade policy responses, whether the response is to a trade adversary in which there is only an economic relationship, or if it is a response to the US where there also is a cultural and political relationship.

Answering the Research Question: Part 2

An important conclusion must be that there is a constant contradiction throughout the trade war episodes between intentions toward international cooperation in trade while also protecting

domestic markets. However, a return to protectionism is only featured in political rhetoric and not in intellectual trade debates. In the 1930s, a report of the League of Nations (1942, p. 101) stated: “the great majority of Governments repeatedly proclaimed their intention to pursue, policies designed to bring about conditions of ‘freer and more equal trade’; yet never before in history were trade barriers raised so rapidly or discrimination so generally practiced.” This trade war against the UK can be classified as the final convulsion of American protectionism. As the US changed gears on trade ideology, the short term aims of the US were not achieved in the trade war. In the long run, however, the American-sponsored system came about anyway due to its ascending political power.

In the 1980s, despite a firm belief in the neoliberal rules-based trading system, protectionist dynamics in the White House were taken seriously, as Budget Director Stockman under President Reagan remembered that some members of the cabinet openly advocated for restricting imports from Japan. He argued that “this preposterous idea was so philosophically inimical to what I thought we stood for that for a few moments I just sat back, concussed. Free trade is merely an extension of free enterprise: free markets don’t stop at the border. But there was a cabinet officer talking protectionism in the White House, not two months into the administration” (1986, p. 154). This trade war against Japan can be classified as a significant trade rivalry during the heyday of the free trade ideology. As both the US and the EU cheated on the free trade ideology, participants managed to slow processes of globalization. In the long run, however, some labor-intensive sectors like manufacturing and agriculture remained vulnerable for imports once further liberalization of trade was institutionalized, which is in line with Rodrik’s (1995) findings on when protection is most likely to occur.

Currently, the striking contradictory feature in the trade debate is that “efforts to further liberalize trade and investment flows through bilateral agreements are met with harsh protests within Western societies. Opponents are voicing objections to [technical] procedural matters in particular, casting doubt on the legitimacy of the negotiation processes” (Müller & Boczek, 2020, p. 8). Moreover, the Trump administration’s call for a true opening of the Chinese economy – self-centered as it may sound – would help China in terms of economic growth. However, China would not allow it as it reduces the CCP’s economic control. This trade war against China can be classified as a crossroad in which we choose for both the future of trade policy and the structure of international trade. Short-term aims of the US to decouple China are not achieved in terms of

economics. In the long run, however, there is a risk that the US might be on the losing end if they continue to defect from the very rules-based trading scheme they imposed.

These three exemplary illustrations show the paradoxical political economy nature of trade policy during trade wars. It also illustrates the historical tendency to be in favor of free trade if possible – thus, to cooperate – and to protect – thus, to defect – if political circumstances deteriorate. Therefore, a return of protectionism can only succeed when political circumstances continue to provide a deteriorated context for trade policy. A lesson that can be learned here is that eventually, it is a mistake to protect and not to cooperate, yet, it is also a mistake to lose sight of the position of the losers of globalization.

Answering the Research Question: Part 3

These changes and similarities over time have disclosed the dynamics in trade politics. It also helps in understanding what the prospects of trade policy are, considering the public trade debate. Since, the RTAA, tariffs as trade barriers have decreased significantly and the debate on trade has liberalized. Yet, trade barriers have not disappeared altogether. In line with the trade ideology, trade barriers have become increasingly technical and based on rules to be sorted out by economists and lawyers in international organizations. Over time, tariff implementation has moved from politicians that relied on the electorate they were trying to protect from foreign markets, to technocratic officials in international organizations like the GATT and WTO who do not have to be reelected. Yet, as the political consequences are still the mandate for politicians, it is increasingly challenging for them to address these issues, as they have less influence on the system in which rules and standards are made. Similarities over time are also found in the economic rules and logic of what the impact of trade policy is. Therefore, economic logic helps best to understand similarities. However, the concept of agency is ignored in these disputes. Differences over time among trade wars are better explained using political economy and historical arguments. These help in understanding the specific, different features that explain why a trade war caused certain consequences for a certain group in society. Velut's (2015) theories on trade policy are most helpful to understand the intellectual and public trade debate at stake. This research confirms that trade theories based on society, state, and system pillars have strong explanatory power, especially when taking the European perspective into account. Although trade theory is centered around one pillar at a time, the distributional consequences of the actual trade policy always boil down to

domestic influences – trade policy still is a local issue – that are most important for the direction of policy. Insufficient international trade coordination among the most powerful trading blocs on these local issues will inevitably lead to more trade wars as trade is further liberalized in an ever globalizing system (Klein & Pettis, 2020).

