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How to Analyze the China-US Trading Conflict: Framing, Blind Spots, and an Evidence-Based Approach

Before any meaningful analysis of China-U.S. economic tensions can be undertaken, one must consider how they should frame the issue. A common misconception is that China-U.S. trade relations began to deteriorate during the Trump administration with tariff escalation in 2018. In reality, the tariff war was only a visible symptom of much complex structural forces that had been building for years. The nature of the conflict is not a narrow trade dispute but rather a systemic rivalry between two fundamentally different - political and technological - industrial systems. The United States represents a model supported by market-driven innovation and widespread alliance networks. On the other hand, China operates within a system defined by state-led industrial policy and long-term strategic planning. Note that China has experienced both market and planned economies during different periods of time to varying degrees of influence, but the current economy is shifting towards statelike (McMahon and Polk).

This break in relation can be traced back to the Obama administration, starting from the strategic “Pivot to Asia,” which marked a deliberate shift in U.S. geopolitical focus from the Middle East toward East Asia and, implicitly, toward China (Lieberthal). The reorientation reflected Washington’s growing realization of China as a strategic competitor rather than just a trading partner. From this perspective, Trump’s tariffs were not a sudden change in U.S. policy

but rather an escalation within a strategic recalibration that had already begun. Some scholars have even argued that had it not been for the diversion of U.S. attention caused by the September 11 attacks and the subsequent wars in the Middle East, the strategic contest with China might have intensified even earlier (AKDAG).

This shift was also shaped by American concerns about global sustainability and resource constraints associated with China's economic rise. During this period, President Obama famously remarked on the unsustainability of a world in which China and India adopted Western patterns of consumption, particularly in automobiles and energy use (Obama). The idea that "if over a billion Chinese citizens were to live like Americans, the planet could not sustain it" became widely circulated in China and was interpreted by many as a signal that China's development posed not only an economic challenge but also a systemic threat to the existing global order. From a Chinese perspective, this marked the symbolic end of the so-called "golden age" of peaceful integration into the U.S led global economy. Therefore, the contemporary China-U.S. conflict is best understood not as a rupture triggered by tariffs, but as the culmination of a long-term transition to strategic rivalry between two distinct models of economic and technological giants.

Furthermore, a central frame of the U.S - China conflict is the tradeoff between national security and economic efficiency. The United States justifies its export controls and restrictions on technology transfer on national-security grounds, such as the restriction of sales of semiconductors. From Washington's perspective, these measures are to prevent sensitive technologies from benefiting China's military and surveillance capabilities. China, however, believe these actions as deliberate efforts at economic containment - an attempt to freeze China out of the highest segments of global value chains by damaging both economies. Thus, the

traditional assumption is that trade and technological integration naturally promote mutual economic gains. Instead, economic efficiency now holds lower priorities than strategic rivalry, marking a fundamental shift from the logic of globalization that dominated the post–Cold War era.

To tackle the U.S.-China rivalry, research must clarify which technologies actually constitute the core of existential competition. One cannot hold all trade and technology as equally, as the significance of purchasing rare earth metals does not equate to importing soybeans. Therefore, the challenge lies in developing a clear framework that distinguishes between regular commercial technologies and a narrow set of multi-purpose technologies that shape economic and military power. Only by indicating where the difference resides can policymakers design fitting controls, avoid blanket restrictions, and prevent compromising national security weak points due to regular economic exchange.

One of the most significant yet frequently overlooked dimensions in the current analysis of China–U.S. relations is culture. Chinese civilization has developed over several thousand years, influencing how authority, social hierarchy, and long-term strategic thinking are understood in society. By contrast, American culture is relatively young and emerged primarily from European colonization, with its modern political and social institutions largely crystallizing only after the Enlightenment and the Industrial Revolution. Although there was limited cultural contact between China and the West during the late Ming and Qing dynasties through trade and missionary activity, much of this early exchange failed to produce lasting mutual understanding. The disruptions of the world wars, the Cold War, and, more recently, China's Great Firewall have further restricted cultural interaction. Yet despite these large civilizational differences, culture

remains largely absent from mainstream analyses of the China–U.S. technological and trade conflict, which tend to focus narrowly on tariffs and national security.

