

**ECONOMIC COMPETITION BETWEEN THE US AND CHINA:  
A CASE STUDY OF TRADE POLICIES AND ITS IMPACT  
UNDER TRUMP'S ADMINISTRATION**



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MS International Relations.

## **DEDICATION**

This thesis is dedicated to my research methodology teacher, (Dr. Inayat Kalim), who recently passed away. His guidance and passion for teaching have profoundly shaped my academic path. His insights and encouragement were instrumental in my journey, and his memory will forever inspire me. This work is a tribute to his dedication.

## **DECLARATION**

I hereby declare that the work presented in this thesis is my own, except where otherwise acknowledged, and that the thesis is my original composition. No part of this thesis has been previously presented for any other degree.

**Date:** \_\_\_\_\_

\_\_\_\_\_  
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## **SUPERVISOR CERTIFICATE**

I have carefully gone through the research proposal titled: **Economic Competition between the US and China: A Case Study of Trade Policies and its Impact under Trump's Administration** submitted by Saher Meer a scholar of MSIR in the Department of Politics and IR faculty of social sciences. She has incorporated all the suggested changes by BOF, therefore her thesis is recommended to be present in BASR.

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## **LIST OF ABBREVIATIONS**

AUKUS	Australia, United Kingdom, United States
AIIB	Asian Infrastructure Investment Bank
APEC	Asia-Pacific Economic Cooperation.
ASEAN	Association of Southeast Asian Nations.
BRI	Belt and Road Initiative
CAI	Comprehensive Agreement on Investment
CFIUS	Committee on Foreign Investment in the United States
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CFR	Council on Foreign Relations.
EU	European Union
FCC	Functional Cooperation Council.
FDA	Foreign Direct Assistance
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPR	Intellectual Property Rights
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
PPE	Personal Protective Equipment
QUAD	Quadrilateral Security Dialogue.
RMB	Renminbi

RCEP	Regional Comprehensive Economic Partnership
SOEs	State-owned Enterprises
SCO	Shanghai Cooperation Organization
SED	Strategic & Economic Dialogue
TPP	Trans-Pacific Partnership
USITC	United States International Trade Commission.
USMCA	United States-Mexico-Canada Agreement
WTO	World Trade Organization
ZTE	Zhongxing Telecommunications Equipment

## **ABSTRACT**

This thesis delves into the economic competition between the United States and China, with a particular focus on the trade policies enacted during the Trump administration. It analyzes the strategic decisions and trade measures adopted by both nations, including tariffs, trade barriers, and sanctions. The research aims to explore three key objectives to understand the complexities of this competition. Firstly, the study seeks to uncover the primary economic motivations behind the initiation of this economic competition. It investigates the fundamental drivers that propelled the US and China into a contentious economic relationship. It highlights how trade imbalances, intellectual property concerns, and allegations of unfair trade practices have influenced the economic landscape between these two superpowers. Secondly, the thesis analyzes the diplomatic negotiations and strategies employed by both nations amidst this economic competition. It evaluates the trade policies and measures, including tariffs, trade barriers, and sanctions, that were adopted under the Trump administration. Additionally, it considers the strategic decisions made in a constrained environment, reflecting the broader geopolitical context within which these economic strategies were formulated and implemented. The third objective of the thesis is to explore how the economic competition between the US and China under the Trump administration influenced global power dynamics and diplomatic strategies. This involves examining the broader implications of trade policies on international trade and economic stability. The study investigates how these bilateral tensions affected multilateral institutions and the governance of the global economy. It also looks into the reactions of other nations and international organizations to the escalating trade tensions. The thesis employs a combination of quantitative and qualitative data to achieve these objectives. By analyzing trade data, policy documents, and expert commentary, it provides a comprehensive understanding of how Trump's trade policies have influenced the economic dynamics between the US and China. The research is framed within the context of neo-realism, which emphasizes the systemic search for the balance of power between nations and the strategic nature of power politics. This perspective helps in examining the aggressive nature of the economic contest and the role of non-state actors, such as multinational corporations and financial institutions, in shaping the economic landscape during this period. This thesis offers an in-depth analysis of the multifaceted nature of US-China economic relations during the Trump administration.

## **CHAPTER ONE**

### **INTRODUCTION**

The years between 2018 and 2021 marked a rise of outstanding competition between two of the world's most formidable economic powers that is United States and China, which ushered in a new kind of war on trade interaction and diplomacy. The economic disagreement which is attributed to the trade war happened at the time when tariffs were being raised, countermeasures were being taken, and negotiations were being intensified while the context of geopolitical rivalries and economic struggle. The intensification of the US-China trade conflict as the main issue took the most central focus of the chosen period, indicating the shift towards economic tension and diplomacy between the two biggest nations in the global economy (BOWN, 2020). This deteriorated phase emerged when both countries experienced trade deficits and sour relations over issues of intellectual property rights, patents, and ongoing competition. These tensions can be traced back to the early 2000s, a period marked by China's rise as a global economic powerhouse and a corresponding shift in trade relations. China's accession to the WTO in 2001 signaled improved market access and trade liberalization. However, concerns quickly arose over issues such as the piracy of inventions and ideas, pressure on the transfer of innovative technology, and the provision of state aid to domestic industries.

The presidency of Donald Trump marked a significant period of change and controversy in American politics. While his administration maintained certain core principles of the Republican Party, such as the prioritization of lower taxes, deregulation, and a strong national defense, it also introduced key departures from the party's traditional policies (Wang, 2019).

Both Trump and the Republican Party have consistently advocated for reducing the tax burden on individuals and corporations, as evidenced by the passage of the Tax Cuts and Jobs Act in 2017. This legislation, a cornerstone of Trump's economic policy, aligned with the Republican

agenda of promoting economic growth through tax cuts (Wang, 2019). Additionally, Trump and the GOP shared a commitment to conservative judicial appointments and pursued stricter immigration policies, focusing on enhancing border security.

Despite these similarities, Trump's policies significantly diverged from mainstream Republicans in significant ways. His administration's approach to trade, particularly the use of tariffs and a protectionist stance, marked a departure from the free-trade principles that had long been a hallmark of the Republican Party (Wang, 2019). Furthermore, Trump's "America First" agenda underscored a more isolationist foreign policy, which contrasted sharply with the GOP's historical support for international alliances and multilateral trade agreements.

In summary, while Trump's policies reflect certain core Republican values, his populist approach, particularly in trade and foreign policy, represents a significant shift from the party's traditional positions. This divergence has not only reshaped the Republican Party's platform but has also sparked ongoing debates within the party about its future direction. This thesis will explore the implications of this shift, examining how Trump's policies have influenced the broader Republican ideology and what this means for the party's future.

The policies enacted during the Trump administration from 2017 to 2021 present a distinctive blend of traditional Republican principles and innovative, often controversial, approaches. Rooted in a conservative ideology that emphasizes limited government, individual liberties, and free-market economics, the Republican Party has historically championed policies that advocate for lower taxes, deregulation, strong national defense, and a restrained federal role in social programs. During Trump's presidency, he infused these foundational principles with a populist and nationalist fervor, marking a significant departure from some conventional Republican policies (Wang, 2019). Trump's tenure was characterized by a bold, often combative

style and a commitment to his "America First" doctrine. This approach significantly influenced both domestic and international policies, reshaping the Republican agenda in several key areas.

Economically, the Trump administration implemented assertive tax cuts and deregulation policies designed to stimulate economic growth and minimize government intervention in business activities. These actions aligned with Republican principles, though their scope and execution frequently generated significant debate. On trade, Trump's protectionist policies, including imposing tariffs and renegotiating trade agreements, diverged from the free trade stance traditionally upheld by many Republicans, reflecting his commitment to protecting American industries and workers (Wang, 2019). In immigration, Trump's administration adopted some of the strictest enforcement measures in modern history, focusing on border security and reducing both legal and illegal immigration. These policies encompassed contentious measures, such as the travel ban on several Muslim-majority countries and the separation of families at the border. While they garnered support for prioritizing national security, they also faced substantial criticism for their humanitarian implications.

Trump's foreign policy also marked a shift with a pronounced emphasis on unilateral action and skepticism toward multilateral agreements. This was evident in his withdrawal from international accords like the Paris Climate Agreement and the Iran nuclear deal, and his insistence on renegotiating trade agreements to favor American interests (Wang, 2019). In summary, the policies of the Trump administration, while rooted in Republican ideology, brought a new dimension to the party's agenda, characterized by a blend of traditional conservatism and Trump's distinctive populist and nationalist perspectives. These policies have had lasting impacts on the political landscape and continue to influence the direction of the Republican Party.



The bilateral trade imbalance between the United States and China, particularly in the manufacturing and technology sectors, continued to expand significantly, and as the United States faced rising unemployment rates, demands for a more assertive approach towards China's trade practices intensified rapidly within US policy circles. After winning the election and the formation of the Trump administration in January 2017, conflicts over these issues have been considered as a part of the priority measures required in the sphere of economic policy, thereby exacerbating trade disputes in terms of technological and geopolitical competition (Bown, 2020). The onset of a trade war began in July 2018 when the United States imposed tariffs worth several billions of dollars on Chinese imports based on the absurdity of China's gross violation of international trade laws on the abetment of unfair trade practices and theft of intellectual property. In response, China imposed tariffs on US exports, escalating the tariff war. It further intensified as it affected the global markets instigating risks to interconnected supply chains that have become useful to several industries.

The trade tensions between the United States and China during Trump's presidency constituted a significant and highly polarized issue, exerting a profound impact on global economics and investment. Initially, this conflict stemmed from a primarily mercantile dispute, but it soon escalated into a broader confrontation as the two nations began to reveal fundamentally opposing worldviews and objectives. For over 30 years, the United States and China, two giants of the global economy, have been engaged in a complex and often contentious economic relationship. However, this relationship experienced a significant transformation during the presidency of Donald J. Trump. Scholars aiming to understand the complexities of the US-China economic relationship may find the period of Trump's administration, from January 2017 to January 2021, to be a critical point of reference. (Economics, 2017). During this period, people

saw the emergence of an intricate competition, often referred to as the Economic Competition between the United States and China, shown in trading disputes, technological races, and geopolitical tensions.

With interests led by Trump's presidency, the mainstream strategic concern in the world has shifted to a trade struggle between America and China. Since these two nations have the largest economies in the world, their actions impart profound implications for international relations, regional financial systems, and worldwide regulation of money (Itakura, 2020). Meanwhile, this thesis attempts to perform a thoughtful and extensive investigation of the economic competition between the US and China in the Trump Era to understand its fundamental characteristics, factors that influenced it, and impacts when and where applicable. As this thesis attempts to assess the journeys, courses of action, and strategies implemented by both nations, it aims to shed light on the complexities of the bilateral US-China economic relations and their consequences for the global economy.

The relationship between the United States and China, notes that the two nations have both cooperated and competed with one another. While the two countries have conducted long diplomatic and economic activities with each other in the form of trade and financial relationships, they have not always been peaceful and friendly, especially in the economic aspects of technology. During the Trump presidency, the economic competition between Washington and Beijing intensified because of multiple factors such as trade deficit, concerns over piracy and other infringements of patents, and geopolitical tensions (Itakura, 2020). In this phase there was seen the worsening of trade conflicts, the introduction of taxes, as well as the appearance of new issues in such areas as technological development and cyber security.

In the Trump administration, the economic measures and driven orientations of both the US and China played a crucial role in shaping the nature of their economic competition. The Trump era also saw an aggressive China policy through elusive tariffs on Chinese goods and trade barriers intended to address perceived trade imbalance and reduce the United States trade deficit with China. On the other hand, China resorted to counterbalancing measures and sought to strengthen its domestic players and advanced technologies (Itakura, 2020). These escalations in trade tensions depicted in this study had remarkable impacts on the fossil of global trade and market sentiments.

Additionally, the economic competition between the United States and China during the Trump term has had a profound impact on both multilateral institutions and international rule-setting. That added pressure on the existing structure of multilateralism influencing the functioning of organizations like the WTO or IMF (Itakura, 2020). The other point that significantly added to these challenges, and complicated them even more, is that the policy related to international trade of the administration of the president, Donald Trump, was focused on unilateralism, and it gave rise to doubts as to the multilateralism, further deepening these complexities.

As these events are preceded or unfold, there is a growing need to understand and analyze the US-China economic competition during Trump's presidency. Through critically analyzing the principal appearances, the factors shaping this rivalry, and its implications within the context of this dissertation, the work seeks to advance an understanding of the dynamics of this historically substantial interaction between two world economies. Using a critical evaluation of the ideas put forth in this study including case examples and policy recommendations, this thesis aims to provide useful insights to policymakers, scholars, and practitioners on the shifting dynamics of trade and economic cooperation.

It is in this period of volatility that this study will seek to analyze all different virtually all aspects of the competition that characterized the US-China economic relations as undertaken during the presidency of Donald Trump. The trade conflict between the US and China, especially during Trump's presidency, became a complex and highly indicators confrontation in the world economy with multiple effects on both countries and the global economy. The US implemented tariffs and trade barriers on China in January 2018 as a result of unfair trade practices and theft of intellectual property by China first aimed at rebalancing trade between the two countries (Itakura, 2020). The Trump administration alleged that these practices were increasing the trade imbalance between China and the United States alongside the theft of American technology by China. Consequently, the Chinese government labeled the US as one adopting nationalist protectionism and brought in countermeasures.

In the Trump administration, the economic conflict with the US-China implemented aggressive policy measures that featured tariffs, export controls, investment restraints, and resourcing from critical industries. These actions arose from what has been perceived as China's economic conduct and policies in terms of stealing of assets including intellectual property, forcible technology transfer, and unfair trading practices considered to pose a considerable threat to both the US economic and national security. Accordingly, the Trump administration adopted an assertive stance to recalibrate the economic bilateral relationship between the two countries (Itakura, 2020). Research also shows that, despite the trade dispute, only the consumers in the US who had bought imported products suffered a blow through higher prices, although the situation affected Chinese consumers in a limited units.

This thesis utilizes a case study methodology to comprehend the complexities of this economic competition. This study focuses on the Trump administration with the objective of

unraveling the complex causes, effects, and policy implications of this multifaceted confrontation. By employing a comprehensive range of primary and secondary sources, including official government records, economic data, and scholarly research, this investigation aims to provide a thorough and nuanced perspective on the US-China economic competition. Furthermore, it will contribute to the broader academic dialogue on global relations, trade strategies, and worldwide economic governance by presenting insights into the evolving dynamics of major power competition in the contemporary era. The trade dispute had diverse macroeconomic repercussions, with American consumers bearing the weight of the tariffs through increased prices, while the influence on Chinese consumers was marginal (Žemaitytė and Urbšienė, 2020). The US-China trade imbalance, a principal concern for the Trump administration, indeed exacerbated three years after the initiation of tariffs, witnessing bilateral trade between the two nations attaining unprecedented levels and amplifying China's trade surplus.

Against this background of tariff escalations and economic strategy, efforts in diplomacy to resolve the conflict were witnessed. Rounds of negotiations were undertaken by both parties, with alternating periods of optimism and stalemate experienced. High-level meetings, exemplified by discussions between President Donald Trump and President Xi Jinping, provided glimpses of potential breakthroughs but frequently did not result in lasting agreements. During the course of the trade conflict, there was a broad spectrum of diplomatic approaches observed, indicating the intricate interaction among economic, political, and strategic factors (Chorzempa, & Stratford, 2021). Diverse methods were employed by the United States, incorporating coercive measures such as tariffs, sanctions, and export controls, to urge China to address its trade-related grievances and implement structural changes. In contrast, China endeavored to balance resistance and

conciliation, demonstrating readiness for negotiations while affirming its determination to safeguard its national interests.

The repercussions of the trade war reached well beyond the spheres of trade and economics, exerting a significant influence on geopolitics and global governance. It emphasized the escalating tensions between the United States and China as they competed for supremacy in Asia-Pacific and elsewhere. Additionally, it emphasized the difficulties of handling economic interdependence amidst an era marked by increased nationalism and protectionism. In the end, a multifaceted heritage was bestowed by the US-China trade conflict, altering the configurations of worldwide trade, restructuring supply chains, and impacting the course of international diplomacy (Chorzempa, & Stratford, 2021). Despite the endorsement of a preliminary trade agreement in January 2020, numerous fundamental frictions endured, allowing for forthcoming disagreements and discussions.

Vasil Gechev especially in his article entitled *Political Shadows in the USA-China Trade Dispute* sheds more light on the political effects and concerns occasioned by the trade war between the US and China (Gechev, V. 2021). Based on the information provided in the article, the scope of the conflict is described, referring to the period from the 1980s, as well as the complex political factors affecting the bilateral relationship. In addition, concern is shifted towards more involvement of intermediate countries present, like India, within the trade tension. Meanwhile, the potential future events of follow-up conflicts within the tension conflict are examined.

The article, *The Economic Impacts of the US-China Trade War*, by Fajgelbaum and Khandelwal provides a comprehensive analysis of one of the biggest trade conflicts that has taken place between two of the largest economies in the world this decade, starting from the year 2018. The authors present an intensive analysis of what both countries underwent and how tariffs

affected them while it raised tariffs on roughly 11% of Chinese imported goods, the United States zeroed in on about 18% of the country's exported products (Fajgelbaum, & Khandelwal, 2022). The authors expand on the consequences of the trade conflict further about such facets as changes to the composition of consumers and producers, mutations of employment, and spatial shifts regarding income and consumption within the geographical context of the United States.

In conclusion, economic competition intensified by the Trump administration of the United States with another superpower, China, can be categorized as a unique event in the world economy. This issue extends beyond the United States and China, permeating the entire international economic system. This thesis seeks to offer a comprehensive understanding of this debate by providing policymakers, scholars, and others interested in the dynamics of interdependent and evolving economic relations between the United States and China with essential insights and findings.

## **1.1 Statement of the Problem**

This thesis examines the economic competition between the United States and China, which stands as one of the most critical dynamics in the global economy. However, under President Donald Trump's administration, this competition intensified significantly, marked by a series of aggressive trade policies and measures. The trade war, characterized by tariffs, sanctions, and retaliatory actions, substantially reshaped the economic landscape, with far-reaching implications not only for the two nations involved but also for the global market. This thesis attempts to explore the specific trade policies enacted during Trump's administration and assesses their impact on the economic relationship between the US and China. By focusing on this period of heightened tension, the research aims to provide a comprehensive analysis of how these policies influenced trade dynamics, economic stability, and broader geopolitical relations. It also seeks to understand

the motivations behind these policies, their short-term and long-term effects, and the responses from both nations.

## **1.2 Significance of the Study**

Analyzing the economic competition between the United States and China during the Trump administration is essential for several reasons. First, it offers valuable insights into the complex dynamics between two of the world's most powerful nations, shaping global trade, interdependence, and geopolitics. Trump's assertive and often isolationist policies on international trade have had significant implications for stakeholders, policymakers, economists, and business leaders. Analyzing this competition helps frame future policies related to trade negotiations, tariffs, and investment strategies, making them more effective.

Additionally, this thesis provides important insights into the direction of international relations and the management of global issues. The intensified economic rivalry, particularly in manufacturing and trade, has impacted not only bilateral economic partners but also global trade allies. By examining these dynamics under Trump's administration, the study sheds light on the shifting balance of power and influence in global politics, offering valuable information for corporate strategies and academic research. The study also contributes to the literature by systematizing the understanding of US-China relations, expanding research on economic diplomacy, and advancing the field of global political economics. By focusing on the economic rivalry during this specific period, the thesis enriches the discussion with empirical evidence and theoretical concepts related to intergovernmental contention, economic patriotism, and the future of the global economic landscape.



### **1.3 Objectives of the Study**

1. To examine the primary economic motivations behind the initiation of the economic competition between the US and China.
2. To analyze the diplomatic negotiations between the US and China affected by economic competition as well as the strategies and trade policies they have adopted to achieve their objective under a constrained environment.
3. To explore economic competition between the US and China under the Trump administration impacted global power dynamics and diplomatic strategies.

### **1.4 Research Questions of the Study**

1. What are the primary economic motivations behind the initiation of the economic competition between the US and China?
2. How did the diplomatic negotiations between the US and China affect economic competition and what strategies and trade policies they have adopted to achieve their objective under a constrained environment?
3. How did the economic competition between the US and China under the Trump administration impact global power dynamics and diplomatic strategies?

### **1.5 Delimitation of the Study**

The delimitation of the study for the research on the title “Economic Competition between the US and China: A Case Study of Trade Policies and its Impact under Trump's Administration” can be the following:

The analysis is confined to the specified timeframe, thereby excluding comprehensive coverage of events or developments prior to the Trump administration. The research is conducted

in English and is based on primary and credible secondary sources. As a result, sources in languages other than English are not included in the study.

## **1.6 LITERATURE REVIEW**

**Trade War: Containers Don't Lie, Navigating the Bluster** This book delves into the intricate and multifaceted realm of global trade, with a particular focus on the escalating trade tensions between the United States and China. The main focus of the book is to furnish readers with a profound and insightful comprehension of the real-world repercussions of the trade war by analyzing concrete data and firsthand testimonies from individuals directly engaged in global trade. Lori Ann LA Rocco is an established journalist with vast experience in the seaborne shipping and international business reporting as a niche, and through her job, she provides the audience with detailed insight into how the trade war develops in the logistics and shipping industries (LA Rocco, 2019). The book calls for the focus on the consequences of the rhetoric, not on the rhetoric itself in the form of political policies; However, following the movement of shipping containers, which can be perceived as the sixth parameter of the trade war, provides more accurate and actual insight into the effects and implications of the war. The use of containers symbolizes a physical and materialistic way of capturing the impact of trade-related policies on the flow of products and the chain of supply.

**Schism: China, America, and the Fracturing of the Global Trading System** The escalating discord and confrontation between China and the United States are precipitating the disintegration of the worldwide trade framework. Situates the complex relationship between the two nations and the facets that preface the present status. Therefore, at the center of the keystone of the trade perturbation remains the conflicting systems of economy between the two countries. First, Chinese authorities fulfilled WTO commitments of Beijing, as a result of which there was a forcing

transformation of the economy and legislation. However, lately, especially with the China-US trade war, the WTO like the global trade system itself seems to have undergone a process of bifurcation witnessed through a series of matching tariffs and other trade barriers (Blustein, 2019). Blustein's work explores why or how such a distribution came into being, it also covers the finances of the United States and the impact of increasing trade with China on the American economy. Additionally, the author scrutinizes the ramifications of the trade conflict on other nations, such as Singapore. In essence, "Schism" furnishes an exhaustive examination of the prevailing condition of the global trade system and the obstacles it confronts due to the escalating tensions between China and the United States.

Destined for War: Can America and China Escape Thucydides' Trap? this publication delves into the potential clash between the United States and China, exploring methods to avert such a scenario. The work delves into the concept of 'Thucydides' Trap,' which warns of the perils arising when an ascendant power challenges a reigning power, mirroring historical tensions like those between Athens and Sparta in ancient Greece. The author contends that, given present trajectories, future conflict between the United States and China is not only plausible but more probable than currently acknowledged (Allison, 2017). Nevertheless, the writer also underscores that, among the 16 cases analyzed by the Belfer Center, analogous rivalries failed to culminate in warfare in four instances, indicating that confrontation can be sidestepped. The text scrutinizes the structural elements and misunderstandings contributing to the perils within the US-China association. It is stressed that should leaders in both nations permit these elements to propel them toward war, they cannot evade accountability by evoking inevitability.

In the article Macroeconomic Effects of Trade Tariffs: In this particular case, the study would be A Case Study of the US-China Trade War Effects on the Economy of the United States

which focuses on how the trade war between the US and China affected the economy of the United States. The present study, authored by the four contributors, aims to elucidate the macroeconomic impacts of the trade tariffs implemented by both nations and to provide a detailed analysis of the trade war. The details of the trade war between China are stated which entails the purpose of the conflict and a timeline showing the events that led to the implementation of tariffs (Žemaitytė and Urbšienė, 2020). As a result, the overall effects influencing expansion and economic performance indicators such as GDP, employment, inflation, and balance of trade are considered to understand the effects of the trade war on the US. The analysis encompasses trade policies between the United States and China, modifications in trade flows, and the effects of tariffs on both economies. The trade war between the US and China appears to have impacted certain sectors more than others. An assessment has been conducted to determine which sectors may experience prolonged adverse effects on the overall US economy. It presented the policy implications of the trade war and suggested advice for policymakers concerning how to minimize the trade war shocks and ensure long-term economic stability. In conclusion, the article provides an excellent overview of the impact of the US and China trade war on the US economy and the prospects of this warfare, which has important implications for understanding the challenges that may arise in the future.

