

THE EU-CHINA TRADE RELATIONS AMID TARIFF CONFLICTS AND WTO CRISIS: IMPLICATIONS FOR SERBIA

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Abstract: This paper examines the evolving trade relationship between the European Union (EU) and the People's Republic of China within the context of rising protectionism, escalating tariff conflicts, and the ongoing crisis within the World Trade Organization (WTO). Despite a longstanding commitment from both the EU and China to multilateralism, their divergent economic models and strategic priorities have increasingly brought systemic tensions to the fore. China's accession to the WTO in 2001 marked a turning point in EU-China trade relations, enabling deeper economic ties. However, growing economic asymmetries and political divergences have prompted the EU to adopt a more critical perspective, as encapsulated in its *2019 Strategic Outlook*, which simultaneously characterises China as a partner, economic competitor, and systemic rival. The research employs a qualitative case study method, concentrating on the EU-China tariff conflicts from 2018 to 2024. This timeframe captures the escalation of trade tensions and offers valuable insights into the responses of both entities to global trade disruptions and crisis within the WTO, which intensified around 2018. The study draws on the analysis of official documents from the EU and China, which includes strategic outlooks, trade policy communications, and summit conclusions, in addition to relevant reports and publications from the WTO. Beyond the bilateral dimension, the paper extends its analysis to the implications of these trade frictions for Serbia. Positioned between its deepening economic ties with China and its aspirations for EU membership, Serbia faces both opportunities and constraints, as EU-China trade tensions

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increasingly shape its external economic environment. The paper concludes that, despite systemic rivalries, pragmatic cooperation between the EU and China within multilateral frameworks remains a viable path forward. However, for countries like Serbia, maintaining strategic balance requires a careful policymaking, particularly in light of the ongoing WTO crisis and intensifying EU-China competition over trade and influence in Southeast Europe.

Keywords: European Union, China, trade, tariffs, World Trade Organization, Serbia.

INTRODUCTION**

Fifty years ago, the European Community and the People's Republic of China established diplomatic relations, followed by the signing of the *Agreement on Trade and Economic Cooperation* a decade later, setting the basis for the development of EU-China Strategic Partnership. During the 1990s, there was a notable expansion in their trade relations, with China emerging as the EU's 4th largest trading partner by the end of the decade. Trade volumes continued to increase over time, leading to China becoming the EU's largest import partner and second-largest export partner in 2024 (European Commission, n.d.a) While economic relations are considered a cornerstone of EU-China bilateral engagement, it is important to recognize their complex and ambivalent nature, which is influenced, among other factors, by political and economic developments at regional and global levels. Issues contributing to tensions between the two sides, as identified in the literature, include the EU's designation of China's market economy status, the EU's trade deficit, the EU's use of trade defense instruments, and the role and influence of Chinese state-owned enterprises (Gaenssmantel, 2023).

In 1995, the EU regarded China as a critical partner and sought to balance opportunities with challenges through a comprehensive, action-

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oriented policy that supported China's integration into global system while addressing mutual concerns. The development of EU-China relations was then seen as a 'sustained long-term goal' (Commission of the European Communities, 1995). Three decades later, China is seen as a cooperation and negotiation partner, an economic competitor, and a systemic rival, thus requiring a flexible, pragmatic, and unified approach to address opportunities and challenges across economic, political, and security dimensions (European Commission, 2019). Traditionally, China viewed the EU as a mutually beneficial partner in trade and investment. However, as the EU has become more assertive, China responded by adjusting its approach to balance cooperation where interests align with defending its strategic imperatives. Chinese policymakers emphasize self-reliance and strategic economic planning, especially in sensitive sectors such as digital technology, energy, and critical infrastructure, while continuing to highlight the importance of partnership in high-level dialogues and joint communiqués. Despite the EU's de-risking strategy, which aims to reduce vulnerabilities in key sectors and diversify partnerships, China often portrays the EU's strategic autonomy efforts as an opportunity for more balanced relations (Yang, 2023). One aspect of fostering balanced Sino-European relations involves collaborative efforts to enhance Eurasian connectivity. In this context, the implementation of the EU-Asia Connectivity Strategy (2018) and region-to-region dialogues in the form of Asia-Europe Meeting (ASEM) play a crucial role. Building on ASEM's definition of connectivity, the enhancement of interregional connectivity—particularly through strengthened physical links—is promoted by the EU through the development of the TEN-T and TEN-E networks, and by China through the implementation of critical transport and energy infrastructure projects under the Belt and Road Initiative (Stekić & Nikolić, 2025, pp. 137-139).

