

TRANSITION OF TRADE WAR INTO MILITARY CONFLICT: CASE STUDY OF THE U.S. – CHINA

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Abstract

Since 2018, the United States and the People's Republic of China have moved from tariff frays to a systemic rivalry encompassing technology, finance, industrial policy, and security. This article evaluates the potential of contemporary trade disputes escalating into military confrontation. It integrates theoretical discussions of trade conflict with historical case studies predating armed conflict, utilising a qualitative approach grounded in historical precedents to provide a specific analysis of anticipated policy changes in the 2024-2025 policy escalation. Further, it also argues that the U.S.-China dispute has already crossed the threshold from a "trade war" to a broader strategic confrontation. The findings indicate that, despite differences in economic interdependence, nuclear deterrence, and hyper-connected communication systems, the structural process compelling the US and China to weaponise trade aligns with historical mercantilist patterns. The analysis emphasises that trade wars increase the probability of military conflict, providing guidance for policymakers aiming to prevent great-power strategic rivalry from escalating into actual wars.

Keywords: trade war, strategic competition, decoupling, mercantilism, U.S.-China relations, economic statecraft

Introduction

Post-cold war world has seen a strong momentum toward globalisation which has been supported by increased rate of trade, investment and technology innovation across national borders. The simultaneous deregulation of the markets and the fragmentation of global supply chains have made the economies of the United States and China highly interdependent. The line of thinking of early observers is that this interdependence would foster systemic stability by arguing that economic integration would moderate political instability within a country. However, the interaction has been damaged by political discord, and increased levels of strategic fear and nationalistic economic practices have come roaring back. It has brought about this vulnerability in the form of the trade war.¹

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The modern trade conflicts are not limited to the separate matters of commerce; instead, the trade conflicts are outward infraction of fundamental geopolitical competition. Trade disputes are often guided by protectionist measures when states desire to protect local industries against their international rivals. These conflicts are generally expressed in the form of tariffs, sanctions and regulatory roadblocks. But once they are long-lasting and timed with premeditated purposes, they outweigh economic interests and help develop full-scale geopolitical and military competition. Unresolved commercial conflicts, such as the Opium Wars and the German-Polish customs rivalry, encourage the point that economic grievances have a tendency to transform into armed conflict when they are perceived as existential threats. Trade also becomes a tool of the state, which is used to assert authority, force rivals to surrender, and alter the status quo in other situations.

The trade conflict between the United States and China, initiated in 2018 during President Trump's administration, exemplifies this perilous trend. A disagreement on trade deficits and market access rapidly escalated into a comprehensive battle encompassing military posturing, strategic containment, and technological decoupling. Employing Section 301 of the 1974 Trade Act, Washington imposed taxes on \$360 billion of Chinese merchandise. Beijing replicated the action. The "Phase One" agreement from 2020 provided a temporary reprieve, although it failed to address the fundamental issues. The discord intensified under Biden, characterised by semiconductor restrictions, export regulations, and policies promoting industrial onshoring. This resulted in a division within global technical ecosystems.²

Martin et al. (2008) examine the two-way connection between military conflicts and trade. Military wars significantly diminish trade; nevertheless, the likelihood of war escalation is reduced for nations with robust bilateral commercial connections. In their model, multilateral trade openness inversely affects bilateral trade dependency, hence increasing the likelihood of bilateral conflict.³ Fajgelbaum et al. (2020) highlight that during the contemporary trade war, as the United States and China applied tariffs on one another, an average nation increased its global exports of some products relative to those not affected by tariffs. Consequently, the trade battle created new trade opportunities rather than simply reallocating commerce among various destinations.⁴ On the other hand, Baldwin, Staiger, and Yurukoglu (2019) contend that trade wars disrupt supply chains, resulting in adverse repercussions for the global economy.⁵

The United States and China have utilised economic coercion, implementing tariffs and trade restrictions as tactics to achieve their objectives and compel the other party to concede. Anantanaga (2022) emphasises the significance of retaliation dynamics for policymakers seeking to effectively manage and mitigate tensions in trade disputes, particularly the function of international institutions in regulating trade wars.⁶ Bagwell and Staiger (2020) assert that a global approach, incorporating entities like the World Trade Organization, might function as a means for dispute resolution, thereby mitigating adverse effects. It is crucial to recognise that the examination of trade wars is continually developing due to the persistent alterations in worldwide trade dynamics.⁷

This paper states that a long-term trade war increases the probability of military conflict under certain structural and political realities. These involve a more extensive great-power competition, economic and technological interdependence, securitisation, polarity on alliances and diminished or challenged dispute-resolution institutions.

