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STRATEGIC TARIFF & ECONOMIC LEVERAGE US – CHINA TRADE PHASE

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ABSTRACT

The ongoing trade confrontation between the United States and China has redefined the global economic order, signaling a transition from traditional protectionism to a new era of strategic economic statecraft. This research critically examines how the use of tariffs has evolved into a mechanism of geopolitical leverage, shaping trade diplomacy, technological competition, and international economic governance. By analyzing policy measures introduced since 2018, the study explores whether such tariffs have fulfilled their intended goals of correcting trade imbalances or have instead generated systemic¹ instability within global markets. Through the lens of neomercantilist and realist economic theories, the paper investigates how both nations have weaponized interdependence, influencing global supply chains and multilateral institutions such as the World Trade Organization.

The findings reveal that while strategic tariffs may offer short-term negotiation advantages, they often undermine long-term economic resilience and mutual interdependence, leading to supply chain fragmentation and institutional distrust. The research concludes that the U.S.–China trade relationship now stands at a critical crossroads—where economic competition must evolve into cooperative regulation to preserve global stability. Ultimately, this paper contributes to the understanding of how economic instruments, when used strategically, can both empower and endanger the global trade system.

Keywords: Strategic Tariffs, Economic Leverage, U.S.–China Trade War, Global Supply Chains, Economic Statecraft, WTO, Geoeconomics

GRASP - EDUCATE - EVOLVE

¹ David A. Baldwin, *Economic Statecraft* (Princeton University Press, 1985), at 42–45 (discussing how nations employ economic instruments, including tariffs and sanctions, as tools of political influence rather than mere trade regulation).

REVIEW OF LITERATURE

The literature on U.S.–China trade relations has expanded rapidly in the wake of the 2018 trade conflict, offering multiple interpretations of the role of strategic tariffs as tools of economic leverage. Scholars have sought to understand whether tariffs act as legitimate instruments of trade correction or as mechanisms of geopolitical coercion.² Early economic theorists such as Adam Smith and David Ricardo advanced the principle of free trade, arguing that tariffs distort comparative advantage and reduce welfare. However, modern economic realists such as Robert Gilpin (2001) and David Baldwin (1985) have contended that tariffs serve broader state interests beyond mere trade balance. Baldwin's concept of economic statecraft emphasizes how economic instruments, including tariffs, can be used to pursue political objectives, particularly in asymmetric power relations between major economies.

Neomercantilism scholars, including Gilpin and List, further argue that tariffs enable states to protect strategic industries and enhance national power. In this framework, tariffs function not only as fiscal tools but as weapons of influence, reshaping international economic hierarchies. The U.S.–China trade conflict exemplifies this neomercantilism revival, where economic nationalism has replaced liberal interdependence as the guiding philosophy of statecraft.

³Chad P. Bown (2020) of the Peterson Institute for International Economics provides one of the most comprehensive empirical studies on the 2018–2020 tariff cycles, documenting how successive rounds of U.S. and Chinese tariffs affected over \$550 billion in bilateral trade. His

² Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), bk. IV, ch. II; David Ricardo, *On the Principles of Political Economy and Taxation* (John Murray, 1817), at 93–96 (arguing that tariffs hinder the natural benefits of comparative advantage).

³ Chad P. Bown, "The 2018–2020 Trade War and Its Aftermath," Peterson Institute for International Economics Working Paper No. 20-16 (2020), at 14–17 (noting how tariff escalation led multinational firms to relocate production networks to emerging Asian economies)

findings reveal that while U.S. tariffs aimed to reduce dependency on Chinese manufacturing, they instead triggered supply chain diversification toward Southeast Asia, particularly Vietnam and Malaysia.

Introduction

Extensive scholarship exists on the macroeconomic impacts of the U.S.–China trade war, there remains a lack of integrated analysis combining theoretical statecraft models with empirical trade outcomes. Many studies isolate economic effects without exploring the strategic logic behind tariff deployment. Moreover, few researchers examine the long-term implications of tariff-based economic leverage for global institutional governance.

This research addresses these gaps by synthesizing political economy theory with contemporary trade data to provide a holistic understanding of how tariffs function as strategic instruments within the evolving U.S.–China relationship.

Research Questions

1. How have strategic tariffs reshaped the balance of economic power between the United States and China since 2018?
2. To what extent can tariffs be considered a sustainable tool for achieving long-term economic leverage in global trade diplomacy?
3. What are the implications of the U.S.–China tariff confrontation on global supply chains and multilateral trade institutions such as the WTO?
4. How have both nations adapted their domestic economic strategies in response to each other's tariff measures?