For many years, the bilateral relationship between the EU and China has been affected by trade tensions, primarily related to tariff disputes. Since 2021, both sides have increasingly engaged in investigations of anti-dumping measures and have imposed customs duties on a range of products. However, these issues are largely overshadowed by the broader US-China trade conflict. The prominence of the US-China trade war can

be attributed to its scope, global implications, intensity, duration, and the strategic and political considerations involved. The trade tensions between the US and China involve the world's largest economies and are generating significant global economic impacts, including disruptions to supply chains and financial markets worldwide. This ongoing conflict has been characterized by substantial tariff escalations across multiple sectors and has persisted since 2018 (García Herrero, 2019). In comparison, EU-China tariff disputes have been more focused and limited in scope, targeting specific industries such as electric vehicles, steel, and solar panels. Additionally, it should be noted that in the Sino-European context, the parties adopt a more cautious approach, involving ongoing negotiations regarding customs policies, reflecting the complexity and interdependence of their relationship. Given that the involved parties represent the world's second and third-largest economies, tariff disputes between them place considerable strain on the global trading system. This pressure is further intensified by the ongoing US-China trade war, the prolonged crisis within the WTO, and the economic implications of the broader geopolitical shifts, highlighting a profound crisis the international trade order is currently confronting.

Considering the previously described context of international economic relations, this article aims to analyse the trade relationship between the EU and China, with a focus on their tariff conflicts, and to examine the potential implications for Serbia, whose primary economic partners are the EU and China. The first part of the paper is focused on the analysis of the EU's and China's foreign trade policies, including their positions on the importance of maintaining a multilateral trade system, as well as their proposals and joint initiatives related to the ongoing WTO crisis. This overview provides an important foundation for the subsequent analysis of the recent EU-China trade disputes and will help in reaching conclusions regarding Serbia's position in balancing between these two actors. In line with the research's subject, in this paper the term 'multilateralism' is used exclusively to denote the multilateral trading system as governed by the WTO, encompassing its trade negotiations, dispute settlement mechanisms, and regulatory framework for international trade.

THE EU AND CHINA IN THE GLOBAL TRADE SYSTEM

China's Trade Policy Framework: Balancing Internal Development and Global Integration

According to WTO data, in 2024 China was the leading exporter of goods, accounting for 14.6% of the global share, followed by the US at 8.5% and Germany at 6.9%. Excluding intra-EU trade, the EU ranked second in exports, accounting for 13.9%. China also ranked as the second-largest importer, representing 10.5% of global imports, after the US at 13.6% (World Trade Organization, n.d.a). China's foreign trade policy has evolved significantly since the late 1970s, shifting from an import substitution model to an export-oriented strategy that capitalized on its industrial strengths and labour flexibility. This transition enabled China to emerge as the world's largest exporter within three decades. The *Foreign Trade Law*, serving as the legal foundation, emphasized opening to the outside world, promoting foreign trade, and fostering economic development through multilateral, bilateral, regional, and unilateral approaches (Sheng, 2015). Since joining the WTO in 2001, China has liberalized its trade regime, reduced administrative barriers, and allowed broader participation in trade by private and individual actors. Initiatives such as the establishment of pilot free trade zones and the implementation of the *Foreign Investment Law* in 2020 reflect China's commitment to further promoting trade facilitation, safeguarding investments, and enhancing market openness, even as it continues to use tariff and non-tariff measures to manage certain bilateral trade relations. The Belt and Road Initiative (BRI) has held a significant place in China's foreign trade engagement over the past decade, serving as a key platform through which China has strengthened trade ties and economic partnerships with over 140 countries. According to data from the Ministry of Commerce of the People's Republic of China (2025), the trade volume between China and BRI participating countries reached 22.1 trillion yuan (3.07 trillion US dollars) in 2024. As the largest project to date under China's strategies for promoting and expanding multilateralism, the BRI encompasses a unique network of bilateral partnerships and regional

institutions, such as ASEAN+3 and the Shanghai Cooperation Organization (Feng, 2021, p. 44).

In light of rising geopolitical tensions and trade protectionism, and in order to achieve its national economic interests, the Chinese government adopted the *Dual Circulation* strategy in 2020. This new development paradigm emphasizes balancing domestic and international economic cycles, with a greater focus on domestic economic potential while maintaining international trade and investment. Key elements of internal circulation include expanding domestic demand by stimulating consumption, primarily among the middle class, as well as structural reforms on the supply side by enhancing the quality and innovation of domestic products and services to better meet local demand. In terms of international circulation, efforts are undertaken to improve the import-export balance, opening the IT and telecommunications sectors to foreign investments, and strengthening strategic overseas investments. Additionally, the strategy recognizes telecommunications, IT, agriculture, and green energy as priority sectors to reduce dependency on foreign technologies and resources (Zakić, 2022, pp. 153-157). The *Dual Circulation* strategy aligns with China's foreign trade policies, supporting the country's efforts to open previously restricted sectors to foreign investment and to strengthen technological and economic collaboration. Although the *Dual Circulation* prioritizes domestic economic resilience to mitigate risks from global uncertainties (trade wars, pandemics), openness to international trade and diversification of trade partners remain important objectives of China's current foreign trade engagement. In response to geopolitical tensions, and in order to reduce reliance on Western markets, China is increasing its trade and investment ties with regions like Southeast Asia, Africa, and Latin America. In this regard, trade with ASEAN countries has grown significantly, representing 16.2% of China's total trade in 2024, up from 12.5% in 2017. Meanwhile, its trade with the US accounted for 10.8% in 2024, down from 14.2% in 2017 (Jiang, 2025).

