

p-ISSN : 2708-2121 | e-ISSN : 2708-3616

DOI(Journal): 10.31703/gsssr

DOI(Volume): 10.31703/gsssr/.2024(IX)

DOI(Issue): 10.31703/gsssr.2024(IX.II)



# GSSSR

**GLOBAL STRATEGIC & SECURITY STUDIES REVIEW**

**VOL. IX, ISSUE II, SPRING (JUNE-2024)**



Double-blind Peer-review Research Journal

www.gsssrjournal.com

© Global Strategic & Security Studies Review

## Article Title

### The US-China Trade War in the 21st Century: A Critical Analysis

#### Global Strategic & Security Studies Review

p-ISSN: 2708-2121 e-ISSN: 2708-3616

DOI(journal): 10.31703/gsssr

Volume: IX (2024)

DOI (volume): 10.31703/gsssr.2024(IX)

Issue: II (Spring-June 2024)

DOI(Issue): 10.31703/gsssr.2024(IX-II)

[Home Page](#)

[www.gsssrjournal.com](http://www.gsssrjournal.com)

Volume: IX (2024)

<https://www.gsssrjournal.com/Current-issues>

Issue: II-Spring (June-2024)

<https://www.gsssrjournal.com/Current-issues/9/2/2024>

Scope

<https://www.gsssrjournal.com/about-us/scope>

Submission

<https://humaglobe.com/index.php/gsssr/submissions>

Google Scholar



Visit Us



#### Abstract

China is a growing economy in the 21st Century with 18,536 (USD billion) GDP in 2024 while the USA is in rank 1st with 28,783(USD billion) GDP. Both Powers are trying to indulge other countries in economic deals. BRI, CPEC, and many other projects started by China to open the world market and expand trade. It's a check for the Economic Hegemonic design of the USA. Both Countries are trying to level each other. The rivalry between the US and China is going verse day by day and it is impacting on hegemony of other developing states. The purpose of this qualitative research is to elucidate the US-China trade war in the 21st century in the global world and how it is affecting the others actors in the World.

**Keywords:** USA, China, Economic War, GDP, Hegemony, Growing Economies

#### Authors:

**Hareem Asif:** Undergraduate, Department of International Relations, Government College University Faisalabad, Faisalabad, Punjab, Pakistan.

**Muhammad Huzaifa Shahzad:** Undergraduate, Department of International Relations, Government College University Faisalabad, Faisalabad, Punjab, Pakistan.

#### Bilal Bin Liaqat: (Corresponding Author)

Assistant Professor, Department of International Relations, Government College University Faisalabad, Faisalabad, Punjab, Pakistan

(Email: [bilalbinliaqat@gcuf.edu.pk](mailto:bilalbinliaqat@gcuf.edu.pk))

**Pages:** 31-42

**DOI:** 10.31703/gsssr.2024(IX-II).03

**DOI link:** [https://dx.doi.org/10.31703/gsssr.2024\(IX-II\).03](https://dx.doi.org/10.31703/gsssr.2024(IX-II).03)

**Article link:** <http://www.gsssrjournal.com/article/A-b-c>

**Full-text Link:** <https://gsssrjournal.com/fulltext/>

**Pdf link:** <https://www.gsssrjournal.com/jadmin/Author/31rv1olA2.pdf>

**Citing this Article**

03		The US-China Trade War in the 21st Century: A Critical Analysis					
		Author	Hareem Asif Muhammad Huzaifa Shahzad Bilal Bin Liaqat		DOI	10.31703/gsssr.2024(IX-II).03	
Pages	31-42	Year	2024	Volume	IX	Issue	II
Referencing & Citing Styles	APA	Asif, H., Shahzad, M. H., & Liaqat, B. B. (2024). The US-China Trade War in the 21st Century: A Critical Analysis. <i>Global Strategic &amp; Security Studies Review</i> , IX(II), 31-42. <a href="https://doi.org/10.31703/gsssr.2024(VII-I).03">https://doi.org/10.31703/gsssr.2024(VII-I).03</a>					
	CHICAGO	Asif, Hareem, Muhammad Huzaifa Shahzad, and Bilal Bin Liaqat. 2024. "The US-China Trade War in the 21st Century: A Critical Analysis." <i>Global Strategic &amp; Security Studies Review</i> IX (II):31-42. doi: 10.31703/gsssr.2024(VII-I).03.					
	HARVARD	ASIF, H., SHAHZAD, M. H. & LIAQAT, B. B. 2024. The US-China Trade War in the 21st Century: A Critical Analysis. <i>Global Strategic &amp; Security Studies Review</i> , IX, 31-42.					
	MHRA	Asif, Hareem, Muhammad Huzaifa Shahzad, and Bilal Bin Liaqat. 2024. "The US-China Trade War in the 21st Century: A Critical Analysis", <i>Global Strategic &amp; Security Studies Review</i> , IX: 31-42.					
	MLA	Asif, Hareem, Muhammad Huzaifa Shahzad, and Bilal Bin Liaqat. "The US-China Trade War in the 21st Century: A Critical Analysis." <i>Global Strategic &amp; Security Studies Review</i> IX.II (2024): 31-42. Print.					
	OXFORD	Asif, Hareem, Shahzad, Muhammad Huzaifa, and Liaqat, Bilal Bin (2024), "The US-China Trade War in the 21st Century: A Critical Analysis", <i>Global Strategic &amp; Security Studies Review</i> , IX (II), 31-42.					
TURABIAN	Asif, Hareem, Muhammad Huzaifa Shahzad, and Bilal Bin Liaqat. "The US-China Trade War in the 21st Century: A Critical Analysis." <i>Global Strategic &amp; Security Studies Review</i> IX, no. II (2024): 31-42. <a href="https://dx.doi.org/10.31703/gsssr.2024(VII-I).03">https://dx.doi.org/10.31703/gsssr.2024(VII-I).03</a> .						