This article, *Political Shadows in the US-China Trade Dispute* by Vasil Gechev currently analyses both the economic and political aspects of the trade war between the United States and China which started on the 6th of July of the year 2018 with the imposition of 25 ad valorem tariff on \$34 billion worth of Chinese products. Drawing on the concept of tariffs, the author explores the applicability of tariffs in addressing copyright violations and balancing trade with China to suggest that tariffs might not be an effective solution to tackling these issues (Gechev, 2021). Philosophical concerns scrutinized also consist of the modifications of the trade gap over the last

two decades, its impact on employment and median household income in the United States concerning politics including the BRI, China's military advancements, and cyber-attacks. This last part of the article looks at how the tariffs imposed by the US on China have affected China's GDP, export, and trade balance within the 2018, 2019, and 2020 periods.

The article US-China Trade War aims to present an analytical viewpoint regarding the economic dispute between the two nations and its ramifications. This article examines the underlying rationales for the trade conflict between the United States and China, focusing on issues such as the illicit acquisition of intellectual property, forced technology transfers, and unfair trade practices. The analysis further explores the potential impacts of the trade conflict, including disruptions to supply chains, increased operational costs for firms, and a possible reduction in available job opportunities (Tonelson, 2020). In the subsequent part, Tonelson reflects on various industries within the United States that can be influenced by the trade conflict including manufacturing and agriculture, and also weighs the possible long-term implications for them. I rely on the article, the transformation in the economic dispute between the United States and China is also explained, as well as the possibility of a lasting change in the relationship. In other words, the article provides a brief yet insightful analysis of the trade war between the United States and China about its background, causes, relationship with the existing outcome, and evolving relations between the world's two largest economies.

The article US-China Economic War Gets Colder provides an analysis of changed features of the economic confrontation between the United States and China along with identifying potential effects in various sectors. A global trade war has been further fueled by the US Midwest elections by the fact that both nations have resorted to imposing tariffs on the merchandise of the other and they are also involved in a larger economic confrontation (Deepak, 2018) the following

are the effects of the US-China economic conflict as a result of the disruption of global trade. There is disruption of the supply chain organizations experience high operational costs and the possibility of job losses. Exploring the impacts of the economic conflict on this industry may also address the measures undertaken by both countries entailing restrictions on their counterparts' business organizations and financial activities. Great importance is given to the conceivable long-term change in relations between these two poles of the world economy.

The article *Economic Impacts of the US-China Trade War* by Pablo D. Fajgelbaum and Amit Khandelwal presents an in-depth examination of the economic outcomes arising from the trade conflict between the United States and China, which commenced in 2018. A thorough analysis is provided regarding the tariffs implemented by both nations, with approximately \$350 billion of Chinese imports being targeted by the United States, while China retaliated against \$100 billion of US exports. Various data and methodologies employed by economists to evaluate the repercussions of the trade war on not only the US and China but also on other nations are reviewed within the article (Fajgelbaum, & Khandelwal, 2022). It is underscored that the tariffs resulted in increased prices borne by US consumers, leading to a reduction in aggregate real income in both nations, albeit not markedly in comparison to GDP. Furthermore, the article delves into the distributive consequences affecting consumers and producers, shifts in employment across sectors, and spatial ramifications concerning income and consumption within the US.

The report *The US-China Trade War Has Become a Cold War* discusses how the US-China trade war has delved into the transformation of the US-China trade war into a cold war scenario. Initiated by former President Donald Trump's focus on trade imbalances, the dispute escalated into the imposition of punitive tariffs and limitations on China's access to U.S goods. Despite calls for easing tensions, President Joe Biden has upheld these policies, emphasizing simultaneous

competition, confrontation, and cooperation with China (Huang, 2021). The paper underscores that punitive trade actions have had limited effects on economic outcomes and underscores the significance of utilizing China's dependence on international trade regulations for fostering more constructive economic ties. It proposes that Europe could play a crucial role in facilitating constructive dialogues with China owing to its distinct approach to major power dynamics and technological interdependencies compared to the US. Huang contends that the US should prioritize enhancing its domestic economic policies instead of solely attributing trade imbalances to China. By acknowledging the comparative advantages of each nation and operating within a rules-based international trade framework, all stakeholders can thrive. The discourse critiques the flawed rationale behind the US trade war and stresses the necessity for the US to address internal economic competitiveness and political unity while collaborating with global allies to establish enduring international institutions.

The policy brief titled *New Protectionism: Still Protectionism and Bad Economics* by Veronique de Rugy explores the adverse effects of protectionist strategies, notably tariffs and quotas, on economies. The contention put forth by the author is that despite the inclination of politicians towards protectionist measures, they fail to effectively tackle economic hurdles and can inflict harm on the very populace they seek to safeguard (De Rugy, 2019). Instances from nations such as South Korea, Japan, Taiwan, and China, where historical protectionist policies yielded minimal contributions to economic advancement, are underscored in the brief. Instead, the author underscores the significance of free trade agreements and international bodies like the World Trade Organization in addressing concerns associated with foreign subsidies.

The book *The US-China Trade War: Global News Framing and Public Opinion in the Digital Age* edited by Louisa Ha and Lars Willnat according to the academic guidelines, the

comprehensive examination of media presentation and public perception throughout the US-China trade war is offered within this text, an in-depth exploration is conducted into how the framing and setting of agendas in media outlets from both China and the US affected public perspectives during this significant economic clash (Ha, & Willnat, 2022). Various themes are investigated, including the portrayal by media of Chinese investment within the US, the utilization of journalistic frames focused on peace and war, and the repercussions of media representation on public mood in both nations. Furthermore, the interaction between conventional news platforms and social media is scrutinized regarding its role in molding international relations, and suggestions are provided for managing conflicts through conscientious journalism.

In his address delivered in Monessen, Pennsylvania, Donald Trump delineated his intentions to revise global trade regulations and revitalize the American economy. The existing trade agreements, notably NAFTA, were scrutinized, and his resolve to prioritize American workers and industries was underscored. This examination scrutinizes pivotal aspects of Trump's discourse, assessing his suggested strategies and their prospective ramifications on the economy. The adverse ramifications of globalization were accentuated by Trump, who referenced the depletion of manufacturing positions and the economic downturn witnessed in numerous American municipalities. Politicians were reproached for favoring foreign interests over domestic industries, with culpability ascribed to them for the erosion of the American middle class (Time Staff, 2016). Trump committed to renegotiating trade agreements, designating China as a currency manipulator, and imposing tariffs on imports, with a particular focus on countries such as China. He contended that these measures would shield American employment and enterprises. Donald Trump's address mirrors his dedication to contesting extant trade policies and advancing American interests. While his proposals resonate with individuals concerned about potential job losses, there



are significant risks associated with his protectionist stance. The consequences of his policies on the American economy continue to be a subject of contention and uncertainty.

During an address at the Economic Club of New York, China's trade practices were disparaged by President Donald Trump, labeling the nation as "deceivers." Responsibility for permitting China to exploit trade agreements to the detriment of American laborers was attributed to past US leaders. Ongoing negotiations for the initial phase of a trade agreement were acknowledged by Trump, emphasizing the necessity for transparent markets and the eradication of theft of intellectual property (Cox, 2019). Furthermore, the European Union faced criticism for having trade barriers that were perceived as equally stringent as, and at times more severe than, those of China. Trump's remarks interrupted a period of relatively stable trade relations between the United States and China, raising concerns about possible impacts on global markets."

### **1.6.1. Research Gap**

The research gap for the thesis on the "Economic Competition between the US and China: A Case Study of Trade Policies and its Impact under Trump's Administration" can be identified as follows:

The enduring impact of trade tensions between the US and China during the Trump administration has significantly reshaped global economic dynamics. The implementation of tariffs and trade barriers, intended to reduce the US trade deficit and challenge China's trade practices, led to a substantial reconfiguration of supply chains. In response to the escalating trade conflict, companies increasingly sought to diversify their sourcing and production to mitigate associated risks. This shift not only transformed global trade patterns but also intensified efforts toward greater technological self-reliance and the re-shoring of manufacturing capabilities in various countries. The trade tension prompted both nations to accelerate their pursuit of

technological advancements and innovation, with substantial investments in areas like semiconductor manufacturing and 5G technology. While some studies have examined the effects of trade wars on specific industries or regions, there is a need for a more comprehensive analysis of the impacts on the overall economy. This includes understanding the job losses, wage stagnation, and investment patterns resulting from the trade war.

The US-China trade war, which initially began as a dispute over China's unfair economic policies, evolved into a more significant conflict driven by differing ideologies. This shift like the conflict has long-term implications for global relations and cooperation. Bilateral tariffs on Chinese goods did not address the underlying income distortions in China that led to its trade surpluses and export of domestic demand deficiencies. As a result, even if Trump's tariffs were successful in reducing the US bilateral deficit with China, they would not have addressed the mechanisms that caused these imbalances. The US-China trade war and significant decoupling with China would have further hurt the US economy and reduced employment. Escalating trade war and decoupling scenarios projected a \$1.6 trillion reduction in real GDP terms over the next five years. Rising nationalist frustrations in both the USA and China contributed to the ongoing trade tension. The phase one trade deal between China and the United States, as well as the trade war that preceded it, significantly hurt the American economy without solving the underlying issues in the US-China relationship.

## **1.7 THEORETICAL FRAMEWORK**

For theoretical explanation, this thesis supports the Realism concept in general and Neorealism in particular. Comparable to realism or rather a sub-set of realism, neorealism focuses on how systemic structures limit state choices. This theory can be applied to effectively examine the United States and China's respective drive to protect their interests and the ongoing related

game of power in a trade war. When analyzing the US-China economic competition, the realist theory can be useful in understanding objectives for a trade war such as the protection of economic and geopolitical interests by the United States. Furthermore, neorealism can assist in explaining some structural aspects of the trade war, from the inter-state systemic anarchy, characterized by a conflict between the US and China as the dominant powers in the world today, to the security dilemma, brought by China as a rising power that possesses both growing economic and military might. The awareness of such structural changes is advantageous in making sense of the trade tension's regional and global consequences (WALTZ, 1979).

Neo-realism, or structural realism, focuses on the structure of the international system and the distribution of power as the primary determinants of state behavior. Here are some Neo-realist assumptions applied to the title "Economic Competition between the US and China: A Case Study of Trade Policies and its Impacts under Trump's Administration"

**1.7.1 Anarchy in the International System:** Neo-realism has it that the system out there is anarchical, there is no supreme world authority making the decisions for all the states. The states are in desperate need of being in charge of their security and fate in a situation referred to as the system of 'every state for itself. In the mitigation of the historical Americans' comprehension and experience of the US-China economic conflict, this perspective should be able to facilitate the understanding of the specifics of why each country intensified efforts to fortify economic power and security, if not at the detriment of the other.

**1.7.2 State as the Primary Actor:** Neo-realism considers states as the primary actors in international relations. The economic competition between the US and China is driven by state-led policies and decisions. Under Trump's administration, the US government's trade policies,

such as tariffs and trade agreements, were direct actions taken to counter China's growing economic power.

**1.7.3 Balance of Power:** Neo-realism also focuses on how and why states work to achieve equilibrium or find allies against other threatening states. In acknowledgment of the economic competition, the Trump administration's "American First" policy can be viewed as an effort to counterbalance China perceived as exhibiting both economic and strategic dominance. This policy encompassed things like tariffs, export restrictions, and the curbing of investments made by China into the United States.

**1.7.4 Security Dilemma:** Neo-realism posits that actions taken by one state to increase its security can lead to increased insecurity for other states. The trade policies implemented by the US under Trump's administration, such as imposing tariffs on Chinese goods, were seen by China as a threat to its economic security, leading to retaliatory measures and escalating tensions.

**1.7.5 Rational Actors:** States are rational actors that make decisions based on cost-benefit analyses to maximize their national interest. The trade policies of the US under Trump were calculated moves aimed at protecting American industries, reducing trade deficits, and pressuring China to change its trade practices. Similarly, China's responses were rational actions to protect its economic interests and maintain its growth trajectory.

**1.7.6 Relative Gains:** From a neo-realism perspective, the understanding is that the states' major concern is relative gains, this is the extent of the benefit accrued compared to that of the other state. From the economic competition perspective, the US and China focused on how each partner stood to benefit from their business relationship (WALTZ, 1979).

From a neo-realist perspective, the economic competition between the US and China, particularly during Trump's administration, can be seen as a struggle for power in an anarchic

international system. Neo-realism suggests that states, regardless of their internal characteristics, are driven by the need to secure their position in a competitive global order. The Trump administration's trade policies, including tariffs and sanctions against China, were not merely reactions to trade imbalances but were rooted in a broader strategic concern about China's rising economic and military power. By attempting to curb China's economic growth, the US sought to maintain its dominant position in the international hierarchy. This aligns with the neo-realist view that states act to maximize their relative power in an uncertain and competitive international environment, where the rise of one power often leads to countermeasures by another to prevent shifts in the balance of power.

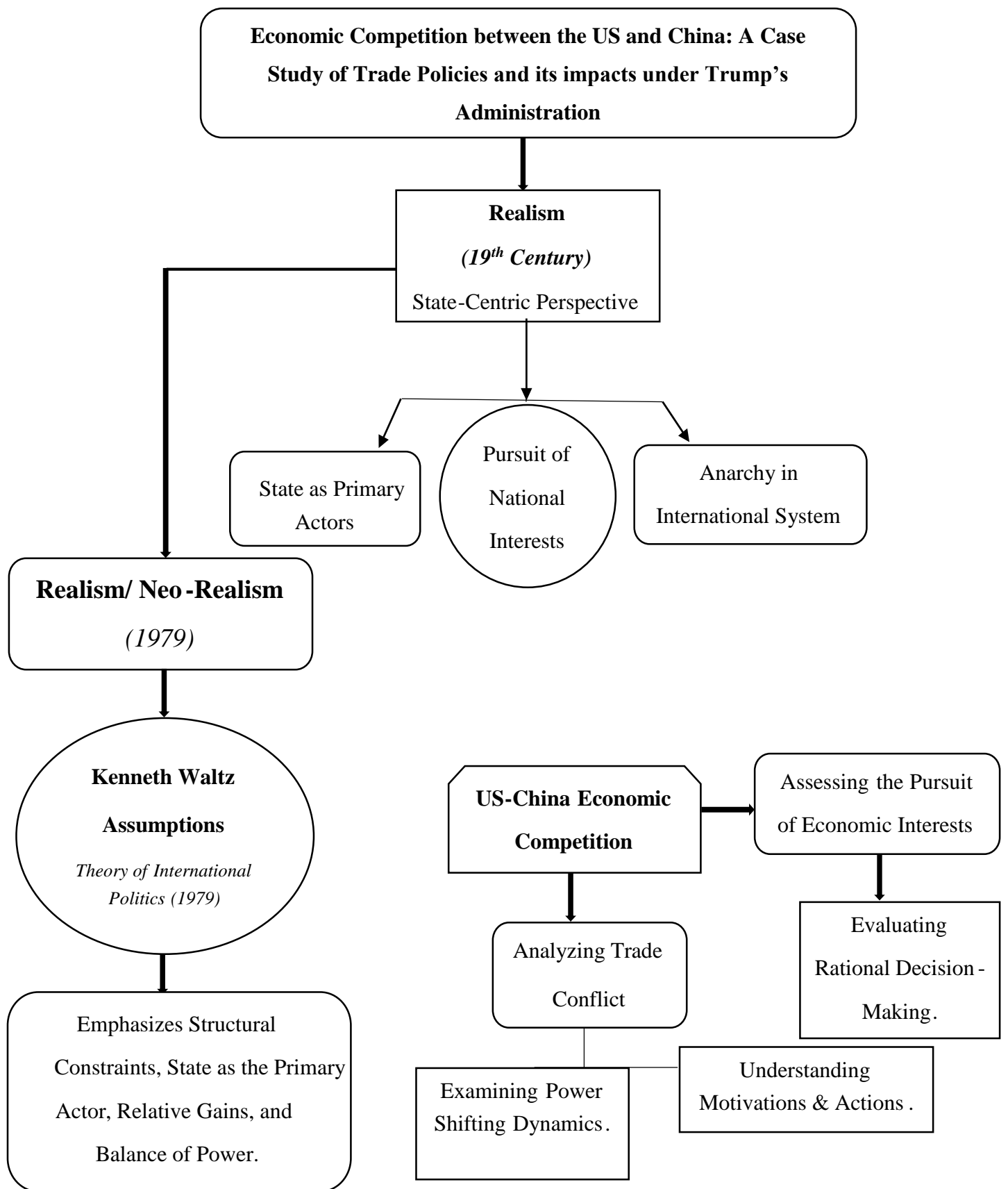


Figure 1. (WALTZ, 1979) Compiled by author. Based on Kenneth Waltz Book.

## **1.8 RESEARCH METHODOLOGY**

Research methodology is synonymous with research methods and entails a systematic, theoretical evaluation of the procedures adopted in a given field of study. Research methodology defines the processes that allow gathered information to be comprehensively analyzed to understand a specific subject or phenomenon. In its simplest form, it defines the general plan on how the research is to be conducted and it covers the general plan on how the research work is to be conducted.

### **1.8.1 Research Design**

This study uses a case-study method that is based on the mixed method to compare and contrast the economic competition between the US and China during Trump's presidency. Like other issues, geopolitics is more nuanced; therefore, the case study approach enables one to conduct a detailed analysis of the matter being researched.

### **1.8.2 Data Collection**

Data for this study is collected from multiple sources to ensure a comprehensive analysis:

#### **1.8.3 Primary Sources:**

**1.8.3.1 Government Documents:** Analysis of the official press releases and speeches of US and Chinese Presidents, Prime Ministers, and Ministers' official policy documents, executive orders, sentences on tariffs, and intended measures published by the White House and State Council websites.

#### **1.8.4 Secondary Sources:**

**1.8.4.1 Archival Research:** In addition, presidential speeches, executive orders as well as diplomatic notes, and letters are employed to get an understanding of the contexts in which the decisions under study are made at the time under consideration.

**1.8.4.2 Academic Literature:** Trade literature, international business and economics journals, books, articles, and case studies are consulted to understand the general theoretical background of the case of international trade conflicts between the US and China.

**1.8.4.3 Media Sources:** The news sources are highly reputable, with local and global coverage to obtain up-to-date information, perspectives, and sentiments on the economic war.

**1.8.4.4 Think Tank Reports:** Publication from some of the best journals such as Journal of Strategic Studies.

## **1.8.5 Data Analysis**

### **1.8.5.1 Qualitative Content Analysis**

**1.8.5.1.1 Thematic Analysis:** Analyze the correlation between economic policies and the results that have emerged as key trends and patterns.

**1.8.5.1.2 Chronological Analysis:** Examines the timeline of events to understand the sequence and impact of various policies and responses.

**1.8.5.1.3 Comparative Analysis:** Compare the economic indicators of both countries during the Trump administration.

**1.8.5.2 Quantitative Content Analysis:** Descriptive and Comparative Analysis.

## **1.8.6 Ethical Considerations**

**1.8.6.1 Bias Mitigation:** Acknowledge and address potential biases in data selection and analysis.

## **1.8.7 Limitations**

**1.8.7.1 Scope:** Focuses on the Trump administration, which may limit generalizability to other administrations or periods.



**1.8.7.2 Data Availability:** Potential constraints in accessing certain classified or sensitive information.

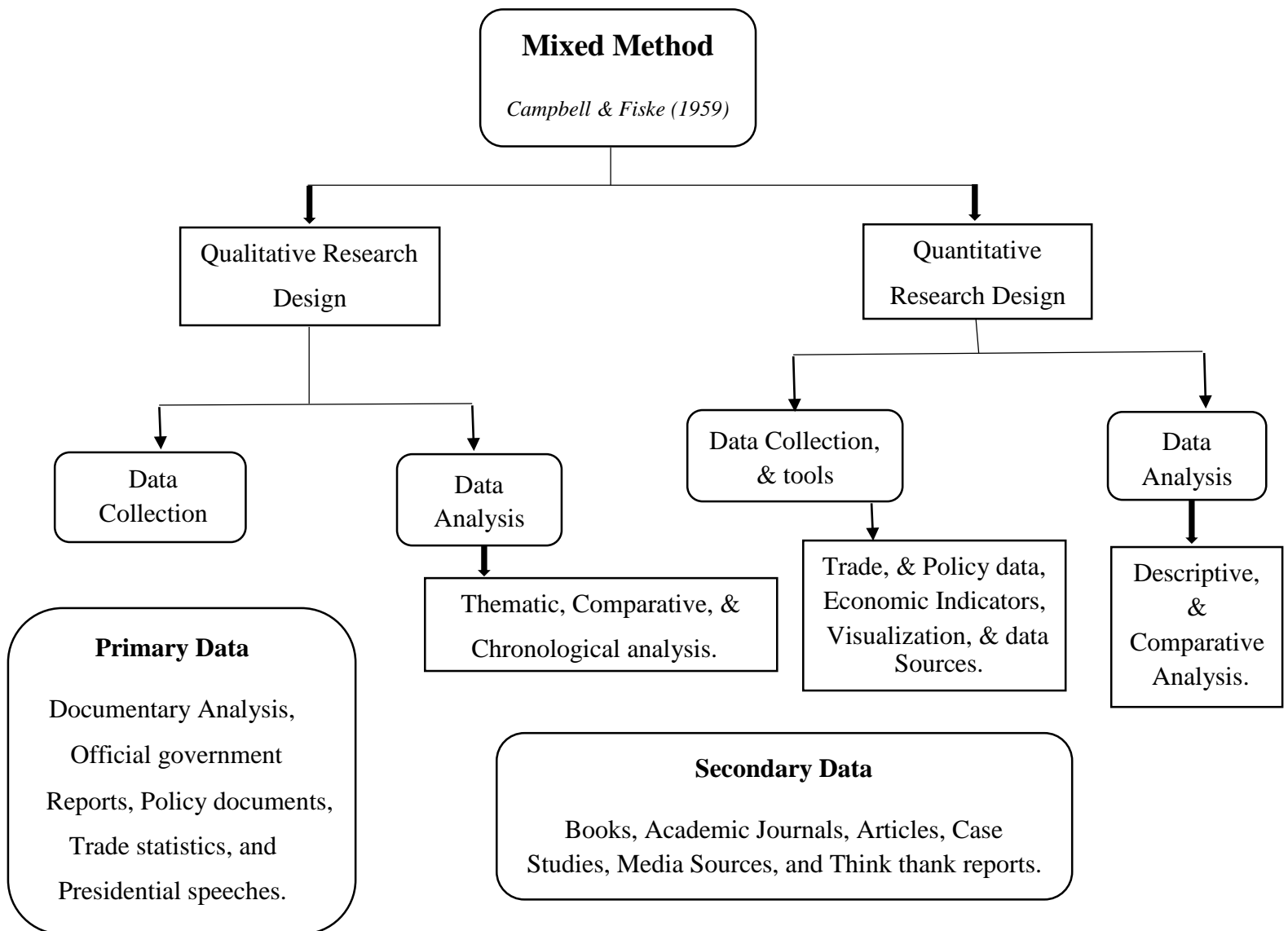


Figure 2. (Based on Campbell & Fiske's book, 1959), Compiled by Researcher.

## **1.9 ORGANIZATION OF THE STUDY**

The details about the content of each chapter are as follows:

### **Chapter One**

This chapter covers a brief introduction of the topic and existing literature related to the history and how it has evolved over time and also highlights the significance of the study, problem statement, research objectives, research questions, and methodology.

### **Chapter Two**

This chapter analyzes the primary economic motivations behind the initiation of the economic competition between the US and China.

### **Chapter Three**

This chapter examines the impact of the economic competition between the US and China on diplomatic negotiations between the two countries, as well as the strategies and trade policies employed to attain their objective within this constrained environment.

### **Chapter Four**

This chapter explores the economic competition between the US and China's impact on global power dynamics and diplomatic strategies under the Trump administration.

### **Chapter Five**

This chapter is based on the findings, and recommendations of the study and also provides the conclusion of the study.

## **CHAPTER TWO**

### **MOTIVATIONS DRIVING THE US-CHINA ECONOMIC COMPETITION**

#### **2.1 INTRODUCTION**

The economic competition between the United States and China has emerged as one of the defining features of global politics in the 21st century. A complex interplay of economic interests, strategic ambitions, and ideological differences drives this rivalry. At its core, the competition is fueled by both nations' pursuit of global economic dominance and technological leadership. For the United States, maintaining its position as the world's preeminent economic power is crucial for safeguarding its strategic interests and influence (Blanchard & Lawder, 2018). Conversely, China's rapid economic growth and its strategic initiatives, such as the Belt and Road Initiative, reflect its ambition to reshape the global economic order in its favor. Additionally, underlying ideological conflicts about governance, trade practices, and international norms further exacerbate the competition. Understanding these motivations is essential for comprehending the broader implications of this rivalry on global economic stability and international relations.