This cultural gap is very noticeable on the American side and has important implications for a democratic voting system. From personal experience as a student in one of North America's most prestigious private high schools - an environment where students enjoy greater global exposure - there was still little to no meaningful understanding of China or Chinese culture among even the most academically elite students. Suppose cultural literacy is so limited within such an internationally oriented group. In that case, it is reasonable to infer that average levels of understanding [of China] in broader North American society may be even lower. In democratic systems, public opinion inevitably shapes electoral outcomes and, by extension, foreign policy. When the ordinary people's perception of China is dominated by simplified or sensationalized images - such as poor product quality, social credit scores, child labor, or inhumane treatment of citizens - policy preferences are likely to be driven more by emotion and ideological framing than by informed judgment. Public demonstrations, such as the frequent Falun Gong protests observed outside Chinese consulates, further reinforce these one-sided narratives in everyday life. Under such informational conditions, voters may be structurally predisposed to support leaders who adopt confrontational postures rather than those who pursue the goal of resolving the issue.

In contrast, China operates under a centralized political system in which decision-makers are often highly educated and, in many cases, have studied in the United States and other Western countries. This means that China's leadership has a comparatively deeper understanding of Western culture and behaviour than the reverse. This asymmetry in cultural knowledge shows a subtle yet important imbalance in the bilateral relationship. As a result, the two sides may not

only misunderstand each other's intentions but also operate on fundamentally different conceptual timelines and political logics.

Therefore, ignoring culture represents a major weakness in current approaches to the China-U.S. conflict, as cultural perceptions influence risk assessment, diplomatic relationships, and the political feasibility of compromise. Without incorporating cultural literacy into the analytical framework, policymakers risk misinterpreting the other side. If the objective is to manage or resolve the China-U.S. technological and trade conflict, then improving American understanding of Chinese values and culture is a necessity, since any framework for "tackling the problem" that ignores culture is incomplete without addressing one of the structural drivers of misunderstanding and strategic miscalculation between the two sides.

Furthermore, current analysis places a disproportionate emphasis on semiconductors, largely because of their military applications and national-security implications. While these concerns are valid, this focus also reflects a financial and macroeconomic dimension that is often left implicit. In recent years, a substantial share of U.S. stock-market gains has been driven by AI-related growth, whose valuation is tightly linked to continued U.S. leadership in advanced microchips (Romm). As a result, semiconductor dominance is no longer just a security issue but also a pillar of U.S. financial stability. If China were to surpass the United States in semiconductors and AI through lower production costs and greater manufacturing efficiency, the resulting competitive shock could trigger a severe correction in U.S. equity markets. Given that U.S. asset prices have risen continuously since 2008, a large concentration of wealth is now exposed to technology-sector risk. At the same time, U.S. government debt has reached historically high levels, and Fed officials, including Powell, have repeatedly warned that current fiscal trajectories are not sustainable in the long run. Conclusively, these financial vulnerabilities

help explain why semiconductors attract intense political and analytical attention and why this sector requires further research.

A second issue that receives far less attention in the current analysis is whether the China-U.S. confrontation should be understood as a trade war or as the early stage of a new Cold War. This distinction can alter how the conflict should be approached and managed. For instance, a trade war indicates negotiable disputes on tariffs and trade balances, where compromise and deescalation are still feasible. A Cold War, by contrast, is rooted in systemic rivalry across ideology, technology, military strength, and global influence, where economic measures become instruments of long-term containment. Hence, any research to tackle the China-U.S. conflict must begin with the recognition that the worst possible outcome is not trade friction, but direct military confrontation, potentially even global war. Framing the conflict only in economic terms risks dangerously underestimating the magnitude of the situation and avoiding possible solutions.

