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United States vs. China: Trade Wars & Power Politics on the Global Stage

What will the next Trump presidency look like economically?

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The world of trade between large countries is a balancing act of comparative advantage and specialization, with each country bargaining and forming relationships with other states in order to bolster their economy and enjoy the benefits of other countries' specialization. We find that as trade becomes more strained between the United States and China because of its troubled history and its continued conflict politically, economically, and socially, the U.S. must take action to increase cooperative action with China to achieve combined goals, or else move manufacturing and jobs to the United States or grow trade relations and manufacturing relationships with other large manufacturing countries across the world. However, that industry moving domestically can dramatically impact the U.S' ability to keep goods and services cheap for its citizens because of the lowered amount of international trade and specialization. With Trump being elected in 2024, many are wondering what the impacts of his policies will be—both the ones we have already seen in 2016, and the ones that will be new to his agenda. We find that a continuation of Trump's isolationist economic policies and sparring with China create an even worse base for consumer cost of living in the United States. The report analyzes key literature around the topic in order to incite discussion and argumentation among researchers to really find what the next Trump presidency will look like.

Introduction: Theories of Trade and Specialization

Throughout history, various theories of trade, and more specifically, how states approach trade with each other, have been widely debated and fought over to find the ultimate truth in how states should approach the international economy and trading with each other for mutual benefits.

Key historical thinkers like Adam Smith pioneered the ideas of comparative advantage and specialization between societies, in which each focuses on the production of one product and the other, the other, and through trade can achieve more of each product at better rates for both. This type of focus on one product and then trading with another to achieve other goods is crucial to how our modern world operates.

Modern retrospective gives us insight into how that has changed over time though. With the absolute nature of our society today, with hundreds of states competing on the world stage to give the most comparative advantage and specialization to one another in order to secure the most beneficial trade deals, we have found ourselves in a world of 'Hyperspecialization', in which the singular jobs in the time of Smith have transformed into a number of jobs completed by different people: industries and technological advancements similarly.¹

This hyperspecialization has grown the international economy into an incredibly diverse and multifaceted system in which that trade has become extremely valuable and accessible only to the highest bidders—huge superpowers that have the demand and capital to be able to sustain long term relationships with states that are willing to put everything on the line in order to trade.

Is this a bad thing?

On the one hand, this heavy trade allows the citizens of these large global powers the ability to have items cheaper and have a larger economy than others, which allows for an increase in the quality of life for the people that reside within those countries. A lot of people live there, and as such a lot of people are benefited in the process. The producing smaller trading state is most likely benefited in this process as well, receiving payment in the form of goods or currency for their production and as such benefitting from the relationship as well (hence the mutual).

On the other, this type of hyper specialized relationship often restricts independence by inherently causing interdependence between the trading partners. In modern day, this can also lead to exploitation in some circumstances. If the main trading partner—the superpower—is trading with a developing or somewhat developed nation that has a specialization in textiles, that nation can be exploited for its specialization by the larger partner,

in essence creating an imbalance in which the benefits are somewhat mutual, but inherently and strongly preferring and benefitting the larger partner the most.

When trade partners all allowed to specialize in the first place, that specialization creates an even larger and more open economy that incentivises other developed nations to also partake in the specialization, setting off a chain reaction that allows the entire free global economy to become more advantageous for everyone inside of it: and here is the modern application of that free trade system.

However, all of those players don't always get along with each other. Wars, conflicting political perspectives and policy goals, territorial disputes, etc, all can signify the entrance of other types of conflict between states to discourage or punish one another's actions. For example: If one country has conflicting border claims with another near it, apart from direct militaristic measures, countries can partake in other measures such as trade wars—blocks and obstacles set by one another in order to force the other's hand economically, in the form of tariffs, quotas, and other protectionist measures placed against each other.

Those new types of punishment serve new goals. No longer to directly harm the other state militarily through physical damage, but damage through mental, financial, and other attacks. How have they impacted trade—specifically between the powerhouses that are the United States and China—in the past?

History: Trade US-Sino Trade

The United States and China have held trade for less length than commonly thought. After the 1949 communist revolution in China, Washington completely ceased peaceful or otherwise operations with Beijing, opting to focus on other parts of the world and domestically than to work with a communist state.