In this case, economic rivalry will be integrated into strategic and military decisions, and the risk of escalation will increase, but this does not mean war is inevitable. This paper examines the evolution of the rivalry via three phases: economic grievance, technological decoupling, and militarised competition. It asserts that commercial disputes may escalate into significant geopolitical issues in the presence of strategic mistrust and shifts in relative power dynamics.

Wars due to Trade Conflicts: Historical Perspective

International trade has historically precipitated significant issues as nations compete for markets and economic dominance. Trade wars have consistently intertwined economic issues with political dynamics, leading to armed confrontations. The trade embargo imposed by Athens on Megara serves as the initial instance. It resulted in the Peloponnesian War. This pattern of trade-related conflicts persisted throughout the Roman, Byzantine, and Egyptian empires and continued into the Middle Ages, characterised by tolls and attacks on trade routes.

During the Age of Discovery, competition in commerce intensified, particularly over the spice trade.⁸ The Dutch initiated the Dutch East India Company to challenge the existing materialistic monopoly and regional supremacy.

Mercantilist policies and protectionist legislation, such as England's Navigation Acts, precipitated conflicts like the Anglo-Dutch Wars in the 17th and 18th centuries. The Boston Tea Party of 1773 demonstrated how grievances regarding trade may initiate revolutionary movements. During the 19th century, colonial powers, particularly Britain, employed military force to safeguard markets, exemplified by the Opium Wars against China. During this period, elevated tariffs and antagonistic trade policies prevailed. Germany's clandestine commercial agreements in Persia exemplified the strategic use of trade to achieve desired objectives.⁹ Trade conflicts persisted in the 20th century as nations underwent decolonisation and global transformations occurred. The "Banana Wars" started by the U.S. and the German-Polish customs conflict are examples of how economic problems may lead to ultranationalism and violence.¹⁰ The Great Depression made trade barriers worse, which led to tariff wars. In response to these persistent problems, the General Agreement on Tariffs and Trade (GATT) was established in 1947 to make trade a more stable and open activity and create more opportunities for people to work together.

The World Trade Organization (WTO) took over for the General Agreement on Tariffs and Trade (GATT) in 1995. This made the laws governing commerce more comprehensive, including services, intellectual property, and investments. Economic nationalism, regional trade blocs, and big wars like the U.S.-China trade war have all gotten worse in the 21st century. Even if technology and the environment are changing, many developing countries want to be treated fairly. When commercial diplomacy doesn't work, countries often turn to using force because of pressure from home and nationalist feelings. This historical cycle shows how important it is for global trade institutions to be flexible in order to keep peace and the economic activities more stable.

Key Phases of the U.S.-China Conflict

Phase I – Economic Disputes and Tariff Escalations (2018 - 2020)

The first visible rupture in the bilateral economic order began on 6 April 2018, when the Office of the U.S. Trade Representative (USTR) proposed a 25 per cent duty on roughly 1,300 Chinese tariff lines under Section 301, a list that ultimately expanded to cover US \$360 billion of imports in four tranches.¹¹ In response, Beijing announced 5-25 per cent tariffs on US \$110 billion in U.S. goods, such as soybeans, automobiles, chemicals, and more, by mid-2019.¹²

The reciprocal eroded trust that had, since China's 2001 WTO entry, insulated commercial disagreements from overt power politics. The WTO procedures did not succeed in halting the trend of decline. China filed DS543 in April 2018, arguing that Washington's unilateral duties violated most-favoured-nation (MFN) and tariff-binding commitments. A panel report circulated in late 2020 largely sided with Beijing, yet both parties appealed, leaving the case in the middle and reinforcing perceptions that WTO litigation could no longer constrain great-power behaviour.¹³ Parallel "Phase One" talks produced the January 2020 Economic and Trade Agreement, but its managed-trade purchase targets were derailed by the pandemic and did not affect the bulk of Section 301 tariffs¹⁴, underscoring the settlement's fragility.¹⁵