This concern is often analyzed through the lens of Thucydides's Trap, which means the idea that the rise of a new power and the fear it instills in the dominant power creates structural conditions conducive to war. In Thucydides's account, the rise of Athens and the fear this generated in Sparta made conflict nearly inevitable. Modern political scientists have identified sixteen historical cases in which a rising power challenged a dominant one; in twelve of these cases, war ultimately occurred, while only four ended peacefully (Allison). As mentioned by Professor Allison at Harvard University and a previous US Assistant Secretary of Defence, the rivalry between Germany and Britain before World War I is shown as a modern example of this pattern, where economic integration and trade interdependence failed to prevent catastrophic conflict. This raises uncomfortable questions about whether the present moment resembles the "night before World War I," especially as military spending is rising rapidly across advanced

economies. Right at home, Canada has announced major increases in defence spending, the EU also has committed to raising military expenditures as a share of GDP, and a similar trend can be found in Asian countries.

However, history also gives positive examples of Thucydides's Trap. The "long peace" following World War II, particularly the collapse of the Soviet Union without direct military confrontation with the United States, demonstrates that systemic rivalries do not always result in war. Thus, the challenge for researchers and policymakers today is to actively construct institutional and diplomatic approaches that prevent escalation from becoming self-fulfilling.

Within this in mind, Taiwan occupies a uniquely important position in China-U.S. relations and is often underappreciated in trade-centred analysis. Taiwan is both a geopolitical focus and a critical component in semiconductor manufacturing. From China's perspective, Taiwan is an unresolved legacy of China's civil war and is central to the narrative of national reunification. From a U.S perspective, Taiwan is a democracy and a crucial supplier within the global technology supply chain. Any military conflict over Taiwan would then transform the tariff dispute into a possible military confrontation between great powers and would devastate global trade and technological production. For this reason, Taiwan should be emphatically examined with a cautious approach: it is both a critical bargaining chip in trade war diplomacy and a possible spark to the gunpowder barrel that led to global war.

In addition, language and symbolism further reveal the depth of China's strategic framing. China's military is officially called the People's Liberation Army rather than a national "defence force" of the West. The term signals that "liberation" remains an ongoing political project rather than a completed historical event. The existence of separate PLA Army, PLA Navy, and PLA Air Force branches reinforces the continuity. As the Chinese Communist Party's

Central Committee is highly deliberate in its language choices, the persistence of the term "liberation" is widely interpreted as being closely tied to unresolved territorial of Taiwan.

Taken together, these considerations suggest that the China-U.S. conflict cannot be safely understood as a conventional trade war alone. While tariffs, export controls, and industrial subsidies are the visible instruments of competition, they are embedded within a much broader strategic rivalry that increasingly resembles a Cold War–like confrontation, though with far deeper economic interdependence than existed between the United States and the Soviet Union. Ignoring this systemic dimension risks producing policy recommendations that are economically coherent but strategically naïve. Any framework for addressing the China–U.S. technological and trade conflict must therefore explicitly confront the possibility of military escalation, the centrality of Taiwan, and the structural pressures identified by Thucydidean dynamics. Without this broader strategic framing, efforts to "tackle the problem" at the level of trade policy alone will remain fundamentally incomplete.

Moreover, one's Approach to the China-U.S. trading conflict must be examined through the official policy documents and authoritative statements that reveal how both governments conceptualize the rivalry. Speeches and policy positions by senior officials such as Blinken and Rubio are important because they reflect the consensus that now frames China as a long-term strategic competitor rather than merely a trading partner. These political statements are then institutionalized through formal legislation such as the CHIPS and Science Act, which marks a historic shift in U.S. industrial policy toward active state intervention in important technologies. In addition, the U.S. Department of Defence[War]'s annual report, Military and Security

Developments Involving the PRC, provides insight into how national security institutions interpret China's technological, military, and industrial threats.