Research Hypothesis

This research hypothesizes that strategic tariffs, while initially serving as instruments of economic leverage, have ultimately generated a cycle of retaliatory trade measures that

undermine global economic stability and erode the effectiveness of multilateral trade systems.

It posits that the U.S.–China trade war marks a transition from traditional tariff policies aimed at protectionism to geopolitical tools used for asserting economic dominance, thereby redefining the global trade order.

Statement of the Problem

The ongoing trade confrontation between the United States and China represents one of the most consequential economic conflicts of the 21st century. While tariffs have historically functioned as tools of protectionism, in the post-2018 era they have evolved into strategic instruments of power projection.

The central problem lies in understanding whether such tariffs have achieved their intended objectives—namely, restoring trade balance and protecting domestic industries—or whether they have led to broader economic fragmentation. Furthermore, there is an urgent need to analyze how the reconfiguration of trade relations between the world’s two largest economies affects global supply chains, international law, and developing economies.

Research Methodology

This study adopts a mixed-method approach—combining doctrinal legal research with empirical qualitative techniques to ensure both normative and real-world validity

1.1 Theoretical and Historical Foundations of Strategic Tariffs

Tariffs have been one of the most enduring instruments of statecraft in international economic relations, evolving through various historical phases and theoretical interpretations. From their early use as sources of state revenue to their modern application as tools of geopolitical leverage, tariffs have mirrored the evolution of the international system itself. They have transitioned from mere economic mechanisms to strategic instruments of power projection, revealing how

deeply economic policy is intertwined with international politics.

In the early nineteenth century, tariffs primarily served as a means of generating fiscal revenue for states with limited domestic taxation systems. The United States, for instance, relied heavily on customs duties for federal income during its formative years.⁴ Tariffs were perceived as legitimate and necessary instruments for nation-building, particularly for economies seeking to nurture domestic industries against foreign competition. During this period, industrializing nations such as Germany, the United States, and Japan employed protectionist measures to shield emerging sectors from established European manufacturers. The intellectual foundation for such protectionism was laid by economists like Friedrich List, whose *National System of Political Economy* (1841) argued that infant industries require state protection to develop competitive capabilities. This contradicted the liberal economic theories of Adam Smith and David Ricardo, who promoted free trade as a universal good.⁵⁶ List’s ideas resonated deeply in developing economies and influenced U.S. trade policy through the 19th century, where tariffs became synonymous with national industrial development.

By the early 20th century, however, tariffs began to take on more complex political meanings. The Smoot-Hawley Tariff Act of 1930 exemplified the dangers of excessive protectionism, as retaliatory tariffs by U.S. trading partners deepened the Great Depression. The subsequent creation of the General Agreement on Tariffs and Trade (GATT) in 1947 represented an institutional attempt to restrain such unilateral trade measures and promote multilateral liberalization. Yet, even as tariff barriers declined globally under the GATT and

⁴ Douglas A. Irwin, *Clashing Over Commerce: A History of U.S. Trade Policy* (University of Chicago Press, 2017), at 61–65 (discussing how 19th-century tariffs shaped the early American economy).

⁵ Friedrich List, *The National System of Political Economy* (Longmans, Green & Co. 1841), at

⁶ –108 (arguing that protectionist tariffs nurture industrial capability and economic sovereignty).

later the World Trade Organization (WTO), their strategic potential as diplomatic tools remained intact. The late twentieth and early twenty-first centuries saw tariffs evolve into a new form of economic coercion, utilized not merely for protectionism but as a deliberate mechanism of statecraft. Political economist David A

Baldwin described this phenomenon as “economic statecraft”—the use of economic instruments to influence the behavior of other nations.⁷ Within this framework, tariffs function as tools of persuasion and punishment, enabling powerful states to compel compliance without resorting to direct military confrontation.

The United States has repeatedly demonstrated the dual nature of tariffs: as both defensive economic measures and offensive instruments of diplomacy. The Nixon Administration’s 1971 import surcharge, introduced during the breakdown of the Bretton Woods system, reflected a strategic assertion of U.S. economic sovereignty rather than simple market correction. Similarly, in 1980s trade disputes with Japan, the United States leveraged tariff threats to compel market opening and intellectual property reforms. This pattern illustrates that tariffs often transcend their economic function—they operate within the broader logic of economic realism, where state behavior is motivated by power preservation and geopolitical influence rather than market efficiency. Realist theorists, including Robert Gilpin, have argued that economic instruments like tariffs are extensions of state power, designed to preserve the national interest within an anarchic international system. The United States’ approach toward China after 2018 can therefore be interpreted as a modern application of this realist principle, employing tariffs to contain a rising economic rival.