# Global Strategic & Security Studies Review

[www.gsssrjournal.com](http://www.gsssrjournal.com)

DOI: <http://dx.doi.org/10.31703/gsssr>



Pages: 31-42

URL: [https://doi.org/10.31703/gsssr.2024\(IX-II\).03](https://doi.org/10.31703/gsssr.2024(IX-II).03)

Doi: 10.31703/gsssr.2024(IX-II).03



Cite Us



## Title

### The Us-China Trade War in the 21st Century: A Critical Analysis

#### Contents

- [Introduction](#)
- [Statement of the Problem](#)
- [Objectives of the Study](#)
- [Hypothesis/Research Questions](#)
- [Research Methodology](#)
- [Theoretical Framework](#)
- [Limitations of the Study](#)
- [Literature Review](#)
- [Us-China Trade War in the 21st Century: A Critical Analysis](#)
- [Economic Consequences: The Tangled Web of Tariffs and Trade Deficits](#)
- [Power Transition Theory \(PTT\) and China's Rise](#)
- [The Geopolitics of Trade Wars: Strategic Motivations](#)
- [China's Strategic Responses](#)
- [Conclusion](#)
- [References](#)

#### Abstract

*China is a growing economy in the 21st Century with 18,536 (USD billion) GDP in 2024 while the USA is in rank 1st with 28,783(USD billion) GDP. Both Powers are trying to indulge other countries in economic deals. BRI, CPEC, and many other projects started by China to open the world market and expand trade. It's a check for the Economic Hegemonic design of the USA. Both Countries are trying to level each other. The rivalry between the US and China is going verse day by day and it is impacting on hegemony of other developing states. The purpose of this qualitative research is to elucidate the US-China trade war in the 21st century in the global world and how it is affecting the others actors in the World.*

#### Authors:

**Hareem Asif:** Undergraduate, Department of International Relations, Government College University Faisalabad, Faisalabad, Punjab, Pakistan.

**Muhammad Huzaifa Shahzad:** Undergraduate, Department of International Relations, Government College University Faisalabad, Faisalabad, Punjab, Pakistan.

#### Bilal Bin Liaqat: (Corresponding Author)

Assistant Professor, Department of International Relations, Government College University Faisalabad, Faisalabad, Punjab, Pakistan

(Email: [bilalbinliaqat@gcuf.edu.pk](mailto:bilalbinliaqat@gcuf.edu.pk))

**Keywords:** [USA](#), [China](#), [Economic War](#), [GDP](#), [Hegemony](#), [Growing Economies](#)

#### Introduction

The economic rivalry between the US and China is growing in the 21<sup>st</sup> century and it's a hot topic. Some scholars consider it a "Trade War" between the two rival superpowers. Both are competing and influence the other world because of their economic Policies.

Simply, a trade war refers to increased trade friction between two or more countries. It is characterized

by the execution of tariffs, quotas, and trade barriers. These protectionist measures overall shatter export and import patterns, which in turn impair economies and intensify tensions on the global stage. This kind of war can represent the ongoing trade war between the world's economic powerhouses, the US and China.



This work is licensed under the Attribution-Noncommercial- No Derivatives 4.0 International.



Regarding the time frame in which the US initiated the trade war with China, it can be assumed that its start occurred in 2018, which was characterized by a constant increase in tariffs. Donald Trump, the former President of the United States, took an important decision that changed the dynamics of international trade. His administration, on July 7, 2018, imposed 25 percent tariffs on Chinese products worth \$34 billion (Kim, 2019). Whereas other products like aluminum, washing machines, steel, and solar panels had already been set up for more tariffs. Subsequent rounds of these tariffs, along with reciprocal tariffs by China, led to this prolonged trade war, presenting dire consequences for investment policies and trade around the world. The rebuff by the Chinese administration was in the form of reciprocal tariffs on about \$60 billion worth of US products, while simultaneously stressing how they wanted a healthy trade partnership with the US. However, the USA imposed an extra 10% tax on Chinese goods worth \$200 billion, further intensifying tensions (Kim, 2019).

