

## DOMESTIC POLITICS AND POWER COMPETITION IN THE U.S.–CHINA TRADE WAR: AN ANALYSIS THROUGH THE LENS OF OFFENSIVE REALISM

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### Abstract

The US-China trade conflict began in 2018 when the U.S. imposed tariffs on Chinese goods and China retaliated by imposing their own tariffs, remains one of the most controversial economic and political issues of the 21st century. This study seeks to explain the complex domestic political motivations behind the U.S. decision to use tariffs as a weapon of economic diplomacy and to evaluate their impact on American trade relations and the international economic order. Drawing from the main theories of International Relations, especially Offensive Realism, this study focuses on domestic politics such as economic nationalism, protected interests, and electoral politics which provides a divergence from conventional approaches to trade policy formulated strictly from the prism of economics. This research argues that the United States has deliberately sought to manipulate international perceptions of trade imbalance with China in order to justify the use of tariffs to address trade and domestic market concerns while simultaneously employing them to counter Chinese advancement in global economics and technology. The findings demonstrate a profound disruption of trade in key industries including manufacturing, agriculture, and technology, global supply chains being reoriented toward other markets, and realignment of global power. This work addresses an existing gap in the integration of international relations and political economy by studying the persistent intricacy of tariff systems. It hopes to contribute to policymakers straddling an optimal balance between economic impetus and global power dynamics while underscoring the need for stronger policies for international trade regulation to contain violent clashes erupting from competition in a multipolar world.

### Introduction

The trade dispute between the United States and China is one of the notable political and economic trade disputes of the 21st century. Trade is definitely one of the key indicators of the level of relationship between international states. America

is undergoing a new economic recovery under President Trump which started a decade old political unfriendliness between China and the US. This is revealing a new norm of competition for supremacy in developing technologies and economy. But as with many other global issues,

alongside trade imbalance, there are also important matters like ownership of information not to mention the scope of intellectual property rights. The relations were on a steep decline since the US imposed international taxes on a whole list of Chinese goods during Trump's presidency which China retaliated with additional tariffs.

A long-time device for resolving a form of economic discrimination as this would have been considered in unfair practices has always been the application of tariffs as trade obstacles to foreign products revenue for revenue protection of domestic manufacturers. From the perspective, us China trade disputes have become form of these trade disputes have become form of self-boasting foreign policy of us to gain global recognition for its claimed supremacy to put forth its hegemony This in itself is an opposing accusation that China has carried out info dam paving attempts on American domain espionage behind corporate espionage or inter organizational corporation became a menace to misidentify the pro-self-identify claim national security.

The limitations placed by China not only amplify the pre-existing dangers for companies, but also impact the patterns of commerce, international supply chains, and the role of organizations like the WTO. The global trade conflicts illustrate how perilous international relations have turned. They highlight the conflicts revolving around the governing structure of global trade.

Understanding the broader consequences of these tariffs requires one to appreciate the political and economic factors that inform them. This study seeks to analyze U.S. tariff politics through the lens of economic policy, geopolitical maneuvering, and domestic politics and how these factors drive trade wars.

### Literature Review

An extensive repository of analysis concerning the trade conflict between the U.S. and China and the politics around tariffs covers various aspects of trade economics, international political economy, and strategic studies. In this part, I analyze five studies critically that assist us in understanding the economic consequences, sociopolitical motives,

and larger context concerning the regulation of international trade for the trade war.

Swenson et al. (2019) give a review of the trade war's politics and economics. They explain how the US's move towards protectionist policies was enacted because people had lost faith in globalization and the WTO's inability to manage China's trade "mask" policies. The paper highlights the political pushback to perceived unfavorable trade imbalances and the populist concern for employment opportunities, which heightened the stark unilateral tariff actions taken by the administration. Alongside resolving the economic issues, their investigation revealed more geopolitical conflicts, especially the worry of a Chinese industrial and scientific power. This marks a serious contention. Swenson et al. argue that the China issue requires a US regional economic restructuring policy mixed with cooperation and competition, alongside changes within China. This paper is relevant to my research because it attempts to place tariffs within the more analytical context of the political economy by linking domestic turmoil to global competitive strategy, though it does not explore domestic political structures—such as lobbying or electoral psychology—that the focus of this study seeks to answer.

Li and associates (2020): Quantitative Assessment of Tariff Impacts Li, Balistreri, and Zhang (2020) have studied the economic impacts of the trade war in detail by developing a novel database of tariffs, and estimating welfare effects with the GTAP in GAMS model. They found that the tariffs indeed worsen welfare in both nations, with China suffering more than the US—approximately 1.7% versus 0.2%, respectively. The study also reports sharp decreases in bilateral trades, with Chinese imports from and exports to the US declining by almost 50%. As businesses look for alternative suppliers and consumers, these trade diversion effects are also advantageous for other Asian economies. Li et al.'s work illustrates the economic costs inflicted by the diversion of trade and the imposition of tariffs and in doing so provides strong evidence that tariffs, no matter what the political impetus for them, do cause great

damage to the economy. The political aspect of the motives in the qualitative sense is balanced with this evidence which enhances the understanding of the measurable economic consequences.