The EU's Trade Strategies: Balancing Bilateralism and Multilateralism

After the successful conclusion of the GATT Uruguay Round and the establishment of the WTO, the EU emerged as a strong advocate for

initiating a new round of global trade negotiations and strengthening multilateral institutions, with the aim of enabling states to effectively oversee and regulate globalization processes through these organizations. However, the EU's 1999 trade strategy of 'managed globalization', along with related decisions—such as implementing a moratorium on future preferential trade agreements—ultimately proved to be costly for the EU (Abdelal & Meunier, 2010). Therefore, the Union turned to enhancing its competitiveness in the global market while emphasizing the importance of transparent and effective multilateral rules to support open and fair international trade (European Commission, 2006). During that period, EU leaders decided to pursue bilateral negotiations with trading partners on issues such as competition, public procurement, and investments, outside the WTO framework and the ongoing Doha Round of trade negotiations. In the next strategy, *Trade, Growth and World Affairs* (2010), the emphasis on bilateral negotiations as a complement to multilateral approaches was reaffirmed, alongside the recognition of the WTO's essential role in maintaining the effective functioning of the international trade system (European Commission, 2010). As an attempt to synthesize the most important elements from previous foreign trade frameworks, the 2015 *Trade for All* strategy prioritized efficiency, transparency and values as the most important aspects of the EU's trade policy (Milošević, 2021, p. 94). The Asia-Pacific region was presented as crucial for the EU's economic interests, and the conclusion of an investment agreement with China was highlighted as a top priority in light of the rebalancing of Sino-European economic relations. The EU's support for China's participation in various plurilateral initiatives, such as the Trade in Services Agreement (TiSA), the Agreement on Government Procurement (GPA), was also underscored, in order to strengthen the multilateral trading system and accommodate China's growing role (European Commission, 2015, p. 31). Following the EU's turn towards bilateralism in trade policy, reflected in its trade strategies from 2006 to 2015, the Union has returned to a multilateral approach with its current *Open, Sustainable and Assertive Trade Policy* (2021). The strategy's core is the 'open strategic autonomy' concept which promotes the EU's connectedness with and openness to the rest of the world, the alignment of trade with climate and digital transformation

goals, and independent decision-making while defending its own trade interests (European Commission, 2021). An important aspect of this strategy involves the EU's renewed focus on the WTO functioning, particularly efforts to resolve the Appellate Body crisis and to reform the WTO in line with the changes in the international economic environment. In accordance with this, the strategy highlights the political and economic transformations brought about by China's rapid development and their impact on the global system of economic governance, including competitiveness challenges for European companies. The current trade strategy aligns with the political objectives of the European Commission, particularly in terms of strengthening the EU's position on the global stage. This includes, alongside the importance of maintaining the transatlantic (economic) partnership, the deepening of economic ties with China and other Asian countries (Milošević, 2021, p. 98).

The EU's and China's Approaches to WTO Reform

The WTO faced serious obstacles in 2018 when the US blocked the appointment and reappointment of judges to the dispute settlement system. Beside serving as the main forum for global trade negotiations, an important function of the WTO is the resolution of trade disputes. The Appellate Body crisis, triggered by the aforementioned decision of the US administration, represents yet another dimension of the prolonged crisis of the multilateral trading system, accompanied by increasingly frequent calls for reforming the key aspects of the WTO's work (Nikolić, 2024).