Recommendations for the EU and Future Research

The relation of the EU with both China and the US stands or falls with a united and simultaneous trade approach, to ultimately become the dark horse during the current trade war, and a true global leader in trade policy setting after the trade war. This research's policy recommendation for the EU consists of three pillars based on 1) external issues, 2) internal issues, 3) research and intelligence. First, the EU should level the playing field with the US and China in terms of State-Owned Enterprises (SOEs). It should be willing to give in on themes that are not vital for the future to have more leverage in bilateral trade negotiations. Nevertheless, the EU should also be ready to confront and be confronted with the US and China multilaterally, and unilaterally. Hence, modern trade defense instruments should be part of the toolkit of the EC.

Second, the EU should reinforce its economic growth and competitiveness in selected areas. Germany's call for a new type of industrial policy is a good start but not enough. If the US pushes through in its attempt to further decouple its economy from and make it less dependent on China, the EU should fill this ascending vacuum. By formulating an industrial policy that reflects political values important for member states, the EU can be more effective in its political communication to member states – as well as in the international arena – what this strategy will be to confirm and strengthen its role in economic diplomatic networks. The EU should not hold back now that the economy resets because of COVID-19, and should restructure its budget to focus on areas in which competitiveness is best reached. If supported by the member states, Europe's significant economic strength can be translated into a united political front as well.

Third, while it has become harder to obtain objective information, the EU should invest in its understanding of 'the other'. This might be harder to do for China than for the US. Yet, the US has done so by setting up an Economic and Security Review Commission solely dedicated to its bilateral relationship with China. The EU must decrease this knowledge gap by setting up a similar type of commission that publishes comprehensive reports on the most important issues at stake. Consequently, policy-making processes are more likely to be informative.

Especially on this last point, future research can contribute to a better understanding of the future of trade policy, the escalation of trade wars, and Europe as an actor in this political and economic context. Future research should study the unincorporated side effects of trade wars. For instance, the fact that the UK returned to a preference of trading with Crown Colonies affected not only farmers and manufacturers, but also other sectors. Moreover, future studies should include cases in which trade deals have been made in a protectionist context – like ETDA1, in which quantitative promises are made – and what the consequences are for the bilateral relationship of other countries that still trade on a basis of multilateral reciprocity. For instance, Australia has indirectly suffered from ETDA1 when it called for an independent investigation into China’s handling of the COVID-19 crisis. As China made a quantitative commitment to the US to buy a certain amount of goods, a lower demand can translate into punishment for Australia when China meets the deal-specific commitments agreed upon during the ETDA1 negotiations. Therefore, the impact of these side effects of these types of deals could bring about another perspective on the impact of trade deals like ETDA1. It could also broaden the understanding of the increasing complexity of trade policy in a hyper globalized economy in which a variety of regional trade agreements seems to be the new norm most likely to shape future trade policy.

Moreover, this research has briefly touched upon China’s BRI. It has been beyond the scope of this paper to understand the full dynamics of an industrial project like the BRI. Therefore, future studies should provide an in-depth analysis on the BRI concerning the dynamics and prospects of trade wars like the current one. Furthermore, it should dive deeper into the trade policy of superpowers like the US, China, and the EU in third countries. As much of this research has focused on both the direct bilateral policy responses and areas close to these geographies (like HK), the effect of trade wars in third party countries in the Middle East and Central Asia could show how the trade debate has evolved and evolves in these countries that seem to play along the rules set up by the Western countries. Especially since the EU and the US are experienced in repeatedly proclaiming the intention to pursue policies designed to bring about economic development in these countries, changed objectives at home should be visible in these economic foreign policies too. It is, therefore, of vital importance to scrutinize the American, European, and – most importantly – Chinese impact in these countries.