Using Tariffs to Win Elections (Kim, 2021) in his work of 2021, Kim takes on a unique political economics angle by analyzing how China's retaliatory tariffs were designed to have an impact on United States politics, especially focusing on the midterm elections of 2018. His analysis, based on extensive data regarding election outcomes and economy, finds that China's tariffs struck disproportionately damaging impacts on Republican-affiliated districts which were economically dependent on US tariffs on Chinese goods. As per Kim, the intent of this policy was to erase support for the ruling party through economic retaliation in politicized fashion by crippling support for the ruling party which had, in turn, led to the trade war. The results illustrate the degree to which international economic skirmishes can have ramifications for a country's political system and its electoral processes.

This is relevant concerning the gap that was determined in this thesis, as it demonstrates the relationship between politics in the home country and its foreign trade policy. Not only does it highlight the use of tariffs from an economic and political standpoint, but it also serves as a clear case of strategic maneuvering in domestic politics.

Nwoke (2020): Trade Law and the WTO: Institutional and Legal Implications. The ambition of this paper is to advance the analysis of how political choices concerning tariffs on two countries impact their bilateral relations and the degree of equilibrium within international commerce. Nwoke's work (2020) investigates the US-China tariff war from a legal point of view focusing on its international trade law aspects, its impacts on WTO activities, and considers if the United States' bilateral coercive tariffs are in fact breaches of WTO agreements, and whether they pose a danger to the multilateral trading system. The scholarship note also debates if the trade conflict is a manifestation of deeper issues confronting global trade legislation stemming from dominant states increasingly seeking to break

away from internationally set rules for their unilateral. Dominant states are establishing a whole new world order trading regime based on unilateralism. Such dominant trading states are eroding the established, rules-based trading system. In essence, trade conflict of this magnitude damages nations' cooperation.

Chor and Li (2024): The Microeconomic Effects of US Tariffs on China Chor and Li (2024) provide a novel micro-level study on the effect of a tariff and its impact using high-frequency satellite nightlight data and localized ranges of tariff exposure within China. From their analysis, it seems that an increase in tariff exposure by one percentage point is linked to a decrease in economic activity as measured by nighttime illumination by 0.59%. The data reveals a great deal of heterogeneity, with some regions most at risk suffering far greater income and employment losses than the national figure. The study suggests that the US tariffs imposed a more intense economic shock to China which is quite curious given that the study finds very little evidence of a similar effect from China's retaliatory trades. As pointed out in the essay, the study furthers our understanding of the economic consequences of the trade war by illustrating the differentiated spatial impacts within China. It also promotes the notion that tariffs serve as effective tools of statecraft that shape the economic decisions of both states.

### Synthesis and Relevance to Current Studies

The incorporation of macroeconomic models, political economy features, legal analysis, and microeconomic data is comprehensive in studying the US-China trade dispute. As the authors indicate, tariffs—apart from operating as economic sanctions—also have an impact on welfare, international governance, and the political sphere. Domestic political processes of lobbying, partisan fighting, and media influence, as well as a wealth of existing literature, remain largely unexplored when it comes to the decision-making processes behind tariffs. This study aims to fill the gap by analyzing US tariff politics in the wider context of

strategic rivalries and seeking to explain the use of economic instruments in geopolitics.

### Research Gap

Regardless of how well documented the economic and strategic impacts of the trade war may be, the internal political factors that explain the heightening and continuation of the tariff measures are relatively obscure. Few scholars focus on the impacts of fierce division within political parties, administrative infighting, public sentiment, and media portrayal of the trade conflict. This study attempts to fill this gap by examining the US's domestic politics and the interplay between political drivers and economic policy to analyze the application of tariffs as a means of state control.

### Research Methods

The analysis incorporates several fundamentals, employing qualitative methods with both primary and secondary sourcing. Included in primary data are remarks from political figures, policy docs, as well as interviews with relevant authorities. Government publications and publications from different fields of study also constitute secondary data. The study captures the descriptive and interpretive scope of the political economy concerning the trade war to formulate an in-depth exposition on the rationale behind tariff implementation and its impact.

### Understanding the US Politics of Tariffs

The implementation of tariffs by the United States on Chinese imports during the trade war was not simply an economic action; it was intricately connected to the propensities of the internal U.S. politics. This chapter analyzes the inner socio-political relations which gives a foundation to the US tariff policies with consideration of severe economic partition and scope, political ambitions, and military goals. These internal realities help explain why tariffs emerged as the primary weapon, especially when it came to politics determining the conflict's longevity and severity. Despite the fact that president Trump has

repeatedly argued that China is paying a billion of dollars in tariffs that the United States imposed on Chinese import to their country, empirical evidence suggests that the consumers are paying the cost of tariffs: 51 billion dollars in higher price and a net loss of 7.2 billions to the United States economy. The unilateralism power based trade policy carried by the Trump administration has also led to unanticipated economic and political expenditure in those midwestern states that had catapulted Trump into the US presidency in 2016. Such expenses contributed to the defeat of the Trump administration in the mid-term elections of 2018 and may result in other electoral defeats. Since neither of the two political parties in the US is especially fond of China nowadays, the application of tariffs on China and other nations as a trade policy might be another area that the United States might not change regardless of which party is occupying the US presidency. Due to these reasons, the investigation of the ways of how best to employ a power-based approach to trade is beneficial and timely. Although the majority of countries seem to fit in one or both of these classifications, the same cannot be said about China. China can afford an economic war, and China feels that it has to retaliate against the United States, when employed on China.