Neomercantilism provides a crucial theoretical framework for understanding strategic tariffs in

the 21st century. Rooted in classical mercantilism, this theory posits that national economic policies are shaped by the pursuit of relative gains and strategic autonomy. Unlike liberal economics, which values interdependence and cooperation, neomercantilism assumes that global trade is a competitive arena in which states must maximize their own security and industrial capability. Gilpin emphasized that neomercantilist states use tariffs and subsidies to manipulate comparative advantage, ensuring that economic resources serve national power rather than global welfare.

Within this framework, tariffs are not merely defensive measures—they are offensive instruments to redirect global production networks and control critical supply chains. The U.S.–China trade war epitomizes this logic, as both nations have sought to assert control over sectors such as semiconductors, telecommunications, and green technology, which are central to future economic dominance.

Economic realism, closely related to neomercantilism, extends this argument by viewing trade policies as expressions of national interest under conditions of interdependence. From a realist standpoint, the liberal assumption of mutually beneficial trade is flawed because economic interdependence can generate strategic vulnerabilities. By imposing tariffs, states can weaponize this interdependence to extract concessions or weaken competitors. This concept forms the intellectual basis for Farrell and Newman’s (2019) theory of “weaponized interdependence,” which explains how global economic networks—such as payment systems or supply chains—become instruments of coercion.

The U.S.–China trade war, formally initiated in 2018, marked a pivotal moment in the history of global trade policy. The Trump administration imposed tariffs on over \$370 billion worth of Chinese goods, citing unfair trade practices, intellectual property theft, and trade

⁷ Robert Gilpin, *Global Political Economy: Understanding the International Economic Order* (Princeton University Press, 2001), at 92–98.

imbalances. China responded with retaliatory tariffs targeting American agricultural and manufacturing exports. This escalation represented a departure from postwar liberal trade norms, which had emphasized dispute resolution through multilateral institutions like the WTO. The conflict instead demonstrated how tariffs can be weaponized to achieve geopolitical objectives—specifically, to counter China’s industrial policies under the *Made in China 2025* initiative and its growing technological leadership in 5G, artificial intelligence, and robotics. Moreover, the trade war exposed the fragility of global supply chains. U.S. tariffs incentivized multinational corporations to shift production to other Asian countries, including Vietnam, Thailand, and Indonesia, leading to partial supply chain decoupling. In this context, tariffs became instruments of strategic deterrence, signaling to China that technological dominance and industrial policy would face economic resistance from the United States.

The resurgence of tariffs in the 21st century must also be understood through the lens of economic nationalism, which prioritizes domestic production, employment, and sovereignty over global integration. Economic nationalism challenges the neoliberal consensus that has dominated global trade since the 1990s. In the U.S., the 2016 presidential election highlighted growing public discontent with globalization, as large segments of the population perceived free trade as detrimental to American workers. Consequently, tariffs were rebranded as tools of national renewal rather than economic isolation. The Trump administration’s “America First” policy reinvigorated domestic industries such as steel and aluminum under the rhetoric of reclaiming economic sovereignty. Similarly, China has responded through its Dual Circulation Strategy, which seeks to balance domestic consumption with global engagement, ensuring resilience against foreign economic pressure. These developments indicate that tariffs are no longer viewed solely as trade

measures—they are political symbols reflecting a broader contest over national identity and global leadership. The interplay between economic nationalism and tariff policy underscores a fundamental shift in global economic governance, where strategic autonomy takes precedence over liberal interdependence.

The modern tariff system operates as part of a wider strategy of economic deterrence. Instead of relying on military confrontation, states increasingly deploy economic measures to influence rival behavior. Tariffs function as signals of intent⁸, demonstrating a nation’s willingness to endure short-term economic costs for long-term strategic advantage. In the case⁹ of the U.S. and China, tariffs have evolved into tools of strategic signaling—each round of tariff imposition reflects not just an economic disagreement but a broader ideological and geopolitical standoff. The competition over technology, rare earth minerals, and digital governance models has made tariffs a key mechanism of economic containment. However, this approach also generates systemic instability. The IMF (2023) warns that persistent tariff escalations threaten to fragment the global economy into rival blocs, undermining collective growth and institutional trust. The WTO’s limited capacity to mediate such disputes has further weakened the liberal trade order, opening the door for bilateral coercion and strategic economic confrontation.