Domestically, the conflict triggered lobbying coalitions on both sides of the Pacific. U.S. farm-state legislators demanded compensation for lost soybean sales, while Chinese coastal provinces pushed for accelerated R&D tax credits to offset foreign market risk.¹⁶ Yet tariff pain did not translate into immediate reversal: both governments framed the measures as necessary leverage - Washington to force structural reforms, Beijing to defend "national dignity." By the eve of the 2020 U.S. election, the tariff architecture had become politically entrenched, setting the stage for a broader decoupling dynamic.¹⁷

Phase II – Technological Decoupling and National-Security Logic (2020 – 2022)

With tariffs locked in place, the contest pivoted to technology. The inflection point came in May 2019, when the U.S. Commerce Department added Huawei and 68 affiliates to its Entity List, effectively cutting the firm off from U.S.-origin semiconductors and design software.¹⁸ Subsequent interim rules tightened the scope of "direct product" coverage, signalling Washington's intent to weaponise chokepoints in the semiconductor supply chain. Chinese officials criticised the move as a bid to "strangle" its trade dependency, accelerating central-government subsidies for domestic chipmakers under the "Made in China 2025" umbrella - a programme that, by 2025, Beijing positioned as only the first stage of a much longer self-reliance drive. Digital-platform frictions followed. In August 2020, the Trump administration issued executive orders seeking to ban TikTok and WeChat; though initial injunctions stalled implementation, a bipartisan current for data-security measures persisted.¹⁹

The current peaked with the Protecting Americans from Foreign Adversary-Controlled Applications Act of April 2024, which gave ByteDance nine months to divest TikTok or exit the U.S. market - a law the Supreme Court upheld in January 2025, cementing a legal basis for platform bans on national-security grounds.²⁰

The most far-reaching step, however, was the Commerce Department's 7 October 2022 export-control package. The rules prohibit sales to China of advanced GPUs, AI accelerators, and - critically - the equipment needed to fabricate sub-14 nm chips, while imposing *de facto* extraterritorial "foreign direct-product" restrictions on third-country foundries. The Biden administration coupled the controls with the CHIPS and Science Act and outbound-investment screening proposals, indicating a shift from reactive tariffs to a proactive industrial-policy strategy aimed at technological primacy.²¹ This transition was labelled as from "managed trade" to "managed techno-competition," where security externalities dominate efficiency concerns.²²

Beijing's reply fused mercantilist and statist instincts. Under the slogan of "dual circulation," officials directed more procurement toward indigenous suppliers, pumped equity into national semiconductor funds, and rolled out export-licensing requirements on gallium, germanium, and graphite - materials crucial to Western supply chains.²³ The tit-for-tat pattern demonstrated how trade-war mechanics had seeped into the arteries of critical-technology networks, raising the spectre of mutual vulnerability rather than a unilateral chokehold.

Phase III – Strategic and Military Confrontation (2022 – 2024)

Economic techno-nationalism soon intersected with hard-security flashpoints. House Speaker Nancy Pelosi's 2 August 2022 visit to Taipei prompted the People's Liberation Army (PLA) to stage live-fire drills that crossed the median line of the Taiwan Strait for the first time since 1996, suspended multiple U.S.–China defence dialogues, and normalised a higher tempo of PLA sorties around the island.²⁴ From Washington's vantage, the episode illustrated how supply-chain and platform disputes were converging with alliance commitments and deterrence calculations—an insight codified in the 2022 **National Security Strategy**, which defined the PRC as "the only competitor with both the intent and the capability to reshape the international order."²⁵

Maritime tensions followed a similar escalatory arc. Between early 2023 and 2024, Chinese Coast Guard patrols fired lasers and released high-pressure water cannons targeted at Philippine resupply vessels at Second Thomas Shoal, with accompanying ramming activities, injuring sailors. The subsequent policy of openness, or publicising all incidents, put into action by the Manila administration, galvanised the support of the United States, Japan and other European partners, making this formerly regional dispute an international concern. Analysts noticed that numerous People Liberation Navy ships recently added commercially available off-the-shelf satellite parts that fall under export-control regulations of the United States, implicitly making the sea-lane coercion problem interconnected with the semiconductor supply-chain resilience.

