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US-China Trade War Through the Lenses of Theories of International Relations

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Abstract

The paper analyzes major trade and economic trends of US and China conflicts from the perspectives of International Relations' theories. USA and China are major world powers in terms of politics, economics, and military. Because of their economies' scale and importance in global trade, their domestic policies, and their policies toward one another, have major external consequences and influence. The trade conflict between Washington and Beijing began in the middle of 2018, when each country imposed additional tariffs on imports. Since then, tensions have only grown—both sides are taking new responses. The paper comparatively illustrates US policy toward China based on Trump and Biden administrations.

Keywords: *IR theories, Trade war, Realism/Neorealism, Liberalism/Neoliberalism, Marxism/Neomarxism, Constructivism*

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1. Introduction

USA and China are major world powers in terms of politics, economics, and military. Because of their economies' scale and importance in global trade, their domestic policies, and their policies toward one another, have major external consequences and influence. The trade conflict between Washington and Beijing began in the middle of 2018, when each country imposed additional tariffs on imports. Since then, tensions have only grown—both sides are taking new responses.

Meltzer and Shenai (2019) highlight the following reasons for this trade war:

First, some of the most important factors are a breach of intellectual property and forced transfer of technology. Such unfair Chinese trade practices threaten the high-wage employment and high-value-added manufacturing sector in the United States. The United States incurs annual costs of up to \$600 bn from the trade in counterfeit goods, pirated software and trade secrets in China. In addition, these costs do not include additional costs for companies to protect intellectual property, reduced incentives for investment, reduced innovation and the impact on the employment of skilled labor in the United States.

Second, China's economic model and its State-Owned Enterprises (SOEs), which are controlled by the Chinese Communist Party. The use of SOEs, their access to subsidies, and the limited rule of law in China support state-owned companies in China and around the world.

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Third, the protectionist policy of China requires the global market to be open to its companies, but does not want to open its own market to global business. China officially declares that it never violates its obligations, strongly supports multilateralism and an open economic policy, and calls for mutually beneficial cooperation. However, it does not comply with its obligations to the World Trade Organization (WTO), in which the state controls both public and private business, makes it difficult to use the rules of the WTO and its dispute settlement system.

Here, the trade war between two superpowers is analyzed from the theoretical perspectives of international relations.

2. Realism/Neorealism

According to the realists, nation-States are the main actors in IR. States are rational and unitary entities. The international system is anarchic, and the main goal of the state is survival by seizing power. Power is both a means and an end, and mostly it is achieved through military might or by joining strong military alliances. Realism distinguishes between domestic and international politics, arguing that states behave the same way in the international arena, self-preservation regardless of their internal institutions. There is no supreme authority in the international system. International institutions, such as the United Nations, are simply assemblies of States in which powerful Powers dictate their will. In order to survive, States strive to maximize their power and strive for a balance of power to maintain stability in the international system. Realism emphasizes conflict and competition as norms of international relations.

From an economic point of view, international participants strive to get the maximum benefit compared to other countries. This emphasis on relative rather than absolute achievements is an important feature of realism/neorealism compared to liberalism/neoliberalism (Kadochnikov, 2016). Neorealism will analyze the recent trade war between the US and China using its basic assumptions. According to them, states seek to maximize their relative power. The state wants to be the hegemon because this is the best way to survive. The ultimate goal of the state is to be a hegemon on a global or at least regional scale. Another goal is that no other state in the system can dominate. In addition, Gilpin (2003) argued that when there is a hegemon in the international system, not only the balance of power does limit hegemonic expansion, but also other obstacles, like the weakening of the hegemon's power, the economic and technological limitations of hegemonic domination, and internal institutions.

One of today's realist/neorealists, John J Mearsheimer (2018; 2019), in his "Realism and the rise of China" argues that China cannot rise peacefully. China is likely to act as the US has always acted. Thus, the neorealists argue that the US is determined to make sure that China does not dominate Asia, let alone the world. As China continues to build up its power, the US will do everything to contain China. The US goal is to balance China, and actions to achieve this goal include maintaining good relations with China's powerful neighbors, such as India. According to neorealism, US and China's neighbors' actions to contain China are presented as defensive, but appear offensive to China and vice versa. Moreover, the economic and technological constraints that China presents to the current hegemon (the US) will continue to impede US hegemonic expansion. Thus, although economic relations between the US and China seemed to be gaining positive momentum in the recent past, as China continues to grow economically and militarily, the world will witness growing rivalries and tensions between the two countries.

3. Liberalism/Neoliberalism

Liberalism believes in common interests. States make rational calculations, and something like Adam Smith's "invisible hand" will ensure that national and international interests coincide. Free markets and the goodness of human nature will lead to interdependence and show that "war does not pay off" (Angell, 1910). Even when conflicts arise, international law and international organizations will serve as a legal, executive, and judicial checks and balances for all states equally. Collective security is the key concept liberalism proposes instead of the realist concept of the security dilemma. International institutions such as the United Nations embody the liberal idea of security as a collective responsibility of states, rather than an obligation of individual state self-help.

Neoliberals define security more broadly than realists, focusing on economic development, trade, welfare, and the environment. They emphasize institution-building, creating international regimes that bring absolute rather than relative benefits. According to neoliberals, nation-states are important, but international organizations and multinational organizations play an important role. In contrast to realism, liberal/neo-liberals see international organizations as actors in themselves and not simply instruments of nation-states.