This trade war between the World's two largest economies, the US & China, has not only been ruinous for them but its consequences have been across various industries around the World. It's because tariffs worth billions of Dollars have been imposed on imports. It has distorted the supply chain, raised manufacturing expenses, and raised fear among investors, which has led to high market risk and variability. The US announced tariffs on washing machines, solar panels, steel, and aluminum, among others, and spread them to other goods. The previous US administrations submitted tariffs targeting China's imports at approximately \$350 billion, and the rates have increased from 3.7% to 25.8%. Following the actions, China responded by placing its own tariffs on \$100 billion worth of imports from America, and overall, the average tariffs increased from 7% to 20.8%. These tariffs persisted even after the Phase One trade agreement in January 2020 and led to a heightened economic rivalry between the two countries. (Caliendo & Parro, 2023)

Apart from its effects on the economic front, the US-China trade war provides strategic implications and shows that the 21st century is a contest for global hegemony. Understanding the strategic rivalry that defines the US-China trade war requires theoretical interpretations like hegemonic stability theory and power transition theory, as followed in this paper.

These frameworks prove helpful in understanding the facts behind power relations in the conflict, which show how the US tries to dominate and keep its supremacy and how China has been trying to become the global leader. Keeping this in mind, this paper aims to offer an all-inclusive analysis of the US-China trade war by utilizing qualitative research methods and engaging information collected from cross-sectional sources. This research paper seeks to provide insights into one of the twentieth century's greatest geopolitical concerns by outlining the factors that led to the conflict, their economic impacts, and the geopolitical implications of the conflict.

### Statement of the Problem

This is the main dilemma: increasing competition where the US struggles to maintain its hegemony while China is steadily building up its position. The trade war between them reflects this, which shows that there is competition for dominance. It is not only economic, as tariffs serve to regulate trade deficits, but the source of the problem is political, relating to competition for the world and political hegemony. Unless this hostility between the world's two largest economies is resolved, the trade war could persist beyond what is expected, and there could be future conflicts even if the warring parties find a short-term resolution. In other words, the US-China trade war can be best described as a struggle between two countries for political influence, with economic interests being used as weapons of war.

### Objectives of the Study

The objectives of this research are to:

- Analyze relationships between geopolitics and economics, which include analyzing the roles of trade deficits and tariffs in escalating tensions between the US and China.
- Evaluate the extent to which the threat of losing hegemony contributes to factors that compel the US to engage in the initiation and continuation of the trade war with China.
- Define the exact impacts of the trade war on the economic processes in both countries and analyze the international significance of these effects.
- Provide a detailed analysis of the purposes and hidden underlying factors of American and Chinese trade relations in the twenty-first century.

- Introduce the power transition theory (PTT) and the hegemonic stability theory (HST) to determine the fundamentality of the trade dispute and its connection to the shifting power paradigm.

### Hypothesis/Research Questions

- What are the main economic implications of the US-China trade conflict, touching upon GDP, foreign trade indicators, and average consumer prices?
- What contributions can be made to understanding the relations between the USA and China in terms of trade tensions as the manifestation of the global power transformation and hegemonic struggle?
- How does the US-China trade war keep progressing, and what are the potential causes traced to geopolitical tensions and strategic aspirations?

### Research Methodology

This research on the “US-China Trade War in the 21st Century” employs a qualitative research design to conduct the analysis. Some of the key data collection methods include an analysis of secondary data in the form of published papers, policy briefs, employee and union reports to employers, government publications, and news articles from credible media houses. This paper aims to provide an understanding of the trade war at hand following an assessment of the existing materials. It will expand them systematically and cover the causes that led to the conflict, its persistence, and possible resolutions adequately.

### Theoretical Framework

By applying the principles of two significant international relations theories, Hegemonic Stability Theory (HST) and Power Transition Theory (PTT), this research intends to explore the concealed dynamics of the “US-China Trade War”.

HST asserts that it is a hegemony, or a state possessing a strong military and an enormous economy, that builds and sustains the global economic order. Since the end of the Second World War, the United States has emerged as this leading power, helping to construct an international system of effigy. In this capacity, the U.S. served as a guarantee for and provided global public goods self-identity, security, and a world currency. As reiterated by Layne (2018), the continuation of a

liberal international order requires U.S. dominance in the various areas of security provision and thereby cooperation. Whereas PTT, as a theoretical assessment, found a significant change in the current international hierarchy, where China is steadily sinking into the established supremacy of the U.S. Developed from Organski (1958), PTT postulated that there are likely prospects of confrontation where hegemony is declining and is confronted by a dissatisfied riser. PTT, on the contrary, holds that a clash is most likely to emerge when the power differential between the incumbent superpower and the emerging bipolar competitor is at its most reduced.

An analysis of the roles of HST and PTT in trading shows how the US-China trade war can be understood. Thus, the USA, as a statesman of the liberal international system, seeks to manage a power transition with China, its rising challenger. This study looks at the factors that create tension in power transition theory, where the USA is threatened by a hegemonic decline and therefore acts in an assertive manner towards China. Following the arguments made by other authors, such as Gilpin (1981), the paper aims to draw more attention to the topic of how a fading power might perceive war as an option that can be useful when the power transition process threatens its position. Through the integration of both HST and PTT, this research seeks to assess the trade war between the US and China, analyzing the incentives, moves, and possible consequences of this increasingly vital and uncertain geopolitical and economic conflict in the 21st century.