The historical and theoretical exploration of tariffs reveals a consistent pattern: economic measures are rarely neutral. They are embedded in the political logic of statecraft, serving as both shield and swords in the pursuit of national interest. From their origins as fiscal tools to their current role as instruments of geoeconomic rivalry, tariffs encapsulate the enduring tension between interdependence and sovereignty. The U.S.–China trade war has

⁸ International Monetary Fund (IMF), *World Economic Outlook: Fragmentation and Resilience* (April 2023), at 15–18.

⁹ Henry Farrell & Abraham L. Newman, “Weaponized Interdependence: How Global Economic Networks Shape State Coercion,” 44 *International Security* 42 (2019).

therefore ushered in a new phase of global economic relations, characterized by the strategic deployment of tariffs for geopolitical leverage. Understanding this evolution is essential for assessing the future of global governance, where economic coercion may increasingly substitute for military confrontation. In this context, tariffs are no longer mere instruments of trade—they are instruments of power.

The study of U.S.–China trade relations has evolved significantly over the past decade, particularly since the onset of the trade conflict in 2018. Scholars and policymakers have sought to understand how tariffs, traditionally viewed as economic protectionist measures, have been transformed into instruments of geopolitical leverage. The literature demonstrates a convergence between international political economy and strategic studies, reflecting an increasing recognition that trade policy can serve as a form of statecraft. Early research on trade conflicts emphasized market distortions and welfare losses, but more recent works reveal a deeper political dimension—namely, the use of tariffs as coercive tools designed to influence rival behavior and shape global economic structures.

A foundational strand of literature focuses on the evolution of economic statecraft, a concept central to understanding modern tariff strategies. David A. Baldwin's *Economic Statecraft* (1985) remains one of the earliest systematic efforts to conceptualize how economic instruments such as sanctions, embargoes, and tariffs are used as substitutes for military force¹⁰ Baldwin's framework outlines two critical objectives of economic coercion: to induce behavioral change in target states and to signal political intent to both domestic and international audiences. Building on Baldwin's foundation, Robert Gilpin (2001) extends the

idea within a realist paradigm, asserting that powerful nations weaponize economic interdependence to preserve strategic dominance.¹⁰In this sense, the U.S. reliance on tariffs against China can be viewed not simply as a correctional trade measure but as an assertion of economic sovereignty amid an evolving power transition in the global order.

Subsequent studies have reinforced this theoretical shift from liberal to realist economic thinking. Henry Farrell and Abraham Newman's (2019) influential article on “weaponized interdependence” provides a conceptual bridge between economic globalization and coercive state behavior. They argue that nations controlling critical nodes in global production and financial networks can exploit

these positions to impose selective economic penalties, thereby converting interdependence into strategic leverage.³ This approach offers a powerful analytical framework for interpreting U.S. tariff policies under the Trump and Biden administrations, which sought to weaponize access to U.S. markets and technology to constrain China's industrial ascent. The literature suggests that this form of coercive trade policy signifies a transition toward a

“geoeconomic” world order—one where the logic of competition extends beyond the battlefield into the domain of markets, finance, and technology.

Empirical studies provide quantitative evidence of the trade war's far-reaching impact. Chad P. Bown of the Peterson Institute for International Economics (2020) meticulously documented how successive rounds of tariffs affected more than \$550 billion in bilateral trade between the U.S. and China. His data indicate that while the U.S. tariffs aimed to restore balance and deter intellectual property violations, they instead triggered global supply chain realignment, shifting production to countries like Vietnam, Malaysia, and Indonesia.⁴ Other scholars, including Mary Lovely and Yang Liang (2021), have found that the costs of tariffs were largely borne by American importers and consumers

¹⁰ David A. Baldwin, *Economic Statecraft* (Princeton University Press, 1985), at 32–35. ¹⁰ Robert Gilpin, *Global Political Economy: Understanding the International Economic Order* (Princeton University Press, 2001), at 84–89.

rather than Chinese exporters, challenging the assumption that tariffs can effectively transfer economic pain abroad. These findings underline the complexity of modern trade dynamics, where global value chains blur the lines of national economic interest and make coercive policies less predictable in their outcomes.