The origins of the US-China economic competition are multifaceted, encompassing a range of economic and strategic concerns. A primary issue is the persistent trade imbalance, with the United States importing significantly more from China than it exports. This imbalance has led to accusations that China engages in unfair trade practices, such as manipulating its currency and providing excessive government support to its industries (Blanchard & Lawder, 2018). These practices have tangible repercussions for American businesses and workers, who experience financial strain as a result. Additionally, there are significant concerns regarding intellectual property and technology. American firms operating in China frequently encounter difficulties in safeguarding their innovations, facing issues such as intellectual property theft and coerced

technology transfers. Furthermore, there are growing security apprehensions related to the heavy dependence on China for critical industries and advanced technology. Disruptions in these supply chains pose substantial risks to national security and economic stability.

From the US perspective, the economic competition with China is driven by concerns over trade imbalances, intellectual property theft, and national security. The US has faced significant trade deficits with China, which many Americans believe harms domestic industries and jobs (Blanchard & Lawder, 2018). Additionally, there are worries about China's policies regarding intellectual property, which some US companies argue undermine their innovations and investments. National security concerns also play a role, as the US views China's rise as a challenge to its technological and military superiority. The competition is further fueled by ideological differences, with the US aiming to counteract China's influence and promote democratic values in global governance.

From China's perspective, the economic competition with the US is seen as an attempt to undermine its growth and development. China views its economic ascent as a legitimate pursuit of national rejuvenation and global leadership. The US actions, such as tariffs and trade restrictions, are perceived as attempts to repress China's progress and maintain American hegemony (Blanchard & Lawder, 2018). Additionally, China believes that its technological advancements and state-led model represent a viable alternative to Western capitalism, and it seeks to protect its developmental strategies from external interference. The competition is also viewed through the lens of sovereignty and pride, as China strives to assert itself as a major global power against what it sees as unfair and aggressive tactics from the US.

These concerns, combined with domestic political pressures, have resulted in both nations implementing tariffs and other trade barriers against each other. The situation has become

increasingly strained however, ongoing diplomatic discussions are underway to address and resolve these issues.

## **2.2 Relationship between the US and China before Trump's Administration**

From China's entry into the World Trade Organization (WTO) in 2001 until the Trump administration, the trade relationship between the United States and China grew exponentially. By 2017, China had become the largest trading partner of the US, with the total value of goods and services traded between the two countries surpassing \$700 billion annually. In 2017 alone, China exported goods worth approximately \$505 billion to the US, making it the top exporter to the American market (Kenney & Zysman, 2016). Conversely, the US exported around \$130 billion in goods and services to China, including key products such as aircraft, automobiles, and agricultural commodities. This massive exchange underscored the high level of economic interdependence between the two nations, with each playing a crucial role in the other's economic landscape.

American companies also invested heavily in China during this period, driven by the pursuit of lower production costs and access to a growing consumer market. By 2016, US foreign direct investment (FDI) in China had reached nearly \$92 billion, with significant investments in the manufacturing, technology, and retail sectors. Major US corporations, such as Apple and General Motors, established extensive supply chains in China, relying on the country's vast labor force and advanced manufacturing capabilities. These investments created intricate global supply chains, particularly in electronics, where components were manufactured in China and assembled in the US or other parts of the world (Kenney & Zysman, 2016). Simultaneously, Chinese companies began expanding into the US market, with FDI from China in the US peaking at \$46 billion in 2016, as they sought to tap into American consumer demand and establish a presence in advanced industries like technology and real estate. This deep economic interdependence became

a defining feature of the US-China relationship, with both nations benefiting from and being vulnerable to shifts in their bilateral economic ties.

Over the years, the United States experienced a significant and growing trade deficit with China, which became a major point of contention in the economic relationship between the two countries. By 2017, the US trade deficit with China had reached a record \$375 billion, representing the largest bilateral trade imbalance in the world. This growing deficit fueled concerns in the US about the erosion of its manufacturing base, as many industries, particularly in sectors like textiles, electronics, and machinery, saw a decline in domestic production. Between 2001 and 2016, the US lost approximately 3.4 million manufacturing jobs, with a significant portion of these losses attributed to competition with Chinese imports (Yiğit, 2021). The trade deficit was not merely a product of trade policy but also reflected the broader economic structures of the two nations the US, with its consumer-driven economy, imported large quantities of goods, while China, as a manufacturing hub, was able to produce and export goods at competitive prices.

In addition to concerns over the trade deficit, intellectual property (IP) issues became a major source of tension between the US and China. American businesses and government officials repeatedly raised alarms about widespread intellectual property theft, which they claimed cost the US economy between \$225 billion and \$600 billion annually, according to a 2017 report by the Commission on the Theft of American Intellectual Property. These concerns were exacerbated by allegations of forced technology transfers, where US companies operating in China were required to share their technology with Chinese partners as a condition of doing business (Yiğit, 2021). Furthermore, China's industrial policies, such as those supporting state-owned enterprises (SOEs), were seen as giving Chinese companies an unfair advantage in the global market. These practices

were perceived as undermining the competitiveness of American firms and contributing to the broader economic imbalance between the two nations.

Before Trump's tenure, the United States and China engaged in high-level diplomatic efforts to manage their complex economic relationship through mechanisms like the Strategic and Economic Dialogue. Initiated in 2006 under the Bush administration, the SED was a cornerstone of bilateral engagement, providing a platform for senior officials from both countries to address key trade issues, economic policies, and broader global challenges (Kenney & Zysman, 2016). Over the years, the SED facilitated dialogue on a range of topics, from currency valuation to market access, helping to prevent disputes from escalating into more serious conflicts. For example, the SED meetings were instrumental in discussions that led to China agreeing to revalue its currency in the late 2000s, addressing some US concerns about China's exchange rate policies.

Despite these cooperative efforts, the US frequently brought disputes against China to the World Trade Organization, accusing it of unfair trade practices. Between China's accession to the WTO in 2001 and the end of the Obama administration in 2016, the US filed 23 cases against China, addressing issues such as subsidies to Chinese industries, export restrictions, and intellectual property violations. One notable case was the 2010 US challenge to China's export restrictions on rare earth elements, which the WTO ultimately ruled in favor of the US (Yigit, 2021). These disputes were generally handled within the established international trade framework, reflecting a rules-based approach to managing tensions and ensuring that both countries adhered to global trade norms. The frequent recourse to the WTO underscored the complexities of the US-China trade relationship and the challenges of balancing cooperation with competition.

As China's economy grew rapidly in the early 21st century, its influence on the global stage expanded significantly, causing increasing concern in the United States. China's GDP, which was about \$1.2 trillion in 2000, surged to over \$11 trillion by 2016, making it the world's second-largest economy. This economic rise was accompanied by ambitious initiatives such as the Belt and Road Initiative (BRI), launched in 2013, which aimed to enhance global trade routes and strengthen China's ties with countries across Asia, Africa, and Europe. By 2017, over 60 countries had signed agreements to participate in the BRI, with China committing more than \$900 billion to infrastructure projects (Kenney & Zysman, 2016). Additionally, China's "Made in China 2025" plan, unveiled in 2015, outlined a strategic roadmap to make China a global leader in advanced technologies such as robotics, artificial intelligence, and biotechnology. These developments were perceived by the US as direct challenges to its economic and technological dominance, raising alarms about the potential for China to reshape the global economic order in its favor.

The US also accused China of manipulating its currency, the renminbi (RMB), to maintain an export advantage by keeping its value artificially low. This practice, known as currency manipulation, was a recurring point of contention between the two countries. For instance, in the early 2000s, the RMB was tightly pegged to the US dollar, leading to widespread criticism from US policymakers and economists who argued that this policy undervalued the RMB by as much as 30-40%, making Chinese exports cheaper and contributing to the US trade deficit (Yiğit, 2021). Although China allowed the RMB to appreciate gradually starting in 2005, the issue of currency manipulation persisted as a topic of debate, with the US Treasury Department periodically labeling China a currency manipulator, most notably in 2019 during the Trump administration. These accusations underscored the broader tensions in the US-China economic relationship, particularly as China's growing economic power increasingly challenged the US on multiple fronts.



Despite the challenges and tensions in their economic relationship, both the United States and China derived significant mutual benefits from their extensive trade and investment ties. For China, access to the vast US market was essential for its rapid economic development. By 2017, the US was China's largest trading partner, with Chinese exports to the US accounting for over \$505 billion, or about 19% of China's total exports. This access helped fuel China's industrial growth and urbanization, contributing to the lifting of hundreds of millions of people out of poverty.

On the other side, the US benefited from a steady flow of low-cost Chinese goods, which helped keep inflation low and provided American consumers with a wide range of affordable products, from electronics to clothing. By 2017, it was estimated that trade with China saved US consumers about \$250 per household annually (Yigit, 2021). Additionally, China emerged as a major market for US goods and services, particularly in sectors like agriculture, where China was the largest export destination for American soybeans, accounting for over \$12 billion in 2017. The US also exported significant quantities of automobiles and technology products to China, with total US exports to China reaching approximately \$130 billion in the same year. These economic exchanges created a complex interdependence that, despite ongoing disputes, underscored the importance of the US-China relationship to both nations' economic well-being.

Before the Trump administration, the US approach to China was characterized by a strategy of both engagement and containment, employed by both Republican and Democratic administrations. This approach sought to integrate China into the global economy while simultaneously containing practices deemed unfair or threatening to US interests (Kenney & Zysman, 2016). For example, during the Clinton administration, China was granted Most Favored Nation status in 2000, paving the way for its accession to the World Trade Organization in 2001.

This integration was seen as a way to encourage China to adhere to international trade norms and open its markets to foreign goods and investment.

However, alongside this engagement, there was also a consistent effort to address and contain practices that the US viewed as problematic. These included concerns about intellectual property theft, currency manipulation, and state subsidies that distorted competition. Under the Obama administration, this dual approach continued, with efforts to engage China through forums like the Strategic and Economic Dialogue, while also pushing back against practices such as China's restrictions on foreign investment and its cyber-security policies (Kenney & Zysman, 2016). The Obama administration, for instance, brought several cases against China to the WTO, including a successful challenge to China's export restrictions on rare earth elements in 2012. Overall, the pre-Trump strategy focused on managing the US-China relationship through a combination of cooperation and pressure, aiming to avoid confrontation while safeguarding US economic interests.

### **2.3 Republican Trade and Economic Policy towards China under Trump**

Under the Trump administration, the Republican policy towards China was marked by a confrontational approach aimed at countering China's economic practices and reducing its influence. This policy initiated a trade war in 2018, where the U.S. imposed tariffs on over \$360 billion worth of Chinese goods, citing issues like intellectual property theft, forced technology transfers, and a significant trade deficit. The administration sought to pressure China into changing its trade practices through these tariffs and by targeting key Chinese technology firms, such as Huawei, with sanctions and restrictions due to national security concerns (Jaskuła, 2019). Additionally, the administration promoted the decoupling of US supply chains from China, encouraging American companies to relocate production either back to the US or to allied nations.

This approach also included the Phase One trade deal in 2020, where China committed to purchasing an additional \$200 billion in U.S. goods, although many tariffs remained in place. The overall strategy reflected a broader goal of challenging China's growing economic and geopolitical influence.

## **2.4 Economic Motivations Driving the US-China Trade War**

The US-China trade war extends beyond mere figures on a balance sheet, it is fundamentally about the livelihoods of individuals and the broader economic landscape. For an extended period, the United States has faced a substantial trade deficit with China, importing significantly more than it exports. This imbalance has raised concerns about the potential erosion of American industries and the displacement of domestic jobs. Consequently, US policymakers have deemed it necessary to address this trade disparity (Kenney & Zysman, 2016). However, the issue transcends economic metrics, it also encompasses the realm of ideas and innovation. Chinese enterprises have been repeatedly accused of engaging in unfair practices, particularly in the realm of intellectual property rights, including allegations of technology theft.

Such practices not only disadvantage American businesses but also hinder innovation and stifle creativity. Moreover, there is growing apprehension regarding China's rising influence, especially in advanced technological sectors such as telecommunications and artificial intelligence. Initiatives like "Made in China 2025" have further exacerbated concerns within the United States, raising fears about the potential loss of its competitive edge in these critical areas. These economic concerns are deeply intertwined with broader global competition and the strategic imperative for the United States to maintain its dominant position, thereby intensifying the tensions underlying the trade war.

## 2.4.1 Emergence of Trade Tensions

Trade tensions arise when nations have disagreements regarding the terms and conditions of their trade relations. Such disputes can result in the imposition of additional charges, such as tariffs, or the establishment of import restrictions.

### 2.4.1.1 Trade Imbalance

*Trade imbalances occur when there is an unequal flow of goods and services between two countries. It means that one country imports significantly more than it exports (trade deficit) or exports significantly more than it imports (Webster, M).*

Say one country buys a lot more stuff from another than it sells to them. That can make the buying country feel like it's losing out and might try to change things.

From the US viewpoint, the trade imbalance with China has been a significant concern for years. In 2023, the US trade deficit with China was approximately \$380 billion. This large deficit reflects the fact that the US imports significantly more goods from China than it exports to China. American policymakers and economists argue that this imbalance contributes to job losses and economic dislocation in certain sectors of the US economy, such as manufacturing. The US also contends that China's trade practices, including state subsidies and non-tariff barriers, exacerbate this imbalance and undermine fair competition (Wang, 2020). This perspective is often reflected in calls for trade reforms and tariffs aimed at reducing the deficit and leveling the playing field.

From China's perspective, the trade imbalance is seen differently. China argues that its trade surplus with the US is a natural outcome of its role as a global manufacturing hub and its comparative advantage in producing goods at lower costs. In 2023, China's trade surplus with the US was around \$380 billion, mirroring the US deficit figure. China views the surplus as a testament to its competitive manufacturing sector and economic growth (Wang, 2020). Additionally, China often highlights that the trade imbalance is partly due to the high demand for Chinese goods in the US market, which benefits American consumers through lower prices. China may also criticize

US tariffs and trade restrictions as unfair measures designed to protect American industries rather than address genuine trade imbalances.

#### **2.4.1.2 Unfair Trade Practices**

*Any of various deceptive, fraudulent, or otherwise injurious (as to a consumer) practices or acts that are declared unlawful by statute (as a consumer protection act) or recognized as actionable at common law (Webster, M).*

Sometimes, countries accuse each other of playing dirty. Think of things like messing with currency values, giving their industries an unfair boost, or swiping each other's ideas.

##### **2.4.1.2.1 US Perspective**

The US has accused China of widespread intellectual property theft. According to the Office of the United States Trade Representative, the estimated economic loss to US companies due to Chinese IP theft is between \$225 billion and \$600 billion annually. American companies operating in China have reported being pressured to transfer technology and trade secrets as a condition for accessing the Chinese market (Kerr, 2019). This practice is seen as a means of unfairly gaining advanced technology and undermining US competitiveness. The US argues that China's extensive state subsidies to its industries distort global trade. For example, the US has criticized subsidies to Chinese steel producers, which contributed to a global oversupply and depressed steel prices. In 2016, US steelmakers claimed that Chinese overcapacity and subsidies led to a 20% drop in US steel prices, costing the industry billions in losses.

##### **2.4.1.2.2 China Perspective**

China argues that US tariffs are a form of trade protectionism. For instance, the US imposed tariffs on \$360 billion worth of Chinese goods during the trade war that began in 2018. These tariffs have been seen by China as unjustified barriers to trade that disrupt global supply chains. China has criticized the US for restricting Chinese technology firms from accessing American markets (Kerr, 2019). An example is the US blacklisting of Huawei, a leading Chinese

technology company, citing security concerns (Kerr, 2019). This action has been perceived by China as a move to stifle competition and prevent Chinese firms from advancing in high-tech industries. China contends that the US frequently resorts to unilateral trade actions rather than resolving disputes through international institutions like the World Trade Organization (WTO). For example, the US Section 301 investigation, which led to tariffs on Chinese goods, was criticized by China for not following multilateral dispute resolution processes.

Year	Exports (US to China)	Imports (China to US)	Trade Balance
2016	115.6	462.6	-347.0
2017	12.9	505.5	-375.6
2018	120.3	539.5	-419.2
2019	106.4	451.7	-345.3
2020	124.5	434.7	-310.2

Figure 3. (US Census Bureau, 2024) Compiled by Researcher.

Trade tensions often transcend mere financial considerations, reflecting a broader geopolitical struggle among nations vying for global influence. Such tensions can have profound repercussions beyond the immediate economic impact, affecting the stability of the global economy. Trade barriers, such as tariffs and quotas, can increase costs for consumers and businesses, disrupt production and distribution networks, and generate uncertainty that may deter

investment and hiring decisions. This uncertainty can undermine economic stability and growth, affecting various stakeholders across the global economy (Shifrinson, 2020).

From the US perspective, geopolitical competition with China is driven by concerns about global influence, military power, and strategic alliances. The US views China's growing influence as a direct challenge to its dominance in international affairs. The US defense budget is significantly larger than China's (Shifrinson, 2020). For fiscal year 2024, the US defense budget is approximately \$877 billion, while China's military expenditure is around \$293 billion. This disparity reflects the US's focus on maintaining military superiority and influence globally.

The US has been strengthening alliances with countries in Asia and the Indo-Pacific region, such as Japan, South Korea, and Australia, to counterbalance China's influence. For instance, the Quad (Quadrilateral Security Dialogue) involves the US, Japan, India, and Australia, aiming to promote a free and open Indo-Pacific. The US actively promotes its values and interests through international institutions like the United Nations, NATO, and the World Trade Organization (WTO), often opposing China's positions or influence within these bodies (Shifrinson, 2020).

From China's perspective, geopolitical competition with the US is seen as an attempt to contain its rise and challenge its sovereignty and global aspirations. China's BRI is a massive infrastructure and investment project aimed at expanding its influence across Asia, Africa, and Europe. As of 2024, China has invested over \$1 trillion in various countries through this initiative, which is seen as a strategic move to enhance its global footprint and create economic dependencies. China has been rapidly modernizing its military, focusing on developing advanced capabilities such as aircraft carriers and hypersonic missiles (Shifrinson, 2020). The Chinese military's rapid growth aims to project power and challenge US military dominance in the Asia-Pacific region. China's assertive policies in the South China Sea, including the construction of artificial islands

and military installations, are viewed as efforts to assert control over critical maritime routes and challenge US naval presence in the region.

## **2.4.2 National Security Concerns**

In the context of escalating trade tensions, national security frequently emerges as a primary concern. This apprehension revolves around the potential risks associated with trade practices and excessive reliance on imports, which may jeopardize a nation's security or critical interests. Specifically, heavy dependence on external sources for essential goods, such as military equipment or strategic resources, can pose significant risks during conflicts or emergencies. Furthermore, the high level of global interconnectivity means that disruptions in one region can have cascading effects on industries crucial to the security of other nations (Shifrinson, 2020). Consequently, heightened focus on national security considerations can exacerbate trade tensions, prompting governments to implement protective measures and trade barriers to safeguard their strategic interests, Shifrinson looked into this whole mess and showed how governments try to balance keeping themselves safe while also keeping their economies running smoothly.

### **2.4.2.1 US Perspective**

The United States has articulated substantial concerns about Chinese technology companies, such as Huawei and ZTE, due to potential espionage risks. In 2019, the US government banned Huawei from participating in its 5G networks, citing national security threats. According to a 2020 report by the US Federal Communications Commission, Huawei and ZTE posed a risk to the US communications network, leading to a \$1.9 billion fund to replace their equipment in rural networks (Shifrinson, 2020). The US views China's rapid military modernization as a challenge to its military dominance. For example, China's defense budget for 2023 was approximately \$293 billion, marking the second-largest defense budget globally, behind the US,



which spent around \$877 billion in the same year. This disparity highlights the US's concerns about China's growing military capabilities, especially in the Indo-Pacific region.

The US has also been concerned about its dependency on Chinese supply chains for critical materials. For instance, China controls about 60% of global rare earth element production, essential for various high-tech and defense applications. The US has initiated efforts to diversify its supply chains to mitigate potential vulnerabilities in national security (Shifrinson, 2020).

#### **2.4.2.2 China Perspective**

China views US restrictions on its technology firms as attempts to stifle its technological progress and sovereignty. For instance, the US placed restrictions on the export of advanced semiconductor technology to China. In 2022, the US implemented export controls on semiconductor manufacturing equipment, affecting around \$10 billion worth of trade. China sees this as a direct challenge to its ambitions to become a global leader in technology and innovation. China perceives US military presence and alliances in the Asia-Pacific region as a threat to its national security (Shifrinson, 2020). The US has military bases in several neighboring countries, including Japan and South Korea, which China views as part of a strategy to contain its rise. The US Indo-Pacific Command, with an annual budget of over \$20 billion, is seen by China as a strategic tool to counterbalance its influence.

China believes that US trade policies, including tariffs and sanctions, are tactics to weaken its economic position and destabilize its development. For example, during the trade war initiated in 2018, the US imposed tariffs on approximately \$360 billion worth of Chinese goods, which China views as part of a broader strategy to hinder its economic and technological advancement.

### **2.4.2.3 Dependence on Chinese Supply Chains**

In recent years, there has been growing concern among many countries about their increasing reliance on supply chains originating from China. China holds a dominant position in global manufacturing, particularly in critical sectors such as electronics, pharmaceuticals, and automotive components (Song, Hao, Hu, & Lu, 2021). This significant dependency introduces several risks, particularly regarding national security. Disruptions to these supply chains could arise from geopolitical tensions, natural disasters, or global events like the COVID-19 pandemic.

During the COVID-19 pandemic, supply chain vulnerabilities were starkly highlighted. For instance, in the early months of 2020, the US experienced substantial shortages of essential medical supplies. According to the US Department of Health and Human Services, there were severe deficits in personal protective equipment, including a shortfall of approximately 12 billion masks and 39,000 ventilators. These shortages were exacerbated by the disruptions in supply chains, heavily reliant on Chinese production (Song, Hao, Hu, & Lu, 2021).

Additionally, there is apprehension regarding the potential misuse of supply chain control by Chinese companies, raising concerns about espionage or cyber-attacks. The possibility of Chinese entities gathering sensitive information or compromising operations in other countries is a significant security issue. In response to these risks, some countries are reassessing their dependency on Chinese supply chains. Efforts are underway to diversify sources and enhance domestic manufacturing capabilities to mitigate future disruptions and safeguard national security (Song, Hao, Hu, & Lu, 2021). During the COVID-19 pandemic, the dependence on Chinese supply chains had a notable impact on the US market.

#### **2.4.2.3.1 Medical Supplies and Equipment**

The US experienced significant shortages of medical supplies and personal protective equipment (PPE) due to its reliance on Chinese manufacturing. In early 2020, the US faced severe shortages of masks, ventilators, and other critical equipment, prompting the government to invoke the Defense Production Act to increase domestic production (Free, & Hencimovic, 2021). According to a 2020 report from the US Department of Health and Human Services, the pandemic highlighted vulnerabilities in the supply chain, which led to increased costs and logistical challenges in acquiring necessary medical supplies.

#### **2.4.2.3.2 Pharmaceuticals**

China is a principal supplier of active pharmaceutical ingredients essential for drug production. During the pandemic, disruptions in Chinese manufacturing and shipping significantly impacted the availability of certain medications in the US (Free, & Hencimovic, 2021). For instance, the FDA reported potential shortages of certain medications due to these disruptions. The pharmaceutical sector saw increased costs and delays in drug availability, affecting both healthcare providers and consumers.

#### **2.4.2.3.3 Consumer Goods**

The pandemic led to significant delays in the shipment of consumer goods from China to the US, impacting retail and manufacturing sectors. For example, companies like Apple and Walmart experienced supply chain disruptions that affected product availability and increased costs. According to a 2020 report by the US Census Bureau, the retail sector experienced fluctuating sales and supply chain challenges, with a substantial impact on consumer spending patterns and business operations.

#### **2.4.2.3.4 Manufacturing**

US manufacturers reliant on Chinese components faced interruptions due to factory shutdowns and transportation delays. This affected industries ranging from electronics to automotive parts (Free, & Hencimovic, 2021). The Council of Economic Advisers estimated that the disruptions in global supply chains during the pandemic led to significant economic losses, with a direct impact on US manufacturing output and employment.