Bibliography

- Alper, A. (2020, July 1). U.S. Lawmaker Seeks to Ban Chinese Firms From U.S. Capital Markets. *The New York Times*. <https://www.nytimes.com/reuters/2020/07/01/business/01reuters-usa-china.html>
- Baker, J. A., & Fiffer, S. (2008). *Work Hard, Study... And Keep Out of Politics!* Northwestern University Press.
- Balassa, B. (1965). Trade Liberalisation and “Revealed” Comparative Advantage. *The Manchester School*, 33(2), 99–123. <https://doi.org/10.1111/j.1467-9957.1965.tb00050.x>
- Bartolini, S. (1993). On Time and Comparative Research. *Journal of Theoretical Politics*, 5(2), 131–167. <https://doi.org/10.1177/0951692893005002001>
- Bernard, A. B., Eaton, J., Jensen, J. B., & Kortum, S. (2003). Plants and Productivity in International Trade. *American Economic Review*, 93(4), 1268–1290. <https://doi.org/10.1257/000282803769206296>
- Bidwell, P. W. (1930). The New American Tariff: Europe’s Answer. *Foreign Affairs*, 9(1), 13. <https://doi.org/10.2307/20030325>
- Bidwell, P. W. (1938). *Our Trade with Britain-Bases for a Reciprocal Tariff Agreement*. Council on Foreign Relations.
- Chow, D. (2012). China’s Coming Trade War with the United States The Next Four Years: A Cross-Practice Analysis of Legal Issues Relevant to This Presidential Term. *UMKC Law Review*, 2, 257–276.
- Colback, L. (2020, February 28). *How to navigate the US-China trade war*. <https://www.ft.com/content/6124beb8-5724-11ea-abe5-8e03987b7b20>
- Conybeare, J. (1985). Trade Wars: A Comparative Study of Anglo-Hanse, Franco-Italian, and Hawley-Smoot Conflicts Cooperation under Anarchy: Part III: Applications to Economic Affairs. *World Politics*, 1, 147–172.
- Council of the European Union. (2020). *Together for Europe’s recovery: The Programme for Germany’s Presidency of the Council of the European Union*. Auswärtiges Amt. <https://www.eu2020.de/blob/2360248/978a43ce17c65efa8f506c2a484c8f2c/pdf-programm-en-data.pdf>

- Cowles, M. G. (2012). *The Single European Act*. Oxford University Press.
<https://doi.org/10.1093/oxfordhb/9780199546282.013.0008>
- Crowley, M. A. (2019). *Trade war: The clash of economic systems endangering global prosperity*.
- David, H., Dorn, D., & Hanson, G. H. (2013). The China syndrome: Local labor market effects of import competition in the United States. *American Economic Review*, 103(6), 2121–2168.
- De Melo, J., Tarr, D. G., & Tarr, D. W. (1992). *A general equilibrium analysis of US foreign trade policy*. MIT Press.
- Della Porta, D., & Keating, M. (2008). *Approaches and methodologies in the social sciences a pluralist perspective*. Cambridge University Press.
<http://search.ebscohost.com/login.aspx?direct=true&scope=site&db=nlebk&AN=304674>
- Destler, I. M. (2005). *American trade politics*. Columbia University Press.
- Destler, I. M., & Henning, C. R. (1989). *Dollar politics: Exchange rate policymaking in the United States*. Institute for International Economics.
- Devuyst, Y. (2012). *The Constitutional and Lisbon Treaties*. Oxford University Press.
<https://doi.org/10.1093/oxfordhb/9780199546282.013.0012>
- Dixit, A., & Norman, V. (1980). *Theory of International Trade: A Dual, General Equilibrium Approach*. Cambridge University Press.
<http://public.ebookcentral.proquest.com/choice/publicfullrecord.aspx?p=1578956>
- Dryden, S. (1995). *Trade warriors: USTR and the American crusade for free trade*. Oxford University Press.
- Dunning, J. H. (1997). The European Internal Market Programme and Inbound Foreign Direct Investment. *JCMS: Journal of Common Market Studies*, 35(1), 1–30.
<https://doi.org/10.1111/1468-5965.00048>
- Dür, A. (2010). *Protection for Exporters* (1st ed.). Cornell University Press; JSTOR.
www.jstor.org/stable/10.7591/j.ctt7z719
- Eichengreen, B. (2008). *The European economy since 1945: Coordinated capitalism and beyond* (Fifth printing, and first paperback printing). Princeton University Press.
- Elgström, O., & Smith, M. (Eds.). (2006). *The European Union's roles in international politics: Concepts and analysis*. Routledge.