Allied counter-balancing solidified through mini-lateral frameworks. The Quad foreign ministers' March 2024 statement condemned "coercive and intimidating manoeuvres" in the South China Sea and pledged deeper interoperability in maritime domain awareness.²⁶ A review of six months following the 2021 Wilmington Declaration shows an expansion of the DC position that warned against any destabilising or unilateral act aimed at altering the status quo through force. At the same time, the AUKUS agreement widened to include not just nuclear-powered submarines (the so-called Pillar 1), but a set of cutting-edge capabilities in the areas of quantum machines, cyber tools, undersea drones, and hypersonic missiles as the so-called Pillar 2.²⁷ In 2023 and 2024, official statements made cooperation around the resilience of semiconductor supply chains explicit, thus indicating that the normless burden-sharing had been replaced with a more formalised alliance that would limit Beijing in its regional privilege.

Beijing continuously pitched these developments as signs of an organised containment campaign. In February 2023, the Foreign Ministry said in a report, *U.S. Hegemony and Its Perils*, that the United States was using economic interdependence as a weapon and multilateral alliances to further its aim of thwarting China's peaceful rise.²⁸ To justify the faster pace of military-civic integration programs and to deter such patrols in the Taiwan Strait and the South China Sea, Chinese commentators referred to such historical precedents as the embargo regime in the 1950s. U.S. defence planners, on the contrary, integrated supply-chain security into the readiness evaluation: the 2024 National Defense Industrial Strategy marked "microelectronics chokepoints and shipbuilding capacity as vulnerabilities that have a direct impact to joint-force lethality."²⁹

Implications for the Global Order

The widening U.S.-China rivalry is rewiring multilateral frameworks. With the WTO's appeals arm still paralysed, even clear panel rulings languish, pushing states toward unilateral tariffs and "coalitions of the willing." The legal vacuum increases trade partners; Washington leans on the G7 and the Mineral Security Partnership, while Beijing promotes enlarged clubs such as BRICS-plus and the Shanghai Cooperation Organization (SCO). The 2024 BRICS enlargement - bringing Saudi Arabia, the UAE, Egypt, Iran, and others into a bloc that now accounts for roughly 42 per cent of global oil output - hints at an embryonic counter-system in which energy trade and development lending could pivot away from the US dollar.³⁰

For the Global South, the rivalry is both a risk and a lever. Resource-rich states from Namibia to Vietnam find themselves courted by competing critical-minerals initiatives: a G7 proposal for a collective investment fund is designed explicitly to "de-risk" supply chains from Chinese dominance, while China finances parallel extraction projects under the Belt and Road banner. Whether this turns into genuine diversification or merely serial dependence will hinge on governance capacity in host countries.³¹

Pakistan is the classic case of the middle-power dilemma: with special economic zones planned as part of the China-Pakistan Economic Corridor (CPEC) phase II, due to become operational soon. Islamabad is also engaged in bargaining with Washington with the purpose of getting concessions on tariffs of textiles and minerals. At the same time, Pakistan has delayed the signing of a long-term liquefied natural gas contract with Qatar and has considered importing crude oil using the yuan currency with Russia, thus demonstrating how energy policy is being re-balanced along geopolitical lines of tensions.

These converging interests have once more brought into play the talk of a Cold War II, but the term is weak; neither Washington nor Beijing makes up a closed bloc. More precisely, there is an image of intersecting and concentric circles.³² States have become hedgers, arbitrageurs, and imperial decouplers- producers will purchase semiconductors in one location, Chinese investments will be sought in another, and current markets of consumer products will be maintained. The outcome is a system of a patchwork global economy: semiconductor, battery and critical mineral supply chains become regionalised, but mass-market consumer goods continue to be traded globally.

In the case of multilateralism, the question of ad hoc clubs being able to fill the governance gaps at a rate faster than strategic distrust can destroy the legacy institutions they were meant to be an addition to is the core issue of contention.