#### **2.4.2.2 Technology Dominance & Strategic Industries**

Amid the ongoing US-China trade war, this study explores the critical question of which nation is securing a competitive advantage in pivotal technologies and industries. This analysis parallels evaluating strategic maneuvers in a high-stakes chess game between these two global powers. The investigation centers on sectors such as smartphones, advanced machinery, and computer chips-technologies that not only influence daily life but are also crucial for economic dominance and national security (Song, Hao, Hu, & Lu, 2021).

As geopolitical tensions escalate, strategic industries become the focal point of scrutiny due to their critical role in national strength and stability. This segment of the study delves into the implications of one side gaining a technological advantage, analogous to analyzing strategies and maneuvers in a high-stakes competitive scenario between the U.S. and China. The examination encompasses the influence on regulatory frameworks, financial investments, and geopolitical maneuvers (Song, Hao, Hu, & Lu, 2021). Beyond the mere technological advancements, the focus extends to the associated regulatory environments, including laws, patents, and the intellectual resources dedicated to maintaining a competitive edge. Additionally, this analysis explores how these dynamics shape the future trajectory of technological development and their broader implications for economic outcomes and societal well-being.

## 2.5 Addressing Trade Imbalances

The issue of trade imbalances is a big worry worldwide, especially for the United States. These imbalances happen when a country either imports more than it exports or exports more than it imports. Some people argue that trade deficits can sometimes be okay, but when they're large and ongoing, they can mess up economies and create tensions between countries (Frankel, 2005). To deal with this, policymakers need to use a mix of approaches from home and abroad. This could mean doing things like boosting what we make and sell here, making deals with other countries to make it easier to sell our stuff there, and cracking down on tricks like messing with currency values and unfair trade practices (Irwin, 2017).

**Persistent Trade Deficits with China:** For a while now, the United States has been stuck with trade deficits with China, and it's sparked a lot of talk about how it affects American life. These deficits happen because of things like differences in labor costs, how money values are set, and rules and regulations in each country (Autor et al., 2016). Some folks say these deficits are okay because both countries benefit, but others worry about losing jobs and seeing important industries here shrink (Scott, 2018). Fixing these deficits needs a big plan that mixes talking it out with China, maybe putting taxes on certain goods, and pushing for more stuff to be made here instead (Lardy, 2019).

**Impact on American Industries and Jobs:** Those trade imbalances, especially with China, have shaken up American businesses and workers. Lots of cheap stuff from overseas has made it tough for American factories to stay open, leading to job losses and even lower pay in some fields (Autor et al., 2016). Industries like manufacturing, textiles, and electronics have taken a hard hit from the competition with cheap foreign goods (Scott, 2018). Plus, sending jobs to places where labor is cheaper has made things even worse for the middle class here. To fix this, leaders

need to focus on creating more jobs, giving folks better training, and supporting industries that are crucial for our country's security and strength (Bivens & Mishel, 2015).

Year-End	S & P 500 Closing Value	Shanghai Composite Closing Value
2016	2238	3103
2017	2674	3307
2018	2507	2493
2019	3231	3050
2020	3756	3473

Figure 4. (Yang, Jia, & Mao, 2021) Complied by Researcher.

**Strategies to Rectify Trade Imbalances:** Getting rid of those trade imbalances means having short-term plans to tackle urgent problems and long-term strategies for building better trade ties (Irwin, 2017). In the short run, leaders might think about putting taxes or limits on trade with countries like China to make things fairer. They could also try to talk things out with other countries and make deals to deal with problems like stealing ideas, playing with money values, and making it hard to trade (Lardy, 2019). In the long run, we need to make more stuff here, invest in our infrastructure and new ideas, and make sure folks have the skills they need to compete worldwide. That's how we can make American businesses strong in the global market (Bivens & Mishel, 2015).

### **2.5.1 Political Pressure & Domestic Priorities**

First up, there's a ton of Political Pressure & Domestic Priorities at play. The US government is feeling the heat from homegrown industries, especially those hit hard by Chinese imports. They're being pushed to get tough on what's seen as unfair trade tactics by China. Plus, with worries ramping up about national security and staying ahead in technology, policymakers are doubling down on protecting vital sectors like tech and manufacturing.

**Political Rhetoric & Public Opinion:** There's all the Political Rhetoric & Public Opinion swirling around. Leaders on both sides are using a lot of talk to drum up support from their people. They're spinning the trade war as a battle for national pride and keeping the economy safe. Polls show more and more Americans are feeling wary of China, blaming them for job losses and stealing ideas.

**Job Losses & Economic Anxiety:** Let's not forget about the Job Losses & Economic Anxiety adding fuel to the fire. Tariffs slapped on by both countries are causing layoffs in industries that rely on global trade. That's leaving workers and business owners worried sick about what's coming next. The uncertainty about future trade deals is making everyone freak out about keeping their jobs and making ends meet.

So, the bottom line, this trade war is a messy mix of political push and pull, what people think, and real economic struggles. Figuring this all out is a big challenge for policymakers, who have to juggle lots of interests while making sure their countries stay prosperous and safe in the long run (Kapustina, 2020).

Year	US Unemployment Rate (%)	China Unemployment Rate (%)
2016	4.9	4.0
2017	4.4	3.9
2018	3.9	3.8
2019	3.7	3.6
2020	8.1	4.2

Figure 5 (IMF, 2024) Complied by Researcher.

### 2.5.2 Intellectual Property Rights Protection

Preserving and enforcing Intellectual Property is one of the areas of conflict regarding the growing trade war between the US and China. The US has contended that China is not doing enough to protect intellectual property such as patents, copyrights, trademarks, and other forms of proprietary and product identification, which have impacted the pocket of different businesses in America (Luo, 2018). In response, the US government has imposed tariffs and implemented various barriers on Chinese products to address issues such as intellectual property theft and the coerced transfer of technology.

The United States Trade Representatives in their report identified China about its approach to intellectual property by stating that critics have accused China of having a weak approach to the protection of intellectual property rights as there is a lack of transparency and weak enforcement mechanisms hence resulting in widespread counterfeiting and piracy (Luo, 2018). These have acted as key barriers to entry into the Chinese market by many companies from the USA and have



sometimes led to the diplomatic confrontation between the two nations at the WTO. The protection of intellectual property rights has been a significant focus of the talks between the US and China on trade liberalization. While retaining the provisions that pledged to enhance Chinese laws and law enforcement in the Phase One trade deal signed in January 2020, some still have doubts about how effective those measures will be or if they will be at all, and thus they believe vigilance will continue to thrive.

**2.5.2.1 Challenges Faced by US Companies in China:** The American companies doing business in the People's Republic of China. Would find that the protection of intellectual property is not without many difficulties. These are the threat of its IT systems being hacked and stealing products' designs, legal stipulations for joint ventures enterprise may mean having to share its technology with Chinese ventures, and limited ability to sue for the infringement of its patents and trademarks (Baily, 2011). Face-to-face interviews with companies in China revealed that the protection of intellectual rights is an issue of concern to many organizations from the United States. There are many cases of such theft, and Chinese authorities fail to stop it efficiently, which causes frustration. Further, the variations in the legal systems and a given set of regulations make the contexts all the more challenging; some corporations are now threatened and may either devise a strategy to withdraw their investments in China or look for other markets to venture into.

**2.5.2.2 Instances of Intellectual Property Theft:** This study examines various stratified instances of intellectual property theft in China, revealing that both China and certain industries are involved in cyber espionage, which constitutes a direct violation of international law and corporate regulations (Shu Shang, & Shen, 2021). These events, like the theft of Tao of trade secrets linked to self-driving cars, present more concerns relating to China's strategic plans and its trend of using intellectual property theft to achieve advantages in promising fields. This is an

indication that efforts to curb Intellectual property theft have not borne fruit entirely, therefore this reveals more challenges faced by American companies in China. In light of the above issues, it becomes clear that there is a dire need to beef up the enforcement mechanisms and international collaboration in the fight against the infringement of intellectual property rights.

**2.5.2.3 Importance of Safeguarding Intellectual Property Rights:** The protection of IPRs is crucial in promoting innovation and creativity, growth and development, and sustainable economic development for fair competition. Trade Secret legislation is special in as much as it affords great protection to promote investment in research and development by creators and innovators. In the current trade relations between the United States and China, there should be measures put in place to protect intellectual property rights this is necessary to ensure that there is no unfair competition and that companies in the United States have a conducive environment for innovation (Shu Shang, & Shen, 2021). It promotes collaboration among business partners, fosters confidence within these partnerships, and ensures that innovators can freely develop unique ideas without the concern of patent infringement claims. For its continued effectiveness, policymakers must address intellectual property rights (IPR) issues to support innovation and contribute to the growth of a fair global economy.

## **2.6 Leveling the Playing Field for American Businesses**

During the US-China trade war, a big focus for the United States has been making sure American businesses have a fair shot. The US government says that China's rules give their own companies an unfair edge, making it harder for American businesses to compete. They're worried about things like China taking American ideas without permission, making American companies share their technology, and using other tactics that aren't about tariffs but still make trade tough.

The Trump administration took strong actions to tackle these differences, like putting tariffs on Chinese goods and working to get better deals for American businesses through talks. The Phase One trade deal signed in January 2020 tried to tackle some of these issues by getting China to buy more American products and services and make changes in areas like protecting intellectual property and handling currency (Killfoil, Miyaki, & Terada-Hagiwara, 2018). Even with all the work that's been put in, American businesses still face hurdles in China. Things, like not enforcing intellectual property rights properly and having unclear regulations, make it tough for foreign companies. Going forward, it's crucial to stay involved and keep an eye out to make sure American businesses get a fair shake in the Chinese market.

**2.6.1 Unequal Market Access and Subsidies in China:** American companies have been frustrated by the unfair treatment they encounter when trying to do business in China. They often hit roadblocks like strict rules, unfair policies, and special favors given to Chinese companies. On top of that, the Chinese government sometimes gives money to its industries, which makes it even harder for American businesses to compete fairly in the global market.

The Trump administration stood strong against these actions, saying they hurt fair competition and put American workers and businesses at a disadvantage. They put tariffs on Chinese products partly to deal with these problems, hoping to push China to remove trade barriers and stop giving unfair subsidies (Killfoil, Miyaki, & Terada-Hagiwara, 2018). Even though China made promises in the Phase One trade deal to tackle some of these issues, many people still doubt whether these changes will make a difference. Making sure that American businesses can compete fairly in China's market and have the same opportunities as local companies will need constant attention. We'll have to keep a close eye on how well China sticks to its promises and work to remove any obstacles that American businesses still face in entering the Chinese market.

**2.6.2 Restrictions on Foreign Investment and Technology Transfer:** China's policies around foreign investment and technology sharing have been a major point of disagreement in the ongoing trade tensions between the US and China. American businesses have frequently been expected to establish joint ventures with Chinese partners to gain access to the Chinese market (Lacey, 2021). This has raised concerns that American companies are being forced to transfer valuable technology and intellectual property to their Chinese counterparts against their will. The Trump administration was highly critical of China's policies around foreign investment and technology transfer, viewing them as fundamentally unfair and detrimental to American economic interests. In response, the administration took steps to crack down on Chinese investment, particularly in sensitive industries and technologies.

Some protective measures of concern of technology transfer and intellectual property rights were spelled out in the first trade deal that the US and China signed known as the Phase One deal (Ghebrihiwet, & Motchenkova, 2017). However, one must wonder and have certain concerns over the Chinese commitment and readiness to improve in these areas.

**2.6.3 Demands for Fair Trade Practices:** In maintaining fair trade policies, the United States has also been keen to address what it considers unfair trade relations with China and seek changes to restore fairness in the bilateral trade relations.

#### **2.6.3.1 Fair Trade Demands**

- The United States has been vocal in demanding fair trade practices from China to level the playing field.
- This includes addressing perceived disparities and unfair advantages in the trading relationship.

### **2.6.3.2 Key Concerns of Fair Trade**

- Intellectual property theft has been a significant concern, with American companies facing risks of their innovations being unlawfully appropriated.
- Forced technology transfer has also been a contentious issue, where American firms are pressured to share their technological know-how with Chinese partners.
- Currency manipulation and unfair subsidies provided to Chinese industries have further exacerbated tensions, as they distort market competition and disadvantage American businesses.

### **2.6.3.3 Tariffs on Chinese Imports**

- On this front, actions were taken such as protectionism, where the government placed tariffs on Chinese imports in a bid to correct the trade imbalance and address unfair business practices.

### **2.6.3.4 Negotiations for a Phase One Trade Deal**

- Another one was to participate in the negotiations to complete and sign a Phase One deal aiming at resolving certain issues of trade and promoting the general trade relations between the two countries (Yiyang, 2021).

### **2.6.3.5 The Goal of Promoting Fair Competition**

- These actions were guided by the overarching objective of fostering fair competition and safeguarding the interests of American workers and businesses.
- The aim was to create a more level playing field that would benefit American industries and ensure a more equitable trade relationship with China.

With tariffs, negotiations, and exerting diplomatic pressure the Trump administration intended to work for fair trade practices and safeguard American economic interests from what the Trump

team regarded as unfair actions. This demonstrated that in terms of certain problems, the Phase One trade deal is a positive development, however, some constraints need to be considered such that while China undertakes not to backtrack on its commitments under the Phase One trade deal, fair trade principles must also be respected (Shu Shang, & Shen, 2021). The establishment of new trade relationships between the United States and China requires a significant investment of time, effort, and rigorous enforcement actions. Sustained engagement and diligent enforcement are essential to facilitate a balanced trade environment that supports the achievement of mutual objectives for both nations.

## **2.7 Escalation of the US-China Trade War**

In recent years, tensions between the United States and China over trade have heated up. This disagreement has led to a back-and-forth of actions that have put a strain on diplomatic ties and made global markets uneasy. What started as just some tariffs on certain products have grown into a bigger conflict, with both sides adding more tariffs on billions of dollars' worth of each other's goods. This escalation has been driven by a mix of heated issues, like disagreements over intellectual property rights, sharing technology, and China's large trade surplus with the United States (Sardana, 2018). In 2018, the trade war began when the Trump administration decided to put tariffs on Chinese imports, claiming that China was engaging in unfair trade practices and stealing intellectual property. In retaliation, China imposed tariffs on American products like soybeans, cars, and airplanes.

Since then, both sides have been going back and forth, increasing tariffs and creating new trade barriers, all in hopes of getting an upper hand in negotiations. The trade war's escalation has caused widespread impacts, touching businesses, consumers, and the world economy. The uncertainty surrounding trade policies has made businesses hesitant to invest, slowing down

economic growth and causing instability in financial markets (Sardana, 2018). Supply chains have been disrupted as a result. Also, the escalating tariff war situation has caused conflicts to emerge between the two global leading economies as many people fear the emergence of potential geopolitical war and business stagnation that may span for many years.

**2.7.1 Tariffs and Trade Barriers Imposed by Both Sides:** The US-China trade war has witnessed an aspect that embraces tariffs and trade barriers. Although these measures have strategic intent, both countries have resorted to using them as weapons, levying penalties on the export of goods and materials. They will work towards addressing the perceived trade inequity and abusive measures (Steinbock, 2018). For example, the United States has put tariffs worth billions of dollars on Chinese products. These include tariffs on computers, communications equipment, manufactured goods, and household goods to name but a few.

In response, China has commenced levying tariffs on some of the products originating from the United States in particular products such as soybeans and pork, automobiles, and chemicals. They posit that these skyrocketing tariffs have thrown world trade into disarray and raised the costs of doing business in addition to the costs of buying goods for both buyers and sellers in Asia-Pacific. Furthermore, because of the uncertainties involved with trade policies, the two countries' businesses have been left feeling a little insecure and thereby, wary of investing this has led to the slow-down in growth of the two economies (Steinbock, 2018). Negotiations toward a trade agreement have been hampered by divergent stances on essential issues such as standardized intellectual property rights, sharing of technology, and trade access. The parties are eager to engage in negotiations, but they remain slow, and there is still animosity because tariffs remain firmly in place.

**2.7.2 Impact on Global Trade and Economic Stability:** The trade tensions between the US and China have deeply affected worldwide trade and economic stability, causing ripples through financial markets and throwing global supply chains into disarray (Steinbock, 2018). The uncertainty stemming from these trade disputes has made businesses hesitant to invest and has shaken their confidence, resulting in a sluggish pace of economic expansion and heightened unpredictability in international markets.

The International Monetary Fund has raised concerns about the trade tensions between the United States and China, saying they could harm the global economy. They worry that these tensions could disrupt the slow recovery from the 2008 financial crisis. The tariffs and barriers to trade put in place have made things more expensive for both businesses and regular people (Steinbock, 2018). This means prices have gone up, making it harder for people to afford things they need. Furthermore, the trade war has increased tensions between the world's two biggest economies, making their relationship more strained. This has raised worries about the possibility of larger conflicts and disruptions to how things work internationally. As the trade dispute continues, policymakers and economists are paying close attention to how it's affecting global trade and economic stability.

**2.7.3 Attempts at Negotiation and Resolution:** Attempts to settle the US-China trade conflict through talks have been continuous, but advancements have been sluggish and hard to grasp. Both parties have participated in several important discussions to achieve a thorough trade deal, yet disagreements on crucial matters have impeded any significant headway. In December 2019, the two nations came to an agreement known as the Phase One trade deal. This pact outlined China's commitment to buy more American products and tackle certain contentious matters, like protecting intellectual property rights and reducing forced technology transfers (Tsao, 2021).



However, despite these efforts, many significant issues remained unaddressed, and the Phase One deal didn't fully tackle the deeper structural problems in the economic ties between the US and China. Attempts to negotiate a Phase Two trade agreement have hit a roadblock, as tensions reignite due to concerns regarding China's response to the COVID-19 pandemic and its treatment of human rights issues in Xinjiang and Hong Kong. While the Biden administration has shown a readiness to discuss trade matters with China, it's uncertain whether they can achieve significant breakthroughs in addressing the persistent disagreements between the two nations.

## **2.8 Shifting Alliances & Geopolitical Dynamics**

The trade conflict between the US and China has caused major changes in how countries worldwide team up and how global politics work, altering how countries interact internationally. Usually, the US and China had a complicated relationship where they both needed each other economically even as they competed for power. But as trade disagreements have heated up, other countries have started to rethink who they're friends with and where they stand. Several countries, especially those closely linked to both the US and China economically, face a challenging situation amidst the conflict (Lee, & Zulkefli, 2021). They need to carefully manage their economic interests alongside geopolitical concerns, trying to avoid taking explicit sides. European nations, for example, aim to sustain their economic ties with both the US and China while also voicing worries about how the trade war might affect global stability.

Additionally, the competition between the US and China has sparked greater strategic rivalry in regions like the Indo-Pacific, where both nations aim to extend their influence. America has tried to increase military strength and forge alliances with the regional countries to counter China's aggressive behavior, especially in the South China Sea. Thus, certain concerns have been raised regarding the possibility of increasing military conflict and uncertainty about the changes

in power relations in the region in the future (Lee, & Zulkefli, 2021). The evolving nature of the relationship between the United States and China, characterized by shifts in alliances and adversaries, underscores the complex interplay between economic and security interests in their trade conflict. Amidst these intricate challenges, it is crucial to carefully consider the implications of current actions on the future well-being and security of nations globally.

**2.8.1 Formation of New Partnerships:** During the US-China trade war, nations have started building fresh alliances to lessen the blow of economic upheavals and boost their influence on the world stage. A standout change is the deepening of economic connections among countries in the Asia-Pacific area, fueled by efforts like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP) (Park, Petri, & Plummer, 2021). These trade agreements within regions are designed to lessen dependence on the US and China. They do this by broadening economic connections and establishing different groups for trade. By encouraging stronger economic ties among the countries involved, these agreements open up chances for businesses to reach new markets and lower obstacles to trade.

Moreover, nations beyond the Asia-Pacific realm have endeavored to strengthen their economic collaboration with each other in reaction to the trade conflict (Park, Petri, & Plummer, 2021). For example, the European Union has sought to forge stronger connections with nations in Latin America and Africa, exploring potential trade and investment alliances beyond the influence of the US-China trade relationship. The rise of new alliances represents a larger shift towards teamwork and economic variety amid mounting uncertainty on the world stage. By building closer connections with other nations that share similar values, countries aim to protect their economic well-being and foster peace in a world that's becoming more unpredictable by the day.

**2.8.2 Re-evaluation of International Relations:** People are now forced to rethink various aspects of international relations due to the recent bilateral trade war between the United States and China. It is forcing us to think, about how we have been so globalized economically and to what extent we depend in terms of trade (Salazar-Morales, & Hallerberg, 2019). This was the idea of complete globalization where economic systems are entangled and supply lines are entwined. But now, countries are beginning to understand what risks averting trading with just a single country entails. Because of the effects of the trade war, quite several countries are reconsidering geopolitical interests and readjusting relations with both America and China. Some are positing themselves more assertively, to negotiate more robustly on bilateral and multilateral terms.

On the other hand, some are focusing on the importance of adhering to the standards of the international market to make the situation worse in trade disputes. That is why through the trade war one can learn that it is also essential for countries to diversify how they conduct their business so that in case they get influenced by the political sentiments of a specific nation then they barely affect them. This could mean increasing local consumption via local businesses, expanding the horizons of international trade relations, and making the economic integration of the region more enhanced (Salazar-Morales, & Hallerberg, 2019). Despite its precise dynamics and aspects, the US-China trade war seems to prompt more of a worrying reflection on the international community's geopolitics. It has thereby challenged nations to adapt to a world that previously was changing at a very rapid pace. As countries grapple with these uncertainties, they're faced with the challenge of finding a middle ground to protect their respective economic gains with a focus on collaborative work and interdependent global entities.

## **2.9 US-China Technological Competition and Innovation Under the Trump Administration**

During the Trump administration, the technological competition between the US and China intensified, reflecting a broader struggle for global dominance in innovation and critical technologies. The US targeted Chinese tech giants, notably Huawei, by imposing sanctions that restricted their access to American-made semiconductors and other advanced technologies, citing national security concerns. In 2020, the administration further tightened export controls, limiting China's ability to acquire key technologies, particularly in areas like 5G, artificial intelligence, and quantum computing. The US also launched initiatives to secure its supply chain, particularly in semiconductor manufacturing, where China's push to become self-sufficient was seen as a direct threat to American technological leadership. This included efforts to curb China's access to American intellectual property and R&D (Schneider-Petsinger, Wang, Jie, & Crabtree, 2019). In response, China accelerated its investments in domestic innovation, increasing R&D spending by over 10% annually during this period, aiming to reduce dependency on US technology and become a global leader in innovation by 2030. This technological competition has not only shaped bilateral relations but also had significant implications for global tech industries and supply chains.

## **2.10 Economic Nationalism and Protectionism in US-China Trade Competition Under Trump**

During the Trump administration, economic nationalism and protectionism were central to the intensifying competition between the United States and China. Trump's "America First" policy led to a significant shift towards protectionism, most notably through the imposition of tariffs. In 2018, the US initiated tariffs on approximately \$250 billion worth of Chinese goods, targeting key industries such as technology and manufacturing. In response, China imposed retaliatory tariffs on

\$110 billion of US goods, including agricultural products, which heavily impacted American farmers.

These moves were part of a broader strategy of economic nationalism, where both nations sought to protect domestic industries and reduce reliance on each other. For instance, the US aimed to reduce its trade deficit with China, which stood at \$375 billion in 2017 (Bimantara, 2019). Conversely, China pursued initiatives like "Made in China 2025" to achieve self-sufficiency in critical technologies, reducing dependence on US imports. This mutual shift towards protectionism and economic nationalism not only escalated the trade war but also underscored the growing competition between the two largest economies, influencing global trade dynamics.

In conclusion, the trade tensions between the United States and China, where economic considerations are paramount, illustrate the interconnected nature of trade imbalances, concerns over intellectual property, and the potential for superpower conflict. This rivalry, which has intensified over time, resembles a dysfunctional relationship marked by disputes over export-import practices, prolonged negotiations, and the imposition of tariffs. Despite these efforts, fundamental economic issues central to the trade war remain unresolved, generating persistent uncertainties that affect not only the international economy but also the broader framework of international relations.

Addressing the US-China trade conflict in the future will necessitate ongoing negotiations, confrontations, and compromises from both nations. Solutions must be pursued with a focus on mutual interests, including the protection of intellectual property, equitable technology distribution, and market access compliance. These measures are essential for reducing tensions and establishing a more stable foundation for trade. Furthermore, to address the underlying causes of the trade war, it is imperative to adopt a broader perspective on the conflict and its ramifications.