The present chapter aims at describing the politically driven move of imposing of tariff through the prism of economic populism, grassroots lobbying, political campaigning, and the competition with China. The chapter will also indicate to which extent such domestic influences financed the justification of the policy and its eventual occurrence. We build a model whereby firms contribute influencefully to the government with information on the worth of protection through both costless (cheap-talk) and costly (lobbying) messages, we estimate our model utilizing firm level data on tariff suspension bills and lobbying spending data 1999-2006 and find that, yes, verbal opposition by import-competing firms with no lobbying expenditure turns out to significantly decrease the likelihood of a suspension being granted. In addition, spending of the proponent and opponent companies on

lobbying influences this probability in either direction.

### **Economic Nationalism and Political Rhetoric**

The changing US tariff policy with China has been affected by growing economic nationalism, which gained momentum during the 2016 presidential election. Economic nationalism emphasizes the necessity to safeguard and encourage local economic undertakings like industries and employment so that a nation can manage its economy without necessarily yielding to globalization and other foreign forces considered as hostile to the national interests.

The Trump administration introduced the trade war as the attempt to bring back the lost American manufacturing jobs and the declining trade surplus. The message resonated with voters in important industrial regions and swing states who were experiencing decline and losing job opportunities. Almost the entire working-class electorate in the Midwest, who were fervently supporting the imposition of tariffs, strongly embraced this narrative.

Apart from serving as a populist tool, economic nationalism was also aimed at decreasing the US dependence on China for the supply of essential goods and technologies. That was a departure from previous US regimes which supported free trade and multilateralism.

The form of economic nationalism embraced by Donald Trump involves impotent threats and ribbon-cutting language. The slogan of “America First” is the favorite one of Donald Trump, and though his variant of economic nationalism has reached popularity due to the crisis of global neoliberal capitalism, it does not imply a danger to global capitalism. One more shovelful of dirt on the tomb of the deceased Trans-Pacific Partnership (TPP) might have been a delightful experience, yet serious modifications to the current trade treaties look like a tilting-at-windmills enterprise. The appeals and calls to American companies to avoid shipping jobs offshore are great theater, but there is no indication that these cajoling’s will interfere in any way with the global production networks.

### **Role of Interest Groups and Lobbying**

Advocacy groups and lobbyists exercised both active and passive influence in the development of tariff policy. For example, some industries, including steel, aluminum, and certain manufacturing industries, vigorously supported tariffs that would restrict Chinese competition. Their support shaped the political mind regarding the reasoning for placing tariffs on certain goods.

Twentieth century saw the United States move its stance on protectionism to a supporter of global free trade. The question to which scholars have dedicated their debate time was whether this change was only occasioned by the shifts in preferences or whether institutional changes contributed as well. Based on access point theory, this article claims that endogenous changes in preferences were caused by an institutional change, delegation to the President. The delegation results in reducing access to policy makers by interest groups and this ought to increase the costs of any lobbying. They will be disproportionately harmed as protectionists are expected to prevail in the lobbying game since they have a collective action advantage. Therefore, the effect of delegation ought to be reduced lobbying and reduced tariff rates. The arguments are estimated on time series data covering tariff rates and an Error Correction Mechanism model and data covering interest group testimony before Congressional committees.

However, a number of US businesses that relied heavily on global supply chains and Chinese imports opposed tariffs, warning that their costs would rise and cause disruptions in business activities. These clashing viewpoints contributed to some political and economic tension and favored postponed implementation of the tariffs.

Despite the differences in approach, it is clear that the combination of all these influences shows how, politically, the desire to impose tariffs became a compromise where the safeguards offered to competitive domestic industries were restrained by available non protectionist frameworks designed for consumers and export-oriented industries.

### Electoral Politics and Tariffs

The 2018 midterm election period is noted as especially important for tariff policy and its implementation due to the policies being subjected to a political sifting process. Policymakers understood that putting into place tariff policies would have both positive and negative ramifications during elections. We exploit the recent growth in trade between USA and its trade partners to learn of the politically driven retaliatory tariffs. We possess the complete evidence where we have individual-level data as well as aggregate voting data that the revenge is well-thrown in a manner to punish Trump. Simulation strategy We build a simulation plan to generatively produce counterfactual retaliation replies that will furnish us with a veracity to gauge the extent of political targeting and look into the potential trade-offs. China is observed to give a lot of priority to maximum political targeting. EU seems to have all the solutions, as it has been able to get maximum out of the political targeting, and it has the potential losses to its economy. This tariff imposition was seen by some of the members of the Republican Party as a means of buying off favors of the industrial interests of the Republican Party which relied on the declining industries and further loss of jobs that would lock in their votes to the Party. When president Trump launched a trade war against China, the Chinese government retaliated and slapped tariffs on thousands of American exports to China worth over USD 110 billion. We look into the concept of whether the tariffs, which were instituted by China, were involved in the plot to apply the counter pressure by hurting the political components of the president party. We also gauge how the scheme has affected the 2018 midterms and look at the mechanism of the electoral realignment that has happened as a result. We get good evidence that the Chinese tariffs were strategically imposed on US products whose production was heavily based in Republican-supporting counties, and especially when they happened to be situated in tight-riding Congressional districts. It seems that this strategy was rewarded: the chances of Republican

candidates being defeated were higher in target areas. We find support to the hypothesis using campaign communication data, online local search data, and a proprietary nationwide survey, that voters in districts where the tariffs did not respond were more likely to learn about the trade war, know about its negative consequence, and blame the Republicans as the party that had shouldered the responsibility in the escalating conflict.