A growing body of literature also examines the ideological and institutional consequences of tariff-based statecraft. According to Robert Keohane and Joseph Nye's *Power and Interdependence* (1977), the increasing integration of economies renders coercive measures less effective because mutual dependence generates shared vulnerabilities. However, in the U.S.–China case, scholars such as Nicholas Mulder (2022) have argued that the resurgence of economic coercion signifies a breakdown of this liberal assumption, revealing that interdependence can, paradoxically, serve as both a bond and a weapon.¹¹ The trade conflict thus illustrates the dual-edged nature of globalization—one that binds states together economically while simultaneously providing tools for strategic confrontation. The literature also notes that such economic conflicts often extend beyond tariffs to include export controls, investment restrictions, and technology bans, thereby broadening the scope of economic warfare in the 21st century.

Institutional analyses contribute another important dimension to the debate. The World Trade Organization (WTO), once the primary arbiter of global trade disputes, has been increasingly marginalized due to its limited enforcement capacity. The Appellate Body's paralysis since 2019 has further eroded its authority, prompting states to resort to unilateral measures. This development has been explored in studies by the International Monetary Fund (IMF, 2023) and the Organization for Economic Cooperation and Development (OECD, 2022), which warn that escalating tariff

conflicts risk fragmenting the global trading system into competing economic blocs.⁶ The literature suggests that such fragmentation could mark the end of the post-war liberal economic order and the emergence of a new "competitive multipolarity," where trade policy becomes an extension of great-power rivalry. This aligns with Dani Rodrik's (2011) "political trilemma of the world economy," which posits that global integration, national sovereignty, and democratic legitimacy cannot all coexist—states must sacrifice one to preserve the other two. The U.S.–China tariff confrontation exemplifies this dilemma, as both powers seek to protect domestic industries while maintaining their global influence.

From a developmental perspective, Chinese scholars have reinterpreted tariffs through the lens of self-reliance and technological autonomy. Li Wei (2023) and Zhang Yunling (2020) argue that U.S. tariffs inadvertently accelerated China's industrial upgrading by promoting indigenous innovation, particularly in high-tech sectors such as semiconductors, renewable energy, and artificial intelligence.¹² This interpretation aligns with the concept of "strategic resilience," which posits that external economic pressure can stimulate domestic reform and innovation. In response to tariff escalation, China's "Dual Circulation Strategy" emphasizes reducing dependence on foreign demand while enhancing domestic production capacities. Western scholars, including Eswar Prasad (2022), interpret this as a deliberate attempt to insulate China from U.S. economic influence, signaling a long-term decoupling of the two largest economies. Such analyses enrich the literature by illustrating how economic coercion can yield unintended consequences, transforming a policy of containment into one of competitive adaptation.

At the same time, the literature recognizes the limitations of tariff-based leverage. Several

¹¹ Henry Farrell & Abraham L. Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion," 44 *International Security* 42 (2019).

¹² Chad P. Bown, "The 2018–2020 Trade War and Its Aftermath," Peterson Institute for International Economics Working Paper No. 20-16 (2020), at 12–17.

economists highlight that globalized production networks dilute the effectiveness of tariffs as coercive tools. Supply chains are transnational, meaning that tariffs imposed on Chinese goods often affect components sourced from U.S. allies or multinational corporations. The *World Economic Forum's Global Trade Report (2023)* notes that these interconnected systems make economic warfare increasingly costly for initiators, creating feedback loops that destabilize

markets and reduce consumer welfare. Furthermore, the OECD's 2023 review emphasizes that prolonged tariff escalation contributes to inflationary pressures and market uncertainty, ultimately weakening investor confidence.¹³ Such findings demonstrate that while tariffs can serve as signals of strength, their long-term costs often undermine the very economic security they aim to protect.

The cumulative literature reveals several consistent themes. First, tariffs have evolved from instruments of protectionism to tools of strategic coercion. Second, their deployment reflects a deeper transformation in the global order, where economic interdependence has become both a source of vulnerability and a means of power projection. Third, empirical evidence challenges the assumption that tariff-based strategies yield clear strategic advantages, as their unintended consequences often outweigh intended benefits. Finally, the literature suggests that the U.S.–China conflict marks not merely a bilateral trade dispute but a structural reconfiguration of global governance, one in which economic statecraft replaces institutional cooperation as the dominant mode of interaction. This shift underscores a profound paradox at the heart of globalization: the same economic networks that once promised shared prosperity now serve as arenas of strategic competition.

