

**EVALUATION OF THE AMERICAN ECONOMIC STATECRAFT AND TRADE WAR AGAINST
THE PEOPLE'S REPUBLIC OF CHINA, 2016-2020**

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Abstract

This paper examines the U.S.-China trade war from 2016 to 2020, it focusses on the economic tactics used by the US under President Donald Trump as well as the wider ramifications for international trade. The study employs a qualitative approach, evaluating the effects of tariffs, sanctions, and other economic measures by consulting secondary sources, such as: trade reports, economic statistics, policy assessments and scholarly literature. Liberalism, which emphasises interdependence and cooperation in international commercial relations, and realism, which stresses state competition and rivalry, power politics and dominance, security and national interests, form the theoretical foundation. Although the United States was successful in drawing attention to concerns including intellectual property theft, trade imbalances and China's state-led economic model, the trade war failed to accomplish its main goals, according to the research. The trade deficit was not considerably reduced by the U.S. tariffs and China was not forced to change its economic policies. In contrast, China showed remarkable economic resilience by diversifying its trading partnerships and reducing some of the effects of the tariffs, while the United States consumer and company expenses soared as a result of the tariffs. In order to resolve trade disputes, the study suggests a more cooperative, multilateral strategy that emphasises the role of global organisations such as the World Trade Organisation (WTO) in conflict resolution. Rather than depending solely on economic statecraft, it also recommends that future U.S. trade policy should concentrate on forming partnerships with other countries in order to successfully address structural difficulties in international trade.

Keywords: statecraft; trade-war; American Statecraft; diplomacy; economic war;

Introduction

One of the most significant interactions of disruptive proportion in recent economic history was the trade war that raged between the United States and the People's Republic of China (PRC) from 2016 to 2020. China's growing economic power, ongoing trade imbalances, intellectual property theft and accusations of unfair trade practices such as: state subsidies and currency manipulation were the main causes of this disagreement. Under President Donald Trump, the United States took a protectionist and nationalist posture, enacting sanctions and tariffs on a broad spectrum of Chinese imports, marking a dramatic change in American economic policy. In addition to lowering the U.S. trade deficit, the goal was to limit China's increasing sway and dominance over international trade and technology. Decades of comparatively unrestricted trade between the two nations were upended during this time by the harsh tariffs and protectionist policies that were part of American economic statecraft. China responded with equal duties to Trump administration's initial round of tariffs in 2018, which targeted \$34 billion worth of Chinese imports. This sparked an increasingly intense cycle of economic brinkmanship. By 2020, tariffs had been applied to hundreds of billions of dollars' worth of commodities, impacting everything from manufacturing and electronics to agriculture (Bown, 2021).

China's dominance in international trade, especially in high-tech industries, prompted the United States to characterize this strategic economic battle as a necessary corrective measure. According to the U.S. government, unjust methods such as forced technology transfer and intellectual property theft from American companies allowed China to advance so quickly (Lardy, 2020). Businesses and politicians who were worried that China's increasing influence would challenge American economic dominance shared these worries. But these measures also signaled a new chapter in American economic policy, one in which trade restrictions, tariffs, and sanctions were used not only to gain a competitive edge but also to change the course of the world economy (Blanchard & Bown, 2021). The early effects of the tariffs imposed by the Trump administration were uneven and varied, despite their stated goals of defending American sectors and lowering the trade imbalance. For example, a number of consumer goods saw price rises as a result of the tariffs, which exacerbated inflationary pressures in the American economy. The rising prices of importing intermediate goods from China caused supply chain disruptions for American manufacturers, especially in industries like electronics and automotive (Kwan, 2021). Additionally, China levied retaliatory tariffs on agricultural products, such as pork and soybeans, causing U.S. farmers to suffer large losses. The U.S. government was forced to implement subsidies in order to counteract these effects (Irwin, 2020).

In terms of geopolitics, the trade war affected the world economy as a whole by causing market turbulence and forcing other nations to reevaluate their trade policies. Due to the possibility of trade disruptions with China, several U.S. allies, such as the European Union and Japan, voiced concerns about the collateral harm of U.S. policy (Tan, 2020). Because supply networks operate globally, the trade war had an impact on industries that extended well beyond the boundaries of the two main feuding nations. China implemented a number of measures to lessen the effects of these taxes by fortifying its connections with other regions, such as Europe, Africa and Latin America. The Chinese government stepped up its efforts to diversify its trading links, to lessen its reliance on American imports. China increased its attention on becoming self-sufficient in critical technology at home, especially in sectors like semiconductors and telecommunications (Lardy, 2020). The Chinese government also boosted its investments in made in China 2025 during this time, a strategic move that aims to make China a global leader in high-tech industries.