The agriculture and manufacturing industries particularly in the swing districts were also feeling the backlash and thus they too were piling pressure on the lawmakers to alter the policies by letting the tariffs be easily passed or exempted all together on some of the tariffs.

That tendency was the revelation of the fact that tariffs may serve as a political tool, in that instance, tariffs as a weapon in an electoral conflict displaying the researchers that predetermined the usage of tariffs to the politically beneficial regions. This is making policy on tariffs very hard and it is also bringing perpetual changes on the tariffs list set out.

### Strategic Competition and Security Concerns

Aside from national politics, domestic tariff policy was coupled with more global concerns. The US perceived China's growth to be a threat to its dominion across the world economy and technology, particularly in the fields of 5G, artificial intelligence, and semiconductors.

Sustaining technological advancement in China with respect to tariffs aggressive restraining policies was used along with safeguarding pertinent industries identified as critical for national security purposes. Even within Congress, the argument received bipartisan backing and shaped policy consistency irrespective of electoral shifts. In order to look into the choice of issues during the US-China strategic competition, we select nine issues, which are favorable to the USA, and four issues, which are favorable to China. We then evaluate the corresponding values of the explanatory variables of issues which would lead to ranking of the leverages in the toolkit of the USA and China respectively. When comparing the

bargaining chips of the two countries and the specific assessments of them by Trump and Biden administrations, we advance the following arguments: (1) both states have acted rationally in the competition; (2) the ideological affinities of the political leaders have affected the issue selection of the USA; and (3) the USA has gone on the offensive since the leverage ratio favors the USA. We go further to examine the prospect of the US-China strategic competition and propose issue-specific approach to foreign policy research.

The current research describes the new cold war concept related to the issues of trade conflicts between China and USA which can be examined in each of the subcases identified. What this paper has attempted is to outline a way to determine a couple of scopes of academic scholarship that would add to the IR theories and to the literature to gain some new knowledge on the topic of the New Cold War in the light of the recent China-USA Trade War. We have analyzed the American activities and Chinese responses in the twenty first century more carefully and extensively discussed the economic, political, security, trade, investment, and technological issues. Through the application of the mainstream international relations theories however, this paper made efforts of describing how these principal forces influence the foreign policy in the external relations of the foreign policy-making process of China and the USA as well as in the future external relations between and within the foreign policy-making process of China and the USA.

The economic aspect of the US-China competition was characterized by the trade war, in which tariffs were an apparent makeover of the shift towards competing with China, as opposed to engaging with it.

### Media and Public Opinion

The context within which tariffs existed in the political economy was solidified by the media and popular opinions. The trade deficits, unemployment, and so-called Chinese mercantilism that the media were concerned about created doubts about unrestrained capitalism and neomercantilism.

The media can bring the sleeping masses to the scattered costs of a policy and make them feel angry at the group that is benefiting. Therefore, the substantive media coverage can influence policy. The model proposed by Strömberg (2001) demonstrates that the size of media (newspaper) space allocated to an issue ought to increase with the square of the number of individuals affected. In this paper, the empirical confirmation of the theoretical results of Strömberg is sought through the content analysis of the newspapers' reports on the lumber tariff controversy.

The data of the public sentiment analysis during the first stages of the trade conflict observed a rise in the pro-tariff attitudes in certain sociodemographic groups, specifically those who felt economically left out as a result of globalization. Politicians and policymakers utilized these sentiments of public opinion to support and consolidate their current policy on tariffs, which increased the politicization of the trade policy.

### Policy Implementation and Political Challenges

The applying of the tariffs and the politicking involved in such a scenario can be said to entail the handling of the reservations, retaliation internationally as well as the progression to other economic implications which are higher priced commodities to the consumer. When listing positive and negative aspects of such tariffs, the majority of non-political commentators come to a conclusion that, on average, its economic and political expenses frequently vastly outnumber the advantages. The USA is, by far, the largest importer, and, therefore, its tariff policies can influence most other exporting countries. An Appendix analyses the underlying causes of the threatened increase in US tariffs under the Trump administration, due to anxieties over the effect of globalization on US domestic manufacturing. Higher US tariffs are set to prompt counter duties by its trading partners and the effect on global trade could be dire.

In order to retain support, the administration encountered significant shifts in political support, most often recalibrating the levels of tariffs due to

lobbyist and diplomatic and economic impact evaluations shifting. These recalibrations suggest the extent to which domestic politics restrain the scope of tariff policy to manage political din.