- Fajgelbaum, P. D., Goldberg, P. K., Kennedy, P. J., & Khandelwal, A. K. (2020). The Return to Protectionism. *The Quarterly Journal of Economics*, 135(1), 1–55. <https://doi.org/10.1093/qje/qjz036>
- Feenstra, R. C. (1988). Quality Change Under Trade Restraints in Japanese Autos. *The Quarterly Journal of Economics*, 103(1), 131. <https://doi.org/10.2307/1882645>
- Findlay, R., & O'Rourke, K. H. (2009). *Power and plenty: Trade, war, and the world economy in the second millennium*. Princeton University Press.
- Fukao, M. (1990). Liberalization of Japan's foreign exchange controls and structural changes in the balance of payments. *Bank of Japan Monetary and Economic Studies*, 8(2), 101–165.
- Gabusi, G. (2019). No Losers? The BRI Factor in the China–EU Relationship. *China: An International Journal*, 17(4), 96–108.
- Gagnon, J. E. (2007). Productive Capacity, Product Varieties, and the Elasticities Approach to the Trade Balance. *Review of International Economics*, 15(4), 639–659. <https://doi.org/10.1111/j.1467-9396.2007.00696.x>
- Gardner, G. W., & Kimbrough, K. P. (1989). The behavior of US tariff rates. *The American Economic Review*, 79(1), 211–218.
- Gerring, J. (2007). *Case study research: Principles and practices*. Cambridge University Press.
- González, A., & Veron, N. (2019). EU Trade Policy amid the China-US Clash: Caught in the Cross-Fire? *Peterson Institute for International Economics Working Paper*, 19–13.
- Goodman, P. S. (2019, May 15). The Global Economy Was Improving. Then the Fighting Resumed. *The New York Times*. <https://www.nytimes.com/2019/05/15/business/us-china-trade-war-economy.html>
- Grossman, G. M., & Helpman, E. (2002). *Interest groups and trade policy*. Princeton University Press.
- Gstöhl, S., & De Bièvre, D. (2018). *The trade policy of the European Union*. Macmillan Education, Palgrave.
- Haass, R. (2020, April 7). *The Pandemic Will Accelerate History Rather Than Reshape It*. <https://www.foreignaffairs.com/articles/united-states/2020-04-07/pandemic-will-accelerate-history-rather-reshape-it>

- Haggard, S. (1988). The institutional foundations of hegemony: Explaining the Reciprocal Trade Agreements Act of 1934. *International Organization*, 42(1), 91–119. <https://doi.org/10.1017/S0020818300007141>
- Han, H., & Brady, D. W. (2007). A delayed return to historical norms: Congressional party polarization after the Second World War. *British Journal of Political Science*, 37(3), 505–531.
- Heering, J. (2019, October 1). *Europe First—The European Response to Made in China 2025 and America First*. <https://www.csis.org/europe-first%E2%80%9494-european-response-made-china-2025-and-america-first>
- Hiscox, M. J. (2001). Class versus industry cleavages: Inter-industry factor mobility and the politics of trade. *International Organization*, 55(1), 1–46.
- Hochberg, F. P. (2020). *Trade Is Not a Four-Letter Word: How Six Everyday Products Make the Case for Trade*. Avid Reader Press.
- Hogan, P. (2020, January 16). “Refreshing Transatlantic Relations”: Keynote Address by Commissioner Phil Hogan [Text]. Centre for Strategic and International Studies (CSIS), Washington, D.C. https://ec.europa.eu/commission/commissioners/2019-2024/hogan/announcements/refreshing-transatlantic-relations-keynote-address-commissioner-phil-hogan-centre-strategic-and_en
- Hughes, N. C. (2005). A Trade War with China? *Foreign Affairs*, 84(4), 94. <https://doi.org/10.2307/20034423>
- Ikenberry, G. J. (1992). A world economy restored: Expert consensus and the Anglo-American postwar settlement. *International Organization*, 289–321.
- Irwin, D. A. (1996). *Trade Policies and the Semiconductor Industry*. National Bureau of Economic Research.
- Irwin, D. A. (2017). *Clashing over commerce: A history of US trade policy*. The University of Chicago Press.
- Irwin, D. A. (2020). *Free Trade Under Fire* (Fifth edition). Princeton University Press.
- Irwin, D. A., & Pavcnik, N. (2004). Airbus versus Boeing revisited: International competition in the aircraft market. *Journal of International Economics*, 64(2), 223–245.
- Jacks, D. S., Meissner, C. M., & Novy, D. (2008). Trade Costs, 1870–2000. *American Economic Review*, 98(2), 529–534. <https://doi.org/10.1257/aer.98.2.529>