Also, a pivotal moment in the dynamics of international commerce was the 2016–2020, U.S.–China trade war, which illustrated the growing strategic competition between the two largest

economies in the world. Although the goal of the U.S. tariffs was to protect American industry and rebalance the economic relationship, they also caused domestic disruptions and did not significantly reduce the trade deficit. However, the complexities of global interconnectedness were brought to light by China's ability to adapt and change its trading relationships. This era finally changed global supply chains and brought attention to the 21st-century geopolitical struggle for dominance. This no doubt was an economic world war with some undesirable consequences to the rest of the world

Statement of the Problem

Global economic dynamics were changed by the 2016–2020 trade conflict between the United States and China, which upended established conventions of international trade and economic strategy. Supply chains and global economic stability have been impacted by the imposition of tariffs, sanctions and countermeasures, which have also strained bilateral relations and created uncertainty in international markets. We need to evaluate the effectiveness of the U.S. economic strategies and their broader impact on global trade and international relations as nations grapple with the consequences of this economic war.

Objectives of the Study

- I. To determine whether the United States' economic strategies against China in the trade war were effective and whether they succeeded in achieving the country's foreign and economic policy objectives.
- II. To evaluate the effects of the U.S.-China trade dispute on global trade trends and other nations' economic relationships.

Research Questions

- I. What were the main economic tactics used by the United States in the trade war against China, and how successful were they in changing the bilateral trade partnership and in achieving the U.S. economic and foreign policy objectives.
- II. What was the impact of the U.S.-China trade war on global supply chains and economic relationships with other countries?

Literature Review and Theoretical Framework

The deliberate use of economic tools by countries to achieve their foreign policy objectives is known as economic statecraft. This concept covers a range of techniques to influence the behavior of other nations or non-governmental organisations, including fines, business plans, international aid, financial support and the management of economic assets. A vital component of international relations is economic statecraft, which uses economic might to influence political outcomes, strengthen national security and further a nation's foreign objectives. Economic statecraft has a historical context, ancient empires took advantage of trade routes. Contemporary countries are enforcing sanctions. Economic statecraft has been used in a variety of ways throughout history. One of the earliest to create a theoretical framework on economic statecraft was David Baldwin (1985). He emphasized the importance of economic instruments in international relations. Baldwin argued that nations could exercise power without resorting to military actions by employing economic statecraft for both cooperative and coercive purposes. This dual character demonstrates the adaptability of economic tools, which may be applied to a number of goals, such as fostering collaboration and deterring aggression. One of the most important aspects of economic statecraft is the application of penalties.

Sanctions are measures implemented by one or more countries to restrict financial transactions, in order to influence the behavior of another nation. Economic sanctions can take several forms, including financial restrictions, asset freezing and trade embargoes. The effectiveness of punishments is a topic of regular discussion among academics and decision-makers. In a

comprehensive analysis of economic sanctions, Hufbauer et al. (2007) discovered that their efficacy is contingent upon a number of variables, including the economic might of the targeted state and the availability of alternative trading partners. The sanctions imposed on Iran because of its nuclear program, for instance, have had varying degrees of success, underscoring the difficulties of utilising economic tools in diplomatic settings. The strategic application of trade policies is another aspect of economic statecraft, in addition to sanctions. Tariffs, quotas and trade agreements are tools that nations can use to advance their interests internationally. In order to achieve favourable conditions that promote its economic goals and strengthen its geopolitical might, for example, the United States has used trade negotiations throughout history. The Trump administration-imposed tariffs on Chinese goods during the 2018–2020, U.S.–China trade war in an attempt to rectify trade imbalances and intellectual property theft. This example demonstrates how economic statecraft affects the dynamics of international relations and global trade (Bown, 2021).