The EU's dedication to a rules-based, multilateral trading system is reflected in the European Commission's 2018 request for WTO modernization, with its proposals incorporated into the current EU trade strategy *Open, Sustainable and Assertive Trade Policy*. Sharing the objective of revitalizing the international trade framework, China's delegation to the WTO submitted its reform proposals in 2019. Although both parties agree in principle on the need for reforms and their proposals address similar areas, there are noticeable differences in certain specific issues. While the EU recommends implementing a formal monitoring process for new areas of discussion, such as e-commerce and digital trade, China opposes

broadening WTO rule-books with new concepts and wants reforms to be strictly targeted. Regarding the rule-making process, China addresses the issues of more transparency, punctual notifications, and enhanced performance from WTO subsidiary bodies. Meanwhile, the EU proposes launching issue-by-issue negotiations within the Organization, allowing willing members to develop plurilateral or eventually multilateral agreements (García Herrero et al, 2020, pp. 37-39). An important issue for China, as a developing country within the WTO, is the application of the special and differential treatment (SDT) provisions granted to this group of countries. In this regard, China insists on developing countries keeping all SDT privileges, including preferential market access and longer implementation deadlines. Other China's proposals refer to unfair practices by developed economies (namely over-subsidization of agriculture), the respect for diverse development models among WTO membership, and introducing stronger disciplines on fishery subsidies (World Trade Organization, 2019). Addressing the issues of market liberalization and transparency, the EU advocates strengthening regulations on trade-distorting industrial subsidies and the changes in the functioning of Trade Policy Review Mechanism (European Commission, 2018).

In addition to these individual initiatives, the EU and China have formed a joint working group to address WTO reform, with the primary goal of resolving the ongoing Appellate Body crisis. The collaborative efforts of these two actors to reinvigorate the negotiation function within the WTO are also reflected by the activities of the fourteen-member Ottawa Group, led by Canada. The foremost initiative in addressing the Appellate Body crisis has been the establishment of the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) in 2020. This alternative dispute resolution mechanism, designed as a temporary complaint procedure, has brought together 56 of 164 WTO members (Geneva Trade Platform n.d.). While the EU and China agree on the need to reform the dispute settlement system and are committed to cooperating toward this goal, differences remain—particularly concerning China's potential withdrawal from special and differential treatment. Both the EU and the US consider this withdrawal a necessary step to establishing a more equitable international trade system. However, China's reform proposals

concerning the SDT for developing countries indicate that the country is not yet prepared to move forward in this direction (Nikolić, 2024, p. 376).

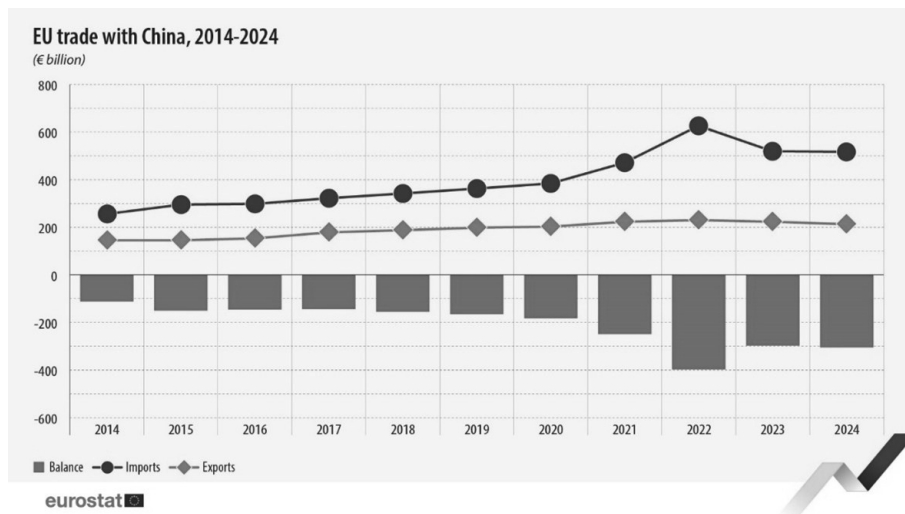
EU-CHINA TRADE DISPUTES FROM 2018 TO 2024

According to the latest Eurostat report on China–EU trade in goods, China remained a key trading partner for the EU in 2024. It ranked as the EU’s third-largest export destination, accounting for 8.3% of total exports, and continued to be the leading source of imports, comprising 21.3% of the EU’s total imports. Despite some fluctuations, the EU maintained a substantial trade deficit with China, which stood at €305 billion in 2024. Imports from China steadily increased over the past decade, rising from approximately €280 billion in 2014 to a peak of around €640 billion in 2022, before declining slightly to just over €500 billion in 2024. EU exports to China also grew over this period, though at a slower pace, reaching about €240 billion in 2022, followed by a modest decline in the subsequent two years. As a result, the EU’s trade deficit with China reached a record high of approximately €400 billion in 2022 (Figure 1). In terms of trade composition, machinery and vehicles remained dominant in 2024, accounting for 55% of EU imports from China and 51% of its exports to the Chinese market. This category alone contributed to a trade deficit of €176.7 billion (Eurostat, 2025).