This involves revising trade regulations, enhancing international institutions such as the World Trade Organization, and promoting sustainable economic development globally. In conclusion, resolving the trade war between the US and China requires collaborative efforts across political, corporate, and public spheres to navigate the complex political and economic dynamics at play. Addressing the root causes of the conflict and fostering cooperation in global trade is crucial for advancing a constructive global economy. Ultimately, the resolution of the trade war will depend on both countries' willingness to compromise and proactively address their concerns. Given the interconnected nature of the global economy, achieving value co-creation that satisfies all stakeholders is vital for fostering international and regional economic prosperity, stability, and well-being.

## **CHAPTER 03**

# **Analyzing Diplomatic Negotiations and Strategic Trade Policies Amidst US-China Economic Competition**

### **3.1 Introduction**

In the contemporary global economic landscape, the economic competition between the United States and China has become a central force shaping international trade dynamics and diplomatic relations (Subramanian, 2011). This chapter explores the complex diplomatic negotiations and strategic trade policies that have emerged from this competition. The evolving relationship between these two economic giants has not only redefined trade policies but also altered global economic alignments and diplomatic strategies, reflecting a broader struggle for economic dominance and influence.

The chapter aims to dissect key negotiations and policy shifts, examining their motivations and broader impacts on the global economy. It will analyze how both nations have employed trade measures and diplomatic strategies to secure competitive advantages and address perceived imbalances. By providing insights into these interactions, this chapter seeks to offer a comprehensive understanding of how US-China economic competition is shaping the future of global economic relations and influencing international trade and diplomacy (Subramanian, 2011). The trade war between America and China can be said to have been ignited by accumulated economic differences and a focus on power in international relations. Everything started when the Trump administration chose to place tariffs and set up trade barriers, and we ended up in what is comprehensively known as the trade war. And before we realized it, this unknown turned into something of a common conflict, which permeates everything from technology to agriculture.

Bernie Sanders raged upon hearing that this invective has an economic aspect to it; it raises the question of how this economic conflict translates to diplomacy.

These dynamics may be shifting into more antagonistic postures as the developments in the US-China trade relations indicate but this is not only a matter of tariffs and trade. This new-world order is altering the age old concepts of friendship and alliances across geographical locations. Traditional allies of the US are between a rock and a hardcore, on the one hand, they want to maintain their economic relations with China, and, on the other, they do not want to lose American favor. Meanwhile, new entrants into the global market feel they have an opportunity to prove their might while larger countries struggle for leverage (Subramanian, 2011). This part will dive into how all this is shaking up the world of diplomacy. Impact of Trade War Not only in trade aspects but also in strategic relationships, the trade war between the United States and China means structural changes in geopolitics, allowing a better understanding of how states are balancing power and arranging their priorities in places such as East Asia and the Indo-Pacific region.

For instance, conflicts in the South China Sea and the weaponization of supply chains have emerged and intensified to shift countries' strategic outlooks even more drastically. It is important to understand these dynamics to comprehend the central tendencies of this trade conflict, affecting global political processes (Subramanian, 2011). The historical background of the economic competition includes the deep economic strain of the United States and China as two of the global leaders in the economy. Things got a little more serious in 2018 when Trump's administration in the US imposed tariffs on several China exports citing unfair trade and intellectual property violations. China retaliated by imposing tariffs of its own on American exports, initiating a cyclical feud that has escalated in recent years. Speaking of the ongoing trade war, the focus is made on some main concerns of the US-China's manipulation of the Yuan currency, subsidization of state-



controlled enterprises, and pressure on American businesses to transfer technology to their Chinese counterparts. In the same vein, the US has accused China of violating World Trade Organization regulations and subsidizing domestic industries (Zhang, 2018). This trade war has ramifications not only in the United States and China but also across the globe given its implications on such aspects as supply, markets, and future growth. Efforts to conclude an overall trade agreement have yielded certain difficulties while both partners continue occasional talks then increase tariffs on goods and parts in the framework of tension. The Biden administration understands that it cannot avoid confronting China and is prepared to take clear and firm positions, while also being open to engaging in softer diplomacy to help mediate the situation.

### **3.2 Importance of diplomatic negotiations in economic competition**

During the Trump presidency, foreign policy decisions contributed significantly to the process of governing the economic rivalry between Washington and Beijing. As animosity between the leading economies escalated, these talks played a critical role in rapprochement, settling disputes, resolving conflicts, and mitigating the devastating consequences on the world economy. As the trade war progressed with both sides imposing tariffs on each other's products and officials engaging in hostile rhetoric, it became possible that the trade policies would destabilize global supply chains, put up consumer prices, and lead to fluctuations in financial markets. It enabled the search for solutions to subtle problems such as international patent protection, entrance to the markets, and unfair competition. Also, diplomacy effectively contributed towards preventing the trade war from escalating into an economic conflict affecting the countries' economies vastly. As such, placing too much importance on diplomatic talks as a means of overcoming the existing tensions and forging goodwill between the US and China during the presidency of Trump cannot be overemphasized. It is in this context that diplomacy plays a

critical role in CFR managing the complex relations between the US and China in addressing the trade war. The importance of these discussions can be finely summarized in the following accounts. Firstly, they provide a clear framework through which both the aggrieved party and the accused person have an opportunity to air their matters in the hope that a middle ground that is satisfactory to both entities will be engineered. Secondly, so such talks can assist in easing strains that have already been reached and prevent more retributory measures which would only worsen the economic effects of the trade war. Thirdly, it leads to the prospects of reaching trade relations that can be a fair and balanced key to further negotiations in an international aspect of commerce. In addition, diplomatic talks offer a way for the two countries to address shared goals and ways of cooperation that are outside of the commercial sphere, such as the fight against climate change, protection of regional stability, or overcoming the COVID-19 pandemic. When two countries can diplomatically open dialogue, this will enhance their mutual relation and possibly lead to more positive relations in future periods (Yong, 2019).

However, there are challenges that diplomats face in their efforts to arrive at diplomatic resolutions; these are; mismatches of interests, strategic posturing, and nationalism issues in both countries. Also, it means that the approach through political-diplomatic channels to conclude a comprehensive trade deal will remain an illusion due to the unpredictable character of the relations between the two countries on many issues, including human rights and geopolitical rivalries. However, diplomatic means remain instrumental and effective in managing and eventually solving the conflict between the two powers over the trade. Through the opening of more communication channels and working towards finding more similarities in economic relations, both, sides should aim at striving for a more stable and beneficial economic cooperation (Yong, 2019).

### **3.3 Significance of Strategic Approaches in Diplomatic Negotiations**

The strategies used by these countries as they dealt with the trade war that erupted during the Trump administration were very significant and caused significant effects. The two nations had their strategies and strategies regarding how they wished to address issues while the impact of those have was huge on the status of the worldwide economy. Washington went on the attack under Trump to address with tariffs, among other things, what they regarded as China's predatory methods such as burglarizing companies for their innovations. China, however, failed to be complacent (Hur, 2018). They retaliated with fences and efforts to look for other partners where they could source their needs, instead of the US. They all added tension and illustrated the extent to which the trade war issue intensified. It's critical to understand that it wasn't only breaking and making money; it influenced people, firms, and how nations behaved globally. Therefore, knowing the strategies adopted by these countries helps in determining whether or not the measures put in place achieved the intended purpose and the effect on the individuals concerned.

#### **3.3.1 Strategies Adopted by the US**

During Trump's administration, the United States adopted several strategies to address economic competition with China, focusing primarily on trade policies.

##### **3.3.1.1 Imposing Tariffs**

The Trump administration implemented a series of tariffs on Chinese goods, starting in 2018. These tariffs targeted a wide range of products, from steel and aluminum to consumer electronics and clothing. The goal was to reduce the trade deficit with China and pressure Beijing to change its trade practices. The administration used Section 301 of the Trade Act of 1974 to investigate and address unfair trade practices by China, particularly those related to intellectual property theft and forced technology transfers.

### **3.3.1.2 Trade Negotiations and Agreements**

In January 2020, the US and China signed the Phase One trade agreement, which aimed to address some of the concerns related to intellectual property, technology transfer, and the purchase of American goods by China. The deal included commitments from China to buy more US agricultural products, manufactured goods, and services. Continuous negotiations were held to address issues such as market access, subsidies, and currency manipulation (Zhang, 2018).

### **3.3.1.3 Strengthening Trade Enforcement**

The administration took a tougher stance on enforcing existing trade laws and agreements. This included actions against Chinese companies accused of violating intellectual property rights and implementing stricter export controls on sensitive technologies. The US imposed anti-dumping and countervailing duties on Chinese imports that were found to be unfairly subsidized or sold at below-market prices.

### **3.3.1.4 National Security Measures**

The US placed restrictions on Chinese tech giants Huawei and ZTE, citing national security concerns. This included banning the use of their equipment in critical infrastructure and encouraging allies to do the same. The administration increased scrutiny of Chinese investments in the US, particularly in sectors deemed critical to national security, through the Committee on Foreign Investment in the United States (CFIUS).

### **3.3.1.5 Decoupling and Supply Chain Resilience**

The Trump administration promoted the re-shoring of manufacturing and the diversification of supply chains to reduce dependence on China. This included tax incentives and regulatory reforms to encourage domestic production. Efforts were made to strengthen domestic capabilities

in strategic sectors such as semiconductors, pharmaceuticals, and rare earth minerals (Zhang, 2018).

### **3.3.1.6 Building Alliances and Partnerships**

The US sought to build coalitions with like-minded countries to address shared concerns about China's trade practices. This included working with the European Union, Japan, and other allies on issues like intellectual property protection and market access (Zhang, 2018). The administration emphasized a free and open Indo-Pacific region, promoting economic partnerships and security cooperation with countries in the region to counterbalance China's influence.

### **3.3.2 Strategies Adopted by China**

China adopted several strategic measures in response to the economic competition with the US, particularly during Trump's administration, which was marked by a series of tariffs and trade barriers.

#### **3.3.2.1 Diversification of Trade Partners**

China sought to mitigate the impact of US tariffs by diversifying its trade relationships. This involved strengthening economic ties with other countries, particularly within Asia, Europe, and Africa. Initiatives like the Belt and Road Initiative (BRI) played a significant role in this strategy.

#### **3.3.2.3 Domestic Economic Reform and Opening Up**

China accelerated its domestic economic reforms to boost its economic resilience and competitiveness. This included policies aimed at encouraging innovation, improving the business environment, and promoting high-quality development (Zhang, 2018). Efforts were also made to open up sectors like finance, automotive, and agriculture to foreign investment.

#### **3.3.2.4 Currency Management**

China managed the value of its currency, the yuan (RMB), to offset some of the negative impacts of tariffs. A controlled depreciation of the yuan made Chinese exports cheaper and helped to maintain their competitiveness in global markets.

#### **3.3.2.5 Retaliatory Tariffs and Trade Barriers**

In response to US tariffs, China imposed its own set of tariffs on American goods. This was a direct countermeasure aimed at exerting pressure on the US by targeting key sectors such as agriculture, automobiles, and technology.

#### **3.3.2.6 Strengthening Technological Capabilities**

China focused on advancing its technological capabilities, particularly in strategic sectors like 5G, artificial intelligence, and semiconductors. This included significant investments in research and development, as well as policies to support domestic tech companies.

#### **3.3.2.7 Enhancing the Role of Multilateral Institutions**

China sought to bolster its influence within multilateral trade organizations, such as the World Trade Organization (WTO). By promoting a rules-based international trade system, China aimed to counter unilateral actions taken by the US and to present itself as a champion of globalization and free trade.

#### **3.3.2.8 Promoting Domestic Consumption**

To reduce dependency on exports, China implemented policies to boost domestic consumption. This included measures to increase household income, improve social safety nets, and encourage consumption through tax cuts and subsidies.

### **3.3.2.9 Strategic Stockpiling and Supply Chain Management**

China invested in strategic stockpiling of essential commodities and raw materials to buffer against supply chain disruptions. Additionally, efforts were made to develop more self-sufficient supply chains, particularly in critical industries.

### **3.3.3 Diplomatic and Strategic Impact on the Chinese Economy and Global Trade**

The strategies of diversification of trade partners, domestic economic reforms, and retaliatory tariffs and measures have significant impacts on both the Chinese economy and global trade.

#### **3.3.3.1 Diversification of Trade Partners**

##### **Impact on the Chinese Economy**

By diversifying trade partners, China reduces its dependence on a single or a few countries, thus mitigating risks associated with geopolitical tensions or economic downturns in those countries. Access to new markets can lead to increased exports, boosting economic growth. Diversification can enhance China's bargaining power in trade negotiations, as reliance on any single partner is reduced.

#### **3.3.3.2 Impact on Global Trade**

Global trade patterns may shift as China increases trade with emerging markets and developing countries. Other countries may face increased competition in markets where China expands its presence. Countries heavily reliant on trade with China might experience changes in their trade balances.

#### **3.3.3.3 Domestic Economic Reforms**

##### **Impact on the Chinese Economy**

Reforms aimed at improving market efficiency, reducing regulatory burdens, and encouraging innovation can lead to higher productivity and economic growth. Shifting from an investment-

driven to a consumption-driven economy can lead to more sustainable long-term growth. Improved business environment and governance can attract foreign direct investment.

#### **3.3.3.4 Impact on Global Trade**

Enhanced efficiency and productivity can make Chinese industries more competitive on a global scale. A focus on domestic consumption might increase demand for imported goods, benefiting trade partners. Reforms might lead to changes in global supply chains, as multinational companies adjust to a more open and efficient Chinese market (Zhang, 2018).

#### **3.3.3.5 Retaliatory Tariffs and Measures**

##### **Impact on the Chinese Economy**

Retaliatory tariffs can hurt Chinese exporters and industries reliant on imported goods, leading to potential economic slowdowns in the short term. Increased costs of imported goods due to tariffs can lead to inflationary pressures. Tariffs can incentivize the development of domestic industries to replace imported goods.

### **3.4 Impact of the US-China Trade War on Diplomatic Negotiations**

#### **3.4.1 Economic Implications of the US-China Trade War on Diplomatic Negotiations**

During the Presidency, the trade war between the US and China shook things up economically, affecting both countries and even the global economy. It was all about tariffs, with each side slapping them on billions of dollars worth of goods. This caused a lot of uncertainty and ups and downs in financial markets. The US wanted to shrink its trade deficit and shield its industries, especially manufacturing, by imposing tariffs on Chinese imports. But China hit back with tariffs targeting vital American sectors like agriculture, which hurt farmers and businesses. This whole tug-of-war led to less trade between the two giants, messed up global supply chains, and made stuff more expensive for consumers (Steinbock, 2018). Studies show that the trade war put a



damper on economic growth, investments, and jobs in both countries. Plus, it didn't just stay in the economic realm; it also soured the relationship between the US and China, which could have wider implications for peace and stability worldwide.

### **3.4.2 Political Implications of the US-China Trade War on Diplomatic Negotiations**

In this thesis, it would be important to mention that the trade war between the US and China during Trump's administration has had a lot of political implications at the national level as well as at the international level. In the United States, President Trump's aggressive stance over Chinese trade was regarded as the implementation of his policy on protectionism and safeguarding American companies from what was regarded as unfair competition. This position strengthened his image of a straightforward president not to spare China's economic actions to be dealt with, which will be warmly greeted by those states that have a lot to lose due to China's non-peaceful economic breakthrough (Steinbock, 2018). Nevertheless, criticisms came pouring in specifically towards Trump's trade policies as companies and farmers affected by countermeasures imposed by Beijing complained of being severely affected. In the global arena, the trade conflict created tension in the diplomatic relations between the US and China, which served as a source of increased unpredictability in the global markets.

The US administration's use of tariffs as leverage instruments caused concern and trade tensions thereby undermining the structure of the trade system. Additionally, the trade relations are intrinsically linked to other non-mercantile issues such as political-security factors such as security architectures in the Asia-Pacific region and technology competition. These political impacts underscored the complex interaction between economic regulation, political concerns, and global strategies that constitute the landscape of US-China trade relations.

### **3.5 Challenges and Constraints in Diplomatic Negotiations and Strategic Trade Policies**

During Trump's presidency, the trade conflict between the United States and China encountered numerous obstacles that hindered the achievement of its objectives. Overall, characterizing the US-China trade relationship is both challenging and complex. It encompasses many different industries and issues such as threats to ownership of ideas and inventions, acquisition of equal entry to each other's markets, dissemination of technology, and change in currencies. When it attempted to solve all these challenges at once, it found it a bit challenging and tactful. The trade war between these two largest economies impacted global trade immensely in many ways (Zhang, 2021). Dumping of one product on the other with tariffs created confusion on how things were to be produced and sold costing the companies more while the money world became unpredictable. This was an upturn for everyone, and so it becomes even more paramount that both sides begin to sort things out and return to civil terms.

Certain strata of the American community, particular industries, everyday consumers, and members of the government to the moments concerned with the positions of tariffs and trade restraints. The trade war was only damaging farmers, factories, and average citizens of this country, and that is why some politicians could not sit idly and worsen things. China responded to the US tariffs by placing tariffs on American products focusing on industries and areas that were informative to President Trump's base. They also employed different strategies such as hindering the effect of the tariffs by erecting other barriers and regulations not equal to tariffs which made it difficult to come up with solutions (Zhang, 2021). While both the US and China engaged in the ongoing trade war, they aimed at much more than what was captured in the ongoing trade war. The US requested it to confront Beijing's alleged mercantilism that threatened critical industries and technology in America. While one was concerned with solving conflicts that led to bloodshed

within the six weeks the superpower exchanged threats, the other was bent on developing its economy, globally and would not relent in areas that would counter its long-term visions.

Talks between the US and China were like a rollercoaster, with changes in mood, risky moves, and sometimes things falling apart completely. Trust was a big issue, worsened by years of one-sided trade and intense competition. This lack of trust made it hard to sort out our differences and come to a real deal on trade. The trade war between the US and China had a lot of obstacles to overcome (Zhang, 2021). These challenges came from how complicated trade problems are, how much the world's economies rely on each other, politics back home, China's way of hitting back, the bigger plans both countries had in mind, and how negotiations played out. All of these things made it hard for the trade war to end quickly or for either side to get exactly what they wanted out of it.

### **3.6 Tariffs and Trade Barriers in Diplomatic Terms**

During Trump's Presidency, the trade showdown between the US and China was a big deal. Tariffs and trade restrictions became the go-to strategies for reaching goals. Trump imposed tariffs on billions of dollars worth of Chinese goods, aiming to address issues like intellectual property theft, unfair trade practices, and the trade gap between the two countries. The idea behind this was to make Chinese products more expensive for Americans, hoping that people would buy fewer of them and instead opt for domestically-made goods (Li, He, & Lin, 2018). The goal was to protect American industries from what they saw as unfair competition from China and to bring back manufacturing jobs to the US. In response, China retaliated with tariffs on American products, setting off a back-and-forth of trade barriers. This escalation of trade tensions left both businesses and everyday people feeling uncertain about the future. While the use of tariffs and trade restrictions was a bold move by Trump's team to pressure China into changing its trade practices

and creating a more balanced economic relationship, it also caused disruptions to global supply chains, increased costs for businesses, and had negative effects on the economy overall.

Year	Average Tariff Rate (%)
2016	3.1
2017	3.1
2018	12.0
2019	18.3
2020	19.3

Figure 7. (USITC, 2020) Complied by Researcher.

**3.6.1 Geopolitical Tensions in Diplomatic Negotiations**

During Trump’s presidency, there was much political conflict between the two countries with a focus on a trade war that affected the goals of both countries. The outcome of the trade war was not only a matter of dollars and cents but was also inevitably entangled in the global rivalry between the United States and China. Both wanted to demonstrate that they were the alpha in their respective organizations not just in financial cockfighting, but in the management of the global environment (Yadav, 2019). Protectionism and anti-China sentiments in the Trump Administration were justified through assertions of national security, especially when proposing trade measures against China. They were concerned over things like China obtaining technology, emulating ideas, and coming up with industrial policies that the US deemed as being capable of posing a threat to its dominance in technology and its security.

The Trade War became like a political face-off of a massive competition to decide who controls the world. The US and China were bending over backward in terms of putting pressure and convincing as many countries and international institutions as possible to be on their side. It has changed from just swapping goods at one point to a prime focus on diplomacy where each side could vie to have the better of the other in the global arena (Yadav, 2019). As it was revealed that the trade war affected some of the usual allies that the United States has, the latter was put into a rather uncomfortable position. Some of them were reluctant to commit fully to the US side due to the threat of Chinese retaliatory measures affecting their economies. When this is laid out like this, it just provides further evidence of how complex the politics were back then.

The behavioral style effectively embedded another variable, unknown before Trump's presidency, in the global dynamics of affairs. Instead of engaging with several countries at the same time, he preferred to work independently and negotiate with individual countries. They mostly ignored other major organizations such as the WTO (Yadav, 2019). Having chosen a solo approach, this strategy entailed severe consequences in reconstructing not ONLY the new forms of performing international exchanges but also the very picture of international relations between countries. In layman's terms, the trade wars between America and China illustrated that our foreign policy interests and commercial ties are tied together globally.

### **3.6.2 Domestic and International Pressures in Strategic Trade Policies**

During President Trump's, the trade tension between the United States and China felt significant pressure from both domestic concerns and international dynamics, influencing the objectives each country pursued.

### **3.6.2.1 Domestic Pressures in the United States**

A large number of Americans felt deeply concerned about the trade relationship with China. They worried about the significant amount of goods the US was purchasing from China compared to what it was selling. This concern was heightened by the closure of American factories and the resulting loss of jobs for many people. Many folks felt a sense of frustration, believing that China was engaging in unfair practices by stealing American ideas and providing preferential treatment to their own companies. This perceived unfairness was seen as damaging to American businesses and added to the worries about the trade imbalance (Zhang, 2021).

Throughout his campaign, President Trump promised to address what many viewed as unjust trade practices by China. This pledge placed significant expectations on his administration to deliver. Interestingly, both Democrats and Republicans shared the belief that confronting China on trade was crucial, despite occasional differences in their approaches (Zhang, 2021). As concerns about China grew, folks became increasingly anxious. They fretted over job losses, stiff economic rivalry, and potential risks to national security. These worries within the public sphere began to influence how the administration approached China, impacting both its policies and its rhetoric about the nation.

### **3.6.2.2 International Pressures in the United States**

The trade spat between the U.S. and China caused ripples throughout the global economy, affecting not only the two countries involved but also their trade partners. Many nations ended up caught in the crossfire of escalating tariffs and countermeasures, leading to concerns about how it might disrupt international trade pathways and supply networks (Zhang, 2021). The Trump administration faced pressure from its friends and allies, who were concerned about how the trade war could harm their economies and the global trading system as a whole. Some countries took

action to ease tensions between the U.S. and China, aiming to soothe the situation and seek a peaceful resolution through diplomatic efforts.

### **3.7 Role of International Organizations in Diplomatic Negotiations**

International organizations like the World Trade Organization (WTO) and the International Monetary Fund (IMF) played significant roles in mediating and influencing diplomatic negotiations during the US-China trade war. The WTO, for instance, became a critical platform for addressing disputes. The US filed a complaint with the WTO in 2018, accusing China of unfair trade practices and intellectual property theft. The WTO's dispute resolution mechanism, however, faced challenges due to a backlog of cases and US objections to the Appellate Body, which delayed the resolution process.

The IMF also influenced the trade conflict indirectly by addressing global economic stability. During the trade war, the IMF warned of potential economic slowdowns and global financial risks. In 2019, it projected that the trade war could reduce global GDP growth by 0.8% in 2020 (Gakpetor, 2020). The IMF's economic forecasts and policy advice provided a broader context for negotiations and highlighted the potential global repercussions of the trade tensions. Both organizations, through their monitoring, reporting, and dispute resolution functions, underscored the complexities of the trade war and influenced the strategies and outcomes of US-China negotiations, reflecting the intertwined nature of global economic governance and bilateral trade disputes.

### **3.8 Analysis of strategic approaches in selected scenarios**

During Trump's presidency, tensions between the US and China escalated significantly in the realm of trade, leading to what became known as the "US-China trade war." Both nations employed various strategies to navigate this complex and contentious situation.

### **3.8.1 Tariffs and Counter-Tariffs**

The US decided to put tariffs on lots of things made in China, which made China upset and they put tariffs on American stuff in return.

- The Trump administration believed that implementing tariffs would address the trade deficit, protect American businesses, and compel China to modify its trade practices.
- China fought back strategically by focusing on industries that were crucial to the people who supported Trump, like agriculture, to put pressure on his administration (Feng, 2021).

### **3.8.2 Negotiation and Diplomacy**

As tensions grew, both sides tried negotiating to settle the trade conflict.