### Limitations of the Study

When implementing the research activity for this study, there are several limitations that will affect the coverage and depth of the research. First, dependent on the secondary sources that can impact the result of research, the material used is only the interpretation of the original authors. Moreover, there may be constraints as to time bounds since geopolitics is an ever-evolving field that may keep pace with modern research advances. Lack of funds may lead to limited funds to allocate towards collecting adequate data. The depth of data collection is also likely to be affected by a lack of funds available for this purpose. Also, there is an issue of time variation, which is the uncertainty of capturing the most concrete recent developments of

the trade war and geopolitical relations between the US and China. However, the above-mentioned limitations restrict the utilization of additional resources and aim to provide the greatest amount of evidence within the set boundaries.

### Literature Review

Min-hyung Kim's article, "A Real Driver of US-China Trade Conflict: The Sino-US Competition for global hegemony and Its Implications for the Future," provides a critical analysis of the US-China trade war, highlighting the hegemonic relations between the two powers. Analyzing this issue through the prism of international relations theories, Kim states that trade wars stem from America's concern about losing dominance and China's rise to surpass it. The paper's contribution is in arguing that the trade war's causes go deeper than the two economies' trade relations but are rooted in political purposes. Kim goes further to suggest that even if the current conflict is solved, power competition implies that the next round of conflicts is inevitable. However, it would have made the article somewhat stronger if the author had drawn out more detail on coping mechanisms as well as attempted to back up his assertions with research data. However, Kim's study expands knowledge about the nature of trade conflict by also considering geopolitical variables. (Kim, 2019)

Hufbauer's article "The US-China Trade Deal: A Superficial Victory," published by the Peterson Institute for International Economics, presents a detailed critique of the Phase One trade accord signed between the US and China in January 2020. The author's opinion is that, even though the deal shows certain prospects for ending the trade war, the structural problems cannot be solved at the moment. In the analyses of the specific details of the agreement, Hufbauer identifies the difficulties in administering the deal, more so while considering the coronavirus outbreak and its effect on international trade. The article also takes a closer look at the overarching consequences of the deal for relations between the US and China in the future and entails the question of whether the deal could help reignite the profound conflicts between the two countries. Overall, Hufbauer provides a useful framework through which the trade war may be understood and intelligently approached (Hufbauer, 2020).

Published by Routledge, Liang, and Ding's book "The China-US Trade War" examines the factors, processes, and consequences of the bilateral trade confrontation between China and the United States. The authors give the history and causes provoking the increase in tension between the two countries. And problems concerning the trade deficit, the violation of property rights, and the transfer of technologies. Although it is difficult to anticipate and predict the specific effects of globalization on industries in both China and Taiwan, as well as on the global economy, Liang and Ding compile future scenarios that will indicate the best practices to follow and the problems to anticipate. The attempt aims to demonstrate the fact that there is much more to the story than can be reduced to simple accusations and provide evidence of the necessity of cooperation to find solutions. (Liang & Ding, 2020)

The article in Khandelwal and Taglioni's working paper titled "The US-China Trade War and Global Reallocations," published in the National Bureau of Economic Research, focuses on the effects of the US-China trade war on trade processes and shifts in production and demand across the world. Using a model of trade diversion, the authors describe the flow of changes that occurred in trading relations that followed the imposition of tariffs by both countries. The paper also discusses the effects of these changes on value chains, productivity, and growth both globally and regionally. Khandelwal and Taglioni use a quantitative method to present the effect of the trade war, a strategy that shows that policymakers should not only focus on the immediate benefits of measures adopted but also their repercussions on the world economy. (Khandelwal & Taglioni, 2023).

### Us-China Trade War in the 21st Century: A Critical Analysis

The trade relations between the US and China are an important aspect of economic relations in the twenty-first-century world that impacts international trade, political relations, and the formation of the future international economic order. However, both countries have engaged themselves in a cycle of retaliatory tariffs since 2018. The structural problems in Sino-American trade and economic relations gave birth to the roots of this trade war. These problems mainly included restrictions on access to markets, trade imbalances, and concerns over the violation of intellectual

property rights (Bown & Crowley, 2016). Also, this war not only carries economic reasons; in fact, there are underlying principles of power politics as both the US and China are competing for technological and geopolitical hegemony across the Asia-Pacific. They also aim to rule over the international economy.

The effects of the trade war have been greatly felt, with both countries' economies slowing down and supply chain issues around the world. As reported by the International Monetary Fund (IMF), the ongoing trade war significantly reduced global GDP by 0.8%, with the US and China bearing most of the burden (IMF, 2019). Not only did this war pressurize the WTO and increase the trend toward protectionism, but it also led to more bilateral trade agreements.

### **Economic Consequences: The Tangled Web of Tariffs and Trade Deficits**

Some of the most important elements of the trade war have been the results of changes experienced in trade flows, especially in imports and exports between the US and China. Tariffs have upset supply chains and caused companies to re-strategize and new global trade flows do not only affect the US and China but also the overall global economy. The trade war has impacted the prices of goods and services around the US, making the prices higher than before and thus causing inflation. In China, it has influenced stock prices as well as changing exchange rates, which denotes market risk (SPGlobal, n.d.).

