

## **Power Transition and the United States-China Trade War**

Moch Faisal **Karim**\* and Alfiani Gracia **Susanto**\*\*  
*Bina Nusantara University, Indonesia*

### **Abstract**

This paper examines how power transition theory could provide insights into the trade war between the United States and China. The paper shows that the trade war between the United States and China is a manifestation of power transition in the international system. As a rising power with growing economic might, China seeks to increase its influence and position in the international system through various global initiatives. In responding to this, the United States tries to maintain its position as a global leader by imposing trade barriers to suppress the rise of China. This strategy intends to slow the U.S.' decline as a global hegemon. This article aims to contribute to understanding the relations between power transition, hegemony, and trade wars.

**Keywords:** *trade war, power transition, United States, China, hegemony, rising power, industrialisation*

## 1. Introduction

Since the end of the Cold War and the collapse of the Soviet Union, the world has recognized the United States (U.S.) as the only hegemon in a unipolar international system (Layne, 2009; Schweller and Pu, 2011). The United States has also been the world's largest economy for several decades (World Bank, 2019). As a hegemon, the U.S., since the 1990s, has worked to convince the world that the liberal international order is the most stable and peaceful system compared to other types of order. Andrew Hurrell (2014) describes the liberal international order as an order that prioritizes open market principles, optimizes the role of international institutions or organizations, and promotes the idea of democracy and human rights.

Meanwhile, China's economic rise, which began in 1978 when Deng Xiaoping began economic reforms and industrialization, has led many to believe that China is challenging the United States' hegemony in the international system. The Federation of American Scientists found that China's economy increased by an average of 9.5 percent per year until 2018, and the World Bank has described China's economic growth as "the largest sustainable economic expansion" in history (Morrison, 2019). This dynamic of international relations eventually led the U.S. and China as the two world's largest countries into a trade war.

There have been many reports in the literature analyzing the trade war and the dynamics of U.S.-China relations. However, such literature mostly focuses on the impact of the trade war, including the economic impact and the spillover, as well as aspects of adaptation and conflict caused by the rise of China (Li *et al.*, 2018; Liu, 2018; Liu and Woo, 2018; Sinaga, 2020). This paper fills the research gap by analyzing the trade war between the U.S. and China through the lens of power transition.

By using the power transition theory, this paper argues that the trade war between the United States and China is a sign of power transition in the international system, affecting international stability. To deter China's growing economic might, the U.S., as a hegemon, tries to delay China's industrialization without direct intervention in China's affairs. For example, the U.S. imposed tariffs as a barrier to their trade with China, sparking a trade war, which can thus be seen as an extension of U.S. strategic preventive measures to limit the rise of China. We should note that this article is not the first attempt to understand U.S.-China relations through power transition theory. Much has been written to understand such relations, particularly in regards to impact of the rise of China on the liberal global order (Kim and Gates, 2015; Lim, 2015; Zhao, 2005). However, arguably, few serious studies aim to utilise the power transition theory in order to understand the current U.S.-China trade war. Our article then contributes to this strand of literature.

This article thoroughly provides the detail of each country's policy during the power transition period. This qualitative research utilizes the method of case study analysis by applying a process-tracing approach to understand the case study's causal process as guided by the theory. In order to fulfill the data and information needed, this paper uses mainly secondary data, such as official documents, newspapers, journal articles, and books.

This paper is organized as follows. The next section explains the conceptual framework and briefly summarizes the previous literature discussing trade wars and the between the United States and China. The third section explains the trade war between the United States and China through the lens of power transition theory.

## 2. Power Transition Theory and Trade War

Scholars of international relations believe that creating international stability requires a leading state to voluntarily act as a quasi-international government and provide public goods for the international community by mobilizing their resources, both economic and military (Ikenberry & Nexon, 2019). As a form of “reward” for the public goods it provides, other countries will then accept the hegemon as the global leader (Hurrell, 2013). This hegemonic order arguably creates a relatively peaceful system (Gilpin, 1988; Webb and Krasner, 1989). However, such a peaceful system would become unstable should new powers compete for the hegemon’s position.

Power transition theory examines the outcomes of war and peace during periods of hegemonic transition in the international system. A.F.K. Organski and Jacek Kugler (1980) in *The war ledger* argue that if competing countries have similar political, economic and military capabilities, the likelihood of war during the power transition period is increased. However, peaceful conditions will last if the disadvantaged countries that benefit from the international system have asymmetric capabilities. Similarly, Ikenberry and Nexon (2019) argue that war will occur if a new power emerges with a capacity that matches a current hegemon. Such relative preponderance incentivizes the new power to threaten the hegemon’s position.

In other words, wars are generally triggered by new forces or a faster-growing upstart trying to replace the declining hegemon (Chan, 2007). If such a war occurs during a power transition, this is often referred to as a “hegemonic war” (Gilpin, 1988). This hegemonic war would determine which country becomes the dominant power in the international system (Gilpin, 1983). There are two possibilities for such a war. First, it could occur when the hegemon declares war to prevent the rise of new powers (“rising power”) in the system that may threaten

their position. Second, when the rising power feels capable and confident to compete with the hegemon to start a war (Ikenberry and Nexon, 2019). There are also two different results of the war, whether the rising power has risen to become a new leader in the system, or the previous hegemon remains a hegemon.