Since China joined the WTO, the EU’s exports of goods and services to China have seen remarkable annual growth—over 10% and 15% a year, respectively. Simultaneously, imports from China increased, along with its role in global supply chains, resulting in the shortening of regional supply chains within the EU (García Herrero et al, 2020, pp. 6-18). The increasing globalization and economic interdependence between China and the EU have resulted in a considerable reliance of Chinese economy on the EU market for exports, particularly in sectors such as solar cells, lithium-ion batteries, and electric vehicles. Conversely, the EU depends heavily on China for critical imports, including pharmaceuticals, chemicals and green tech components (Manca, 2024). The negotiations on *Comprehensive Agreement on Investment (CAI)*, initiated in 2014, exemplify the complexity of the Sino-European economic relationship. This Agreement, concluded

in principle in late 2020, aimed to grant EU investors greater access to Chinese market and ensure fairer treatment for EU companies, including commitments on state-owned enterprises, transparency, and forced technology transfer. However, the Agreement faced certain obstacles, notably from the European Parliament over human rights concerns, illustrating the growing political complexities in the relationship. In May 2021, the European Parliament suspended the ratification of the CAI after China imposed sanctions against ten individuals from the EU, including members of the European Parliament (McElwee, 2021). Due to the issue of human rights in China, as well as China's actions in the context of the Russian-Ukrainian conflict, there is a growing scepticism among EU decision-makers regarding the 'revival' of this agreement, which the Chinese side is in favour of. During the negotiations, the EU has repeatedly objected to China for its insufficient openness to foreign investments. In response, China has taken certain measures, which is visible in its *Dual Circulation* strategy—specifically, in terms of opening up its IT and telecommunications sectors to foreign investors (Zakić, 2022, pp. 164-166).

Figure 1: EU trade with China from 2014 to 2024.



Source: Eurostat, 2024.

In recent years, trade relations between the EU and China have been influenced by notable changes in terms of the strengthening of both economies' regulatory frameworks, as well as the increasing politicization of trade defence instruments (TDIs). While TDIs were once considered purely technical and legal mechanisms to counteract unfair trade practices, they are now used as instruments to pursue broader national policy goals, reflecting geopolitical strategies rather than just trade regulation, signalling a growing intertwining of trade policy with political and security considerations (Crochet & Zhou, 2024). In December 2017, the EU reformed its trade-defence rules by changing how it calculates dumping margins, moving away from the explicit use of 'non-market economy' status previously applied to China, and instead adopting a methodology based on identifying 'significant market distortions' (García Herrero et al, 2020, p. 8). This shift followed the expiration of the 15-year transitional period outlined in Section 15(d) of China's WTO Accession Protocol, during which China had not been recognized by the EU as a market economy. Under the new methodology, the burden of proof has shifted to the European Commission, which now must demonstrate that Chinese export prices are affected by non-market economy factors. Although this reform applies to all WTO members, China has opposed the approach, arguing it is inconsistent with WTO rules and has lodged a formal complaint. In practice, the change has resulted in similar outcomes for China—continued the implementation of high duties— while increasing the EU's obligation to justify its anti-dumping measures with clearer evidence of distortions (Hu & Pelkmans, 2020, p.13).

In addition to the new trade defence methodology, the EU has introduced a series of regulatory instruments and policy initiatives over the past five years, aimed at addressing concerns over economic security, reciprocity, and strategic autonomy. Measures such as the *Foreign Direct Investment Screening Regulation* (2020) and the *Foreign Subsidies Regulation* (2023) aim to counter risks posed by state-backed foreign firms and ensure fair competition within the EU market. Meanwhile, the *International Procurement Instrument* and the *Anti-Coercion Instrument* are direct responses to perceived asymmetries and instances of economic pressure from China. The *Anti-forced Labour Instrument*, adopted in

November 2024, and the *Critical Raw Materials Act*, which entered into force in May 2024, further highlight the EU's intent to reduce dependency on strategic Chinese inputs. The *European Chips Act* and the *Economic Security Strategy* address the issues of resilience and technological sovereignty, especially amid global supply chain vulnerabilities (Boruta & Pinelytė, 2023). Collectively, these initiatives underscore the EU's shift toward a more defensive and strategic trade policy framework, increasingly shaped by the changes in international economic environment, including its growing trade tensions with China.

China's trade remedy legal framework, including the *Foreign Trade Law*, the *Regulations of the People's Republic of China on Anti-Dumping*, the *Countervailing Duty Regulations*, and the *Regulation on Safeguard Measures*, has also been substantially enhanced in recent years. This improvement is evidenced by the introduction of over 20 departmental regulations, including the revision of anti-dumping and anti-subsidy rules through the *Rules for Review of Dumping and Dumping Margins*, the *Rules for Anti-Dumping and Countervailing Hearings*, and the *Rules for Questionnaires in Anti-Dumping Investigations*. Given that China's use of trade remedies was previously infrequent, its recent efforts to strengthen its legal trade framework appear to be a response to the growing number of trade investigations and measures initiated by the EU (Adaltys Avocats, 2025).

