International Commentary — September 17, 2025

From Bipolar to Tripolar? U.S.-China-EU Bloc World Is Also Possible

Summary

Can the world divide itself into three distinct economic blocs? Absolutely. In a follow-up to our recently released bipolar world report, we now examine the global economic impact of a tripolar world. One in which the U.S. and China blocs take shape and break trade linkages with each other, but are also joined by a European Union that severs all outside trade connections. Hint: The global economic impact of a tripolar trade fragmentation is far worse and, in our view, is an entirely plausible scenario.

Economist(s)

Brendan McKenna
International Economist | Wells Fargo Economics
Brendan.McKenna@wellsfargo.com | 212-214-5637

Nick Bennenbroek
International Economist | Wells Fargo Economics
Nicholas.Bennenbroek@wellsfargo.com | 212-214-5636

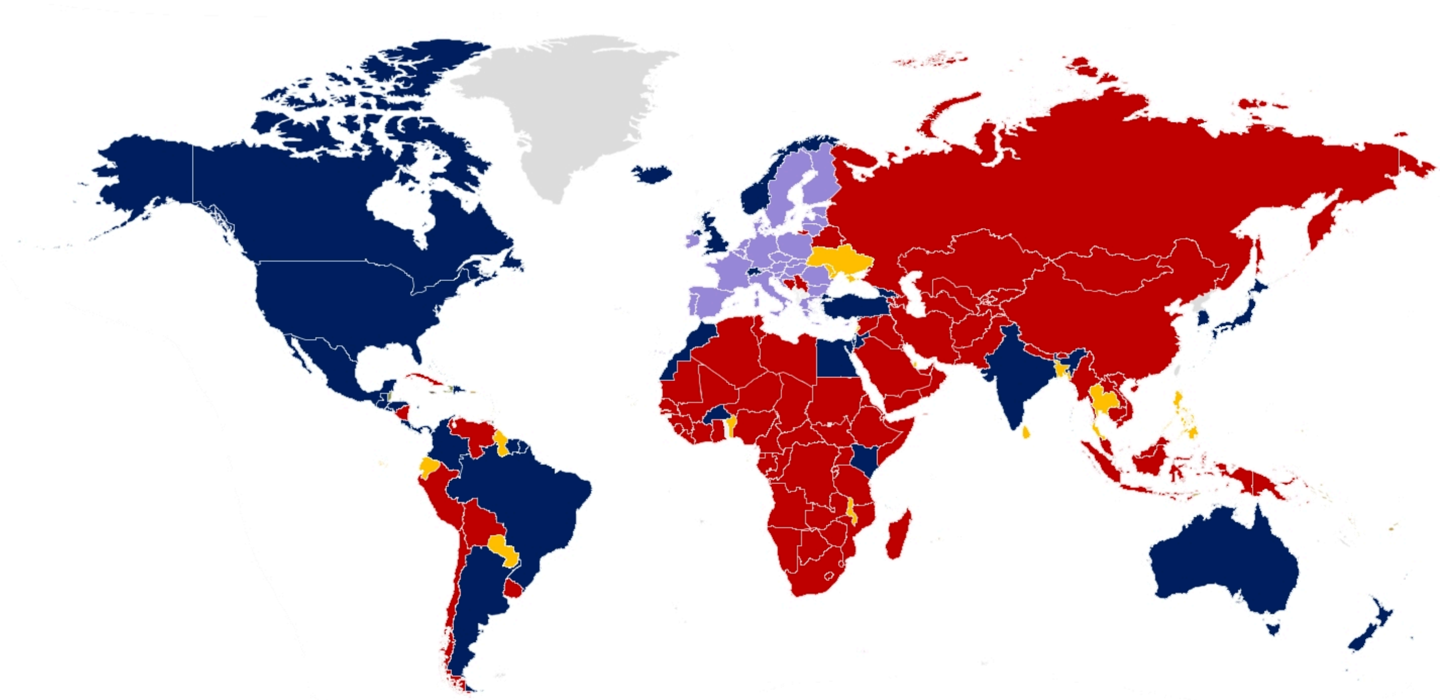
Azhin Abdulkarim
Economic Analyst | Wells Fargo Economics
Azhin.Abdulkarim@wellsfargo.com | 212-214-5154