The current trajectory of the U.S.–China trade relationship signals not merely a cyclical trade dispute but a structural transformation in the global political economy. The imposition of tariffs and counter-tariffs since 2018 has altered the nature of global supply chains, redefined state-market relations, and challenged the foundational assumptions of the liberal trade order. In understanding the policy implications of this evolving confrontation, it becomes essential to view tariffs as instruments of long-term strategic signaling rather than as tools for short-term protectionist gain. The policy shift underscores a deep recalibration of economic interdependence in light of geopolitical competition.

The first implication lies in the transformation of global supply chains and the rise of the so-called “de-risking” agenda. The United States, while traditionally championing open markets, has increasingly turned toward reshoring and near-shoring strategies to minimize dependency on Chinese manufacturing¹⁴. This shift is observable through policies such as the CHIPS and Science Act, 2022, and the Inflation Reduction Act, 2022, both of which aim to stimulate domestic production in critical sectors such as semiconductors, green energy, and rare earth materials.

China's response—through its Made in China 2025 initiative and the Dual Circulation Strategy—reflects a corresponding emphasis on technological self-sufficiency and domestic consumption. This parallel movement toward internal consolidation by both economies represents a decoupling dynamic that may permanently reshape international trade geography.

The second policy implication pertains to the redefinition of multilateralism. The World Trade Organization, once viewed as the bedrock of global trade governance, has faced an existential crisis as major powers increasingly bypass its dispute resolution mechanisms. The

¹³ Nicholas Mulder, *The Economic Weapon: The Rise of Sanctions as a Tool of Modern War* (Yale University Press, 2022), at 201–204.

¹⁴ Barry Naughton, *The Rise of China's Industrial Policy, 1978–2020* (University of California Press, 2021) at 173–179

paralysis of the WTO Appellate Body since 2019 exemplifies this decline, demonstrating that unilateral tariff measures are being normalized as legitimate instruments of foreign policy.¹⁵ The weakening of multilateral trade institutions raises questions about the sustainability of the global trading system in the absence of enforceable norms. Furthermore, the U.S.–China trade conflict has catalyzed the rise of alternative regional mechanisms such as the Regional Comprehensive Economic Partnership (RCEP) and the Indo-Pacific Economic Framework for Prosperity (IPEF), which may shape the next phase of global trade governance through selective cooperation and strategic fragmentation.

A third implication emerges from the integration of economic statecraft within national security frameworks. The convergence between trade policy and security policy has blurred the traditional boundary separating economic decisions from strategic calculations. The U.S. National Security Strategy of 2022 explicitly identifies China as a “strategic competitor” whose economic practices are viewed as threats to national security and technological dominance.¹⁶ Similarly, China’s *Anti-Foreign Sanctions Law* and its use of export restrictions on rare minerals serve as countermeasures, illustrating that economic coercion has become a normalized dimension of bilateral engagement. The mutual securitization of trade has thus institutionalized a condition of *strategic distrust*, wherein both powers view interdependence as vulnerability rather than as opportunity.

In the realm of domestic politics, tariffs have become tools for populist legitimacy and economic nationalism. The Trump administration’s imposition of tariffs was grounded not only in economic logic but also in political rhetoric aimed at appealing to working-class discontent and perceptions of

globalization’s failures. Subsequent administrations, including that of President Biden, have not reversed these tariffs but instead reframed them within a more strategic and alliance-oriented context. The bipartisan consensus on the need to counter China economically indicates that tariff

policy has transcended partisan politics to become a core element of U.S. grand strategy.¹⁷ In China, economic resilience has been framed as a matter of national pride and civilizational rejuvenation, integrating trade policy into the broader discourse of the “Chinese Dream.” The mutual reinforcement of domestic political narratives on both sides has therefore entrenched economic confrontation as a stable rather than temporary feature of bilateral relations.

The global implications of this trade realignment extend far beyond the United States and China. Middle powers such as India, Vietnam, and Indonesia have leveraged the shifting trade architecture to attract manufacturing investment and enhance strategic autonomy. Simultaneously, the European Union faces a dilemma: aligning with U.S. strategic objectives while maintaining its commercial ties with China. The resulting “multipolar trade geometry” suggests that global trade will increasingly operate through overlapping blocs defined by security partnerships, technological ecosystems, and value-chain alignments rather than universal liberal rules. This evolution marks the decline of globalization as an ideology and the rise of geo-economic pluralism—a system where states pursue selective integration guided by strategic interests.