Tensions over trade practices between the EU and China have been building for years, with the conflict being marked by disputes over various issues, including anti-dumping measures, intellectual property concerns, and subsidies for Chinese industries. Between 2003 and 2024, the EU launched 157 anti-dumping, countervailing, and safeguard investigations targeting China—representing nearly half of all such EU probes during that timeframe (Adaltys Avocats, 2025). One of the first major disputes started when the EU imposed anti-dumping tariffs on Chinese solar panels in 2013, prompting China to respond with tariffs on European wine. The Solar Panel dispute marked an important turning point in EU-China relations, representing the EU's largest trade investigation and one of China's first major trade dispute since joining the WTO (Barillà, 2024). Despite the years-long dispute, its bilateral resolution reflected both sides'

commitment to a rules-based multilateral trade system and maintaining cooperative relations. However, in response to the global steel overcapacity crisis, the EU progressively tightened trade-defence measures between 2015 and 2017, imposing provisional anti-dumping duties on stainless-steel products from China and Taiwan in 2015, introducing new duties on Chinese and Russian steel in 2016, and raising anti-dumping duties on Chinese steel products in 2017.

Targeting a broad range of Chinese exports—from steel, aluminium, and ceramics to optical fibre cables, fasteners, and PET plastics—the European Commission further intensified its trade defence measures against China since 2018. In 2020, the Commission imposed definitive anti-dumping duties of up to 19% on hot rolled stainless steel imports from China, following evidence of dumping that harmed producers in Belgium, Italy, and Finland. Between 2021 and 2022, the EU also introduced multiple anti-dumping and countervailing duties on a range of aluminium products from China, with combined duties reaching up to 46.7%. Several investigations additionally addressed attempts by Chinese exporters to circumvent duties via third countries and expanded duties accordingly (e.g. extending aluminium foil duties to imports from Thailand). In the meantime, the EU also began using new legal tools like the *International Procurement Instrument* (IPI). In April 2024, the Commission launched the first IPI investigation into China’s discriminatory practices in the public procurement of medical devices, aiming to address unequal market access and promote reciprocity (European Commission, n.d.b).

Between 2018 and 2024, China initiated a limited number of trade defence measures against the EU, primarily involving anti-dumping and anti-subsidy investigations. Although the overall volume and frequency of these actions remain relatively low compared to the EU’s measures against China, the scope of Chinese investigations has expanded to include EU exports of agricultural products, chemicals, polymers, and industrial materials. In response to the EU’s decision to initiate an anti-subsidy investigation into Chinese battery electric vehicles (BEVs) and the steps that followed, China opened several investigations in 2024 concerning the import of dairy, pork and brandy from the EU. At the time of writing the paper, anti-subsidy investigation into certain dairy products and anti-

dumping probe into EU pork imports are still ongoing, with no definitive measures implemented to date. However, after a lengthy investigation, China has imposed anti-dumping duties ranging from 27.7% to 34.9% on European brandy, for a period of five years. After agreeing to minimum import price commitments accepted by Chinese authorities, major producers, such as Pernod Ricard, Rémy Cointreau, and Moët Hennessy, have been exempted from these duties (China Trade Monitor, n.d.). Chinese trade defence actions implemented over the past years represent a direct response to EU investigations and duties targeting Chinese companies, particularly in strategic sectors like electric vehicles. The latest steps taken by the Chinese authorities include the MOFCOM's final determination concluding that the EU's *Foreign Subsidies Regulation* constitutes trade and investment barriers against Chinese enterprises under Chinese law, as well as an estimation that these practices caused economic losses exceeding RMB 156 billion, or approximately €20.88 billion (Ministry of Commerce of the People's Republic of China, 2025).

The EU-China tariff conflict escalated during 2023 and 2024, beginning with the European Commission's anti-subsidy investigation into imports of battery electric vehicles from China. Following this investigation, in July 2024 the Commission imposed provisional anti-subsidy duties on BEVs imported from China, namely 17.4% for BYD, 19.9% for Geely, and 37.6% for SAIC. Other cooperating Chinese BEV producers not included in the sample faced a weighted average duty of 20.8%, while non-cooperating producers were subject to the highest residual duty of 37.6%. Three months later, the EU imposed definitive five-year countervailing duties on Chinese BEVs found to be unfairly subsidised, including 17% for BYD, 18.8% for Geely, and 35.3% for SAIC. Other cooperating producers faced a 20.7% duty, while Tesla, granted individual examination, would pay 7.8%. Non-cooperating companies were subject to the highest duty of 35.3%. In early November 2024, the representatives of the European Commission's Directorate-General for Trade and Chinese Ministry of Commerce and the China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME) held discussions in Beijing on a possible price undertaking agreement that would serve as an alternative to the current

countervailing duties imposed by the EU on Chinese EV imports (European Commission, n.d.b.).