The Global Economic Impact of Tripolar Trade Fragmentation

In the context of a fragmenting global economy—which we wholeheartedly believe is unfolding—we have mostly referred to a fracturing U.S.-China relationship. We have repeatedly made the point that the two biggest economic and geopolitical actors in the world are actively seeking to reduce reliance on one another. Given the magnitude of U.S. and Chinese influence across economic and geopolitical affairs, we have also made the point that, ultimately, countries around the world will have to pick whether to align with the U.S. or China. So far, there is compelling evidence that countries are slowly making that choice and two blocs—a U.S. bloc and a China bloc—are forming. We have explored a U.S.-China fragmentation theme for the evolution of country alignment, but more important, for the impact of fragmentation on the global economy. Our latest update on the global economic impact of U.S.-China bipolar world fragmentation was published earlier this month. While we believe a U.S. vs. China bloc scenario is still the most likely direction for fragmentation, we also consider the possibility that a tripolar world takes shape. Rather than fissures purely between the U.S., China and their respective aligned nations, we also believe a scenario exists where the European Union (EU) branches off and forms its own bloc. Of course, the EU is already a bloc of nations. But in a fragmentation setting, an "EU bloc" refers to the group of nations slowing, or potentially ceasing, trade activity with nations in the U.S. bloc in addition to countries that make up the China bloc. This tripolar U.S.-China-EU world is the scenario we will simulate and focus on in this report.

As we did in our latest bipolar world publication, we again utilize our fragmentation framework to get a sense of how the world could fracture. However, this time, rather than adjust the framework to identify countries that could align with the EU, we assume that all 27 countries currently in the EU form the EU fragmentation bloc. We also assume that countries labeled as potentially aligning with the U.S. or China in our bipolar world report remain in that same bloc, and that neutral countries retain neutrality and trade with all three blocs. Figure 1 shows how the world could fragment in this tripolar world. Nations that could form the China bloc are heavily concentrated across the emerging markets—particularly in Asia and Africa, but also certain parts of Latin America. Breaking the EU into its own bloc creates an interesting fragmentation dynamic just within the advanced economies. For the most part, developed economies ex-EU are still aligned with the United States, but the EU operating as an independent bloc fractures advanced economies significantly. Severing U.S.-EU trade linkages is meaningful, especially for the EU, but also global growth.

Figure 1

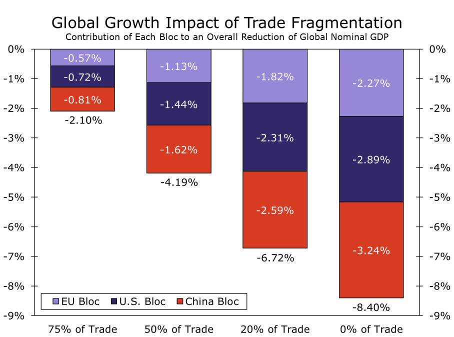


Source: Wells Fargo Economics

In a world defined by U.S., China and EU blocs, the global economic impact of fragmentation intensifies relative to a bipolar world. Our bipolar world simulation revealed that in the worst-case scenario, where no trade is retained between blocs, and no new domestic production or intra-bloc trade relationships are formed, the global economy could lose 5.5% of nominal GDP. In that same scenario for a bipolar world, the China bloc is affected most acutely as countries making up the bloc are highly reliant on trade and U.S. consumer demand. Our bipolar world simulation estimates that the China bloc could lose ~12.5% of nominal output should trade linkages completely break and no intra-bloc nations step in to fill the void. Keep that 5.5% global GDP impact and 12.5% China bloc number in mind to compare to the same simulation, but this time for a tripolar world. To that point, our simulation for the same worst-case scenario in a tripolar world reveals that the global economy could lose 8.4% of nominal output should no cross-bloc trade be retained and no substitute intra-bloc export destination be located (Figure 2). A tripolar world cuts almost three additional percentage points off global nominal GDP relative to fragmentation just between the U.S. and China. Similar to the bipolar world takeaway, China bloc nations contribute the most to the reduction in global economic output. In the worst-case simulation, China bloc countries could contribute 3.24 percentage points to the output reduction, while the U.S. bloc contributes 2.89 percentage points and the EU bloc the least, contributing 2.27 percentage points. However, in terms of the economic disruption within each individual bloc, the EU bloc is most affected by trade fragmentation. Rather than the China bloc affected the most, which is the case in a bipolar world, the EU losing access to both U.S.- and China-aligned nations imparts a heavy toll. In the worst-case scenario, the EU bloc would lose 13.3% of nominal GDP, significantly more lost output relative to the U.S. bloc and almost a full percentage point more than the hit to the China bloc nominal GDP (Figure 3).