Another key implication lies in the redefinition of economic leverage. Tariffs are now complemented by a wide array of instruments—export controls, investment screening, sanctions, and subsidies—that

¹⁵ Richard Baldwin, “The WTO in Crisis: How the Great Powers Rewrote the Rules of Trade,” *Journal of World Trade* Vol. 56, No. 4 (2022) at 513–537.

¹⁶ The White House, *National Security Strategy of the United States of America* (October 2022) at

¹⁷ –12

¹⁸ Michael Mastanduno, “Economic Statecraft and U.S. Foreign Policy: The Case of Tariffs and Technology,” *Foreign Affairs Review* Vol. 101, No. 2 (2023) at 89–104.

collectively constitute a regime of economic containment.¹⁹ The U.S. has expanded its economic toolkit to restrict China's access to advanced semiconductor technologies and AI-related components, effectively creating a technological "chokehold." Conversely, China's Belt and Road Initiative (BRI) continues to expand its sphere of influence through infrastructure diplomacy, offering loans and investments as alternatives to Western-led financial models.

1.2 Suggestion and conclusion

In conclusion, the policy trajectory of U.S.–China trade relations illustrates a paradigmatic shift in the global economic order. The confrontation is not a temporary deviation but a manifestation of long-term structural realignment toward geo-economic competition. As both powers continue to intertwine strategic ambition with economic policy, the world economy may witness the gradual emergence of dual ecosystems—one centered on liberal democratic values and another on state-led developmentalism. The challenge for policymakers lies in managing this fragmentation while preserving global stability. The ultimate test of the international system will not be the eradication of tariffs but the creation of a sustainable equilibrium between openness and autonomy, competition and cooperation, and sovereignty and interdependence.

SOURCE:

1. David A. Baldwin, *Economic Statecraft* (Princeton University Press, 1985), at 42–45 (discussing how nations employ economic instruments, including tariffs and sanctions, as tools of political influence rather than mere trade regulation).
2. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), bk. IV, ch. II; David Ricardo, *On the Principles of Political Economy and Taxation* (John Murray,

1817), at 93–96 (arguing that tariff barriers hinder the natural benefits of comparative advantage)

3. Chad P. Bown, "The 2018–2020 Trade War and Its Aftermath," Peterson Institute for International Economics Working Paper No. 20–16 (2020), at 14–17 (noting how tariff escalation led multinational firms to relocate production networks to emerging Asian economies)
4. Douglas A. Irwin, *Clashing Over Commerce: A History of U.S. Trade Policy* (University of Chicago Press, 2017), at 61–65 (discussing how 19th-century tariffs shaped the early American economy).
5. Robert Gilpin, *Global Political Economy: Understanding the International Economic Order* (Princeton University Press, 2001), at 92–98.
6. Henry Farrell & Abraham L. Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion," 44 *International Security* 42 (2019).
7. International Monetary Fund (IMF), *World Economic Outlook: Fragmentation and Resilience* (April 2023), at 15–18.
8. Henry Farrell & Abraham L. Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion," 44 *International Security* 42 (2019).
9. Henry Farrell & Abraham L. Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion," 44 *International Security* 42 (2019).
10. Nicholas Mulder, *The Economic Weapon: The Rise of Sanctions as a Tool of Modern War* (Yale University Press, 2022), at 201–204
11. Barry Naughton, *The Rise of China's Industrial Policy, 1978–2020* (University of California Press, 2021) at 173–179
12. Richard Baldwin, "The WTO in Crisis: How the Great Powers Rewrote the Rules of Trade," *Journal of World Trade* Vol. 56, No. 4 (2022) at 513–537.

¹⁹ Christopher M. Dent, *Economic Statecraft: Interdependence, Decline, and Power in the 21st Century* (Routledge, 2020) at 64–72.



13. The White House, National Security Strategy of the United States of America (October 2022) at 7–12

14. Michael Mastanduno, “Economic Statecraft and U.S. Foreign Policy: The Case of Tariffs and Technology,” *Foreign Affairs Review* Vol. 101, No. 2 (2023) at 89–104.

15. Christopher M. Dent, *Economic Statecraft: Interdependence, Decline, and Power in the 21st Century* (Routledge, 2020) at 64–72.