Trade disputes between the EU and China within the WTO framework reflect ongoing tensions in their economic relationship, particularly regarding the issues of market access, trade remedies, and technology transfer. In the last two decades, the EU has brought 14 cases against China, addressing export restrictions on raw materials, anti-dumping duties on EU goods such as steel tubes and brandy, and practices affecting intellectual property and technology transfer. These cases highlight persistent EU concerns over China's adherence to WTO rules, especially in relation to transparency, state intervention, and fair competition. On the other side, China has initiated 7 cases against the EU, often challenging anti-dumping and countervailing duties imposed on Chinese products, as well as measures in the renewable energy and poultry sectors, showing China's objections to what it views as protectionist or discriminatory EU practices (World Trade Organization, n.d.b.). Overall, the WTO still serves as a critical platform for addressing these complex trade frictions, despite ongoing broader geopolitical and systemic factors influencing the dynamics of EU-China economic relations. As trade tensions escalated in 2024, both sides engaged with the WTO to resolve their disputes—China over EV tariffs, and the EU over brandy duties—reaffirming the WTO's place in global trade system and the need for legal adjudication in the absence of bilateral solutions.

Beside the WTO as a principal forum for resolving trade disputes, the annual EU-China summits play a significant role in managing trade relations and facilitating coordination on trade matters. The summits held from 2018 to 2024 showed that the two sides deepened their economic interdependence while also highlighting ongoing challenges related to fairness, regulatory divergence, and strategic competition. Analysis of the joint statements from the aforementioned summits shows that early in the period both sides focused on reaffirming their commitment to a rules-based, multilateral trading order. At the 20th EU-China Summit in 2018 the leaders showed there was a strong shared commitment to reform the WTO by establishing a joint working group tasked with adapting the system to current challenges (European Union & People's Republic of

China, 2018). The key focus of the next summit was moving forward with an ambitious *Comprehensive Investment Agreement*, alongside supporting China's steps towards joining the *WTO Agreement on Government Procurement* (European Union & People's Republic of China, 2019). As the years passed, however, the dialogue became more layered—combining aspiration for open markets and reform of global trade rules with pointed discussions about structural imbalances, market access restrictions, and the need for reciprocal treatment in investment and technology sectors. The 22nd EU-China Summit, held via video conference amid the COVID-19 pandemic, recognized the systemic differences between the two parties. EU leaders highlighted that while engagement with China was seen as both necessary and beneficial, the EU remained clear-eyed about differing values and political systems. Remarks by EU leaders also stressed the need for China to commit to future talks on industrial subsidies and resolve issues such as overcapacity in traditional sectors like steel and in high-tech industries (European Council, 2020). During the 23rd and 24th summits, discussions in the economic domain centred on the EU's long-standing concerns about market access and the overall investment climate in China, with the EU leaders reiterating that the goal was to de-risk critical dependencies without decoupling from China. On the other hand, the parties reached an agreement to expand cooperation on issues such as the protection of geographical indications, signalling a willingness to address both broad and specific trade challenges. The creation of multiple working groups (covering financial regulation, cosmetics, export controls, wines and spirits, etc.) and initiatives targeting cross-border data flows, customs, intellectual property rights, and other areas underscored an intent to manage the relationship on a more detailed, sector-by-sector basis (European Council 2022; European Commission 2023).

In addition to the annual summits, EU-China trade related dialogues, with High Level Economic and Trade Dialogue at the forefront, represent important platforms for addressing key trade issues and harmonizing positions with regard to international negotiations. Developed in the context of China's WTO accession and as a part of broader Sino-European strategic partnership, around fifty decentralized and thematically diverse dialogues have facilitated China's alignment with WTO standards,

supported legal and regulatory convergence, and contributed to opening specific sectors like air and maritime transport (Hu & Pelkmans, 2020, pp. 2-15). Although the decisions made within these formats are not legally binding, these dialogues provide a platform for aligning positions on issues where consensus can be reached. Moreover, the very engagement of the EU and China in these frequent and comprehensive dialogues demonstrates a shared willingness to improve trade cooperation and address issues that contribute to trade tensions in their bilateral relations.