From Trade Friction to Full-Spectrum Strategic Rivalry

The U.S.–China confrontation that opened with tariff salvos in 2018 has matured into an overt contest over rule-setting power, technological primacy, and alliance geometry. What makes this shift analytically distinctive is the coexistence of deep commercial entanglement with an accelerating effort on both sides to ring-fence the most strategically sensitive sectors. Four interlocking dynamics explain the evolution.

Economic Decoupling Versus Stubborn Interdependence

Calls for “decoupling” obscure the sheer scale of continuing trade: U.S. - China goods commerce still reached **US \$582 billion in 2024**, with a bilateral deficit of **US \$295 billion**, up 6 per cent on 2023.³³ Smartphones, toys, and laptops remain price-competitive, anchoring consumer-level interdependence. Yet firms are relocating assembly to third countries. Chinese manufacturers in Zhejiang, for instance, report shrinking U.S. orders and a pivot toward Europe, the Middle East, and Russia, while a difference-in-differences study finds that the tariff war boosted Vietnamese exports to the U.S. by 14 per cent, with plastics, machinery, and textiles posting double-digit gains.³⁴ The outcome is a dual reality wherein overall trade flows remain substantial, notwithstanding the gradual relocation of crucial nodes in supply chains away from China.

Selective Decoupling in the “Commanding Heights”

The real trade lies in semiconductors, quantum, and AI. Washington’s **7 October 2022** export-control package bars China from acquiring advanced GPUs and the tools to make sub-14 nm chips, while a pending outbound-investment rule mandated by an August 2024 executive order will restrict the U.S. capital in Chinese quantum, AI, and semiconductor ventures.³⁵ Taipei has now reinforced the choke-points by black-listing 601 Chinese tech entities, obliging Taiwanese suppliers to seek licenses before any transfer.³⁶ Beijing’s counter-strategy couples vast subsidies under *Made in China 2025* with export licenses on gallium, germanium, and graphite - materials that U.S. and allied firms need for chips and batteries.³⁷

The upshot is “targeted” decoupling: consumer goods still crisscross the Pacific, but the ecosystem for frontier technology is being forcibly disrupted.

Rising Strategic Mistrust and zero-sum

The United States and China are becoming more and more suspicious of each other's long-term plans. Both countries are starting to regard their relationship as a zero-sum game, where one side's gain is instantly seen as the other side's loss. The updated policies show that each side sees the other as more than simply a rival; they see them as a serious danger to their idea of how the world should be. For example, the United States' 2022 National Security Strategy says that China is "the only competitor with both the intent and the capability to reshape the international order."³⁸ This shows that Washington regards Beijing's ascent as a direct threat to its global leadership. In response, China published a white paper in February 2023 called "U.S. Hegemony and Its Perils." It says that the U.S. is using economic interdependence as a weapon and forming coalitions to stop China's peaceful growth. These show that when one country puts a trade restriction or tech ban in place as a precaution, the other sees it as an act of aggression and retaliates. This situation generates a cycle of distrust, with both parties being ready for the worst-case scenario. As a result, it gets harder for both sides to make real compromises and work together diplomatically.

Trade and Technology Networks as Weapons

One of the most important things about the developing economic competition between the U.S. and China is that both countries are using trade and technology as tools of geopolitical pressure more and more. Henry Farrell and Abraham Newman call this development "weaponized interdependence." Some examples of these chokepoints are the U.S. having a lot of power over dollar-based banking systems, the West having a lot of power over sophisticated chip-design software, and China having almost all of the rare-earth material processing.³⁹ Countries are utilising trade and market access as weapons more and more often instead of seeing them as good for both sides. The US has put strict export curbs on sophisticated semiconductors, while the European Union's 2023 Anti-Coercion Instrument allows all EU nations to work together to fight back against economic coercion from other countries. In response, China has put targeted curbs on the export of important minerals.⁴⁰ The speed of these kinds of operations is increasing.

For example, once China stopped exporting important minerals in April 2025, the G7 promptly started writing a plan to find other sources. At the same time, U.S. senators told the Chinese business ByteDance to either sell its popular app TikTok or leave the U.S. market completely, claiming national security.⁴¹ This is a step that officials in Canada, Australia, and the EU are now thinking about.⁴² This is a big change in the rules of international trade, where political issues are becoming more important than the logic of free markets.