The conventional wisdom on U.S. tariff policy has stressed trade policies and interest group politics. This article is taking a departure. It begins with a fact: until World War I the tariff provided the greatest single item of federal government revenues. It next considers the importance of tariffs as taxes, both in theory and in fact.

### **Politics of Tariffs: Implications for US-China Trade**

Inasmuch as the US and China imposing tariffs on each other has significant effects on the two countries trade relations, global supply chains, and trade mechanisms internationally, this chapter seeks to address the imposition of the tariffs politically, economically, and strategically. We show how the imposition of tariffs changed trade relations in the world, impacted different economies, and shifted their focus to greater international competition.

This chapter evaluates the retaliatory moves taken up by China and assumes a strategic role looking at the effect on other bodies for cooperation such as the WTO. In pondering on the short and long-term outcomes of American foreign policy and diplomacies which are veiled in disguise of domestic protective strategies, this chapter aims on clarifying the diplomatic intricacies, conflicts, and bilateral settlements that stem from trade agreements and protective trade policies.

Trade policies and tariffs Political economy can have an impact on welfare distribution and resources allocation and sustainable development. Trade between other countries can influence political economy of trade between two countries. The bilateral trades of the nations can influence the global trade. The effects of their bilateral trades to the global economy and the global trade can be multiplied in situation where these two specific countries hold large share in the global economy and also influence. Due to the comprehensive literature study, this chapter tries to examine political economy of the trade tariff and trade

policies with specific respect to China economy, US and China trade policy and their position and contributions to the international policy. More so, future suggestions on trade policies and trade tariff strategies have been suggested on how to improve the global wealth and sustainable development. In this chapter, the authors highlight the relevance of sustainability to trade and the roles of trade policies in efficient allocation of resources, welfare gain and sustainable development. Moreover, trade policies, taxes, and tariffs are advisable to be balanced on the basis of mutual trust, and common goals of countries involved in trading. In the same chapter, the author also says that trade policies must encourage -sustainable supply in the world.

### **Economic Impacts on Bilateral Trade**

The trade war involving tariffs imposed by the US and China had enduring impacts, particularly resulting in a decline in trade volume transacted between the two countries. Studies show that China's exports to the US were lowered by over 50 percent, and American exports to China faced similar reductions (Li et al., 2020). The recession being caused by these tariffs was due to escalated prices on imported goods and services, global supply chain disruptions, and requires businesses to rethink their sourcing models.

Our findings imply that the bilateral tensions have negatively impacted the US imports. Further examinations of the consequences of bilateral tensions on industries with different degrees of supply chain interconnectedness to China indicate that, quite on the contrary, they have differently impacted industries with strong integration with the Chinese market. The trend remains the same even in the era of the trade war. Bilateral tensions were not only linked to increased tariffs in industries with a high degree of global value chain connections to China but the increase in tariffs has also affected such industries more broadly. On the whole, we find that the possible sunk costs considerations might not have been severe enough to prevent the negative trend in bilateral trade relations in the conditions of

both normal diplomacy and trade war. The escalations were truly spectacular, as the US tariff on industrial goods rose by six times – and especially high tariff increases were on intermediate and capital goods – and Chinese tariffs on US agricultural goods rose by more than five times. Such distorts trade and production decisions in both nations and undermines the trading system at the international level. They cost each country huge economic losses, import volumes decreased in China by 4.9 percent and in USA by 4.5 percent and the bilateral trade patterns were distorted massively. They became more expensive to the United States at the expiry of the import expansion provisions of the Trump era Phase One Agreement at the end of 2021. Abolition of these harmful and expensive tariffs through negotiations would yield both nations a large real income and contribute to reducing the US consumer prices.

Through the tariffs, numerous American companies ended up with significantly higher costs of inputs that eventually landed to the consumer or lower profits. Agriculture, manufacturing and in some fields of technology were the worst hit. The Chinese tariffs on farm products like soybean and pork, to name but one, were a killing blow to American farmers.

At the regional level, China was forced to seek alternative trade partners in Asia and Europe in maintaining a balanced trade that assisted the nation in withstanding some aspects of the economy that were subject to tariffs (Chor and Li, 2024). As much as these new forms of diversification helped in patching up some of the losses incurred because of the tariffs, it has changed the trade outlook of US-China to a more global outlook.

### Political and Strategic Consequences

The advent of tariffs represented a breaking point in the paradigm of competitive interaction in which the U. S. and China were cooperating economically and indicated the transition from years of collaboration to competition. The trade war intensified the tension and added to the

disagreement regarding transfer of technology, intellectual property and national security weakness associated with technology.

The deeper involvement of national economies and the conviction that international trade is a benefit to the societies has given rise to the World Trade Organization (WTO), to discipline how national governments conduct international trade. Based on the US domestic law and case laws along with the provisions of the General Agreement on Tariffs and Trade (GATT) 1994, this paper will seek to examine the legality or otherwise of the recent imposition of unilateral trade tariffs by the USA on China.

On the US part, the trade conflict was defined as the efforts to regain economic sovereignty and technological dominance, whereas China positioned itself as a rebellious object of American one-sided aggression. The negative reinforcement of both parties became a basis of rooted suspicion and lowered incentive to cooperate.