- The US wielded the possibility of tariffs as a bargaining chip in talks, hoping to persuade China to make compromises on concerns such as stealing intellectual property, requiring technology transfers, and allowing fair access to markets.

### **3.8.3 Technology and National Security Concerns**

The trade conflict grew beyond regular products to involve technology and worries about national safety, especially focusing on the Chinese telecom company Huawei.

- The US government took action against Chinese tech companies such as Huawei by imposing sanctions and export controls, expressing concerns about national security.
- China reacted by pouring significant resources into fostering homegrown innovation and cutting down its dependence on American technology. Simultaneously, it engaged in diplomatic endeavors to push back against the pressure exerted by the US on its technology companies (Feng, 2021).



### **3.8.4 Market Volatility and Economic Impact**

The trade tensions added to the ups and downs of the market and caused financial effects for both countries and the whole world economy.

- The US hoped to use its economic power to endure some tough times in the short run, believing that in the end, China would give in when the going got tough.
- China took steps to bolster its economy by providing financial aid and specialized assistance to industries impacted by tariffs. At the same time, they worked on expanding their export destinations to lessen their dependence on the US (Feng, 2021).

In conclusion, throughout Trump's Presidency, the trade war between the US and China caused big changes in both economies and how they interacted on the world stage. This made people rethink how they should handle things strategically. Some important things we learned were that using tariffs and making decisions alone didn't necessarily solve the bigger problems like trade imbalances and protecting intellectual property. Working together with other countries became important, showing us that teaming up with allies could help deal with China's trade practices better. We also realized that having a smart, long-term plan for how we deal with China is crucial. It means we have to think about both money matters and how it affects our relationships with other countries. Investing more in our industries and coming up with new ideas can help us compete better and not rely so much on things from China. Plus, getting to know each other's cultures and having regular people talk can build trust and make it easier to solve problems together. Looking ahead, it's clear we need better ways to make sure everyone sticks to the agreements we make and doesn't go back on their word. Overall, these lessons show just how tricky the US-China relationship is, and they remind us that we need smart, flexible plans to deal with whatever comes next.

## **CHAPTER 04**

### **THE US-CHINA ECONOMIC COMPETITION IMPACT ON GLOBAL POWER DYNAMICS AND DIPLOMATIC STRATEGIES (2018-2021)**

#### **4.1 Introduction**

The US-China trade war was a process occurring during 2018-2021 as an event shaping international relations significantly and having a series of implications for the power relations and diplomacy of the states involved. This conflict brought the changing of the International order post-World War II characterizing strained relations between the world's two largest economies China and Japan (Ahn, & Lee, 2021). The trade war was not only economic tension but also a power struggle for dominance and influence in the change in the world political order (Allison, 2017).

The trade war between the United States and China was likely to transform global power structures because of the rise of China and the relative decline of the United States' power (Layne, 2018). Hence, this conflict, which was an intensive and long-standing one, concerning trade policies, resulted in the breaking down of the world economy into several small unconnected parts, which had the creation of new trade associations and partnerships (Ikenberry, 2018). In addition, it shows the failure of laissez-faire diplomacy, especially the liberal institutionalism approach to international relations that emphasizes and encourages cooperation through free trade agreements. This called for the establishment of new ways of functioning of tensions between superpowers.

Indeed it will be memory to note that between 2018-2021 the US and China have been locked in a trade war that saw sustained and intense disagreements over trade regulations and this chapter will give a detailed explanation of the consequences of the trade war on world power relations and diplomatic approaches (Ikenberry, 2018). The general causes and effects of the trade

conflict shall also be discussed together with the reaction from some significant countries as well as the theory and practical application of international relations that be defined as the study of interactions between countries and International Organizations.

## **4.2 Importance of analyzing US-China Economic Competition impact on global power dynamics and diplomatic strategies**

The United States under the Trump presidency has seen serious tension in trade relations between the US and China, which has resulted in major implications for international relations policies and balance of power. The trade war impacted the economic relationship between the two countries in a way that resulted in a shift in trade balance. China, which had previously experienced rapid economic growth, came to prominence as a significant economic power, thereby challenging the previously unrivaled position of the United States (Makengo, 2020). This came in the form of tariffs and trade barriers which were implemented by the Trump regime as measures to protect industries and jobs in the country. However, this shift also caused fragmentation of international supply systems and reorganization of the international system of exchanges.

Contrary to an expectation of normal trade talks where most of the controversy would have probably been bound to the conventional physical products and services, technology and intellectual property were also in contention. Over the years the US administration has concluded that China has been involved in the unfair trade practice such as forced technology transfer and stealing of intellectual property (Makengo, 2020). This aspect of the conflict pointed to the rivalry of the two superpowers where each sought to establish supremacy in new and evolving fields like artificial intelligence, the fifth generation of technology the 5G, and security. Due to the trade war, many companies do reflect on many changes as they streamline their supply-chain activities as well. This can be looked to as having resulted in diversification and regionalization instead of

reliance on China. This restructuring of supply chains had extended impacts not only on corporate entities but also on relations between countries and economic sovereignty.

Due to disagreements over a range of issues, diplomatic relations between the US and China deteriorated as a result of the trade war with implications for the global economy. Due to the Cold War, countries had no other option but to switch from one economic giant to the other; they had to consider their interests in the two superpowers melting pots into diplomatic interests. Some countries were under pressure to align themselves with one side or another, while others aimed at playing the role of a peacemaker and trying to at least smooth the situation (Makengo, 2020). Moreover, there is a focus on extra-economic dimensions; and, more specifically, political tensions related to the trade conflict. It succeeded the tensions connected to security issues, from the South China Sea issue, the Taiwan question, and the issue of human rights. These connected factors made diplomacy and the alliances more than challenging, for great powers like Japan, Australia, and European countries, it was all about how to balance relations with both the US and China.

This marked a change in the line America was charting in the international relations pity. The way the Trump administration tried to act independently of global multilateral treaties was seen through its new or abandoned trade deals including NAFTA and TPP. These issues posed questions about the efficiency of the international bodies and the agreements on trade in the international market (Makengo, 2020). When evaluating the effects of the trade war between America & china, concerning the global balance of power and diplomatic procedures, one must consider not only the multiple short-term economic consequences but also a deeper geopolitical analysis coupled with the potential long-term trends in international relations.

### **4.3 Economic Ramifications of the US-China Economic Competition during the Trump Presidency**

Power dynamics in the Trump era of the US-China trade war reflected the severe and far-reaching consequences of the economic scale. The consequences can be grouped into the following types. Specifically, the trade war led to a substantial shift in economic relationships as countries looked for new partners and new ways of overcoming the trade hurdles. Given that both economic powerhouses continued implementing reciprocal tariff measures to each other's exports, other countries endeavored to look for new trade partners that they perceived to be less susceptible to the ramifications of the trade dispute (Wang, & Zeng, 2020). As a result, the investment was made in countries like Vietnam, Mexico & Taiwan, etc., as an effort to avoid issues related to tariffs while seeking manufacturing destinations outside of China.

Second, the trade war disrupted the complacent relationship between states, making global markets less stable as a result. Event-moving global stock markets as investors became more optimistic about trade deals and more pessimistic at other times. This was mainly because an announcement regarding new tariffs or progress in US-China discussions frequently determined market movements adding to the uncertainty as well as fear factor, or, market jitters. Thirdly, the trade war impacted global supply chains, especially affecting industries that significantly relied on Chinese factories (Wang, & Zeng, 2020). Tariffs on imported inputs resulted in rising costs to local businesses, necessitating frantic sourcing chain-reform initiatives. For instance, major technology companies such as Apple pondered moving some of its production lines out of China to cushion the effects created by the tariffs on its products. In conclusion, the trade dispute raised geopolitical tensions since both countries shifted to a confrontational level as they tried to gain power over each other on various fronts. Initiatives such as the Indo-Pacific Economic Vision were

part of the actions taken by the US to counter the Belt and Road initiative of China while China tried to strengthen its relationship with the countries affected by the tariffs imposed by it. This competition did not only affect trade relations but also diplomatic relations with strategies including partnerships.

For instance, in the case of the US-China trade war spearheading the rather significant financier's representation of major economic repercussions as well as the distribution of global power. This scenario focuses on the Huawei Company a telecommunication industry giant hailing from China (Wang, & Zeng, 2020). In another turn, the Trump administration declared Huawei to be a national security threat and put restrictions on buying most of the required technologies and components from the US. The said action not only impacted Huawei's business but also its suppliers from all parts of the world. They were faced with pressure from the United States to avoid using Huawei equipment and communications in their 5G networks and threats from Beijing about potential risks to their relations. From the Huawei case, I was able to see that the economic confrontation between the United States and China through trade relations and technology competition also reflects cyber-security concerns and political aspects of the global environment.

#### **4.4 Effects on global supply chains**

The considerable repercussions of global supply chains are influenced by the competitive economic landscape between the United States and China. Trade policies, technological progressions, market accessibility, and geopolitical interactions are all impacted by this competition.

##### **4.4.1 Trade Policies and Tariffs**

The intensification of trade relations between the United States and China, which commenced in earnest in early 2018, resulted in the imposition of tariffs on a broad array of

products, collectively valued at hundreds of billions of USD. These tariffs notably impacted the supply chain, leading to increased costs for both producers and consumers. The elevated costs of imported goods due to these tariffs have compelled many businesses to either seek alternative suppliers or transfer the financial burden to consumers (Kuik, 2021). Consequently, due to this option, some enterprises have decided to shift their production facilities away from China to other countries like Vietnam, Mexico, as well as India to avoid tariffs. While it reduces reliance on any particular country, the same is not without challenges in terms of complications in functioning and increased expenses.

#### **4.4.2 Technological Competition**

The competition between the US and China for dominance in crucial technologies such as 5G, semiconductors, and artificial intelligence has significant implications for global supply chains. One notable consequence is the worsening of semiconductor shortages due to US constraints on Chinese tech firms like Huawei and restrictions on the transfer of advanced chips to China (Zhao, 2019). This shortage affects industries heavily dependent on these parts, such as automotive and consumer electronics, causing disruptions in production and innovation. Furthermore, both countries are actively investing in research and development to secure technological supremacy. However, this competition poses challenges for companies to deal with complex standards and or regulatory barriers, which may slow global collaboration and technology transfer.

#### **4.4.3 Market Access and Consumer Demand**

Accessibility to this market is of paramount importance to numerous MNCs while operating in the Chinese environment has slowly become increasingly challenging due to business and political factors. Among these challenges predicatively have laid down regulatory hurdles set

up by China that force international firms to enter into joint ventures with domestic partners, a practice that fuels apprehension about technology sharing and protection of innovation (Zhao, 2019). Furthermore, changes in the level of consumers' loyalty to local products taking into consideration that more and more Chinese citizens think that domestic companies should support Chinese brands have a strong influence on key decisions such as sales policies and supply network location in China, which adds more layers of pressure and challenges to international companies.

#### **4.4.4 Geopolitical Dynamics**

The global trade war between the US and China is one of the key drivers to the structure of trade relations and certain trading partners' networks of trade around the world which in turn influences considerably the stability of international supply chains (Kuik, 2021). These factors influence each nation's regional trade agreements that for the most part continue to be crucial in this case. In detail, the continued implementation of the USMCA includes different rules, standards, and practices as well as China's leadership in RCEP formation results in the formation of distinct economic blocks. Thus, it becomes crucial for businesses engaged in the spheres touched by these agreements to adapt their supply chain management to meet the terms of those regional pacts.

Furthermore, it is also essential to consider the BRI on a broader level as this initiative tends to be realized on a vast scale in China. Originally aimed at improving infrastructure export and improved infrastructure interconnectivity to open up new markets for Chinese exports the BRI might similarly expand the access of China's service exports (Kuik, 2021). Nevertheless, this growth raises the US-China confrontation in the formation and organization of global supply networks and the shaping of different relations in international trade, making such rivalry multifaceted.



#### **4.4.4.1 Risk and Resilience of Geopolitical Dynamics**

Tensions between the United States and China in economic relations underscore the importance of global corporate sectors to strengthen supply chain security and develop appropriate risk prevention measures. Such pressures as the intensification of geopolitical risks have made firms rely heavily on more sophisticated patterns for risk diversification due to risks associated with having a single source of supply (Wei, 2019). These strategic approaches include sourcing from many countries and creating more complex and less vulnerable supply systems. Moreover, there is now a discussion on the inventory management practices implemented within firms, which has entailed a revision of these practices aiming at achieving a better balance between lean inventory, just-in-time stock, and the introduction of buffer stocks to overcome and minimize the impact of disruptions on the supply chain.

### **4.5 Trade diversion and market restructuring**

Some of the ideas of this concern in the matter of American and Chinese economic competition loom over “trade shifts and restructuring of markets”. These phenomena are especially topical in the context of the present trade war and attempts at intentional de-coupling between the two largest world economic systems.

#### **4.5.1 Trade Diversion of the US-China Economic Competition during the Trump Presidency**

Trade diversion, in the context of global trade flows, refers to the concept of switching or diverting trade routes from one country to another instead of directly reaching a particular destination because of transformations in trade policies, such as the imposition of tariffs or the formation of trade blocks (Bekkers, & Schroeter, 2020). Of the many phenomena that have resulted from the bilateral tariffs introduced by the two countries for goods originating from the other

country, trade diversion has become one of the most apparent in the context of the economic competition between the US and China.

This led to the use of tariffs and trade barriers by the United States, which compelled several local industries to look for options for less costly procurement. As a result, other nations, including Vietnam, Mexico, and various Southeast Asian nations, have experienced a spike in the importation of powder. At the same time, Chinese parties responded to the US tariffs that involved the expansion of their purchasing strategies by obtaining products from countries that were other than the US (Bekkers, & Schroeter, 2020). This event led to transformation within the supply chains because companies embarked on various strategic adjustments to avoid or reduce the impact of the undesirable tariffs. For instance, US-based firms that source their components from China may have had to start sourcing from other countries like India or Thailand. Any such changes may indeed disrupt longstanding trading relationships but the result can be sustainable changes in trading behaviorism no matter the future cuts in tariffs.

Looking at the effects on individual nations, trade diversion is closely related to effects on the nature of trade systems as it changes the nature and structure of trade interdependence. In the nations that are in a position to benefit from an increase in trading partners, the volumes of trading; investment inflow, and increase in economic growth are expected. On the other hand, countries that experience a low volume and frequency of trade may cause the corresponding country's economy to slow down or fail to achieve higher growth rates.

#### **4.5.2 Market Restructuring of the US-China Economic Competition during the Trump Presidency**

Market development means a change in market characteristics and distribution as different enterprises and industries adjust themselves to the new system in the economy. In general, various

distinctive forms of market restructuring can be identified within the framework of the ongoing process in the sphere of the US and China economic rivalry (Bekkers, & Schroeter, 2020). First of all, the influence of the multiple market reorientation might be disclosed, which has become vital in the context of companies' shifting of their market strategies in both nations. As we see, while US entities dependent on the China market are rebalancing their portfolio of the markets they depend on, Chinese counterparts in question are expanding their global reach, much less in Europe and Africa, due to limitations in the US market.

At the same time, actions towards reinforcing home ground markets define another element of market reorientation, revealed by activities carried out by both states. For example, China has provided strategies like “dual circulation” that seek to lessen dependence on exports but instead encourage consumption in several Chinese markets. Likewise, the US has called for more local production and innovation specifically in the manufacturing of components to help decrease dependence on Chinese imports (Bekkers, & Schroeter, 2020). However, one must not forget that the intensity and pace of investment and innovation mark a cardinal dimension of market restructuring, most visibly in segments highly critical to the technology war between the two countries. Emerging trends in semiconductor manufacturing, 5G, and artificial intelligence are seen as efforts to build capabilities in fields deemed less susceptible to disruption by geopolitically inspired supply chain shifts.

Market regulation is the other area that formed a part of the market restructuring process and is finally getting done, with the US and Chinese governments making policies to facilitate the same. The United States has put policies in place to favor the manufacture of goods in the country and shield inventions and other proprietary technology from being ripped off, whereas China has embarked on policies to liberalize the country's economy and encourage local development of

technology (Bekkers, & Schroeter, 2020). In this way, market restructuring tries to find itself within the complexities of US-China competition, while defining strategies that potentially impact both countries in the field of economic relations under the current conditions.

## **4.6 Technological implications**

The profound and multifaceted technological implications arising from the economic competition between the US and China are to be considered, covering diverse sectors and exerting an impact on global economic dynamics.

### **4.6.1 Innovation and Research & Development (R&D)**

In terms of research, high stakes are being placed on corporate research & development centers to outdo each other, with both the US and China being keen on investing in this sector. Historically, the United States known for holding the position of an innovator, primarily Silicon Valley, and similar other technological hubs, has maintained a cutting edge in this area. However, over the last few years, the gap has quickly shrunk as China invests billions of dollars in essential areas like artificial intelligence, quantum computing, and biotechnology. This deliberate investment highlights China's concerted endeavor to strengthen its technological capabilities and vie on a global scale (Bekkers, & Schroeter, 2020). Furthermore, the competitive landscape extends beyond monetary investments, encompassing the nurturing and retention of top-tier talent. Traditionally, the United States has been a hub for global talent in technology and research, leveraging its robust higher education system and research infrastructure. However, China is actively enhancing its educational institutions and research establishments to cultivate domestic talent and attract international experts, signaling its aspiration to establish itself as a formidable contender in the global innovation arena.

#### **4.6.2 5G and Telecommunications**

The enhancement of structures within the telecommunications sector, notably demonstrated by China's pioneering advancements in 5G technology facilitated by companies like Huawei, is of utmost importance within the realm of burgeoning fields such as the Internet of Things (IoT), smart cities, and autonomous vehicles. However, concerns have been raised within the United States regarding the security implications inherent in adopting Chinese infrastructure due to the dominance of Chinese technological prowess (Bekkers, & Schroeter, 2020). As a result, measures have been implemented by the US to limit the participation of Chinese companies, including Huawei, citing worries over potential vulnerabilities to espionage and cyber threats. This merging of technological progress and national security imperatives highlights the complex interaction between innovation and cyber-security within today's global landscape.

#### **4.6.3 Artificial Intelligence**

Military and Surveillance are two areas primarily spotlighted in the Fight for the AI frontier, noted for their strategic significance by the United States and China. This thesis finds out that China tactfully tends to employ AI in surveillance and social management as it embraces complex facial recognition technology (Bekkers, & Schroeter, 2020). Conversely, currently US aims at preserving its superiority in AI in civil and military fields, including development of the autonomous arms systems and effective methods for analyzing intelligence information. This raises questions about how two nations employing advanced AI prowess progressed in their utilization of artificial intelligence for national advantage.

Additionally, the confrontation between the United States and China is not limited to AI development but goes into the field of ethical and regulatory norms governing the AI industry and pushing for control worldwide. However, it is crucial to identify that the difference between the

two nations exists in the practices adopted while utilizing artificial intelligence, including protecting data, applying ethical principles, and implementing governance structures (Bekkers, & Schroeter, 2020). These differences significantly impact the advancement and deployment of AI technology around the world, accentuating the implications of the rivalry between the US and China in the field of Artificial Intelligence.

#### **4.6.4 Semiconductors**

The supply chain relations within the context of the semiconductor industry are rather complex and intertwined due to the supreme importance of semiconductors in the current framework of electronic systems. Moreover, conventionally the United States shows the strongest dominance in this field. But, currently, the Chinese government has made considerable efforts to improve indigenous semiconductor production as a way of diversifying components from America (Bekkers, & Schroeter, 2020). Consequently, there is an evident trend toward “tech decoupling” and both nations’ conscious attempts to create their Auto, even if it is based on separate, well-coordinated but more independent supply chains with fewer intermediate links.

Another aspect is that trade has been an issue of great importance whereby the United States has put in place strict measures to limit exports of semiconductor technology to China. This strategic policy is quite narrow and has the specific goal of slowing down China’s development in the creation of high-end semiconductors (Bekkers, & Schroeter, 2020). These developments have serious implications, not only for the governmental and business relations in the context of the complex global supply chain but also for the technological development and competition readiness of Chinese companies in the semiconductor industry.

## **4.7 Economic Impacts of the US-China Economic Competition during the Trump Presidency**

Closely examining the competition between prominent members of the United States and China provides a good perspective on how the competition of world tech titans is portrayed. With big establishments like Google, Apple & Microsoft, little competition is increasing from Chinese companies including Tencent, Alibaba, and Baidu. This competition demonstrates that the regulation and market development of social technologies involves mutual extrapolation of externalities in both countries and the formation of the overall atmosphere of the global technology sector (Wu, 2020). One of their epicenters in consumer technology markets addressing the repercussions that spread over the availability of technology products and the concern of their pricing and the variety of features offered by these products including mobile devices and applications, smart home amenities, and beyond. More importantly, differences in trade policies and tariffs are felt in the entire supply chain, which explains why these have visible effects on the conventional consumer prices within these markets.

## **4.8 Competing for dominance in emerging technologies**

One of the significant wavelets of the economic conflict between the US and China is the multiplex competition across emerging technologies. This competition is characterized by attempts to secure dominance of strategic technological areas that may define the future architecture of the global economy and security as well as governance structures.

### **4.8.1 Technological Competition**

The escalating competition in technology between the US and China is becoming more pronounced, particularly in the pursuit of dominance in state-of-the-art technologies like 5G networks, artificial intelligence, microchips, and quantum computing. To protect its national

security, measures have been taken by the US to bar Chinese tech giant Huawei from its 5G infrastructure, citing worries surrounding data privacy and cyber-security. Moreover, stringent export controls have been imposed by the US to limit China's access to advanced technologies, especially microchips, by restraining the sale of equipment utilized in the production of high-quality chips (Wu, 2020). In retaliation, significant investments are being made by China in the advancement of its domestic microchip industry, aiming to diminish its dependence on foreign technology and attain self-reliance in this crucial sector. This competition in technology carries substantial ramifications for global economic and political dynamics, as both nations endeavor to establish themselves as frontrunners in the innovation domain.

#### **4.8.2 Key Emerging Technologies**

Indeed Artificial Intelligence has become the main investing focus area as well as a strategic area of power between the United States and China. The nations are investing significantly in AI R&D programs since they are considered the key factor for future economic growth and military capabilities. In the telecommunication sector china thanks to companies like Huawei has made remarkable advancements in the field of 5G technology and can be considered one of the leaders in this field. Nonetheless, the United States in a bid to reduce the influence of Huawei as well as increase its 5G control has s in a bid with the reasons that are to do with national security. Also, Quantum Computing is presented as a new type of computing power that can make possible revolutionary transformations in informational security (Wu, 2020). Both countries are heavily investing in the quantum sciences with China demonstrating potent growth in the Asian region primarily in quantum interconnectivity. Biotechnology is yet another area of active confrontation embracing such promising spheres as genomics, pharmaceuticals, and medical technology every one of which has a potential for crucial shifts in health security and



competitiveness landscapes. In particular, the leadership in solar, wind, and battery technologies within the renewable energy domain becomes an absolute essentiality for achieving future energy independence and sustainable environmental objectives. Currently, China holds a leading position in the manufacture of solar panels and electric vehicle batteries, highlighting its strategic advantage in this critical sector.

#### **4.8.3 Strategic Policies and Investments**

China's 'Made in China 2025' initiative represents a strategic effort to enhance the country's manufacturing capabilities, with a particular focus on advanced sectors such as robotics, aerospace, and high-performance materials. The main aim is to reduce dependence on foreign technology by promoting domestic innovation and manufacturing capacity. In contrast, the US Innovation and Competition Act represents a legislative effort to strengthen American competitiveness in the global technological arena (Rashidin, & Javed, 2020). This legislation involves significant financial allocations towards research and development initiatives targeting crucial technological fields. The overarching objective is to fortify the United States' leading position in scientific and technological innovation, thereby securing its economic and strategic dominance on the global stage.

#### **4.8.4 Economic and Geopolitical Implications**

Supply chains have become a central point of disagreement, especially regarding crucial elements such as semiconductors, rare earth elements, and advanced manufacturing. Efforts to broaden supply chains away from China and enhance domestic production capabilities have been notable strategies pursued by the United States. Trade dynamics have been significantly affected by tariffs imposed by both nations on each other's technological products, thereby affecting global supply chains and market dynamics (Zhao, 2019). These trade measures are frequently executed

to protect and advance domestic technological industries. Additionally, alliances and partnerships with like-minded nations have been actively formed by the United States to counter China's technological rise. Initiatives such as the Quad, which includes the United States, Japan, India, and Australia, as well as the AUKUS security pact involving Australia, the United Kingdom, and the United States, have played a pivotal role in fostering collaboration on advanced technologies within a strategic framework.