The Rise of Competing Economic Spheres and Bloc Formation

Major powers' strategic distrust is no longer limited to disagreements between two countries; it is changing the structure of international economic alliances. The G7 and other Western alliances say that their plan is to "de-risk" rather than completely cut ties with China. But their statements openly condemn China's "non-market policies" and demand for supply chains to be less reliant on China.⁴³ The U.S. is also leading regional efforts like the Indo-Pacific Economic Framework (IPEF) and the Partnership for Global Infrastructure and Investment. Both of these are meant to strengthen economic relations with countries that share the U.S.'s political views. China, on the other hand, is putting together counter-blocs. It has grown the BRICS group by adding nations including Colombia, Egypt, Iran, and the UAE. It is also pushing for alternative financial systems, such as transactions in local currencies, to undermine the dollar's supremacy. The Shanghai Cooperation Organization (SCO) has also increased, with Iran and Belarus joining in 2024.⁴⁴ This brings the total number of members to 10. India, for example, is a member of both BRICS and IPEF, so neither the West nor China can claim wholly exclusive sectors yet. However, the fragmentation of global economic governance is becoming increasingly obvious. Different rules, trade standards, and infrastructure plans are making the world more and more like overlapping but separate economic zones.

Why Nations Opt for Trade Wars

A recurring puzzle in international political economy is why states that publicly extol the virtues of free trade so often embrace coercive commercial tactics that inflict costs on themselves as well as their partners. Tariff spirals from Smoot-Hawley in 1930 to Washington's Section 301 duties in 2018, Chinese rare-earth embargoes in 2010, Russia's grain export ban in 2022, and India's laptop licensing scheme in 2023; all suggest that liberal-market maxims coexist uneasily with a hard-edged politics of relative gains.⁴⁵

The six determinants, namely Domestic political motivations, strategic industrial aspirations, national security considerations, institutional fragility, historical symbolism, and zero-sum viewpoints, generate a volatile combination that may propel governments into trade conflicts, despite conventional cost-benefit analyses advocating for moderation.

Domestic Political Incentives

Trade wars are political events mostly staged for domestic audiences. Because the distributional effects of international commerce are highly concentrated while the benefits are diffused, electoral systems amplify the voice of import-competing sectors. In the United States, counties with above-median import penetration from China swung eight percentage points towards Donald Trump between 2012 and 2016, emboldening a tariff platform that promised to “stand up to Beijing.”⁴⁶ Autocracies confront their own versions of this pressure: Chinese provincial officials facing factory layoffs lobbied Beijing for retaliatory duties in 2018, arguing that visible punishment of the United States was necessary to preserve social stability.⁴⁷ In both settings, leaders calculated that the symbolic dividend of “defending national industry” outweighed macro-economic drag.⁴⁸ Legislatures reinforce the bias. American trade remedy statutes give Congress an escape valve - antidumping and safeguard provisions - that protect narrow constituencies without the need for new laws, yet when these measures prove insufficient, larger confrontations can follow. The result is a political equilibrium in which tariffs become performative proof of resolve, even if economists demonstrate that the costs fall on domestic consumers.

Strategic-Industrial ambition

Beyond the ballot box, states wield trade weapons to advance long-term industrial goals. Classical infant-industry theories survive in twenty-first-century guises such as China’s *Made in China 2025*, the European Union’s *Digital Sovereignty* agenda, and the United States’ *CHIPS and Science Act*.⁴⁹ These programmes share two design principles: first, the identification of “commanding heights” sectors (semiconductors, batteries, AI); second, the use of tariff or non-tariff barriers to shelter or promote national champions. When strategic objectives collide - as they now do in the semiconductor supply chain - trade friction becomes inevitable.⁵⁰ Even middle powers emulate the logic: South Korea’s 2023 K-Semiconductor Strategy bundles tax credits with tighter export screening, while Brazil’s revival of its Informatics Law conditions market access on local R&D.⁵¹

In such contexts, tariffs serve less as bargaining chips than as policy instruments to rewire value chains around domestic capacity. Import restrictions buy time for firms to climb learning curves, while retaliatory duties signal that national autonomy will be defended with equal intensity. Where cross-border technology flows are deemed existential - quantum cryptography, 5G core networks - the temptation to weaponise trade is almost irresistible.