Since March 2018, the US China trade war has become a technology war and the strategic rivalry between the two giants and the future of the trade war and China US relations will decide the world order of the future. Some of the questions that the paper is attempting to address include what are the notable goals of US in the trade war against China? What should be the role assigned to the domestic structural processes in the two countries over the trade dispute? Can a possible deal help avert the decline of the strategic competition between the two gigantic powers? This paper answers these questions and thus gives an insight into the political and economic drive behind US and China trade war and factors that may influence the results of the discussions. The takeaways are that the trade tensions run deep in the domestic political restructuring, which is taking place in the two countries; that the extreme thinking defines the relations between the US and China in the terms of ideological and strategic competition, but it is the economic interdependence and stakes that offer the grounds of negotiation and possible compromise between the two states; and that the renewal of political trust will become the key element in dealing with

the strategic rivalry and the prevention of the new cold war between China and the US.

Moreover, tariffs obstructed the diplomatic effort aimed at crafting multilateral trade deals, extending clashes over trade to include Hong Kong and Taiwan as well as regional security issues. The intertwining of trade and geopolitics with economic policy escalated competition on the global stage.

### Effects on Global Supply Chains and Multilateral Trade

Transformations in global supply chains were aggravated by increased tariffs that heightened costs. This uncertainty drove firms to either relocate their production all together or find new suppliers; alternatively, they could completely restructure their logistics networks. However, these shifts resulted in increased costs and delays in investment decisions.

US tariffs on China caused the US imports to decline to 16 % (down to 22 %) during the period. US imports: Chinese imports are being replaced by imports of large and emerging economies that have a revealed comparative advantage in a product. Those countries which replace China in the strategic sectors are more likely to be highly integrated to China supply chains and they are as well increasing their imports more rapidly with China. That is, to substitute China in the export side, countries do not have any other alternative, but to adopt the Chinese supply chains. Contradictory signs of reshoring, whereas nearshoring to neighboring countries are confirmed. China was the most dominant country in the provision of directly imported products into the US even after the significant change in 2022. The United States (US) Administration initiative several trade-related actions or measures in 2018, including tariffs on China unfair trade practices determined by the US Trade Representative (USTR). China has fought back by demanding consultations through the World Trade Organization (WTO) and even applying or threatening to apply more tariffs on US products. In this article the impacts of the recent and potential future US trade measures and Chinese

retaliation are estimated on the US and global economy. The model is a dynamic supply chain based on the well-known Global Trade Analysis Project (GTAP) Data Base and model. We estimate that the USA gross domestic product (GDP) would fall by a projected -0.86 per cent in 2030 (or US\$227.8 billion in 2017 dollars) as the USA relevance in global supply chains decline precipitously. The measures put in place against it would also lower its GDP significantly by 2.84 per cent, and the outcome would be celebrated by the rest of the world, as they will fill the gaps left by the US and Chinese manufacturers.

However, the trade war also cut into the credibility and efficacy of the WTO. The United States monetarily penalized the institution for not effectively countering China's trading tactics. At certain times, the US also chose to act outside of WTO regulations. This weakened the foundation of multi-lateral trade governance, inviting speculations on what the future entails for the global system of trade.

The retaliatory tariffs from China further muddled the dispute mechanism of the WTO, as both nations commenced litigation against each other without sufficient means to resolve the situation. The subsequent stalemate exposed existing legal gaps in international agreements in the management of inter-power trade disputes.

### Sectorial and Regional Implications

Some sectors were disproportionately impacted because of tariff policies. For example, the agricultural sector in the US we suffered greatly due China's retaliatory tariffs. This led to financial strain for farmers and increased government support/ subsidies. Furthermore, the manufacturing sectors dependent on Chinese intermediate goods suffered from rising cost and supply chain disruptions.

The U.S - China trade dispute is having impacts beyond the economy of the two countries as the trade partners and non-trade partners are getting caught in the web of trade dispute. This paper offers a sectoral study into the effect of the trade war on the U.S economy using the manufacturing

sector, agriculture sector, and the technology industry as a yardstick. We use the information presented in the database of the U.S Census Bureau and the U.S Bureau of Economic Analysis of the years 2001-2019. The reason attributed to the extreme drop in transactions between the two nations is the trade dispute. The 25 percent counter tariff imposed by China reduced the U.S exports by 30 billion dollars in 2018- 2019. The major receipts of income were reduced by 10 percent and the secondary income receipts were lowered by a further margin on the negative. The counter-tariffs by China increased the cost of parts supplied by the U.S automobile industry and this led to the decrease in the number of new and used cars that were sold during the period. We have an incentive-compatibly trade policy framework instead of the existing punitive system, resumption of trade negotiations, and instrumentality of WTO as methods of terminating the existing trade war.

Depending upon the direct and indirect effects on the energy sector of every nation we then carry the analysis further to the problem of global energy demand. We find that our empirical findings show that both China and the U.S. are losers in the conflict, albeit the effects on China are more. Our empirical findings also show a reduction in energy demand in both countries as well as general slowing down of the economy. In as much as some nations might be gaining out of the China-U.S. trade dispute in the short-term, a negative overall effect on the worldwide economic outlook can have an implication on all. Further, a short-term marginal effect in the global energy market is identified, yet, as the result of long-term uncertainties and indirect effects in the economy, additional decreases in global energy demand are anticipated.