On the Chinese side, official documents also serve a foundational role in shaping national priorities and long-term strategy. "Made in China 2025" outlines China's plan to achieve technological self-sufficiency in advanced manufacturing sectors, while the Dual Circulation Strategy reflects China's effort to rebalance growth toward domestic demand. Additionally, the 15th Five-Year Plan provides a roadmap for China's development goals through the next decade. Therefore, by treating these texts as primary sources that reveal the strategic intentions of the Chinese state, one can begin analyzing the China-U.S. conflict.

While official documents set the policy framework, academic economic research is essential for evaluating the logic and effectiveness of these strategies. Barry Naughton's work on China's industrial policy provides a systematic account of the evolution of China's state-led development model, its capital allocation mechanisms, and its interaction with market forces. In addition, think tanks and multilateral institutions, such as CSIS, the World Bank, Brookings, the IMF, and the OECD, publish data-based assessments of subsidies, investment restrictions, and changes in productivity, as well as scenario analyses of decoupling and export controls.

Lastly, to measure economic interdependence directly, trade and global supply chain data are essential. Bilateral trade flows should be drawn from UN Comtrade, the U.S. Census Bureau, and China's General Administration of Customs, with disaggregation into capital goods, final consumer goods, dual-use items, and processing trade. Comparing pre-2018 and post-2018 data allows researchers to identify how the tariff war altered trade patterns. Trade in value-added data from the OECD's TiVA database allows one to measure how much U.S. value added is

embedded in Chinese exports and vice versa. Tariff and non-tariff barrier data from Harmonized Tariff Schedules and China's retaliatory tariffs can also be used to calculate effective protection rates, evaluate welfare affect on firms and consumers, and determine which industries absorbed or passed through tariff costs.

Nevertheless, technological competition requires innovation and Research and Development data. Similarly, patent databases like WIPO allow the measurement of technological leadership across key sectors. R&D spending data from the OECD's MSTI and China's National Bureau of Statistics reveal possible industries -such as EV batteries, telecommunications equipment, and biotechnology- are experiencing accelerated innovation. Afterward, use firm level R&D to sales ratios to assess how U.S. firms adjust innovation strategies as access to the Chinese market becomes more restricted and to identify which industries intensified R&D spending in response to tariffs and export controls.

Labor market and industrial data from the U.S. Bureau of Labor Statistics and China's industrial census capture the domestic distributional consequences of decoupling. Although such data are often noisy and difficult to interpret, they allow researchers to track manufacturing employment, wage trends, and regional industrial upgrading. Finally, China's political and institutional data - including information on central to local government relations, debt burdens, overcapacity, and bureaucratic fragmentation - are essential for understanding how industrial policy is implemented and constrained in practice.

These quantitative sources must be paired with the right analytical methods. Using tariff shocks and export control announcements allows causal identification to estimate impacts on firm performance, R&D spending, and stock-market valuations by Econometric analysis. Next,

one could use scenario analysis to compare hard decoupling, selective decoupling, and managed competition to estimate global GDP losses under each option. Finally, this multi-method approach provides the empirical foundation necessary to move beyond narrative descriptions and toward an evidence-based understanding of the China-U.S. economic conflict.

In conclusion, these topics mentioned above present that the China-U.S. conflict cannot be simply understood as a conventional trade war. Tariffs, export controls, and industrial subsidies are visible instruments of competition, but they are embedded within a much broader strategic rivalry that increasingly exhibits Cold War–like features. Ignoring systemic dynamics, cultural asymmetries, financial fragilities, and military escalation risks can lead to policy prescriptions that appear economically coherent but are strategically unsound. Any framework aimed at tackling the China-U.S. trade conflict is needed to integrate framing, cultural analysis, historical precedent, institutional comparison, and empirical evidence. Without this nonlinearity approach, policy efforts will remain incomplete.

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