- Johnston, D. M. (2008). *The historical foundations of world order: The tower and the arena*. Martinus Nijhoff Publishers. <https://doi.org/10.1163/ej.9789004161672.i-877>
- Jones Jr. (2016). *Tariff Retaliation: Repercussions of the Hawley-Smoot Bill*. <https://doi.org/10.9783/9781512803174>
- Jones, K. A. (1994). *Export restraint and the new protectionism: The political economy of discriminatory trade restrictions*. University of Michigan Press.
- Kaplan, D. P. (1986). *Has trade protection revitalized domestic industries?* Washington, DC: Congressional Budget Office (CBO).
- Keech, W. R., & Pak, K. (1995). Partisanship, institutions, and change in American trade politics. *The Journal of Politics*, 57(4), 1130–1142.
- Klein, M. C., & Pettis, M. (2020). *Trade wars are class wars: How rising inequality distorts the global economy and threatens international peace*. Yale University Press.
- Krugman, P. R., Obstfeld, M., & Melitz, M. J. (2015). *International economics: Theory and policy* (Tenth edition, global edition). Pearson.
- League of Nations. (1942). *Commercial Policy in the Interwar Period: International Proposals and National Policies*. League of Nations.
- Leamer, E., & Levinsohn, J. (1994). *International Trade Theory: The Evidence* (No. w4940; p. w4940). National Bureau of Economic Research. <https://doi.org/10.3386/w4940>
- Liu, T., & Woo, W. T. (2018). Understanding the U.S.-China Trade War. *China Economic Journal*, 11(3), 319–340. <https://doi.org/10.1080/17538963.2018.1516256>
- Loridas, K. (2011). United States-China Trade War: Signs of Protectionism in a Globalized Economy. *Suffolk Transnat'l L. Rev.*, 34, 403.
- Low, P. (1993). *Trading free: The GATT and U.S. trade policy*. Twentieth Century Fund Press.
- Mayer, F. (1998). *Interpreting NAFTA: The science and art of political analysis*. Columbia University Press.
- McCabe, D. (2020, June 30). F.C.C. Designates Huawei and ZTE as National Security Threats. *The New York Times*. <https://www.nytimes.com/2020/06/30/technology/fcc-huawei-zte-national-security.html>
- Meunier, S., & Nicolaidis, K. (1999). Who Speaks for Europe? The Delegation of Trade Authority in the EU. *JCMS: Journal of Common Market Studies*, 37(3), 477–501. <https://doi.org/10.1111/1468-5965.00174>

- Müller, H., & Boczek, K. (2020, March 13). The WTO – The Remarkably Fading Influence of A 25-Year-Old Institution. *GED-Project*. <https://ged-project.de/trade-and-investment/the-wto-the-remarkably-fading-influence-of-a-25-year-old-institution/>
- Mussa, M. (2008). IMF surveillance over China's exchange rate policy. In M. Goldstein & N. R. Lardy, *Debating China's Exchange Rate Policy* (pp. 279–335). Peterson Institute for International Economics.
- Ng, Y.-K. (2020). Why Does the US Face Greater Disadvantages in the Trade War with China? *China & World Economy*, 28(2), 113–122. <https://doi.org/10.1111/cwe.12323>
- O'Neill, J. (2001). Building better global economic BRICs. *London: Goldman, Sachs & Co*, 66.
- Ortega, A. (2020). *The U.S.- China Race and the Fate of Transatlantic Relations* (p. 12). Center for Strategic and International Studies. https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/200423_Ortega_ChinaRace_v4_WEB%20FINAL.pdf
- Paemen, H., & Bensch, A. (1995). *From the GATT to the WTO: the European Community in the Uruguay Round*. Coronet Books Inc.
- Palca, J. (1986). US-Japan trade: Truce agreed in chip war. *Nature*, 322(6079), 489–489. <https://doi.org/10.1038/322489a0>
- PBO. (2018). *An Overview of the Common Agricultural Policy (CAP) in Ireland and potential regional and sectoral implications of future reforms—Parliamentary Budget Office*. Oireachtas. https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2018/2018-08-17_an-overview-of-the-common-agricultural-policy-cap-in-ireland-and-potential-regional-and-sectoral-implications-of-future-reforms_en.pdf
- Porges, A. (1991). US-Japan Trade Negotiations: Paradigms Lost. In P. R. Krugman, *Trade with Japan: Has the door opened wider?* (pp. 305–328). University of Chicago Press.
- Rappeport, A. (2019, May 14). Republicans Balk at More Tariffs as Trump Mulls More Farm Aid. *The New York Times*. <https://www.nytimes.com/2019/05/14/us/politics/china-tariffs-republicans.html>
- Reinsch, W. (2020, June 15). *Hong Kong's Special Status: What's Happening and What's Next*. <https://www.csis.org/analysis/hong-kongs-special-status-whats-happening-and-whats-next>