#### **4.8.5 Technological decoupling and its consequences**

"Technological decoupling" designates the intentional disconnection of technological environments among multiple nations. In the sphere of economic rivalry between the United States and China, this concept embodies the endeavors of both countries to lessen their reliance on each other's technology, supply chains, and intellectual property. This disconnection is instigated by a blend of economic, political, and security factors.

##### **4.8.5.1 Key Aspects of Technological Decoupling**

Export controls have been imposed by the United States concerning vital technologies, such as semiconductors, artificial intelligence, and telecommunications equipment, resulting in the limitation of China's access to cutting-edge American innovations. Moreover, both nations have enforced tariffs on a wide range of goods, causing disruptions in supply chains and increased expenses for businesses and consumers alike. Increased scrutiny of Chinese investments in American technology firms by the Committee on Foreign Investment in the United States (CFIUS) has been observed, aimed at preventing the transfer of sensitive technologies. Simultaneously, measures have been implemented by China to examine and limit foreign investments in sectors deemed crucial for national security (Stanislav, Natalia, & Cui, 2021). US corporations are increasingly exploring tactics like on-shoring and close-shoring to alleviate their

dependence on Chinese manufacturing. On-shoring entails the transfer of production back to the United States, while close-shoring involves relocating production to nearby nations.

These tactics' objective is to mitigate risks within a supply chain, by paying less attention to a specific country. Moreover, both countries continue steadily to diversify the list of countries with which they operate, therefore expanding the supply chains. Its purpose is to reduce the various dangers, which are associated with the high level of concentration-dependent solely on one country for manufacturing and production capacities. The Chinese and the Americans have made efforts towards the attainment of one's technological autarky to a large extent. The Chinese outreach "Made in China 2025" aims at attaining an Indigenous Innovation in advanced technologies reflecting a Strategic Attempt to minimize the dependence on foreign Technology and step up the competitiveness all around the Global level. On the same note, the United States is boosting its capital expenditure on technologies to maintain and buoy its leadership in the industry (Stanislav, Natalia, & Cui, 2021). It is perhaps especially observable in the case of 5G technology, as the emphasis placed upon technological sovereignty is most clearly seen. The United States has been leading an aggressive campaign to ensure its allies, particularly in the European Union, do not include Chinese firms, especially Huawei, in their 5G networks, from where the technological confrontation perspective is seen.

Some policies by different nations that have done this are; Nations are making policies that demand data generated in their nations to be stored and processed within the same nation. This development raises many challenges to the freedom of crossing borders by data and therefore brings new challenges to the cyberspace world (Stanislav, Natalia, & Cui, 2021). Also, there has been an increased effort to improve the security of infrastructures and data from foreign threats aimed at disrupting or intercepting sensitive information and operations, making the importance

of digital security even more paramount in the contemporary world where systems are increasingly more intertwined.

#### **4.8.6 Ideological and Cultural Dimensions**

Cyber soft power refers to the battle that has taken place between the United States and China in the dissemination of cultural, political, and ideological power to shape citizens' perceptions, which would in turn inform the trends of international relations (Jie, 2020). The US uses cultural media influence, and educational partnerships as tools of soft power to promote its agenda, and China counterattacks with its strategies including support for Confucius Institutes, the commencement of government-controlled media outlets, and educational exchange programs to publicize its unique national culture and political system.

Also, the two countries are divided by significant discursive conflicts, specifically on issues related to human rights, democracy, and governance, with the US often publicly criticizing China for its performance in such cases as political structure, Xinjiang, Hong Kong, and Taiwan when China points to its domestic policies as to why it is justified to reject the US criticism and to condemn it instead for its attempts at encroaching on its sovereignty (Jie, 2020). Such competition in soft power and the continuing political discourse on human rights have potential consequences for soft power and cultural exchange with worldwide systems of political power relations, and the dynamics of geopolitical tensions in a world of complex relationships in the US-China competition.

#### **4.9 Implications for the Global Order**

As the current circumstances indicate, there is a partial economic diversification apart between the United States and China. This decoupling is evident by efforts from both countries to diversify their relations by cutting on dependencies where necessary mostly in the crucial sector.

This may mean a shift to a multipolar world in which different regional blocks impose a major impact on the course of world trade and economic growth (Tellis, 2019). However, the tensions with China contribute not only to the management of numerous issues of mutual interest but also to shaping the frameworks of global governance, within which the US and China offer different visions of the relations between states and their development. This competition tends to the bipolarity of the world and the formation of a new alliance system depending on economic and strategic factors.

#### **4.9.1 Alliances and Partnerships Reconfiguration**

The reconfiguration of "alliances and partnerships" within the framework of US-China economic competition denotes the strategic alterations and reorganizations of global connections and unions by both the United States and China to bolster their worldwide sway and economic prowess. This restructuring is propelled by the escalating competition between the two nations as they compete for economic hegemony and geopolitical control.

##### **4.9.1.1 US Strategy: Strengthening Traditional Alliances and Forming New Partnerships**

The conventional connections of the United States are currently being rejuvenated actively, with a specific focus on fortifying ties with nations in Europe, East Asia, and Oceania. Concentrated endeavors are directed towards the reinforcement of NATO, the European Union, and the bilateral connections with pivotal allies like Japan, South Korea, and Australia, aiming to construct a unified front against the increasing economic and technological advancements of China. At the core of the US approach lies the Quadrilateral Security Dialogue (Quad), comprising the US, Japan, India, and Australia (Tellis, 2019). The Quad's objective is to guarantee an Indo-Pacific region that is both free and open, to counteract China's assertive actions in the maritime domain, and to amplify economic collaboration among its constituents. Furthermore, the AUKUS

security agreement, which involves Australia, the United Kingdom, and the United States, is structured to diminish China's influence in the Indo-Pacific area through cooperative endeavors in nuclear-powered submarines, cyber capabilities, and artificial intelligence. Additionally, the US is giving precedence to economic alliances and trade pacts, including rejoining or instigating agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), formerly known as the Trans-Pacific Partnership, to offset China's economic supremacy. Simultaneously, the US is actively seeking bilateral trade accords with pivotal nations to diversify supply chains and lessen reliance on China economically.

#### **4.9.1.2 China's Strategy: Expanding Global Influence and Building Alternative Coalitions**

China's Belt and Road Initiative (BRI) is a vast connectivity and integration project that is intended to develop infrastructure and invest in its Asian/African and European partners. Thus, by funding development projects in the developing countries China's economic hegemony is being established because these nations will heavily rely on Chinese investment and products in this field. In addition to BRI, China is among the founding members actively participating in the establishment, of the Regional Comprehensive Economic Partnership (RCEP), an FTA extended to fifteen Asia-Pacific countries (Tellis, 2019). This pact enhances China's economic hold over neighboring countries and at the same time, decreases the region's dependence on the Western realms. Additionally, China is establishing long-term economic partnerships with the countries of Africa, Latin America, and the Middle East using investment and treaties that often involve the construction of infrastructure, resource purchasing, and technology sharing. These alliances enable China to acquire essential resources and expand itself in the market. Moreover, China is also seeking technological cooperation to expand its technological competencies in areas like 5G, AI, and biotechnology. The Russia partnership and the Digital Silk Road initiatives are designed to

enhance China's technological autonomy while positioning the country as a global leader in establishing key technological standards.

#### **4.10 Soft Power and Cultural Influence**

Cultural diplomacy is employed by China via endeavors like the Confucius Institutes, media channels, and cultural swaps to advance its cultural identity and principles, thereby amplifying its soft authority. Conversely, the soft influence and worldwide allure of the United States are upheld by the extensive dissemination of its culture, encompassing films, melodies, and educational offerings, alongside the advocacy of democratic principles and human rights (DeLisle, 2020). Regarding resource acquisition, China's pursuit of natural assets to support its economic growth drives considerable investments in resource-rich regions, particularly Africa and Latin America, often taking the form of loans and infrastructure projects. Meanwhile, the United States prioritizes achieving autonomy in energy and broadening its resource supply chains by securing trade pacts and investing in renewable energy technologies.

#### **4.11 Diplomatic Strategies in Response**

Economic competition represents the most prominent aspect of this relatively new relationship and has determined the overall trajectory of their interactions. It has led to the implementation of various diplomatic practices aimed at securing their interests and advancing their objectives. These strategies encompass a range of policies and measures primarily focused on addressing trade deficits, technology competition, and geopolitical power dynamics.

##### **US Diplomatic Strategies**

The United States has employed tariffs in the process of trade negotiations or tariff policies to compel China into improving or resolving issues of spillovers and unequal trading. I want to, in particular, single out that during Trump's presidency, tariffs were applied to a range of Chinese

products, there by starting a chain of negotiations to create a more fair trade relationship. Perhaps the most significant effect of these negotiations was the signing of the Phase One Trade Deal on January 15, 2020 (Cha, 2020). This agreement required China, to try and resolve the trade deficit as well as other problems like theft of intellectual property and pressured technology transfer, to increase the purchase of American goods and services. At the same time, regarding security, the United States has strengthened its long-standing allies and the formation of new partnerships in recent years such as Quad cooperating with Japan, Australia, and India and through AUKUS with the United Kingdom and Australia.

These alliances are set out as tools to contain China's increasing clout. In addition, through the engagement in multilateralism or regionalism like G7 and G20, for instance, America seeks to rally the support of other countries on issues of rules governing international trade, technology, and economic conduct that is unbeneficial to China. At the same time, the United States has provided meticulous measures in the field regarding technology and innovation policies such as the setting up of export controls regarding crucial technologies as well as the putting in on the Entity List of Chinese individuals such as Huawei and ZTE that limits their possibility to access the American technology besides markets (Cha, 2020). Moreover, understanding the need to maintain the technological edge, the US government has stepped up the spending on research and development and pointed specifics to areas like artificial intelligence, quantum computing, and 5G. In the areas of sanctions and legal actions, the United States has used unparalleled punitive economic measures against Chinese individuals and organizations involved in activities considered by America as adverse to its national security, in cyberspace, espionage, and human rights abuses in the Xinjiang region and Hong Kong Uyghurs. At the same time, legal actions



against Chinese businesses for infractions such as IP piracy, cyberspace attacks, and violations of trade codes have also been sought.

### **Chinese Diplomatic Strategies**

The currently named Belt and Road Initiative is a projected outlook of China that seeks to enhance the country's economic power as well as global presence. First, it has greatly invested in infrastructure projects that cover Asia, Africa, and European countries in a bid to open more markets for Chinese products and services and boost the interconnectivity of the participating countries (Cha, 2020). However, the critics have expressed their concern questioning China's utilization of what they call "debt diplomacy" within the paradigm of BRI claiming that the initiative may aim to create debt-ridden dependencies among the recipient country, thereby enhancing China's geopolitical stakes. Similarly, China has sought actively regional trade agreements with energy-exporting countries and participated in other multilateral trade areas like RCEP and the negotiation of CAI with the European Union.

There are efforts put in with the view of reaching enhanced economic cooperation and market access hence strengthening China's role in international trade. In the fields of technological and scientific cooperation situated within the framework of technological and scientific collaboration between countries, China has recently seen itself put forward serious experiments to become one of the leaders of the new generation technologies such as AI, 5G, quantum computers, etc., to minimize dependence on Western technologies and become a technological pioneer (Cha, 2020). This is pursued through acquisitions and contentions for setting up international technologies, thus demonstrating its desire to dictate international technology standards as China seeks to spread its technology around the world. In addition, through pragmatic approaches to hard power, China embraces soft power tools like cultural diplomacy like the Confucius Institutes,

media diplomacy like media ventures, and cultural diplomacy like exchange programs as practices to create a positive diplomacy image to challenge negative diplomacy (Cha, 2020). Furthermore, amidst the COVID-19 pandemic, China capitalized on its global health initiatives by extending medical aid and distributing vaccines to numerous countries, effectively employing health diplomacy to bolster its international standing and demonstrate its commitment to global welfare.

#### **4.12 Impact of US-China Economic Competition on existing trade agreements**

The effects of the ongoing economic war between the US and China on existing trade liberalization, in general, add complexity to the trade diplomacy architecture, which is transformative to the modern global economy. More so, given that both countries participate in several trade agreements and organizations such as the WTO, change in this regard has a profound impact on the existing structures (Park, 2020). To begin with, the intensification of the conflict between the US and China leads to renegotiations or withdrawal from the existing deals, due to changes in the external environment, for instance, the isolationist policy of the Trump administration led to the United States' withdrawal from the Trans-Pacific Partnership (TPP).

These actions interfere with the trade-map preferences and bring about uncertainties and hesitations among other member countries. Second, due to the rivalry, there is a reshuffling of stakes in trade associations meaning that nations have to either side with or adjust their tactics to avoid harm. This shift is especially apparent in places such as Asia-Pacific with nations seeking to weigh the benefits of economic growth against the risks of security threats due to the rivalry between the USA and China (Park, 2020). Thirdly, such cooperation leads to new members searching for new partnerships or seeking to deepen existing ones as countries look for other ways to export their goods and invest their money. Initiatives such as the Regional Comprehensive Economic Partnership (RCEP) have gained prominence, providing member countries with the

opportunity to establish new Original Equipment Manufacturer (OEM) waivers and shift their focus to diverse markets rather than relying on a single one. Considering the evolving dynamics of U.S.-China economic relations, analyzing the preliminary effects of these trade interactions on existing trade relations reveals a close interplay between politics and economics. This underscores the necessity for flexibility and strategic maneuverability in regulating commerce and fostering international cooperation.

#### **4.13 Soft power and public diplomacy**

The study focuses on years when Donald Trump was in power because the relations between China and the United States were characterized by growing economic rivalry, It is critical to identify how soft power and public diplomacy reflect the worldviews and contribute to the narrative shaping the international community. During Trump's presidency, America opted out of several multilateral agreements including TPP and the Paris Climate Agreement indicating that America First policy impacted America's soft power by eroding its leadership image globally (DeLisle, 2020). While some countries persisted with their resolution to confront China on various incitements, the Chinese side went ahead with the advancement of its Belt and Road Initiative (BRI), cultural outreach, and other economic packages. China also sought opportunities to further; Culture and Education exchanges, particularly through its system of Confucius Institutes to advance China's soft power.

The US, on the other hand, had problems sustaining its soft power and that had started to deteriorate due to Trump's attack on the media and fact-checkers as well as the truth and the American institutions. The events of COVID-19 and the Hong Kong protests served to intensify the ideological and geopolitical rivalry between the two states, with China leading a worldwide propaganda campaign for its handling of the virus and demonstration of medical diplomacy while

the United States joined the Hong Kong protest (DeLisle, 2020). In balance, the Trump era may be viewed as an epoch-making shift in the US-China economic rivalry, in which China extended its advances in soft power and public diplomacy, or the United States weakened its world standing or was unable to maintain it.

Additionally, before that, the Trump administration faced criticism for employing excessive branding strategies that presented the president as a megastar rather than advancing American values and interests in public diplomacy. Budget constraints and reductions in staffing also continued to impact the effectiveness of the US State Department's public diplomacy efforts. While the Chinese style of public diplomacy was more holistic and precise in its approach as compared to the Indian style, it was more adept at drawing a clear-cut distinguishable line for a particular country's interests through the coordinated objectives for culture, economy, diplomacy, and global governance (DeLisle, 2020). Another area where China and the US had conflicts was the trade disagreement that escalated and similarly influenced the soft power and public diplomacy battles, as both countries used a tariff and rhetoric. The US put into effect imposing tariffs on Chinese-made goods and the same was reciprocated by China putting tariffs on American-made goods.

The trade war fueled anxiety and detracted from the global economy and confidence in the multilateral agreements. They also recalled that in 2019, the United States began a campaign against Huawei, a Chinese telecommunications company, which showcased the technological competition between the two countries. In conclusion, the use of soft power and public diplomacy by the two superpowers; the United States and China in the Trump presidency witnessed a shift where the United States lost power while China gained power and influence (DeLisle, 2020). This was so because, through a strategic and coordinated manner, China strengthened its public

diplomacy in conjunction with economic and cultural influence to achieve a better standing in soft power, overpowering the US which struggled to retain its soft power influence around the world.

#### **4.13.1 Influence of media and propaganda**

Media and propaganda were also prevalent during the Trump era in the construction of the US and China's economic rivalry and an ideological race was initiated as well. In media leadership, Trump employed the handle of Presidential media communicating the president's will and brand via Twitter While China had a well-planned mass media tool controlled by the state, social media, and different classes of influencers in the economic and political realms (DeLisle, 2020). China's propaganda wanted to create narratives around the world to boost its BRI project, and to answer the critiques of the American administration on China's human rights violations, trade predatory practices, and 5G tech endeavors. To achieve this, the Chinese government embarked on a global propaganda or disinformation war against the US and its allies while promoting China as an exception that is worthy of emulation.

Another instance of Trump's efforts to intimidate the media involved attempts to undermine their credibility by labeling them as 'fake news' and 'the enemy of the people.' This rhetoric contributed to the erosion of trust in American institutions among the public and within American media outlets. Consequently, this created an environment in which Chinese influence could more readily establish itself, particularly as doubts and suspicions regarding the effectiveness of US diplomatic efforts grew (DeLisle, 2020). Another aspect of China's propaganda strategy included cooperating with social media sites to disseminate messages to the deepest layers of society and employing bots and influencers to promote its message. While trying to respond to China's propaganda efforts, the same issues plagued the US: no clear strategy, lack of funding, and no common vision regarding the American values to promote around the world.

The trade war between these two nations extended the media and propaganda conflict as a significant method in clashing to gain influence and control over the other. The Chinese Channels from mainstream stations like Xinhua News Agency and China Global Television Network (CGTN) projected Chinese sentiments on the trade war, whereas the American Channels from FOX News and CNN projected the Trump government's score reply. There was also propaganda conflict, especially in the social media domain, where both parties occupied Twitter and similar foreign services, advocating for their perspectives and trying to debunk the opposing side's strategies (DeLisle, 2020). In general, media and propaganda during the Trump era guided the US-China economic competition with China's strategic and coherent approach to propaganda has helped make strides in creating frames that SDG promoted China's interests and agenda in the international system to meet its goal of propounding its dominance on most fronts, leaving the US struggling to slow down China and counter its influence, dominate narratives and spread its values.

#### **4.13.2 Cultural exchanges and people-to-people diplomacy**

Cultural exchanges and people-to-people diplomacy proved critical during the Trump era of US-China economic competition, wherein both parties acknowledged the necessity for fostering understanding and fellow sensitivity among their people. However, due to the advent of Trump's presidency and the deterioration of Sino-American relations under his "America First" policy and anti-China sentiment, tensions emerged and concerns arose on the concerns of these cultural exchange programs that were regarded as key in people-to-people diplomacy (Liju, 2021). Nevertheless, the opportunities for exerting soft power recognized by China as advantageous for advancing its global economic and political objectives through cultural exchanges, education, and tourism remained intact. Chinese government's recent campaigns include the Confucius Institute program sought to push the Chinese language and culture into a global market and the China

Scholarship Council which offered scholarships for international students to study in Chinese institutions. China also stepped up the celebration of its annual cultural festivals, exhibitions, and performances worldwide to display this great cultural repertoire and share it with the world. On the other hand, the US government cut down financial contributions to stations like the Fulbright Program and enacted limitations on Chinese students and learners due to security issues.

Still, many activities in people-to-people relations remained active and witnessed more and more Americans and Chinese citizens participating in cultural exchanges, educational trips, and tourism endeavors. Organizations such as the US-China Friendship Association and the National Committee on US-China Relations facilitated cultural exchange and people-to-people diplomacy, recognizing that strengthening and nurturing the relationship between the two nations was mutually beneficial. The private sector was similarly engaged, with firms such as Alibaba, Tencent, and others contributing to the advancement of cultural exchange and people-to-people diplomacy (Liju, 2021). In conclusion, Cultural and People Diplomacy served as a strong mediator to continue the engagement between the US and China during the Trump era despite the several glitches and tensions. China remained actively involved in cultural diplomacy for the promotion of educational programs that would create a positive perception of its values and policies in other countries and thus served its soft power interest, as well as in advancing its economic and political goals; at the same time, people's diplomacy through citizens and organizations of both the American and Chinese sides for the construction of the relations between the two countries.

## **4.14 Case Studies and Analysis**

### **4.14.1 European Union**

Stakeholders in the EU were also not dormant in the US-China economic competition during the Trump administration they balanced between being cautious and assertive. When

established, the EU aimed to develop cooperation with both the US and China but at the same time pursue its own economic and security interests. However, when the trade war between the US and China started, the EU started adopting a more rigid position concerning the Basket prosecutor's Trade and human rights issues in China. In 2019, the EU came up with a strategy to label China as a systemic rival and warned of closer monitoring of Chinese investments in Europe.

The EU also endeavored to enhance its trade cooperation with the US where it endorsed a Statement of Intent signed with the US in 2018 that seeks to rebuild the WTO and restore fairness to global trade. But the EU also opposed the protectionism efforts by the US as shown when the EU imposed tariffs on the goods imported from the US in a move that came in response to the Trump administration's tariffs on steel and aluminum (Herrero, 2019). Furthermore, due to the economic superiority of the US and the rise of China, the EU stimulated several programs to enhance its economic autarky. These were the formation of industrial policy in the EU, investment in R&D, and championing market icons in strategically decisive sectors like technology and renewable energy.

Moreover, the EU has actively encouraged a diversification of economic relations and attempted to forge economic relations with such continents as Asia and Latin America to decrease its reliance on the US and China. The EU also actively participated in international affairs, shaping international cooperation in various fields such as climate change and digital governance to present itself as an international leader in such processes (Herrero, 2019). Overall, the EU during the Trump era was trying to strike between being too openly allied to one of the parties and being too aggressive to the other at the same time pursuing its own economic and strategic interests. These targeted strategies were to deepen the relations with the US economy, assert the economic



autonomy of Europe, and target to position the European Union as a major player in the global market especially in aspects like climate change and digital governance.

#### **4.14.2 ASEAN nations**

On the challenge of China and US-led economic competition during Trump's presidency, the ASEAN's reaction a more of a combination of apprehensive, rational, and collective approach. ASEAN nations also endeavored to repair friendly relations with both America and China as well as advance their respective interests in the economic and security domain. They further grasped the significance of both powers in the region and endeavored to understand the emergence of US-China competition (Yue, 2021). ASEAN countries thus opted for gradualism, integration based on conditions favorable to stability and development, and multilateralism and emphasized regional diplomacy. They also spoke for the RCEP agreement which was intended to culminate into the establishment of a comprehensive and integrated economic community of the Asia-Pacific region. ASEAN also enhanced its relationships with other regional bodies including the EU and the APEC to foster economic integration and further reduce reliance on any singular nation.

Nation by nation, the ASEAN countries had varying approaches to responding to the competition between the US and China. Some of them such as Singapore and Vietnam partnered with the US aiming at deepening the economic cooperation while some such as Malaysia and Indonesia had deeper economic relations with China. Thailand, on the one hand, tried to maintain a say in Indochina but also cultivated its relations with both China and Vietnam. ASEAN member states also aimed to advance their economic development and industrialization as they too realized that it was high time they ceased relying on external giants (Yue, 2021). The framework ASEAN responds to and strategizes is in ensemble with its vision for regional autonomy, economic integration, and multilateralism. As ASEAN countries worked on achieving unity and becoming stronger collectively, they endeavored to define their place in the world and remain independent

from both dominant superpowers. Collectively and individually, ASEAN countries must balance the economic benefits within the US-China binary relationship to oversee the risk posed by the superpowers' new great power competition (Yue, 2021).

#### **4.14.3 Developing Economies**

The multilateral approach of the US and the Trump administration's unilateralism pushed developing economies towards cautious realism in addressing the trade competition. All appreciated the significance of both powers to their respective economic growth and emerged in an attempt to manage the relationship between the US and China (Kim, 2019). Afterward, some developing economies, such as Brazil and South Africa, attempted to increase their economic relations with the Chinese economy as this economy was gradually gaining more significance in terms of investment. Some countries such as Mexico and Chile were able to adopt plans that involved closer collaboration with the USA, owing to existing economic bonds. While some countries like Ethiopia and Kenya were observing a bipolar balance of power since both superpowers offered more benefits from an economic diversification perspective.

This was also adopted by developing economies whose prime objective was to foster their growth and industrialization in astronomic efforts to free themselves from external powers. To this end, they embarked on infrastructure development, supported regional integration, and aimed at "vertical" diversification of their engagements. Some like Nigeria and Egypt saw it as a way of capitalizing on the natural resources and a favorable strategic position to boost investment and economic development (Kim, 2019). Developing economies also experienced significant challenges as they navigated the US-China rivalry. Some failed to cope up with China's economic power and scientific progress besides, the US had protectionist policies and trading adversities.