In China, regions such as Guangdong and Jiangsu provinces, which were heavily reliant on exporting goods to the US for use in manufacturing, encountered a decline in employment opportunities, as well as stagnate income growth (Chor and Li, 2024). These economic challenges along with the disparities within China informed the government's policy responses.

Both considerations along with the responses to address the inequities in impact across sectors and regions within politically enabled responses from negotiators in both countries stretch their positions while leveraging position supported by domestic interest groups enabled government to manipulate tariff plans.

### Trade Diversion and Global Realignment

Perhaps the most notable one of the implications of the trade war was its impact on the diversion of engrossed trade activities that was previously beneficial to the US economy. Manufacturers and exporters like Vietnam, South Korea, and Taiwan started taking advantage of their new positions within the trading ecosystem as companies tried to circumvent tariffs.

The general opinion of the analysts is that a depreciated currency can only benefit the manufacturing and primary goods sector of a country. Some of those industries, however, together with the elected officials representing them, are usually seen complaining about the legislations to combat the over-evaluation of the dollar against the Chinese yuan. I will argue that the reason why the law makers fear taking an aggressive action on the exchange rate issue is because they are aware that this could lead to an unbalanced bigger picture of the United States China economic interaction. The threat of an economic conflict is a pretty important parameter in the case of the currency bills, and the proposed legislation is interrelated with the trade policy, among other tools of the international economic law. Bayesian statistical model of legislative behavior on two recent exchange rates bills in US congress provide general support on my hypotheses. The legislators with strong business interests, whose activities relied much on the Chinese economy were less likely to vote in favor of the bills and the greatest support was registered by the legislators representing the import-competing domestic producers. The results indicate the direction that economic interdependence is pulling bilateral exchange rate politics, or, to be more precise, United States

China relations.

It invited more ramification on itself by localising the supply chains and destroyed the primary vein of the trade between US and China. Even though it gives a chance to third countries, it happened to be the worst with complications as well as weakness in the trade across the globe.

Diversion of trade revolved around the US China trade routes that were most notable indicated the only impact of the tariffs that had been put in place to change the economic and political chains of dependence of the shaping countries.

### Implications for International Trade Norms

The given international trade order has disturbed the nest of the international trade transactions since the very introduction of the US and China tariffs as it has brought the acute underlying problems which are yet to be solved. It violates the principle of non-discriminatory treatment and transparency of WTO.

It incorporates global value chains-enhanced global vector autoregressive trade model which estimates spatiotemporal dynamics of international diffusion of economy-specific trade policy shock across economies. The trade disputes are recognized to have both realistic and fiscal effect to the individual economies. The findings correspond to the thesis stating that international trade represents a positive-sum game in the world trading system under global value chains. The US restrictive trade policy seems not to be yielding positive results to the US economy as it is aggravating its trade imbalances. The world today with modern economy and global production networks of value chains may not leave many options of moving out investment out of China. It does not have a homogenous impact on the economies of the various regional economic groups or that of different status as concerned balance of trade. Net effect of trade protectionism is adverse to economic welfare of the global economy since it decreases international trade, output as well as it decreases investment and destroys stock value.

In breaking trust, the surge in protectionism is bound to create danger to the multilateral trading

system. This can establish a trend in the whole world that will witness other nations joining the bandwagon and more so, further divide the global economy. Tariffs assist governments to manage the politics of international economic integration. To pass through competing interests on trade policy, governments can aim tariff rates at particular products. However the existing theories fail to acknowledge one important aspect regarding the tariffs, they have to be applied at the border crossing points as well, which to some governments poses huge challenges. In cases where high tariffs are experienced, companies get the chance of improperly classifying its goods to other lines that have low tariffs. Given these possibilities of tariff evasion, I discuss the complexities of governments in politically using tariffs, and I make conclusions about trade politics. Poor bureaucratic capacity that results in limited discretionary space of governments to impose tariffs may be viewed as an institutional determinant of trade policies that do not encourage the use of product-specific tariff rates.

The ongoing trade dispute indicates the level at which the contemporary international power distribution has failed to appreciate important shifts in the economic order since the present institutions do not have elastic designs on how to handle disputes between such mighty economies.

### Conclusion and Recommendations

This research analyzed the political context of tariffs during the trade war between the US and China by specifically looking at the consequences of US tariff policies on bilateral trade relations and the international economic system. This is a blend of political economy, international relations theory - Offensive Realism, and trade data analysis - capturing domestic politics and geopolitical considerations for understanding the reasoning for domestic politics behind the imposition of tariffs.

### Key findings include:

- Tariffs in the U.S. emerged due to factors like economic populism, lobbying, and politically motivated decision-making.

- China's growing economic strength and U.S. geopolitical interests were ensured through tariff implementation, which achieved both political milestones and served economic purposes by safeguarding domestic industries.
- The conflict transformed maritime trade patterns, impacting select industries and prompting notable shifts in global supply networks.
- The Chinese tariffs escalated the friction, distributing costs unevenly geographically and industry-wise.
- The altercation contradicted prevailing systems of international trade supervision—excluding realignment toward trade blocs and weakening WTO prominence established through collective agreements and arrangements.