National Security Rationales

Security experts have long sided with the view that relying on other countries might make you more vulnerable strategically. The 2022 U.S. National Security Strategy calls semiconductors and vital minerals "foundational" along with undersea cables. It says that an enemy's power in these areas might "constrain our freedom of action in crisis."⁵² The 2023 Dual Circulation white paper from Beijing uses similar terminology to define supply-chain self-reliance as a way to protect against "foreign choke-points."⁵³ Connecting military readiness to economic policy makes it easier for politicians to raise trade tensions. Tariffs, export controls, and investment prohibitions can suddenly be seen as smart defence measures. The mix-up gets worse when military strategists include the idea of disruption in war games. The Pentagon's Defense Industrial Base Assessment listed foundry access as a readiness metric after the U.S. Commerce Department's October 2022 chip limitations.⁵⁴ This means that any future loosening of the rules would need to be based on both economic and strategic reasons. In a way, security agencies become protectors of aggressive trade policy, making it easier for institutions to push for conflict.⁵⁵

Current Changes: Interconnectedness, Nuclear Deterrence, and Immediate Media

The current U.S.-China contest unfolds under structural conditions that none of the historical trade-cum-security crises surveyed earlier had to navigate. Two giants that together account for more than one-third of world output are *simultaneously* each other's top trading partners, both sit atop survivable nuclear forces, and both operate inside a digital information space where every collision or tariff threat is broadcast worldwide in minutes.⁵⁶

Economic Interdependence

Despite seven years of tariffs and export controls, the United States still bought **US \$439 billion** in Chinese goods in 2024 and ran a deficit of **US \$296 billion** - barely below the 2018 peak. The first four months of 2025 show little let-up: imports of **US \$128 billion** already outpace exports by more than two to one.⁵⁷ Consumer electronics, toys, and apparel continue to ride century-long scale economies clustered on the Chinese coast, and U.S. farm exports - even after Beijing's sorghum antidumping probe - still rely on mainland feed mills. In other words, the tariff war rearranged supply chains at the margin but left a massive "everyday interdependence" core intact.

Selective Decoupling at the Technological Frontier

The October 2022 U.S. controls on advanced chips and the 2024 proposal to yank Korean waiver rights have diced the semiconductor ecosystem into "trusted" and "restricted" zones. Beijing's gallium and germanium license regime answered in kind, turning upstream minerals into bargaining chips.⁵⁸ The upshot is a two-track economy: legacy-node silicon, phones, and kitchen appliances still flow across the Pacific, but anything at - or enabling - 14 nm and below is being rerouted towards fabs in Taiwan, Arizona, or Dresden. Interdependence is therefore evolving, not evaporating: it is becoming *sector-segmented*.⁵⁹

Strategic Nuclear Deterrence as a Hard Ceiling on Kinetic Escalation

Unlike the Opium or Anglo-Dutch Wars, today's protagonists both possess hundreds - or, in Washington's case, thousands - of deliverable warheads. SIPRI's 2025 yearbook counts **600** Chinese warheads out of a global stock of **12,241**, while nearly 90 per cent reside in U.S. and Russian arsenals.⁶⁰ That balance imposes a risk calculus absent from earlier commercial rivalries: even a limited naval clash could trigger escalation ladders that may end in thermonuclear exchange. Strategic scholars, therefore, speak of *superpower prudence*, yet deterrence also licenses more intense grey-zone moves - water-cannon duels, ADIZ incursions, embargoes - on the assumption that neither side wants to cross the nuclear threshold.