- Reuters. (2019, August 1). Trump: U.S. will hit \$300 billion worth of Chinese goods with 10% tariff. *Reuters*. <https://www.reuters.com/article/us-usa-trade-china-tariffs-idUSKCN1UR5CK>
- Rodrik, D. (1995). Chapter 28 Political economy of trade policy. In *Handbook of International Economics* (Vol. 3, pp. 1457–1494). Elsevier. [https://doi.org/10.1016/S1573-4404\(05\)80008-5](https://doi.org/10.1016/S1573-4404(05)80008-5)
- Ruffin, R. J. (2013). The Development of International Trade Theory. In D. Bernhofen, R. Falvey, D. Greenaway, & U. Kreickemeier (Eds.), *Palgrave Handbook of International Trade* (pp. 15–38). Palgrave Macmillan UK. https://doi.org/10.1007/978-0-230-30531-1_2
- Schoppa, L. J. (1997). *Bargaining with Japan: What American pressure can and cannot do*. Columbia University Press.
- Siles-Brügge, G. (2014). *Constructing European Union Trade Policy*. Palgrave Macmillan UK. <https://doi.org/10.1057/9781137331663>
- Smith, M., & Woolcock, S. (1999). European commercial policy: A leadership role in the new millennium. *Eur. Foreign Aff. Rev.*, 4, 439.
- Steinbock, D. (2017). The Great Shift of Globalization: From the Transatlantic Axis towards China and Emerging Asia. *China Quarterly of International Strategic Studies*, 03(02), 193–226. <https://doi.org/10.1142/S2377740017500129>
- Steinbock, D. (2018). U.S.-China Trade War and Its Global Impacts. *China Quarterly of International Strategic Studies*, 04(04), 515–542. <https://doi.org/10.1142/S2377740018500318>
- Stockman, D. A. (1986). *The triumph of politics: How the Reagan revolution failed* (1st ed). Harper & Row.
- Swanson, A. (2018, July 5). Trump's Trade War With China Is Officially Underway. *The New York Times*. <https://www.nytimes.com/2018/07/05/business/china-us-trade-war-trump-tariffs.html>
- Swanson, A. (2019, October 11). Trump Reaches 'Phase 1' Deal With China and Delays Planned Tariffs. *The New York Times*. <https://www.nytimes.com/2019/10/11/business/economy/us-china-trade-deal.html>
- Tam, P. S. (2019). Global impacts of China–US trade tensions. *The Journal of International Trade & Economic Development*, 1–36. <https://doi.org/10.1080/09638199.2019.1703028>

- The World Bank. (2020). *GDP (current US\$)—World Bank national accounts data, and OECD National Accounts data files*.
- Urata, S. (2020). US–Japan Trade Frictions: The Past, the Present, and Implications for the US–China Trade War. *Asian Economic Policy Review*, 15(1), 141–159.
<https://doi.org/10.1111/aepr.12279>
- Velut, J.-B. (2015). Trade Policy. *International Encyclopedia of the Social & Behavioral Sciences (Second Edition)*. Elsevier, Oxford, 485–490.
- Winand, P., Benvenuti, A., & Guderzo, M. (Eds.). (2015). *The external relations of the European Union: Historical and contemporary perspectives*. P.I.E. Peter Lang.
- Wolf, M. (1983). The European Community’s trade policy. In *Britain and the EEC* (pp. 151–177). Springer.
- Young, A. R. (2012). *Trade Policy*. Oxford University Press.
<https://doi.org/10.1093/oxfordhb/9780199546282.013.0030>