All of this changed in the early 2000s, when trade between China and the United States

¹ Acharya, A. (2014). Global International Relations (IR) and Regional Worlds: A New Agenda for International Studies. *International Studies Quarterly*, 58(4), 647–659.

truly began. When China joined the World Trade Organization (WTO) in 2001, it opened huge doors for not only them to be able to trade with new superpowers and partners across the globe, but for those other states like the United States to be able to see China as a viable trade partner for the future.²

And even though China was absolutely viable, problems would inevitably arise. But in the meantime, consumers domestically in the U.S. have received huge benefits in the form of ultra cheap goods from low production costs in China, which has allowed for even more production in the country as producers have flocked to the super-cheap factories for their business ventures.

This has set up a precedent of good faith, cheap manufacturing, and mutually advantageous trade between the two nations, sparking peace and collaboration between them—for the most part.

That trade has evolved significantly even over the relatively short amount of time that it has had to develop, creating numerous industries and relationships among industries. Aerospace, semiconductors, electric vehicles, biotechnology, and pharmaceuticals have all become key areas in which trade between the U.S. and China have overwhelmingly succeeded.

The one dent to this, however, is that China has grown increasingly stringent in its desire to be able to control how industries operate and how trade is accomplished. Why? Simply: because the United States is the tutorial for China's industries to be able to move themselves along and do trade with even more trading partners. As China has become more of an independent superpower in its own right in the few decades that have passed since trade really began between the two nations, it has sought to be less reliant on that trade and push for more domestic production—in order to gain even more leverage on the global stage, and to aid their development. That leverage is exactly what has

pushed the U.S. over the edge in recent years, and exactly why trade wars have been a focus of economic policy: the war of protectionist policies that seek to bolster one's own industry.

While U.S. firms initially benefit from the huge trade with China, that benefit eventually degrades as China begins to use those commercial ties to develop their own industries. At the end of the day, the PRC's goal has been to displace foreign firms with their own exploitative and ultra cheap industries in order to gain that leverage. While not getting rid of the trade—as would not be advantageous—they massively shift it towards themselves as the center, with the U.S. and other countries who used to be the power players of industry becoming reliant on China's cheap manufacturing and large industry that they used to have the upper hand in themselves.³

This somewhat predatory trade practice became the cornerstone of how China rose to the power it possesses today, learning from the powers of the time in order to become a power in its own right.

As China sits atop the ladder as one of the most solid countries for industry globally, it is bound to get into disputes over its trade with others because of the leverage it has. Trade disputes that leak over into all forms of conflict: militaristic, social, and political. How have trade disputes with China happened in the past?

Literature Review and Debate: U.S.-Sino Trade Disputes

Chen⁴ (2006) gives us the best first look into how trade originally evolved, pre-WTO China. After the Korean war started in June of 1950, the United States placed a total trade embargo on China for its responsibility and part in the war.

³ U.S.-China Trade Relations. (2024). Congressional Research Service. <https://crsreports.congress.gov/product/pdf/IF/IF11284>

⁴ Chen, X. J. (2006). China and the US Trade Embargo, 1950-1972. *American Journal of Chinese Studies*, 13(2), 169–186. <http://www.jstor.org/stable/44288827>

² Siripurapu, A. (2024, May 14). *The contentious u.s.-china trade relationship*. Council on Foreign Relations. <https://www.cfr.org/background/contentious-us-china-trade-relationship>

Even after the UN removed its sanctions, the U.S.' embargo stood. However, this was not a hindrance to China, rather, an obstacle to forge a path around. In the first year after the embargo was put into place, the Chinese economy still grew 14.2%. In 1953, China started the 'First Five-Year Plan' which sought to make industry a key component of national strength, and is one of the explanations as to why China has become so industrially strong today: it has been at the center of their efforts from the very beginning. What we can learn from the past—and China's enormous rise to industrial power in spite of the barriers placed in its way—is that that trade embargo failed to not just curtail its development as a nation, but prevent it from trading with others in order to do the same. Chen goes on to explain that China's exports nearly doubled from 1950 to 1953, from \$552 million US dollars to \$1.022 billion. That massive increase is due to that five year plan, is due to that key strengthening of industry in spite of larger power's blocks against it, and is due to China's strong resolve as a powerhouse of the industrial world. Then, now, and for the foreseeable future.