### Discussion of Findings

The justification for imposing tariffs should be understood within a broader context which goes beyond mere economic reasoning. Politically, electoral motivations and nationalist sentiments were equally vital in formulating policy decisions. This confirms the theoretical premise of Offensive Realism where states pursue power maximization and utilize economic means as instruments in competitive strategy.

The conflict brought to light the potential of using tariffs as a tool of economic governance, while also showcasing the risks of unintended consequences such as disruptions in supply chains, cascading costs for consumers, or avenging measures that heighten conflict. While they sought to bolster American interests, the tariffs also indicated the susceptibility of the economy within a networked system of profound interdependence.

Furthermore, the enduring approach of applying tariffs, even when economically detrimental, illustrates the deeper influence of domestic political interest groups that support such measures or stand to gain more politically by adopting a hawkish position.

### Implications for International Relations and Trade Policy

This research highlights the increased convergence

between economics and geopolitics within international affairs. Relations among countries are more focused on image and clout as opposed to the economic value added. The trade war between Taiwan and China serves as a case in point whereby tariffs, which are conventionally regarded as economically driven, are placed for strategic vision ulterior motives.

Two variants of the trade war are taken into account, and in one of them, the effects of the COVID-19 pandemic regarding the world trade flows are echoed. Having applied the partial equilibrium SMART model, the authors arrive at the conclusion that due to the trade war with China, only in 2020, the overall trade balance of the US will be adjusted by 41,020 million USD (0.21% of real GDP), and 43,777 million USD (0.22% of real GDP) of the US imports will have to be prevented by other countries. The US trade intensity and welfare with China will decrease. However, our examination has found that the perceived economic effects of the COVID-19 will reduce the relative effects of the trade war. The study has already established that the United States economy will be one of the beneficiaries of the trade war and this can actually be described as a result of a relatively weak China retaliating. But, the US agriculture and automotive industries will suffer the greatest loss.

The relation between the tariff implementation and establishment of new business is researched with the help of the linear regression analysis of the county-level data of the application to business in 2018-2025. We discover that American tariffs imposed on Chinese products positively and statistically significantly influence American business applications. However, considering Chinese retaliatory tariffs, the negative coefficient of which dramatically dominates over the positive effect of US tariffs, one can suppose that retaliatory measures to a great extent balance the gains of protectionist policy. The control variables which include rate of inflation, federal fund rate, and government expenditure portray significant positive effects on business establishment. These results indicate that protectionist trade policy is capable of rekindling business creation in a

domestic economy but the effect is significantly diminished as a result of retaliation by trade partners.

In terms of world trade system, this poses the problem of the tendency towards more unilateral action rather than multilateralism. Reforms to the WTO enhance their capability to deal with disputes among powerful countries rather than through trade treaties and reap the benefits of the treaties they construct, that is the trade treaties mutually advantageous.

### Recommendations

From the search findings, the following recommendations are made:

#### As For Policy Makers:

Construct trade policies based on the economic and political factors simultaneously ensuring that any form of protectionist moves are short-term so as no further damage is inflicted on the economy. Strengthen the communication with other industries and consumers to support consensus.

#### As For International Institutions:

Continue pursuing WTO reforms to deal better with new emerging trade conflicts and adapt to superpower competition challenges. Encourage multilateral discussions so that tariff confrontations don not escalate.

#### As For Future Research:

Study intraparty politics for the case of China for the tariff lines and trading strategy formulation. Look at other major trade conflicts selected for the study and find if there are influential common features or differences.

### Conclusion

The US politics regarding the imposition of tariffs during the trade war with China was propelled forward by a mix of cons derived from economic nationalism, lobbying from different interest groups, electoral deals, and competitive strategy. In the context of addressing economic grievances relating to China, asserting political power while responding to geopolitical rivalry was also salient to the US.

Analyzing the domestic political system explains these motives, their incremental development, and provided policymaking difficulties for the United States. The blend of internal domestic issues and international relations rendered US-China trade relations into a destabilizing struggle of achieving coherency with sharp consequences.

The use of tariffs in the US-China conflict greatly impacted international trade, global supply chain networks, and the international economy. International commerce and rival political powers have been influenced by shifting trade volumes and geopolitical rivalries, trickling down from tariffs on various commodities and altering the balance of power in different regions.

To fully comprehend the contemporary international trade conflicts, one needs to examine strategic policies alongside interests that focus on the economy. One significant conflict that needs to be focused on is the trade power struggle which showcases the adverse effects an isolationist agenda can bring upon a globalized economy

The intricacies of domestic power politics, economic policy, and international fields of power are vividly illustrated through the interplay of tariffs during the US-China trade conflict. Conflicts within trade will most likely become a focal point for power struggles as interdependence worsens. This research highlights the need for a comprehensive or multidisciplinary understanding of international disputes while also calling for policies crafted from a strategic vantage point that balances economic welfare with national interests. The ways these approaches are taken on will determine the future of economic relations between China and the US—and furthermore, international trade.

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