BLOG POST

21/09/2026

Elvire Fabry,
Director of the Programme "Trade and Economic Security"

Nicolas Köhler-Suzuki,
Advisor, Trade and Economic Security



The old normal, or why trade wars are here to stay?

At JDI x PSIA Trade Rounds, the trade historian Craig VanGrasstek argued at that the US-China confrontation is a structural contest likely to last a generation, and that third countries will struggle to keep out of it.

How much of today's turmoil in world trade is new? Craig VanGrasstek's answer, and the thesis of his new book *On Trade War* (Cambridge University Press, 2026), is that 'the new normal is just the old normal making a comeback'.

I • Power and exposure

Economists and lawyers treat states as juridically equal. VanGrasstek, a political scientist and historian, starts from the asymmetries between them: 'you can't eliminate power any more than you can eliminate gravity'. In his WTO history, those asymmetries explained why members struggled to reach agreement, since the countries with the most at stake had the least influence. Today they shape the trade war. The wartime challenge, he said, is 'the peacetime problem made worse'.

He measures two things. Market power, a country's share of global imports, is its capacity to put pressure on others. Market exposure, its exports relative to GDP, is its vulnerability to that pressure. Most states are exposed. Others are disengaged, either by circumstance, like Nepal, or by choice, like Sparta or the Soviet Union.

Two further types are open only to great powers. A political great power matters more to the world economy than the world economy matters to it, so it can use its market as a weapon at little risk to itself. That is the US, which has long used trade preferences and sanctions to influence others; a preference, in VanGrasstek's phrase, is 'a sanction standing on its head'. A commercial great power has more at stake, which is why Victorian Britain never turned its market into a weapon in peacetime. Of the 10 great powers VanGrasstek identifies today, only Germany fits that description. Its exports equal 45 per cent of GDP, against an average of 46 per cent for countries that are not great powers, and a single commercial great power, he noted, is a thin base for an open trading system. The EU does not make the list, because it has no military power of its own.

II • How China came to resemble America

The book's main contribution, VanGrasstek said, is to explain how China came to look like the US. In half a century China has tried all three great-power models. Under Mao it was disengaged; in 1973 it exported less than Singapore. After the Cultural Revolution it reopened, and by 2007, six years after joining the WTO, it was on course to become a second Germany. Had it stayed on that path, he argued, there would have been no trade war, or a very short one in which the US would 'just punch it once'.

The turn came with the 11th five-year plan, covering 2006-10, which shifted effort from export industries towards domestic needs and committed China to import more. Xi Jinping later reinforced it for political reasons. Between 2007 and 2024 China doubled its market power and halved its market exposure. VanGrasstek rates the plan as more consequential for China's trade strategy than WTO accession. Washington missed its moment. In 2006 the US could have put 11 per cent of China's economy at risk while risking only 0.4 per cent of its own, but its attention was on the war on terror.

Today China can defend itself in a trade war and take the offensive. Hence the comparison with the cold war: a contest likely to be generational and fought largely at the periphery, since two economies that have decoupled substantially over the past decade have fewer ways to hurt each other directly. Asked about the risk of armed conflict, VanGrasstek recalled that nuclear weapons kept the US and the Soviet Union from fighting each other directly. He expects proxy conflicts instead, preceded by proxy trade wars. History offers cautionary cases: Athenian sanctions on Megara, an ally of Sparta, and US sanctions on Japan before Pearl Harbor could both have been defended as alternatives to war, and both proved to be preludes.

III • Allies make easier targets

Looking at bilateral relationships, VanGrasstek finds two anomalies. The first is that the US is better placed than China to pressure America's own allies. The EU is three times as exposed to the US as the US is to the EU, and the same holds, less starkly, for the UK and Japan. That makes Europe a target of opportunity for a president who sets little store by alliances. The second runs the other way: China has more leverage than the US over Russia and Brazil, the states most closely associated with it. Its hold over Russia today resembles the position the US enjoyed over China 20 years ago. Australia, heavily dependent on exports to China, and India, which competes with China in many of the same goods, are the exceptions. The upshot, VanGrasstek argued, is a trade war that tends to erode alliances.

For the rest of the world, the pressure to choose sides will come directly from Washington and indirectly from Beijing. VanGrasstek expects a split reminiscent of the cold war, with a commercial dividing line drawn largely by geography, as the gravity model of trade predicts. Asia-Pacific economies are more exposed to China and most of the Americas to the US; Africa sits in between, courted with Chinese Belt and Road investment and US trade preferences.

Trump, in his reading, accounts for the day-to-day chaos and the 3am posts. The conflict itself stems from decisions taken in Beijing 50 and 20 years ago, and it will outlast him. US domestic politics offers no reset. VanGrasstek expected the Democrats to win back the House in November's midterms, which would make policymaking more chaotic without restoring the old order, and noted that Joe Biden spent none of his political capital undoing Trump's trade policy.

IV • Feared or loved

Asked whether the EU could turn its position into leverage while reducing its dependence on China in cars and clean technologies, VanGrasstek separated capacity from willingness. The view in Washington, he said, is that the EU has far more leverage than it is willing to use; people there have told him EU restrictions could destroy China's car industry, and that Brussels will never impose them. He reached for Machiavelli, for whom a prince forced to choose should prefer being feared to being loved. 'US leaders never hesitate to be feared,' VanGrasstek said. 'European leaders always want to be loved.' Beijing treats European leverage as real all the same. It does all it can to avoid a trade war with the EU, and when it retaliates it sanctions individual MEPs and avoids broad tariffs, which VanGrasstek called 'a very rational calculation'.

V • Little room for neutrals

A PSIA student asked whether middle powers could stay out of the contest, perhaps through a modern Non-Aligned Movement. The question came up repeatedly at the WTO Public Forum in Geneva, VanGrasstek said, and in Chile, where he presented the book earlier this year. His chapter on neutrals offers little comfort: 'It's very easy to be a disengaged neutral. It's very difficult to be an exposed neutral.' Tokugawa Japan, which barely traded, stayed out of the Napoleonic wars; the US and Russia, trading nations that wanted neutrality, were both at war in 1812. Washington today, he said, takes a more radical version of George W Bush's with-us-or-against-us line: it wants countries to keep China out of their trade and their supply chains.

The same doubt about middle powers runs through his view of the WTO. They do much of its work, chairing committees and sitting on dispute panels, but the institution exists because a hegemon created and sustained it. VanGrasstek, who calls himself more realist than institutionalist, doubts that leadership can pass to coalitions of well-meaning smaller states. They can help build the rule of law only as far as the great powers allow.

Institut Jacques Delors

Penser l'Europe • Thinking Europe • Europa Denken
17 rue d'Antin 75002 Paris, France
www.delorsinstitute.eu • info@delorsinstitute.eu