Digital Media as a Real-time Multiplier

Whereas Victorian London awaited weeks-old dispatches from Canton, today's publics watch 4K footage of Chinese coast-guard water cannons within hours. Viral videos from Scarborough or Second Thomas Shoal generate hashtags that trend across Manila, Washington, and Beijing before diplomats can draft talking points.⁶¹ Domestic outrage cycles shorten decision-makers' reaction time, raising the odds that symbolic gestures - fighter fly-bys, tariff hikes - become policy commitments. The information domain is itself contested terrain: Washington's new law forcing ByteDance to divest TikTok by early 2026, upheld by the U.S. Supreme Court in January 2025, underscores how social-media platforms are now treated as national-security assets.⁶²

Towards dual-bloc Globalisation

Classical Cold War blocs were impermeable; the emerging order is more porous but still directional. Consumer-goods interdependence and capital-market linkages keep the world economy stitched together, yet "high-wall gardens" are rising around strategic nodes: semiconductors, green-tech batteries, critical minerals, data clouds, and social-media algorithms.⁶³ The institutional corollary is what one EU white paper calls "*de-risking without retreat.*" In practice, that means mini-laterals, not universal rules: IPEF for chips, the Quad for maritime domain awareness, BRICS-plus for energy settlement, and the Mineral Security Partnership for cobalt and copper.⁶⁴ WTO panels still adjudicate steel dumping cases, but the body's appeals bench is vacant for the 87th month, leaving great-power coercion unchecked.⁶⁵

Weaponisation of Trade and Technology

The notion of **weaponised interdependence** states exploiting network chokepoints to coerce rivals has moved from the think-tank circuit to operational policy. The United States curbs China's access to electronic-design automation software; China withholds gallium that allied foundries need for radio-frequency chips.⁶⁶ Brussels merges trade and security by threatening to wield its Anti-Coercion arsenal against future U.S. "excess tariffs." Supply chains themselves become battlegrounds: Samsung and SK Hynix face the prospect of losing U.S. export waivers for Chinese fabs, forcing them either to mothball multi-billion-dollar assets or to re-export equipment home. Weaponisation is no longer bilateral.⁶⁷

After Russia's invasion of Ukraine, G7 leaders declared that "de-risking, not decoupling" from China was essential to resilience—code for tightening export-control coordination and creating a platform to respond to "economic coercion."⁶⁸

Emergence of Competing Spheres of Influence

Great-power rivalry is radiating outward in concentric circles. In energy and finance, the enlarged **BRICS** bloc, now including Saudi Arabia, the UAE, Iran, Egypt, Ethiopia and Colombia, controls more than 40 per cent of world oil output and is experimenting with local-currency settlement.⁶⁹ On the Western side, the G7, plus Australia and South Korea, has folded mineral security, supply-chain mapping, and sanctions coordination into a single policy stack. Not every country wants to choose, but the gravitational pull is unmistakable: Indonesia, Vietnam, and even Pakistan market themselves as "friend-shoring" hubs for U.S. electronics while still courting Chinese infrastructure and financial support.⁷⁰

The WTO's appellate body remains defunct, pushing disputes into ad hoc venues or, more often, into retaliatory tariff lists.⁷¹ The IPEF, Quad, and AUKUS structure economic, technological, and military cooperation around U.S. leadership; the SCO and BRICS-plus try to do the same for China-led coalitions.

Conclusion

Initially, the U.S.-China trade war was considered to be about trade imbalances and unfair practices. Now, it's a big fight for global influence in the 21st century. The struggle isn't just about tariffs and trade flows; it's also about essential things like technology, security, philosophy, and how the world is run. This shows that there is a deeper structural rivalry between two distinct ways of looking at how the world should work. This transformation reveals that international relations have reached a major turning point: economic interdependence, which used to avert conflicts, is now a battleground. This study has revealed that the trade war has gone through several stages, from tariff wars to techno-nationalism to systemic confrontation.

Moreover, historical examples also show that economic problems frequently come before military conflict, but the strategic situation today is very different. Even while the idea of zero-sum rivalry is still there, nuclear deterrents, global supply networks, and digital interconnection make direct battle less likely but indirect

warfare more likely to last longer and be harder. This leads to a kind of "Cold War II" that doesn't lead to violence but changes the world order through strategic rivalry. The effects are very big for the Global South, especially for countries like Pakistan. The return of bloc politics and the decline of multilateralism make it harder to change foreign policy and make smaller countries more vulnerable to economic coercion and diplomatic pressures.

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