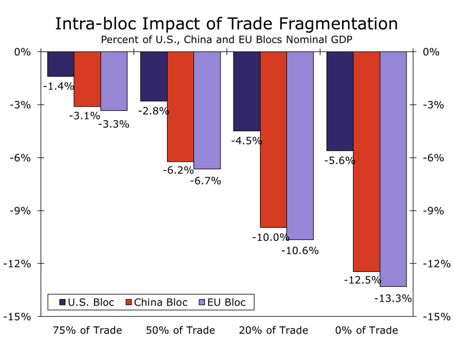
As Figure 3 hints at, losing access to the U.S. and U.S.-aligned nations is detrimental to both the China and EU blocs. The United States is the largest economy in the world, and one that is driven by consumer spending. In addition, as mentioned, other advanced economies are also embedded in the U.S. bloc. Losing partial access, or perhaps all access, to U.S. and other advanced economy consumers is quite damaging to opposing blocs. To further illustrate that point, we calculated the contribution of each bloc to the loss of nominal GDP in an opposing bloc. For example, in the worst-case scenario where no cross-bloc trade is retained and no replacement export destination or domestic production is found, China losing access to the U.S. bloc contributes 9.2 percentage points of the 12.5% loss of China bloc nominal GDP (Figure 4). The EU accounts for only 3.2 percentage points of the decline in China bloc nominal GDP. In the EU's case, losing all access to the U.S. and U.S.-aligned nations contributes 10 percentage points of the EU bloc's 13.3% loss of economic output. The China bloc only contributes 3.3 percentage points of the damage to the EU bloc's economy. Point being, the U.S. and U.S.-bloc nations are especially economically meaningful for opposing blocs. Perhaps this trade connection is why administrations in China and Europe have directed so much attention toward resolving trade disputes with the United States. That is not to say that China-aligned and EU-aligned nations are not important to the United States. But in the case of the U.S. bloc, not only is the U.S. bloc less affected by trade fragmentation overall, trade with the China and EU blocs are far less consequential in comparison to the relative importance of the United States to China and the EU blocs.

Figure 2



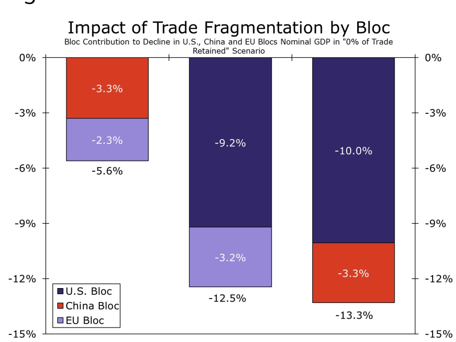
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Figure 3



Source: Bloomberg Finance L.P. and Wells Fargo Economics

Figure 4



Source: Bloomberg Finance L.P. and Wells Fargo Economics

As we indicated earlier, we believe a tripolar world is a less likely scenario than a bipolar world. With that said, the Eurozone may certainly be looking more inward as U.S. tariffs are imposed/threatened on EU countries. Geopolitical developments tied to the Russia-Ukraine conflict as well as broader concerns about the durability of NATO could also be catalysts for the EU distancing itself from the United States, but also keeping China at arm's length. Regardless of whether a bipolar or a tripolar world takes shape, we think fragmentation is a theme that is set to continue over the long term. As blocs take shape and evidence of further fragmentation presents itself, we will continue to update on developments and publish research on the theme.

For our full suite of publications on fragmentation, please see the below links to prior reports.

The Global Economic Impact of a U.S.-China Bipolar World (September 2025)

The World Cleaving into Trade Blocs: Economic Effects of Deglobalization (June 2025)

Strategic Implications of "Liberation Day" (April 2025)

Trump 2.0 & Rising Restrictive Global Trade Policy (February 2025)

The Geopolitical Influence on Global Trade (July 2024)

(December 2023)

Middle East Travel Takeaways (November 2023)

The Rise of Deglobalization: Part II: Geopolitics are Dividing the World and Global Growth is at Risk

(October 2023)

Israel-Gaza Conflict Views & Potential Implications (October 2023)

The Rise of Deglobalization: Part I (September 2023)

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Economics Group

Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Azhin Abdulkarim	Economic Analyst	212-214-5154	Azhin.Abdulkarim@wellsfargo.com
Anagha Sridharan	Economic Analyst	704-410-6212	Anagha.Sridharan@wellsfargo.com
Andrew Thompson	Economic Analyst	704-410-2911	Andrew.L.Thompson@wellsfargo.com
Coren Miller	Administrative Assistant	704-410-6010	Coren.Miller@wellsfargo.com

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