### **Impact on GDP Growth**

The US-China trade tensions have influenced their GDP growth and disrupted the economic growth in both nations. The imposing of tariffs targeted various industries within the United States with negative consequences, spreading uncertainties and economic disruptions. The trade deficit has been presented as a prime factor in creating economic concerns, threatening jobs, wages, and overall economic growth. The trade war resulted in a significant decline in aggregate real income of the US and China and by reduction in GDP. However, the impacts were too significant as a share of GDP. Taufikurahman and Firdaus (2019) adopted the GTAP model to scrutinize the repercussions of the trade war on the total value of exported and imported goods. They found a decrease in outputs;

the US & China were down by 3.91% and 2.67% respectively (Taufikurahman & Firdaus, 2019).

It has been observed that China has been able to handle economic slowdowns by relying on domestic consumption and strategic investments, which moderated the effects of trade tensions on its GDP growth rate. However, China has not been completely intact by the damage, as its economy has recently experienced a decline in its annual GDP growth rate (National Bureau of Statistics of China, 2020). Since trade tariffs greatly concern industries and businesses, especially regarding their economic impacts, the current trade tensions between the US & China have been in the limelight. Trade tariffs are one of the major concerns of society when it comes to their economic impacts, thus the case of the US and China has been in the limelight. The trade tariffs were examined in the quantitative case study by Macera & Divino (2015) as the recent trade relations between the United States and China reached macroeconomic implications. According to their estimate, in 2020, the US will have a 0.21 percent real GDP improvement in its overall trade balance, but 0.22 percent of its real GDP in imports will come from outside the US. As a result, US welfare would drop by 0.011% of real GDP, and US trade intensity with China would fall.

### **Disruption of Trade Flows**

The US-China trade war has led to a considerable distortion of international trade as it has affected trade relations between the two nations and international supply chains. Tariffs and the RE measures that followed them have changed the nature of imports and exports, along with their effects on multiple industries and major economies. This disruption is not only limited to the bilateral level but it has been propagated to the global level as a way of demonstrating how trade relations are integrated in the global community. The trade war has decisively influenced trade relationships; the US has applied penalties on various Chinese items that have circulation in international markets, which has relatively distorted the international mobility of products between the two countries. These disruptions have been compounded by China's countermeasures, hence becoming an ordeal for businesses relying on the free flow of goods between the United States and China.

The trade tensions have affected global trade because countries are now seeking to source their



goods from different markets other than the US and China as the trade flows between these two countries have been disrupted. This trend has brought volatility to managing trade flows, especially when trade relations are strained, and protectionist policies are put in place. Since the trade war began, international trade has not been spared, and countries in Asia have also suffered. Based on the simulations made using the WorldScan CGE model, the increase in tariffs results in a reduction of GDP in the US and China; other countries are also negatively affected by the shift in global trade as instated by the tariff policies (Bollen & Rojas-Romagosa, 2018). All in all, the impacts of the US-China trade war have been felt in the changes in trade flows, which affected supply chains and trade routes in global trade.

### **Consumer Prices and Market Volatility**

The US-China trade has not only affected various consumer prices and the volatility of the markets but has also caused major consequences for both countries' economic stability. Some of the negative consequences of tariffs and trade barriers include causing changes in the price levels of imported products, which in turn alter consumer tendencies in spending. These fluctuations in the consumer price index have led to changes in the marketability of consumable products, hence the instability leading to the future unpredictability of markets and investments. Analyzing the inflation rate and the prices of different goods in the US, the US-China trade war has had consequences for consumer prices. Trade barriers instituted by the Trump administration resulted in a significant rise in the inflationary pressure originating from imports that Americans had to endure. These tariffs are estimated to cost an average household \$831 per year (Amiti, Redl, and Wei, 2019).

In addition, a report on the trade war risk was provided by the US Federal Reserve Bank of New York regarding market fluctuation impacts. The report discovered that the announcement of tariffs by the Trump administration triggered stock market losses as the S&P 500 index reacted negatively, dropping by 2.5% on average upon tariff declaration (Federal Reserve Bank of New York, 2019). Such fluctuations in financial markets are indicative of the underlying instability brought about by the trade war and its possible implications for the world economy. The effects of the trade war have also been

seen when it comes to the price that consumers pay for their goods in China. Countermeasures adopted by China affected specific areas of agriculture and manufacturing by increasing the prices of imported goods. This can possibly lead to inflationary pressures in China that will cause increased market instabilities (Huang et al., 2021).

### **Effects on Third World Countries and Global Supply Chains**

The current trade tension between the US and China has a domino effect on third countries and manufacturing networks. Indeed, the escalating trade tension between these two economic giants has dragged other countries into crises in their supply chains, unexpected partnerships, and alliances. Various studies have revealed that the trade war has negatively affected international business in terms of trade and investment, especially where firms are closely linked with global supply chain networks. Thus, while the rise in tariffs between the US and China has reduced such trade, it has also promoted trade diversion, whereby certain parties have benefited from exporting their goods to the US or China in place of the other.

The trade conflict has also affected international production systems through vertical disintegration as businesses seek to find other locations where they will relocate their production facilities other than the United States and China. This has led to a shifting of the global value chains and may create new opportunities in nations such as Vietnam, Thailand, and Mexico. It has also affected trade relations and alliances in several ways and caused disruptions in trading partnerships. The US-China trade conflict has harmed the multilateral economic system since both sides have engaged in protectionism and bilateral negotiations. It has resulted in the establishment of various regional trade blocs, in which countries seek to promote economic cooperation and integration with like states. For example, the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement signed in 2020 by 15 Asia-Pacific countries including China, Japan, Korea, and many others, was attributed to the US-China trade war.