A crucial component of economic statecraft is foreign aid. A common reason for providing help is to influence the choices and actions of the recipient nations. The rationale behind this approach is that giving out financial aid can create goodwill, keep regions stable and help achieve political objectives. By examining the concept of "conditionality," Lumsdaine (1993) demonstrated how economic statecraft might be utilised to promote democracy and human rights in foreign nations by tying aid to specific reforms or policy changes. These activities, according to critics, may lead to dependence and may not always yield the desired outcomes. Additionally, the scenario of economic statecraft has changed as a result of the growth of globalisation. Governments must learn to handle delicately complex economic ties as countries grow and become more intertwined. According to the theory of "complex interdependence," which was first proposed by Robert Keohane and Joseph Nye in 1977, economic ties are varied and can lessen the likelihood of international war. In this scenario, managing relationships in a globalised society requires the use of economic statecraft. However, as states deal with the consequences of globalisation, emerging technology and shifting power dynamics, economic statecraft is getting more difficult by the day. Ethical ramifications, unanticipated effects, and shifting dynamics in international relations must all be carefully considered when economic tools are used more frequently. Economic statecraft, which refers to the deliberate application of economic instruments to achieve political objectives, is still a significant tool in international politics. As governments navigate a more complex international landscape, it is imperative that researchers and policy makers alike comprehend economic statecraft.

Materials and Method

This study employs qualitative research design and analyzes secondary data from news sources, academic publications, trade statistics, policy briefs and government papers. Important policy decisions, tariff actions and economic effects from 2016 to 2020 are examined in this study. The political climate surrounding U.S.-China ties, trade data and economic indicators are all intensively scrutinized during this period. The technique entails reviewing official documents, including those from China's Ministry of Commerce and the U.S. Trade Representative (USTR), as well as reports from international organisations like: the World Trade Organisation (WTO) and the International Monetary Fund (IMF). Understanding the intricacies of the trade war and its global economic ramifications is made easier by these fundamental sources. The U.S.-China trade dispute has drawn a lot of scholarly attention between 2016 and 2020, with researchers tracking its effects on global relations, economic diplomacy and international trade. The three primary topics of this literature review are the economic history of the U.S-China relationship, the economic strategies employed during the trade war and the conflict's broader impacts on international trade beyond the borders of both countries.

Historical Context of U.S.-China Economic Relations

Since the establishment of diplomatic relations in the 1970s, the economic relationship between the United States and China has undergone significant transformation. China's admission to the World Trade Organisation (WTO) in 2001 was a significant event that led to a rise in commerce between the two nations, a claim made by Lardy (2019). The United States first viewed China as a partner in promoting global economic growth, but concerns about trade imbalances, intellectual property theft and state-run capitalism began to shift this perspective. Bown (2019) notes that political pressure for a more combative and aggressive approach resulted from the U.S. trade deficit with China, which reached approximately \$419 billion in 2018. The trade battle under President Donald Trump was sparked by this shift in perspective, hence the militant approach.

A wide range of economic strategies, primarily centered on tariffs and penalties, characterized the trade dispute between the United States and China. Hufbauer et al. (2007) provide a framework for understanding the use of sanctions as economic diplomacy tools, emphasising that their effectiveness is contingent upon the economic might of the targeted nation and the existence of alternative markets for the warring nations. The United States imposed tariffs on around \$370 billion worth of Chinese goods, including machinery, electronics and agricultural products, during the trade war. The reason was to tackle perceived unfair trade practices, like compulsory technology transfers and theft of intellectual property (Lardy, 2020). Bown and Zhang (2019) examined the immediate economic consequences of these tariffs, finding that they resulted in higher expenses for American consumers and businesses that depend on imports from China.

China's response, which involved imposing tariffs on American agricultural products, demonstrated the interconnectedness of the economic partnership. Researchers such as Liu and Zhang (2019) have analyzed the impact of retaliatory tariffs on American farmers, leading to substantial economic losses and prompting the U.S. government to introduce subsidy initiatives to help affected sectors. Moreover, Irwin (2020) talks about how the trade conflict prompted a reassessment of trade strategies, as companies in each nation aimed to minimize risks by expanding their supply chains. Global trade trends were more broadly impacted by the trade war between the United States and China. The conflict has disrupted current supply chains and made countries reconsider their trade policies. The concept of "complex interdependence" developed by Keohane and Nye (1977) provides a framework for analysing this state of affairs, emphasising that while reciprocal relationships can lessen the likelihood of conflict, they also make it more difficult to resolve economic conflicts.

According to Tan's (2020) research, when businesses sought to relocate their manufacturing operations from China, Southeast Asian countries faced both benefits and challenges. As a result, trade patterns changed, with foreign direct investment increasing in nations like Vietnam as US businesses looked for alternatives to Chinese manufacturing. This change was not without its challenges, because these countries' economies are interwoven with China and the United States efforts ended up creating more vulnerabilities as tensions increased. New discussions about the role of international organisations in settling financial disputes have also been spurred by the trade war. Despite offering frameworks for trade negotiations, Baldwin (1985) argues that strong states' unilateral actions cause problems for international organisations like the WTO. This position is made more complex by Trump's withdrawal of the United States from international agreements, which raises questions about how international trade regulation will develop in the future (Blanchard & Bown, 2021).