SERBIA'S POSITION AMID EU-CHINA TRADE TENSIONS

Serbia's unique position, caught between its ongoing EU accession process and expanding economic engagement with China, requires an increasingly strategic balancing act. Rising trade tensions between the EU and China threaten to disrupt global value chains and redirect trade flows. For Serbia, this situation brings a mix of challenges and opportunities.

On one hand, Serbia could become a strategic destination for EU companies pursuing reshoring or nearshoring strategies, as businesses look to reduce reliance on Chinese supply lines (Lađevac et al., 2025). However, Serbian exports remain structurally dependent on EU market demand and raw material exports to China, making Serbia susceptible to policy shifts in either direction. Moreover, the EU's implementation of the Carbon Border Adjustment Mechanism (CBAM) in 2023 adds further pressure on Serbia to green its exports in order to remain competitive and aligned with evolving sustainability standards in European markets (Zakić et al., 2024, p. 80). As Serbia aligns more closely with the EU *acquis* in the accession process, it may be required to harmonize its trade and competition policies with EU rules, potentially limiting the scope and terms of cooperation with Chinese enterprises.

An important milestone in the development of Sino-Serbian trade relations was the launch of the Free Trade Agreement in July 2024, aimed at gradually liberalizing 90% of tariff lines over the course of 15 years. While this FTA could enhance trade volume, its long-term effectiveness for Serbia depends on the country's ability to improve its export structure. Current exports to China are dominated by low value-added raw materials,

while imports are concentrated in high-tech consumer goods. Without a shift toward diversified, competitive exports, the FTA risks deepening Serbia's trade deficit. Moreover, upon EU accession, Serbia would be required to terminate this agreement, raising questions about the FTA's long-term relevance (Zakić et al., 2024).

Serbia faces similar challenges in its trade with the EU, in regard to diversifying its export structure and increasing the share of value-added products. Additionally, recent economic slowdowns in core EU markets have weakened demand. Germany's economy shrank by 0.2% in 2024, after a 0.3% contraction in 2023. As Serbia's top foreign trade partner by trade volume, these downturns in the German economy have a direct effect on Serbia's trade relations with the EU (Lađevac et al., 2025, p. 32). At the same time, China has overtaken Germany as Serbia's top import partner, with imports reaching €5.13 billion in 2024, slightly surpassing Germany's €5.11 billion (Statistical Office of the Republic of Serbia, 2025).

From a geopolitical standpoint, Serbia's balanced diplomacy—emphasizing openness to Chinese capital while reaffirming its EU accession path—has allowed it to maintain constructive relations with both actors. However, as EU-China competition intensifies, and as the WTO struggles to mediate global trade disputes, Serbia may face increasing pressure to define clearer economic and regulatory preferences. In this context, preserving institutional adaptability will be crucial. Although Serbia's WTO accession remains stalled, primarily due to GMO legislation and the continuation of bilateral negotiations, the country still acts as a supporter of multilateral trade norms—in accordance with the commitments of both the EU and China to uphold a multilateral trading system grounded in WTO principles.

CONCLUSION

This paper has examined the evolution of EU-China trade relations in the context of rising tariff conflicts and the broader crisis facing the WTO. Although China and the EU have traditionally advocated for multilateralism, increasing economic asymmetries and systemic differences have shifted their relationship toward a dynamic characterized

by both interdependence and competition. This duality has influenced their strategies regarding trade defence, WTO reform, and bilateral investment regulation, frequently leading to an ambivalent relationship that has been especially evident in recent years.

From 2018 to 2024, trade tensions between the EU and China have escalated, with the EU adopting more protective trade policy approach, while China has strengthened its legal and institutional frameworks to effectively respond. Even though China's trade defence measures against the EU during this period have been fewer and more targeted, they have intensified recently as part of a reciprocal dynamic triggered by EU investigations and duties, especially in sensitive sectors like electric vehicles, dairy, and pork products.

Despite these frictions, both sides have continued to engage in institutional dialogue and dispute resolution through multilateral platforms, notably the WTO, and through bilateral mechanisms such as annual summits and sectoral working groups. All negotiations and trade measures related to tariffs are carried out in accordance to WTO rules, reflecting both parties' continued recognition of the Organization as the central forum for global trade governance. The establishment of joint working groups on WTO reform and the creation of the MPIA illustrate this pragmatic commitment to multilateralism—even as systemic rivalries persist.

Serbia's dual economic orientation toward both the EU and China offers short-term benefits but also long-term strategic dilemmas. The ongoing EU-China trade tensions, and the broader crisis of the global trading system, highlight the need for Serbia to carefully coordinate its external economic partnerships. Maintaining a credible EU integration path while maximizing the development benefits of Chinese cooperation will require an adaptive trade policy framework that both anticipates alignment with EU regulations and actively protects national economic interests.

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