### **Power Dynamics at Play: Hegemonic Stability and Power Transition in Action**

The trade war between the US and China has revealed the increasingly interdependent

relationship as well as the tension involving the two countries with respect to the distribution of power and the structure of the international order. This phenomenon can also be analyzed in the context of hegemonic stability theory and power transition theory, which predict tensions between the dominant and emerging superpowers.

According to the hegemonic stability theory, as outlined by Gilpin, there must be a leading nation that is responsible for creating and sustaining order in international relations (Gilpin, 1981). The US has taken on this role since the end of the Second World War, supporting free trade and an open world economy. However, with China steadily ascending to become a major world economic and military power, this has also been perceived by the US as a foe to its dominance, making the US shift its strategic policy toward China (Ikenberry, 2018). On the other hand, power transition theory states that when power shifts from one dominant power to another emerging power, the relationship between them is uneasy and possibly warlike (Organski, 1958). By the time China reduced the power difference with the USA, the likelihood of clashes had increased, given their intentions of pursuing hegemonic agendas to shape the world in the way that best suits them. In fact, the trade war can be easily observed as an example of such a transition, and both countries are actively using economic levers to achieve their goals and protect their interests.

### **Hegemonic Stability Theory (HST) and the US Role**

HST holds that it is advantageous for the international system to have a single dominant state in the world, known as the hegemon. The US has exercised this role, particularly in the post-Second World War era, by openly supporting and actively engaging in the liberalization of trade and the formation of an open global economy, which consists of aiding in the formation of institutions as well as being a major contributor to the global economy and a major supporter of multilateral organizations such as the WTO. However, as China has risen as an economic, technological, and military power, the United States has been posed with challenges to its dominance, thus leading to a restructuring of the US strategy towards contending power.

As Kindleberger argued, the US used to play a hegemonic role in the world economy and thus acted as a stabilizer, guaranteeing the provision of public goods and the preservation of international economic arrangements. The US has been a central figure in the promotion of liberalization, free trade, and investment and has been influential in international economic organizations, including the WTO and IMF (Ikenberry, 2018). Nonetheless, the emergent Chinese power has become a critical source of new questions regarding the place of the United States in a global system. This rise of China's power alongside its economic development has threatened the position of the United States as the sole dominant power, thereby leading to a power transition that is likely to have a great impact on the stability of international politics.

### **Power Transition Theory (PTT) and China's Rise**

The PTT is a well-developed international relations theory that analyses the nature of conflict and how power shifts between states occur. Analyzing China's ascent through the lens of power transition theory can help us comprehend both the historical context of power transition and the prospective ramifications of China's appearance in the system. Traditionally, change of power has always been a critical stage in relations between nations, and this has led to often the new power replacing the old power, leading to conflict. The theory states that when states have equal levels of capability in terms of their political, economic, and military strength, this creates tensions resulting in war, while the opposite creates the conditions for peace (Organski, 1958). China's economic liberalization and military expansion have put it in the strategic category of a challenger to the incumbent hegemon in the form of America, thus generating more questions about the consequences of the emerging power transition in the given global system.

China has emerged as a major subject of concern in terms of the world's changing structure and power balance, and scholars and analysts have been closely monitoring China's course and impact on the international system. With Chinese capabilities in economic and military power growing steadily, questions as to whether China can and will seek to replace the US as the world's superpower have been raised. The power transition theory's radical interpretation of the historical context of the power

shift emphasizes the importance of examining the actions of emerging powers and their interactions with those in power. China's rise and its impacts on the global system pose significant issues for the nature of world politics, prospects for antagonism, and requirements for cooperation to mitigate the risk of antagonistic shifts in power.

### **The interplay of HST and PTT in the Trade War**

The US-China trade war can be seen as an extension of the aggressive and hegemonic power that exists between two global superpowers and has ramifications for both the structure and future of the world order. The theoretical application of HST coupled with the PTT offers an understanding of the strategic actions of both the United States and China, as well as the expectations yielded by the two theory systems.

According to HST, creating order and providing public goods is crucial to stabilizing the international system, and they can only be done by a dominant world power. The US has operated in this role since the second half of the twentieth century, advocating for liberalization and an open multilateral trading system (Ikenberry, 2018). However, China has emerged as a competitor for the United States, economically and militarily, making it difficult to maintain its hegemonic status and, hence, shifting US policy towards strategic competition.

To understand the strategic behaviors of the two countries, specifically the US and China, the analysis of HST and the trade war cannot be undertaken in isolation from each other. This has been evident through apprehensive measures that the US has taken towards China, such as levying tariffs on China's goods and seeking to align other nations to foster a free and open Indo-Pacific region (White House, 2019). China, as an emerging power, has endeavored to position itself to the position of the US through the means of BRI and other strategic investments. Considering HST and PTT theoretical frameworks, further escalation of the trade war is expected as both countries try to strengthen their positions. power transition is therefore expected to exert much influence on the character of the international system in the future in terms of stability and the overall world order.