Francis Fukuyama, one of the leading representatives of neoliberalism, commented on China's current role (2016). He argues that China has begun to play a prominent role because of its economic growth. He says that China's political system is fundamentally different from the totalitarianism of the 20th century, but this does not mean that China's

political system is not a challenge to the international system. Reflecting neoliberalism's attention to domestic institutions and their influence on foreign policy, Fukuyama notes that the Chinese military is sometimes more aggressive than China's civilian leadership, for example, in the South China Sea. China, according to Fukuyama, is a high-quality authoritarian system without institutional checks and balances. Such a system can surpass democracy in the short term because good technocrats can make decisions quickly, for example regarding investment and accelerated economic development. Currently, China can count on a steady supply of good leaders, but the trend of good leaders may disappear. In the long run, an accountable system with democratic institutional checks and balances will lead to a more cooperative China, which will become a reliable partner of the United States, not rival.

4. Marxism/Neomarxism

Marxism/Neomarxism focuses on why so many countries in Asia, Latin America and Africa fail to develop economically. They argue that the reason lies in the patterns of global exploitation and systemic domination inherent in capitalism.

Wallerstein (2010) argues that we are facing a systemic crisis of the global capitalist system. As it collapses, there are chaotic fluctuations in geo-policy and the economy. US hegemony in the world is also on the wane. Thus, according to Neomarxism, on the one hand, opportunities for China's rise are created by the decline of the United States. However, it would be a mistake to assume that as a former hegemon (the USA) declines, another hegemon (China) will necessarily rise up and take over. Historically, it might take a state 100 years or more to become a hegemon, and the capitalist system itself is now in decline, so China's hegemony is far from certain. States (the US and China equally) still operate within a limited capitalist system as exemplified by the current trade war.

5. Constructivism

The formation of constructivism theory in IR is linked with the end of the Cold War when traditional theories such as realism and liberalism have failed to explain. This failure can be linked to some of their basic principles, such as the belief that states are self-serving actors vying for power, and the unequal distribution of power among states that determines the balance of power between them. Traditional theories (realism and liberalism), which focus on the state, do not open up much room for observing the actions of individuals. After all, it was the actions of ordinary people that ensured the end of the Cold War, not the actions of states or international organizations. Constructivism explains this problem by arguing that the world is made by individuals. Actors (usually powerful ones, such as leaders and influential citizens) constantly shape, and sometimes modify, the very nature of international relations through their actions and interactions.

According to Vucetic and Hopf (2018), the key to understanding the US-China economic relationship is that the two countries have different identities and relate to each other accordingly. China identifies itself as a developing country, but also as a growing great power. As a reasonable tool, China can use to lift itself up is to play on other countries' rejection of the US identity as a global hegemon. China can identify with countries that also call themselves developing and oppose the economic dominance of the US and its allies. At the UN General Assembly, China votes as a bloc with developing countries, while the US generally votes against developing countries. China also represents an anti-colonial identity as well as a more socialist identity, which may also be attractive to a number of countries. According to constructivism, elites are usually very good at emphasizing one category of identity. Hopf (2018) argues that in the UN General Assembly for most decades the US votes in its own league, separate from the others, while China votes with Belarus and North Korea, further demonstrating the differences in their identities. China votes against Israel in the UN General Assembly, while the US always votes for Israel.

6. Conclusion

The US 45th President Trump accepted the uneasy legacy of US-China relations. On the one hand, Washington pursued a deterrent, including defense, policy towards Beijing, while, on the other hand, the Chinese authorities themselves began to strive for dominance. They launched the One Belt One Road initiative, began to make efforts to break into the economic leadership, to overtake the United States. The realization of this project that increased economic power would give China more room for political maneuvering. It was a natural concern for Trump and his administration.

Here it is important to understand the basic contours of Trump's legacy:

- Trump's policies by the end of his presidency led to a complete loss of trust between the two countries and a serious setback in bilateral relations;
- The US strategy of world leadership remains unshakable;
- Even in the Asia-Pacific region, Washington is not willing to share spheres of influence or responsibility with

anyone. But despite Trump's clumsy policies toward Asian allies, such as his withdrawal from the Pacific Partnership, almost all of them have remained loyal to America;

- Trump imposed tariffs on goods from China and banned the purchase of American technology by Chinese businesses;
- The final outline of the Trump presidency in terms of confrontation with China was the imposition of new sanctions against Chinese companies that threaten US national security.

Bone and Lovely (2020) criticize the trade war, arguing that tariffs raise prices and punish American consumers. They are also negative about the first phase of the trade. The main problem with this deal is that it did not change the tariffs in force in China for American products. It should be noted that during the trade war, China has repeatedly retaliated against US tariffs by increasing tariffs on goods from American companies, and lowering its tariffs on exporters from other countries. This policy puts American manufacturers at a disadvantage. This issue will SOEs, which are on the list of problems in US policy towards China.

In 2021, the 46th President of the US came to the arena. He is expected to bring more organization and consistency in bilateral relations. Biden seeks to renew relations with China without changing their structure. Here are some new approaches, in contrast with Trump's, the Biden administration is about to apply:

- Finding common grounds - fighting climate change and confronting a coronavirus pandemic (it's a mutual interest);
- Competition in the economic and technological spheres;
- Moderate realism - controlled confrontation in the trade sphere, international relations and the sensitive topics of human rights, Hong Kong, and so on for Beijing.

Obviously, it would be desirable for the new administration of the US to create some kind of bilateral mechanism that would allow both Washington and Beijing to actively pursue their interests without arousing mutual suspicion and distrust. Meanwhile, there is no need to wait for Biden to ease up on China, for example, by lifting tariffs on Chinese imports: the future White House leader will be a follower of the US strategy of maintaining hegemony. And finally, Joe Biden is emphasizing more on the importance of the US to renew and strengthen relations with allies and support them, especially the Asian ones, with which cooperation can allow Washington to influence China.

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