Furthermore, Baldwin (1985), contends that an important viewpoint for examining the tactics employed by the United States in the trade war is economic statecraft. The idea that economic techniques can be used to accomplish diplomatic aims is supported by the application of tariffs, sanctions and other economic tactics, highlighting the intersection of international relations and economic policy. Nevertheless, the literature on the trade dispute between the United States and China emphasises how complex modern economic links are and how growing interdependency presents challenges. The economic standoff that lasted from 2016 to 2020 was the result of a history of collaboration culminating in conflict in U.S.-China ties as a result of economic confrontation. The tactics employed in the trade war, such as sanctions and tariffs, show how economic diplomacy is evolving and how it affects global trade. It is crucial to consider the broader ramifications for international trade laws and the prospects for global economic ties as scholars investigate the effects of the trade war.

Discussion of Findings

The results of the research demonstrate the mixed effects of the U.S. economic strategy throughout the trade dispute with China from 2016 to 2020. The Trump administration successfully identified persistent issues in the economic relationship between the United States and China, but the tariffs that were put in place did not significantly reduce the U.S. trade deficit with China. Conversely, the imposition of tariffs along the supply chain resulted in higher costs for American consumers and businesses. China's retaliatory tariffs affected industries such as manufacturing and agriculture, leading to employment losses in the U.S. agricultural industry and disruptions in exports (Bown, 2021). China, however, demonstrated resilience in the face of US taxes. By expanding their markets, increasing domestic spending, and making investments in vital technologies like 5G and artificial intelligence. Chinese businesses also responded to the shifting landscape too. The trade war caused a recession, but the Chinese economy overcame it, and as a result, China's economic dominance in the world increased even more (Gao, 2018). Globally, the trade war also had broader repercussions. International supply chains were severely disrupted, particularly in industries like electronics and automobiles and many multinational firms were forced to reconsider their reliance on Chinese production. The European Union and Japan also adopted more cautious stances in their commercial dealings with the United States and China as a result of the trade war's influence on other nations' economic policies.

Conclusion

With regard to the complexities of economic diplomacy, the trade war between the United States and China from 2016 to 2020 provides valuable insights. In spite of successfully bringing attention to issues like: intellectual property theft, trade imbalances and China's state-led economic practices, the United States statecraft or Trumpcraft failed to produce the expected outcomes. Fundamentally, the U.S. tariffs had little effect on China's economic behaviour or on closing the trade imbalance with China. The measures, in the contrary, raised costs for American consumers and companies that rely on Chinese goods, highlighting the two economies' interdependence. By diversifying its supply chains and leveraging other markets to mitigate the impact of U.S. tariffs, China demonstrated considerable economic strength and resilience at the same time.

According to Lardy (2020) and Bown (2019), the tariffs mostly affected global supply networks and were ineffective in addressing structural trade issues, highlighting China's economic resistance to external pressures. Ultimately, in an increasingly integrated global economy, the trade war highlights the limitations of unilateral economic strategies and the importance of collaborating with other nations to resolve complex trade disputes.

Recommendations

The following recommendations are imperative:

- I. **Multilateral Approach:** The U.S. ought to participate in joint endeavors with allies like the European Union and Japan to address worries about China's trade practices together, instead of going with a solo strategy. Using platforms like the G7 could be more profitable than showmanship or brinkmanship of former President Donald Trump.
- II. **Targeted Economic Statecraft:** Instead of implementing widespread tariffs, the United States should concentrate on implementing more specific actions, like imposing sanctions on particular industries linked to intellectual property theft, or providing subsidies, to lessen the act on American consumers.
- III. **Investment in Domestic Competitiveness:** To improve its competitiveness in fields like artificial intelligence and green energy, the U.S. should boost funding in education, infrastructure, and technology, thus decreasing its dependence on Chinese manufacturing and imports.
- IV. **Diplomatic Engagement:** It will be important to keep communication and diplomacy open with China to handle economic tensions and prevent conflicts from escalating into major global disruptions.
- V. Statecraft strategy as a tool, should be used in combination with other less confrontational measures with a well thought out and rehearsed strategy, tested on a small scale or on specific industry before extrapolating across multiple sectors and products.

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