### **The Geopolitics of Trade Wars: Strategic Motivations**

The trade conflict that is presently at the core of the US-China relationship is an intriguing shift in the geopolitical relationship between the world's two biggest economies. The trade war that began in 2018 under the Trump administration was based on rising trade deficits with China as well as allegations by China of intellectual property theft and unfair trade competition. The US-China trade war can be considered an indication of a remarkable shift in the world political system that reflects the distribution of powers. The challenges in the post-Cold War supremacy and specifically the emergence of China as a new world power have caused a shift in the global socio-economic balance with the realignment of the new world order (Vlados, 2019).

The Trump administration's trade war with China cannot simply be discussed on the basis of economic imperatives but is indeed linked to strategic objectives anchored on geopolitical factors. The Chinese Ministry of Commerce issued a statement saying if the US side ignores the opposition of China and the international community and insists on applying unilateralism and protectionism, the Chinese side will go to the end and will not back down. To tackle the situation, China has taken diplomatic strategies to address the conflict as a trade war in a bid to achieve the goal of finding a solution. However, the US has been reluctant to change the status quo, aiming to have a victory over its opponents (Sulaiman, 2019). China appears to be cautious with Thucydides' trap thesis, which purports that a rising power (in this case, China) and an incumbent power (the USA) are bound to collide. China adopts a policy of strategic ambiguity in dealing with pressures exerted by the United States, where they prioritize avoiding direct military conflict as they continue to achieve their economic and political objectives.

The US-China trade war is a precautionary geopolitical confrontation that is rooted in issues that are not solely linked to economic interests. Protectionism and imperialism, the shift of power structures, the decrease in the United States' dominance, and the emergence of China as a powerful player in international relations have contributed to the trade war as both countries strive to protect their positions and spheres of influence in the context of the globalized world of the 21st century.

## **Economic Measures as Instruments of Geopolitical Strategy**

Among various tools of great power competition, tariffs have become the primary reagents during the US-China trade war. Tariffs in terms of global politics have been applied to serve geopolitical goals and security objectives, which in turn influenced trade policies and relations between nations. Making the previous point concrete, the US-China trade conflict provides an excellent example of using tariffs to assert the interests of a nation and shape the geopolitical nature of relations. The protectionist policies, including tariffs imposed on Chinese steel and aluminum by the Trump administration, were not simply an economic policy but a strategic one focused on security, power, and the shift of the balance of power. These tariffs were intended to slow down the advancement of the Chinese economy and limit it strategically across certain industries.

## **US Strategic Objectives**

Regarding the US's strategic interests, it is imperative to point out that the goal of the trade war is determined by the multifaceted interaction of economic, military, and geostrategic factors. The United States has maintained strategic objectives in seeking to check the rise of China both economically and militarily, as well as strengthening international cooperation and partnership to sustain its hegemony. It can be postulated that one of the fundamental goals of the United States in the context of the trade war with China is the limitation of the further development of China as a global economic and military power. Washington had become concerned with China's swift economic growth and developments in technology, as these have posed threats to the US's economic and military superiority (Lukin, 2019). Policies of protectionism and isolationism in the US allow Washington to slow down Chinese growth and prevent the growth of Chinese competition in such signal developmental domains as industry and technology, which would otherwise allow China to overtake the USA. The US has accused China of unfair trade practices, such as intellectual property theft and forcing foreign companies to hand over technology as a condition for operating in China, which can be viewed as strategies that China uses to strengthen its position in the global economy and in

military affairs. These allegations have further prompted the US to put restrictions on China's high-tech assets and strategic sectors, thus helping curb its economic and military expansion.

Another major strategic goal of the US is to strengthen alliances and strategic partnerships, thereby challenging the Chinese position and asserting the leadership of the United States. The US has been looking for the alignment of its strategic partners in the Indo-Pacific and other regions by supporting institutions that are seen as potential countervailing powers against China. In this regard, the US entails the formation of alliances and partnerships to improve its strategic position and check China's burgeoning might. For instance, in recent years, the US has formed the Quad with the US, Japan, India, and Australia and is holding strategic dialogues with its European allies as a way of forging alliances to counter the challenges posed by China.

## **China's Strategic Responses**

The Belt and Road Initiative (BRI), launched by China, has become a key tool of its economic diplomacy, sanctioned to intensify connectivity, infrastructural development, and economic interaction in the world. The quest for the BRI was propagated in 2013 with an ambition of trade liberalization, investment, and cultural connections via the extensive connectivity of infrastructure all over Asia, Africa, and Europe. Through this project, China seeks to establish new channels of trade and economic cooperation with the participating countries through infrastructure development and connectivity.

Besides the BRI, another related factor that China has sought to address as part of its strategic response to the trade war with the United States has been to deepen the integration of emerging markets. Thus, China is actively expanding cooperation with various players in the global economy by developing trade and economic relations with emerging economies to not be heavily dependent on the US market and, as a result, be vulnerable to changes in external economic conditions (Sulaiman, 2019). China not only deepens its economic presence in these countries but also adds to its soft diplomatic and strategic power in emerging markets where America's presence may be declining.

The Chinese strategic maneuvers in the US-China trade war are complex in nature and involve both



proactive measures to minimize the negative effects of US tariffs and defensive actions to protect its economic interests, as well as a bid for a larger market share globally. Such measures as BRI and economic cooperation with emergent countries seem to make China appear in the new global economic environment, gain more diversified trading relations, and develop new strategic partnerships to manage the consequences of the trade war.