Hughes'⁵(2005) gives us the inkling of what China would turn out to be on the global stage by hinting at just what problems China poses for our own economy and the trade we possess worldwide. The implementation of China's commitments to the WTO in the form of human rights violations to create its cheap manufacturing and other exploitative labor practices laid the groundwork for future approaches to international trade and how their own domestic products would be produced. This is still one of the most crucial problems that plagues China and their trade regimes: the ability for them to produce products for cheap, but also for them to maintain a regulated form of manufacturing that actively prevents and solves back for human rights violations and worker exploitation in order to keep the manufacturing clean. That was not happening in 2005, and its still

not happening today. A huge reason why some countries including the U.S. would even want to move away from trade with China is because of these violations inherently. If China does not stop them, it can continue to offer extremely cheap manufactured goods on the international exchange that bring overall prices down and allow them to profit off of the lack of proper living conditions of their workers. However, at the same time, a main question arises, don't other countries that also do major trade deals on the global stage have similar low quality working conditions for their manufacturing? The answer is yes. Workers in India⁶ and on the African continent⁷ continually suffer from low working wages and extremely low quality of life because of those wages, similar to the predatory practices of industry found in China. At that point, it seems that the real driving force behind China's low costs after cheap production comes not from just the next to nothing labor costs—or else more African nations and India would be seen in more direct competition to China's trade regime, IE: more developmental trade happening with those countries and them turning into what China is today—but instead the sheer size of industry from point A to point B that allows the full manufacturing process to be so cheap and as such, for the end costs to consumers and firms to be so low as well. Even if the United States wants to try to ethically and sustainably source its labor and production, it is extremely hard to do so. When other regions as previously mentioned suffer the same consequences but offer more expensive goods than China, it's a tough decision to make. Not only this, but the costs of entirely shifting our industries away from Chinese reliance is more expensive in itself. American firms pay the price when goods get

⁶ DELFOLIE, L. (2023, May 1). India's unions warn of poor working conditions amid industrial accidents. *France24*. <https://www.france24.com/en/tv-shows/focus/20230501-india-s-unions-warn-of-poor-working-conditions-amid-industrial-accidents>

⁷ Henriques, B. (2024, January 16). *Africa creates 15 million jobs, but working poor increase*. 360 Mozambique. <https://360mozambique.com/world/africa/africa-creates-15-million-jobs-but-working-poor-increase/>

⁵ Hughes, N. C. (2005). A Trade War with China? *Foreign Affairs*, 84(4), 94–106. <https://doi.org/10.2307/20034423>

more expensive from new suppliers, but they also have to pay the logistical price of switching countries, manufacturers, and products entirely. Their entire supply chain has shifted, and American consumers will pay that price as well. A key reason why China has become so successful is again: because of their ability to streamline the production process and make it cheap for firms to be able to buy up production in China, and sell competitively back in the U.S. Competitive barriers to that trade—protectionist measures from the United States—only serve to hurt the American consumer more through this mindset, when we are already probably benefitting from the lesser of the evils we have to choose from. This is the exact deficiency of thought we will see more of as we approach modern perspectives on the issue, and specifically the Trump Administration's policies and actions towards the problem.

Even under the WTO, trade disputes were bound to happen, and they did in fact, happen. Zeng⁸ (2013) argues that China has been exploiting the usage of the WTO's dispute settlement mechanism in order to avoid actual punishment for its actions of low worker quality of life and other problems that run rampant throughout its industry. This is absolutely key because of the fact that China's willingness to play these issues off and try to escape punishment through loopholes in the very trade agreement that benefits from those immoral practices shows that China not only has a vested interest in keeping these practices alive, but protecting them at all costs through legal measures in order to keep them profitable and at the forefront of that industry itself. We can understand very intuitively that the business of China is in protecting its industry, but what that protection looks like—as well as what parts of the industry it wants to protect—are of extreme interest. China's deliverance of these blows against international trade groups in order to protect its own interests

have even grown the divide between domestic groups in the United States. Zeng argues that the growth of Chinese dispute settlement abuse has polarized even more the two American camps—those who support protectionist measures and a return to domestic production, and those who support a growth of international trade even in the face of offensive economic actions like China has demonstrated before. The best solution seems to lie somewhere in the middle. China's actions are absolutely intolerable on the global stage if to be upheld by international institutions in order to retain their legitimacy in the face of crisis. China has clearly demonstrated a lack of capability or effort to make solutions to the problems that plague their industry, because as staged previously, they are actively benefiting from that exploitation in a larger sense. Turning away from China altogether, however, is not the right answer. Turning away does not punish China, rather, it incentivizes them to find new avenues to continue the practice. It is important to remember that even though the United States holds a high regard on the international stage for its economic prowess, it is not the only one there. A variety of other countries hold large wealth and comparative advantage trade ability, countries that China is happy to turn to if the United States decides not to partake anymore, and countries that China *has* turned to before, for example, as Zeng corroborates, under the American Embargo of the 1950s. China was able to find new large trade partners away from western influence, and their economy boomed. The lesson here is that when approaching solutions, complete protectionism is not the answer—in this case, because it does not shut down the empire of Chinese production the protectionist American group thinks that it can.