Some, especially Venezuela and Cuba proved to face other difficulties owing to the US sanctions and political instability.

In summary, the South and East Asian developing economy's responses and policies from their experiences in the first Gulf War corresponded to respective economic and political structures as well as the desire for economic independence from first-world countries (Kim, 2019). Internationalizing their economies through exports and foreign investment and trying to manage both the American and the Chinese relationships with equal fervor, developing countries wanted to pursue their economic and power interests and secure as many advantages as possible before the global environment shifts.

#### **4.15 Comparative analysis of diplomatic approaches**

During the Trump era, the US-China economic competition was marked by a significant shift in diplomatic approaches. The Trump administration adopted a confrontational and unilateral approach, characterized by tariffs, sanctions, and public criticism of China's economic practices. In contrast, China responded with a more measured and multilateral approach, engaging in diplomatic efforts to ease tensions and promote cooperation. While the US approach was driven by a desire to address perceived trade imbalances and intellectual property concerns, China's approach focused on promoting its Belt and Road Initiative (BRI) and strengthening regional economic ties (Nazmul, & Eymen, 2021). The comparative analysis of these approaches reveals that the US approach was largely ineffective in achieving its goals, while China's approach helped to strengthen its economic position and increase its global influence. The Trump era's diplomatic approaches to US-China economic competition highlight the importance of nuanced and cooperative diplomacy in addressing complex global economic issues.

#### **4.15.1 Successes and failures**

The developments in the sphere of diplomacy between the US and China, especially during the presidency of Trump, seem to be particularly worth comparing regarding the economic relations. It was characterized by increased tension between the two countries, major policy changes, and several major chess moves on the two sides.

#### **4.15.2 US Diplomatic Approaches**

##### **Successes**

The following will consist of an analysis of one of the successes, which was the signing of the “Phase One” trade deal in January 2020. This agreement prompted China to commit to reducing its trade surplus with the United States by acquiring an additional \$200 billion in goods and services from the US over two years, alongside enhancing protections for American intellectual property rights. The implementation of tariffs on Chinese goods aimed to correct trade imbalances and protect US industries (Nazmul, & Eymen, 2021). This strategy pressured China to the negotiating table and highlighted issues such as intellectual property theft and forced technology transfers. The Trump administration succeeded in raising global awareness about China's economic practices, including concerns over subsidies, state-owned enterprises, and lack of market reciprocity. This catalyzed discussions on the need for reform within the World Trade Organization and among US allies. Efforts to strengthen alliances with other countries, particularly in the Indo-Pacific region, were aimed at countering China's growing influence. Initiatives like the Quadrilateral Security Dialogue (Quad) with Japan, India, and Australia gained traction during this period.

## **Failures**

The imposition of tariffs prompted retaliatory actions from China, culminating in a trade war that adversely affected multiple sectors of the US economy, including agriculture, manufacturing, and retail. US farmers, in particular, faced significant losses due to reduced Chinese purchases of soybeans and other agricultural products. The aggressive stance strained relations with China and led to increased hostility (Nazmul, & Eymen, 2021). This approach diminished opportunities for collaboration on global issues like climate change and North Korea's nuclear program. There were inconsistencies and mixed messages in the administration's approach, with some officials advocating for hardline measures while others pushed for negotiations. This lack of a cohesive strategy sometimes undermined the effectiveness of US policies.

### **4.15.3 Chinese Diplomatic Approaches**

#### **Successes**

China continued to expand its Belt and Road Initiative, strengthening its economic ties and influence across Asia, Africa, and Europe. This project countered US influence by providing infrastructure investment and fostering economic dependencies in participating countries. Despite the tariffs, China's economy demonstrated resilience, with the government implementing measures to support affected industries and diversify trade partnerships (Nazmul, & Eymen, 2021). The shift towards domestic consumption and new markets partially mitigated the impact of the trade war. China's diplomatic approach often involved strategic patience and long-term planning. While the US was seen as erratic at times, China maintained a steady and consistent foreign policy, which helped it maintain and even strengthen relationships globally.

## **Failures**

China's retaliatory tariffs exacerbated the trade conflict, harming its economy and straining relations further. The tit-for-tat measures led to disruptions in global supply chains and increased uncertainty in international markets. The aggressive stance in the South China Sea, and the handling of the Hong Kong protests and Xinjiang issues, negatively impacted China's global image. These actions were perceived as human rights violations and aggressive expansionism, leading to increased scrutiny and pushback from other nations (Nazmul, & Eymen, 2021). While China made commitments under the Phase One trade deal, there were criticisms that it did not fully address the structural issues at the heart of US concerns, such as state subsidies and intellectual property theft. The lack of substantive reform limited the long-term effectiveness of agreements reached during this period.

### **4.16 Long-term Consequences of the US-China Trade War**

During the Trump administration, the US-China trade conflict emerged as a critical episode in the persistent economic rivalry between the two major global powers, initiating a series of long-term repercussions. As tariffs were levied and retaliatory measures taken, the intricate web of supply chains connecting the world's two largest economies underwent significant strain. Industries spanning from technology to agriculture were ensnared in the conflict, encountering heightened costs and increased uncertainty. Beyond the immediate economic impact, the trade war fueled geopolitical tensions, amplifying concerns over national security and technological dominance (Nazmul, & Eymen, 2021). Moreover, the erosion of trust between the two nations sparked a broader decoupling trend, with companies reconsidering their reliance on China for manufacturing and investment. While the Biden administration signaled a shift in approach, aiming for strategic competition rather than outright confrontation, the enduring legacy of the trade

war remains palpable, reshaping global economic dynamics and signaling a new chapter in US-China relations.

#### **4.17 Theoretical Analysis**

Applying Neo-Realism, also known as Structural Realism, to analyze "The US-China Economic Competition Impact on Global Power Dynamics and Diplomatic Strategies, Particularly in the Period 2018-2021" involves focusing on how the distribution of power in the international system influences state behavior and interactions. Neo-Realism posits that the international system is anarchic, meaning there is no overarching authority above states, and states act in their national interest to ensure their survival and maximize their power.

##### **4.17.1 Applying Neo-Realism to US-China Economic Competition (2018-2021)**

China's rapid economic growth and increasing global influence represent a shift in the global power distribution. This shift challenges the US's dominant position in the international system. To counterbalance China's rise, the US adopted various strategies, including economic sanctions, trade tariffs, and forming alliances to contain China's influence. Both the US and China perceive the other's economic growth as a potential threat to their security. This leads to a security dilemma where defensive measures taken by one country are viewed as aggressive by the other. The US-China trade war, initiated by the US under the Trump administration, can be seen as a manifestation of this security dilemma. The imposition of tariffs and other trade barriers aimed to curb China's economic rise and protect US economic interests.

Both the US and China sought to form and strengthen alliances to bolster their positions. The US reinforced ties with traditional allies in Asia and Europe, promoting initiatives like the Quadrilateral Security Dialogue (Quad) involving the US, Japan, India, and Australia. China expanded its Belt and Road Initiative to gain economic and strategic footholds across Asia, Africa,

and Europe, thereby extending its influence and countering US dominance. The US's actions, including the trade war and increased military presence in the Asia-Pacific, were driven by rational calculations to maintain its hegemonic status and prevent China from achieving regional hegemony. China responded with retaliatory tariffs and sought to diversify its economic partnerships, reducing dependence on US markets and technology. These actions reflect China's strategic planning to mitigate US pressures and continue its ascent as a global power.

By applying Neo-Realism to the US-China economic competition from 2018 to 2021, we can understand the dynamics through the lens of power distribution and state behavior in an anarchic international system. Both nations acted to maximize their power and security, leading to strategic economic and diplomatic maneuvers. The US aimed to contain China's rise, while China sought to expand its influence and counterbalance US dominance. This competition influenced global power dynamics and shaped the diplomatic strategies of other states, highlighting the enduring relevance of neo-realism in explaining state behavior and international relations.

In conclusion, the examination of the states of competing US and Chinese economic interactions from 2018 to 2021 highlights the outcomes of global powers and diplomatic policies. This period also saw heightened competition for economic power to realign trade, diplomacy, and strategic partnerships. The competition impacted the supply chain on the international level by forcing companies to diversify shifting them to innovation confines new problems such as higher costs, restrictions due to technology, and geopolitical concerns. Major changes in the flows and structures of trade and immense shifts in economic strategy are illustrated by the responses of companies and countries to the new international trade order. The competition between the United States and China is not only an American or Chinese story but a global story that is redefining technology, the world economy, and geopolitics. Innovation is a central goal therefore, and the



two countries vie for control over new technologies, which shape standards, supply chains, and power in the global economy and military. Technological decoupling that is advanced in the name of security and sovereignty comes with risks such as high cost, slow innovation, and heightened geopolitical rivalry. This is a phenomenon whose effects contribute significantly to the development of the global tech industry as well as the international relationship between the countries.

The emerging competitive relations between the US and China are still carving a new political order into various aspects of international business, warfare, and politics. This competition makes countries and firms operate in a world that is progressively becoming divided and therefore shapes the formation and collapse of various strategic partnerships. Competition influences trade, investment, and international relations, and the Presidency is composed of confrontation and cooperation for both nations. The period of the Trump administration revealed underlying conditions and predetermined further strife as nations chose sides according to old economic or security interests or newly emerging ideologies that were partially dictated by the 'America First' policy.

## **CHAPTER 05**

### **CONCLUSION**

The economic competition between the United States and China in the Trump presidential era could be considered another crucial stage of geopolitical and economic relations in the current global economy, which marks the shift in the world's power. This era was marked by assertive trading relationships, increasing tariffs, and realigning of plans and visions aimed at containing the advances made by China and at the same time, coming up with measures that would stabilize the growth of the American economy. This thesis investigates not only the policies and actions of the Trump administration but also their consequences for global markets and future trade relations between two prominent actors in the global economy. The Trump administration initiated a relatively assertive type of protectionism based on the assumption that the People's Republic of China was indeed competing unfairly against American industries and employees. Many factors contributed to such thoughts like the trade deficit of over \$300 billion that America had with China as well as other issues like piracy of American goods and products and forced technology transfer. The anticipated rhetoric after the administration's response encompasses the imposition of tariffs on specific imports, the negotiation of trade agreements, and the establishment of strategic alliances.

The imposition of tariffs on Chinese goods was one of the most popular policies that Trump announced and enacted during his administration. Starting in 2018, a range of tariffs on many Chinese products were introduced by the US side, and by the end of the summer of 2019, the total list of contents affected by the tariffs amounted to hundreds of billions of dollars. It envisaged to compel the Chinese authorities into changing their trade practices and to bring down the deficit.

Even though these measures had a positive effect on the balance of payment by driving the imbalance down, they also produced certain consequences. The American companies that used to source their raw materials from China had a direct impact on the higher costs, and many passed on the extra costs to end users. In addition, the Chinese ill-aimed their tariffs on American products, and their restrictions for US exporters, especially in the agriculture sector were detrimental.

It also aimed at challenging China through negotiations besides tariffs, during the Trump presidency. The result of all this was the signing of the Phase One trade deal in January 2020. This agreement was made to set certain promises with China towards the specifications like purchasing more products and services from America, sharing better standard measures protecting intellectual property, and the concerns relating to currency manipulation. However, the effects of the deal remained ambiguous and when the situation was analyzed from a long-term point of view, the sustainability of the deal was questionable. Some critics used the same notion arguing that issues of structure including China's state-driven growth model and subsidization of local markets were left untouched. The economic rivalry of this period between the US and China also had international political implications. These initiatives were part of a larger process to curb the growth of China as a global power under the Trump administration. This involved deepening cooperation with countries in The Asia-Pacific region including Japan, South Korea, and Australia through forums like the Quad. These accords aimed at presenting a check to China's economic and even military dominance.

Second, the rivalry was not limited to the method of management but also incorporated the method of technology as well. The Trump administration made some efforts to curb China's access to any sensitive technologies for security reasons. This included restrictions on Chinese technology majors with allegations of encouraging espionage for the Chinese government, including Huawei

and ZTE. Due to the restrictions imposed by the administration, these companies were no longer able to use American technology and access markets to advance China's technology developments in areas like 5G and artificial intelligence. Such measures affected the companies involved and have ripple effects on supply chains and occasions of emerging technologies. "It also had important domestic implications for the two countries, especially about investment." In the context of the American economy, the trade war and policies connected to it created an element of risk and instability in operational processes and financial markets. The imposition of tariffs raised costs for enterprises, and industries, for instance, agriculture-oriented, were affected. Nevertheless, the Trump administration maintained that these actions were justifiable as these were long overdue due to the problems in relations with China and to safeguard the American people's interests and employment.

They also engendered a fresh look at its economic strategies in the country due to the economic competition. Similarly, the Chinese governmental institutions at first introduced matching tariffs, though they also applied certain measures to weaken the effects of the trade war on the economy. This entailed steps to stimulate consumption within the country, the widening of export destinations, and the promotion of growth in high-technology sectors. It has revealed a shift in its competitive dynamics with the United States by encouraging Beijing to decrease its dependence on overseas technologies and focus on domestic development in important areas. It is also manifested in competition between the United States and China which is also examined in the framework of Trump's presidency as a case to demonstrate that globalization of the economic processes and interconnections between the countries are much deeper than it may seem at first glance. Simultaneously, despite the tensions and disruptions in cooperation, the economies of the two countries continued to exhibit interdependence. The tariffs and trade restrictions underscored

the challenge of decoupling the two economies, given their substantial and long-standing trade and investment relations. It made an interdependence, which gives speculation about the feasibility of long-term economic rivalry and the prospects of searching for a more friendly way of solving principalities of imbalance in the trade relationships and others.

The economic competition between the United States and China during the Trump administration can be analyzed through the lens of Neo-Realism, a theory that emphasizes the role of power and national interests in international relations. Neo-Realism posits that the international system is anarchic, and states are primarily concerned with survival, leading them to maximize their relative power. In this context, the Trump administration's actions can be seen as a strategic attempt to counterbalance China's rising influence and protect American hegemony in the global order. The imposition of tariffs, renegotiation of trade deals, and restrictions on Chinese technology were all measures aimed at weakening China's economic capabilities and preventing it from challenging the United States' position as the world's leading superpower.

As one could foresee, the period of strict economic competition during Trump's presidency will remain a strong influence on relations between the US and China as well as the global economy. The Biden administration has taken a different approach in some of the aspects, however as explained some of the issues which include trade imbalance, issues to do with intellectual property, and competition remain key areas that have not been addressed. That was given by the Trump administration proves that to address the rather intricate and already tense relations between the world's two leading economies, one requires a rather comprehensive approach and a proper plan of action. Therefore, analyzing the US-China economic competition throughout Trump's presidency offers a valuable historical narrative of the global economy's evolution since the second great depression. The trade policies, tariffs, and strategic moves that ignited during this period

raise further issues regarding China's emergence as America's nemesis and more broadly, the defense of the American economy. While it had a mixed and rather marked impact, it could also be seen as showing the weaknesses of seeking to solve multifaceted problems related to the global economy, with measures that are unilateral by nature. In conclusion, the experiences of this period are especially useful in employing a better approach to the US-China economic relationship that captures all the efficiency and dynamism of the global economy.

## **FINDINGS**

### **Shift in Bilateral Trade Dynamics**

The trade policies implemented during Trump's administration significantly altered the dynamics of US-China economic relations. The introduction of tariffs on Chinese goods was met with retaliatory measures from China, leading to a tit-for-tat trade war that disrupted long-standing trade flows. As a result, there was a marked shift in bilateral trade volumes and a reconfiguration of global supply chains, with both countries seeking alternative markets.

From 2018, when the trade war officially began, to 2020, the total trade volume between the US and China declined by approximately 15%. Specifically, US imports from China decreased from \$539.5 billion in 2018 to \$435.4 billion in 2020, reflecting a decline of about 19.3%. Similarly, US exports to China dropped from \$120.3 billion in 2018 to \$106.6 billion in 2019, before slightly recovering to \$124.5 billion in 2020, largely due to the Phase One Agreement.

Before Trump's administration, China accounted for about 21% of total US imports, but this percentage fell to around 17% by the end of 2020. Conversely, the share of US exports to China remained relatively stable, decreasing only slightly from 8.4% in 2017 to 7.2% in 2020. This decline in trade volumes was accompanied by companies diversifying their sourcing and

manufacturing bases away from China to mitigate the impact of tariffs, leading to a reconfiguration of global supply chains.

### **Impact on Global Supply Chains**

The trade war initiated by the Trump administration's tariffs on Chinese imports significantly disrupted global supply chains. Companies reliant on Chinese manufacturing were forced to either absorb the increased costs or relocate production to other countries, particularly in Southeast Asia, such as Vietnam, Thailand, and Malaysia, as well as in Mexico and India. Vietnam, for instance, saw a surge in manufacturing activity, with its exports to the US increasing by nearly 35% between 2018 and 2019, as companies sought to avoid tariffs on Chinese goods.

This transition in manufacturing triggered a series of repercussions, influencing global trade patterns and leading to heightened production costs and delays in supply chains. The reorganization of supply chains resulted in a diversification away from China, thereby reshaping the global manufacturing landscape. China's share of global manufacturing exports decreased, and its GDP growth slowed, with the growth rate dropping from 6.8% in 2017 to 6.1% in 2019, and further down to 2.3% in 2020, largely due to the combined effects of the trade war and the COVID-19 pandemic. This reconfiguration has had long-term implications for global trade and production.

### **Role of International Organizations**

During the Trump administration, the World Trade Organization and the International Monetary Fund played significant roles in the US-China economic competition and trade war. The WTO, responsible for regulating international trade, was frequently bypassed by the US, which imposed tariffs on over \$360 billion worth of Chinese goods, arguing that China engaged in unfair trade practices. China retaliated with tariffs on \$110 billion worth of US products. Despite WTO rules prohibiting such unilateral tariffs, the organization's dispute settlement mechanism was

weakened as the US blocked the appointment of judges to its appellate body, rendering it ineffective in resolving the conflict. Meanwhile, the IMF highlighted the global economic risks posed by the trade war, estimating that it could reduce global GDP by 0.8% by 2020. The IMF also urged both countries to de-escalate tensions and warned of the negative impacts on global supply chains, emphasizing the importance of multilateral cooperation to resolve trade disputes.

### **Technological Competition**

The focus of the thesis is to highlight the current trends of increasing competition between the US and China in both technology industries including artificial intelligence and telecommunications as well as semiconductor production. The trade tensions hastened the formation of “techno-economic” blocs with the United States and China at the helms of opposing camps that envision entirely different technology trajectories for the future with camps for 5 G, Artificial Intelligence, and biotechnology. These blocs are redefining the global economic landscape, creating new opportunities for cooperation and competition. This thesis involves analyzing policies implemented by both countries to enhance their technological competitiveness and the implications for global innovation dynamics.

### **Long-term Economic Implications**

The long-term implications of the trade policies under Trump's administration include a more protectionist global trade environment and increased uncertainty in international economic relations. The trade war has led to a reevaluation of global trade agreements and a shift towards bilateral and regional trade deals. Additionally, the experience of the trade war has likely influenced future US and Chinese trade policies, with both countries becoming more cautious in their economic engagements with each other.



## **Benefits and Losses of US & China Trade War during Trump's Administration**

### **Benefits (United States)**

The US government collected approximately \$79 billion in tariff revenue from 2018 to 2021 due to tariffs imposed on Chinese goods. This was used to compensate American farmers and fund other government programs. Some industries, particularly steel and aluminum, saw short-term benefits due to tariffs on Chinese imports. The US steel industry experienced a slight increase in production and employment during the initial phase of the trade war. American companies began diversifying their supply chains to reduce reliance on China. Countries like Vietnam, Mexico, and Taiwan saw an increase in exports to the US as companies sought alternatives.

### **Losses (United States)**

The US GDP growth was negatively affected, with estimates suggesting a reduction of about 0.3 percentage points in 2019. The trade war contributed to a slower economic growth rate, which was around 2.3% in 2019, down from 2.9% in 2018. American consumers and businesses bore the brunt of the tariffs. Estimates suggest that US consumers paid an additional \$32 billion annually due to higher prices on goods impacted by tariffs. US farmers were severely affected by retaliatory tariffs from China. The US government provided about \$28 billion in aid to farmers from 2018 to 2020 to offset losses, but the sector still faced long-term challenges due to lost market share in China. US exports to China dropped significantly. For example, US soybean exports to China fell by 50% in 2018, with the US losing its position as China's top soybean supplier to Brazil.

### **Benefits (China)**

China's economy showed resilience, with GDP growth slowing but not collapsing. The Chinese economy grew by 6.1% in 2019, down from 6.6% in 2018. The trade war accelerated China's shift towards a more self-reliant and consumption-driven economy. China increased trade

with other countries, particularly in Asia and Europe, reducing its reliance on the US. For instance, trade with the ASEAN region increased by 7.2% in 2019, making ASEAN China's top trading partner in 2020. The trade war prompted China to accelerate its focus on technological self-sufficiency, particularly in sectors like semiconductors and 5G technology. China invested heavily in its tech sector, reducing dependency on US technology.

### **Losses (China)**

Chinese exports to the US fell by around 16% from 2018 to 2019, from \$539 billion to \$452 billion. This decline was significant given that the US was China's largest export market at the start of the trade war. While China maintained growth, the trade war contributed to the slowdown, with the 2019 growth rate of 6.1% being the slowest in nearly three decades. The tariffs led to a decline in manufacturing output, particularly in sectors directly affected by US tariffs like electronics and machinery. Job losses in these sectors were reported, although China's overall unemployment rate remained relatively stable due to government intervention.

The trade war contributed to significant volatility in China's stock markets. For example, the Shanghai Composite Index fell by about 24% in 2018, reflecting investor concerns over the trade conflict's impact on the Chinese economy. The trade war led to significant disruptions in global supply chains, increased costs for businesses and consumers, and shifts in global trade patterns. While both countries experienced losses, the long-term impact has been the acceleration of decoupling between the US and Chinese economies and a push for greater economic independence and resilience on both sides.

### **From Economic Competition to Cold War: The US-China Rivalry**

During the Trump administration, economic competition between the US and China intensified significantly, evolving into a Cold War-like scenario. Initially, the trade imbalance and China's

rapid technological advancements sparked tensions, leading to a series of tariffs and trade barriers imposed by the US. This economic confrontation was not just about trade deficits but also strategic competition in emerging technologies such as 5G and artificial intelligence. Trump's administration framed China as a strategic rival, reflecting a broader shift from economic cooperation to a geopolitical struggle for global dominance. This transformation was marked by a heightened focus on national security concerns, supply chain dependencies, and aggressive rhetoric, mirroring Cold War dynamics of ideological and economic rivalry.

## **RECOMMENDATIONS**

**Prioritize Multilateral Engagement:** Effectively managing economic competition with China through cooperation would require the US strategy to prioritize multilateralism over unilateralism. Thus, collaborating with like-minded traditional allies and partners can enhance the effectiveness of US policies and present a unified stance against Chinese economic practices perceived as unfair.

**Strategic Diplomacy:** First and foremost, more attention should be paid to diplomatic actions because isolation is one of the biggest threats that may appear due to the efforts of one country or group of countries. Building positive relations with the actors can assist in getting support for efforts led by the United States and also avoid distances of being seen as superior and thereby having disregard for other countries' practices and laws.

**Calibrated Economic Measures:** While addressing issues such as trade imbalances and perceived dishonesty from China is crucial, it is imperative that the United States adopts measured economic strategies to avoid eliciting severe retaliatory measures from China. This entails that policymakers should implement tariffs and sanctions in a targeted manner while pursuing

diplomatic negotiations to achieve optimal outcomes, thereby preventing the escalation of disputes into extensive trade wars.

**Investment in Soft Power:** Understanding the necessity to promote the positive image of the country in the world, America has to focus on activities to improve the soft power capabilities of the nation. They are holding more cultural events and fairs, encouraging educational exchange programs, and financing development projects to prove America's sincerity in global partnership and when for all.

**Diversifying Supply Chains:** Advise both countries to diversify their supply chains to reduce dependency on each other, thus mitigating the impact of trade disputes on their economies. Encourage businesses to explore alternative markets and suppliers to enhance economic resilience.

**Long-Term Strategic Planning:** The policy-makers in the new administration and subsequent administrations should plan for a long-term vision of the US-China relationship that will be factored into a strategic plan for the mutual bilateral relationship one that not only has solutions for current problems of conflict, competition, or cooperation but also addresses potential future scenarios.

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