### **Conclusion**

The US-China trade relationship has been marked by a number of phenomena that have had far-reaching consequences for the global economy, international system, and power distribution. According to the research, this trade war has had an impact on the economy in a variety of ways: prices

have risen, trade volumes between the two nations and other economies have decreased, and total global trade volumes have also decreased. Calculating the tariffs put in place by both countries shows that they have distorted the global supply chain, resulting in changes in trade relations as well as reduced economic growth. As for the effects on the GDP, it has been evident that both nations have borne the brunt in terms of slowed economic progress. The trade war has also applied pressure to other economies because of the interconnectivity of the systems that are involved in the value chains.

Moreover, it can also be concluded that the US-China trade war embodies more than a trade dispute and involves competition between hegemony. In the end, it can be claimed that the US-China Trade war is complex and it is disturbing the power structure of the world. China's growing economy is a reality and Americans can't close their eyes over it.

## References

- Amiti, M., Redding, S. J., & Weinstein, D. E. (2019). The impact of the 2018 tariffs on prices and welfare. *the Journal of Economic Perspectives/the Journal of Economic Perspectives*, 33(4), 187–210. <https://doi.org/10.1257/jep.33.4.187>  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Bollen, J., & Rojas-Romagosa, H. (2018). The economic consequences of the US-China trade war on Asian countries: A WorldScan CGE model analysis. *World Economic Review*, 12, 1–22.  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Bown, C. P., & Crowley, M. A. (2016). US-China trade disputes: Rising tide, rising stakes. *Peterson Institute for International Economics*.  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Caliendo, L., & Parro, F. (2023). Lessons from US–China Trade Relations. *Annual Review of Economics*, 15(1), 513–547. <https://doi.org/10.1146/annurev-economics-082222-082019>  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Fajgelbaum, P., Goldberg, P., Kennedy, P., Khandelwal, A., & Taglioni, D. (2024). The US-China trade war and global reallocations. *American Economic Review: Insights*, 6(2), 295–312.  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Federal Reserve Bank of New York. (2019). The impact of the 2018 trade war on U.S. prices and welfare. *Federal Reserve Bank of New York*.  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Gilpin, R. (1981). *War and Change in World Politics*. <https://doi.org/10.1017/cbo9780511664267>  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Huang, Y., Lin, C., Liu, S., & Tang, H. (2021). Trade linkages and firm value: Evidence from the 2018–2019 US-China trade war. *IMF Economic Review*, 69(2), 379–411.  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Hufbauer, G. C. (2020). The US-China trade deal: A superficial victory. *Peterson Institute for International Economics*.  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Ikenberry, G. J. (2018). The end of liberal international order? *International Affairs*, 94(1), 7–23. <https://doi.org/10.1093/ia/iix241>  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- International Monetary Fund. (2019). *World Economic Outlook: Global manufacturing downturn, rising trade barriers*. International Monetary Fund.  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Kim, M. (2019c). A real driver of US–China trade conflict. *International Trade, Politics and Development/International Trade, Politics and Development*, 3(1), 30–40. <https://doi.org/10.1108/itpd-02-2019-003>  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Liang, G., & Ding, H. (2020). The China-US trade war. In Routledge eBooks. <https://doi.org/10.4324/9780429345241>.  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Lukin, A. (2019). The US–China trade war and China's strategic future. *Survival*, 61(1), 23–50. <https://doi.org/10.1080/00396338.2019.1568045>  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Macera, A. P., & Divino, J. A. (2015b). Import tariff and exchange rate transmission in a small open economy. *Emerging Markets Finance & Trade*, 51(sup6), S61–S79. <https://doi.org/10.1080/1540496x.2015.1080556>  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- National Bureau of Statistics of China. (2020). *China statistical yearbook 2020*. National Bureau of Statistics of China.
- Organski, A. F. K. (1958). *World politics*. Alfred A. Knopf.  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- SPGlobal. (n.d.). Trump trade war economic consequences for the US & China. *SPGlobal*.  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Sulaiman, S. (2019). *The US-China trade war: Dissecting the role of economic, technological and political supremacy*. Flinders University. <https://theses.flinders.edu.au/view/oe2da004-ac90-4061-be71-dfbf43bebb04/1>  
[Google Scholar](#) [Worldcat](#) [Fulltext](#)
- Taufikurahman, M. R., & Firdaus, A. H. (2019, September). The economic consequences and strategies of the US-China trade war on Indonesia: A GTAP simulation analysis. In *International Conference on Trade 2019 (ICOT 2019)* (pp. 102–107).

---

[Google Scholar](#)   [Worldcat](#)   [Fulltext](#)

[Google Scholar](#)   [Worldcat](#)   [Fulltext](#)

Vlados, C. (2020). The dynamics of the current global restructuring and contemporary framework of the US-China trade war. *Global Journal of Emerging Market Economies*, 12(1), 4-23.  
<https://doi.org/10.1177/0974910119896636>

White House. (2019). United States strategic approach to the People's Republic of China. *White House*.

[Google Scholar](#)   [Worldcat](#)   [Fulltext](#)