Woo⁹ (2018) explains the significance of the Belt and Road Initiative (BRI) on how China's

⁸ Zeng, K. (2013). High Stakes: US-China Trade Disputes under the World Trade Organization (WTO). *Asian Journal of Social Science*, 41(3/4), 352–380. <http://www.jstor.org/stable/23654848>

⁹ Woo, W. T. (2018). A US perspective on China's external economic disputes in the past 40 years and in the coming 40 years. In R. Garnaut, L. Song, & C. Fang (Eds.), *China's 40 Years of Reform and Development: 1978–2018* (pp. 637–658). ANU Press. <http://www.jstor.org/stable/j.ctv5cgbnk.39>

economic disputes have come about in the past forty years. The BRI has been China's huge expansionary economic plan—a plan that involves extremely high interest predatory loans and infrastructure expansion in developing nations in order to buy allies to their economic system, and ensure trade partners in the event of a larger international fallout. So far, it's been successful. China has been able to, through “debt-trap diplomacy” (using these loans to gain trade with indebted nations) massively expand its network of trade partners across the globe, but most specifically in Africa, where a number of developing nations have taken on huge liabilities through these loans to get scraps of infrastructure—with funds provided by China, built by Chinese firms. All of this to say that China is really the only one benefitting from these deals. China gets the trade partner through the debt, China gets the money through predatory interest, and China gets the business to its industry through the Chinese firms contracted to do the project in the first place. Woo corroborates this when arguing that the BRI's main beneficiaries have been the standing government of the developing nations, and not their general public. So has caused a major dispute among other trade partners, which further incentivizes China to grow this predatory trade network, and on and on, creating a cyclical effect of dominance and predation upon developing nations that need actual assistance to move into development, not reliance on superpowers to do anything at all. At the same time, Woo argues that the burden of solvency is placed on China alone, that China needs to be the one to move away from these practices in order to avoid further dispute. However, as we have seen, China is not one to simply shy away from disputes, they embrace them and find loopholes in the international organizations placed upon them in order to continue their exploitation. This is no different. The real burden of solvency should be on the other large powers—U.S., western allies—to counteract this trend by offering better, more valuable assistance to these developing nations in order to stop that cycle, or by directly intervening

and placing restrictions to stop China from acting in this manner through their Belt and Road Initiative. China always has and likely will continue to have incentive to abuse the systems they are a part of because:

1. They are viewed as an economic enemy by the west. China always seems to be at the opposite end of the stick when it comes to foreign policy and economic action, western nations are reliant on China for cheap production, but those same nations resent that reliance because of China's past and current actions. This leads to a cycle similar to being an addict—we hate that we are reliant but continue to rely on it and use it for the foreseeable future. Western and otherwise nations need to stand up and quit that addiction to be able to solve the problem in the first place.
2. Past precedence shows countries will act against China to quantify that threat. Regardless of the effectiveness of the action shown, countries have demonstrated resentment and isolation from China, that while does not solve the problem—and like an addict, often results in a backsliding effect and relapse into the abusive Chinese production system—qualifies the threat against China to make them view those countries as an enemy as well.
3. They have abused the system continuously and received little consequence of meaning. As we have seen, China has actively demonstrated abuses to the system, through evading mechanisms of accountability and continuing to fight against the

system to be profitable, the consequences placed against them have either been completely ineffective and the wrong solution entirely (like protectionist measures, as demonstrated by Trump in the U.S.-Sino trade war of his presidency—we are back to abusive trade with China) and allowed China to skirt around them, or there have been no consequences and China has been allowed to continue said abuse.

4. They actively profit off of the abuse committed. China is making gains from abusing the system—that is clear. Not making meaningful change means they have a clear incentive to keep doing so when there are all the upsides and barely any downsides.
5. Leaders are hesitant to enact real anti-abuse measures in fear of their own addiction being cut off. Modern politicians in western nations such as Donald Trump are part of the protectionist camp and see the abuse as a natural part of Chinese behavior instead of a predatory action that needs to be stopped with international action and cooperation, not isolationism away from western allies and from China that only incentivizes them to continue the abuse when the United States—a major actor in being able to punish them—goes off the table so they are able to continue growing their predatory trade network.

When China is allowed to roam free and do as they wish because International Organizations lack the motivation and cohesion to enact meaningful measures because of their own

reliance on that system, China will continue to roam free, and the abuse will absolutely continue.

A Modern Retrospective: The 2016-2020 Trump Era

It's no secret that the Trump era U.S.-Sino relations were ineffective and actively worsened our situation with China, heightening tensions between the two nations and making the chance of a real solution being able to come about between those two leaders very unlikely. Even though Trump was able to project some semblance of power and strength between the nations through his visitation and meetings with Chinese President Xi Jinping, the actual actions accomplished under Trump's administration were extremely isolationist and mitigatory at best. At worst, they not only impacted Western ability to work with China and make profitable ways to disincentive cheap and abusive industry, but punished American consumers through a more isolationist trade policy. Even though inflation rates remained relatively low under the Trump Administration, trade relations have been forever punished, and going into 2025 with Trump's second term, we will most likely only see more of this to come.

The Future: 2025 and Beyond

Going into the second Trump second term, what can we expect? Under the project 2025 guidance, Trump is expected to implement a universal tariff on incoming goods into the United States, in an attempt to promote domestic industry. However, this will do anything but.

Under Trump's proposed economic plan, everything imported to the United States will have a baseline 20% tariff, and anywhere from a 60% to a 100% tariff for goods imported specifically from China¹⁰. This is extremely unprecedented, and will

¹⁰ *Trump favors huge new tariffs. How do they work?* (2024, September 27). PBS News. <https://www.pbs.org/newshour/economy/trump-favors-huge-new-tariffs-how-do-they-work>

absolutely do nothing to not only solve the problem of Chinese economic predation and dominance, or the lack of domestic industry propagated throughout the United States. One thing that voters seem to forget and politicians seem to gloss over is that tariffs are in fact an inflationary policy—and that's basic economics (maybe speaking to a lack of solid basic education in the United States as well). Importers are the ones who pay tariffs on imported goods, not exporters. So when American firms buy goods from Chinese firms, American firms are the ones that will pay these insanely large tariffs on the goods that they import. As such, to make profit, they have to increase their end sales price for the product they are selling, which makes goods more expensive for American consumers. Especially when these rates are so huge, it is on the table that certain goods we expect from China in our markets—solar panels, technology like microchips, textiles, everything—will double in price for American consumers, leading to even more lack of demand on the part of the consumer, leading cyclically to a scarcity of product on the producer end when there is no demand for their product because of its increased price, leading to that good being less produced. Basic economic understanding, or the lack thereof, will likely be the downfall of the American consumer and voter going into the next Trump presidency.

This new Trump policy is estimated to cost American consumers \$78 Billion dollars in annual spending just through the China tariff¹¹, meaning that Americans will have to spend a lot more than in the status quo to be able to purchase the same items. On a baseline, without increasing consumption, that's already bad. Add in all of the increased consumer spending from the universal 20%, when every country from Germany to Brazil will have imports taxed for American importers, that number will be a lot larger than expected.

Given this is only one of the many economic policies the next president is expected to make, the wider international economic outlook is very bleak not only for current strong trade partners, but for the American Consumers that rely on low prices to stay afloat, and for the voters that chose Trump with the hope that his policies will be able to bring inflation back under control. Yes inflation was lower under Trump in his first term than under Biden. However, with the way that his new policies are looking, the inflation seems to be just beginning.

Conclusions

Trump will use new variations of the same isolationist tactics we saw in his first term, though ramped up to 11 in terms of damage to the American consumer. With those same policies, though, China will still be allowed to commit its industrial abuses of cheap labor, the BRI, and its entire vertical and horizontal industry will grow even more dominant. While the cost of those goods will most likely increase for the average American, the ability of China to sell those goods for even cheaper will go unchecked, and unfortunately, their market dominance will increase even more with the United States off the table to make meaningful change in their actions, to remove themselves from their addiction, instead of choosing to ignore the problem altogether with a “solution” that serves to punch themselves in the face.

The burden now falls to other western leaders to stand up and make the change in light of the lack of strength demonstrated by the United States. The EU and its power players need to step up, bolster positive production and industrial practices, realistically and effectively check Chinese dominance and its predation upon developing nations, and set the stage for a hopeful return of the strength of American democracy with effective economics in 2029.

¹¹ Reuters. (2024, November 4). *Trump's tariff plan could cost Americans \$78 billion in annual spending, NRF study shows*. Retrieved November 8, 2024, from <https://www.reuters.com/markets/us/trumps-new-tariff-proposal-could-cost-americans-78-bln-annual-spending-nrf-study-2024-11-04/>

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