Two essential aspects will explain the possibility of war in the power transition period. The first one is power parity, which occurs when a rising power is developing its power and gains a level of power similar to that of the dominant state. The second aspect is the evaluation of the status quo by the rising power. If the rising power is not satisfied with the status quo, there will likely be a war in the power transition period. However, if the rising power is confident with the status quo, then there will be no war, even though it has reached the power parity condition (Zhu, 2006).

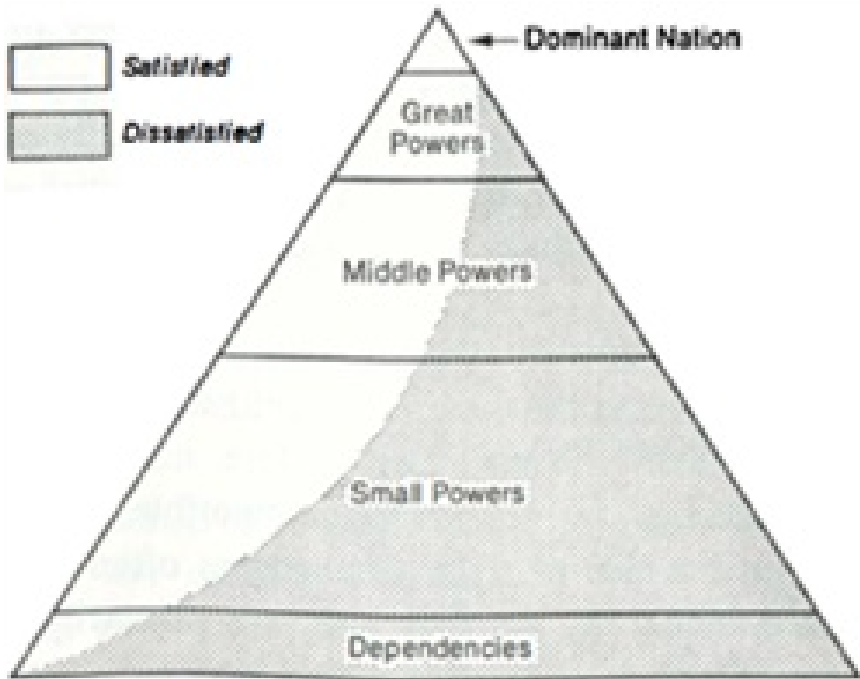
### ***2.1. Types of State's Characteristics in the International System***

The international system is described as a pyramid with a dominant state at the top, as shown in Figure 1. The dominant state creates and controls the current international world order, from which the dominant state gains tremendous benefits (Organski, 1958). The difference in power capacity between the dominant state and other states serves to ensure the security of the dominant state as well as the international order's stability as a whole.

There are four types of state according to Organski (1958):

1. The powerful and satisfied.
2. The powerful and dissatisfied.
3. The weak and satisfied.
4. The weak and dissatisfied.

**Figure 1** The Pyramid of the International System



Source: A.F.K. Organski (1958), *World politics*, page 369.

The first type – the powerful and satisfied – consists of the dominant state and its allies. Their satisfaction stems from the notion that the current world order provides them with excellent opportunities to achieve their goals. Given their preponderant power, they are the ones who shape the international order. As a result, they can shape the international order in a way that enables them to gain greatest benefits.

The second type – the powerful and dissatisfied – usually also consists of the great powers, but not the ones who shape the current

international order. They consider that the power they gained from industrialization entitles them to form an international order that suits their own goals. This then pushes them to become revisionist states, aiming to change the current world order. Organski (1958) argues that industrialization is the source of many global problems, as industrialization broadened the people's aspirations and increased their power, which could be used to overturn their dissatisfaction with the current order. This type of state can create problems in the international system if they become strong enough to challenge the dominant state to increase their satisfaction.

The third type – the weak and satisfied – usually consists of states that are middle powers, small powers, and dependencies. Generally, such states have accepted the prevailing international order and have received certain benefits from the system (Schweller, 1994). This type of state is believed to be unlikely to cause problems in the international system for several reasons: they are satisfied with the status quo, do not have sufficient strength to fight back, are compliant and committed to the current order, and will stand against a challenger to the dominant state, despite the insignificant benefits they receive from the existing international order (Walt, 1985).

The last type – the weak and dissatisfied – consists of dependencies that are not satisfied with the current system and do not have the power to fight (Rynning and Ringsmose, 2008). These countries are forced to follow the prevailing order even though the benefits they receive are also insignificant. Countries in this category are not necessarily peaceful; they can carry out insurrections, but such insurrections will generally not destabilize the world unless they ally with major challengers. The main factor for these states' dissatisfaction is that they remain dependent on the non-industrial sector, thus becoming the target of exploitation by powerful countries.

## **2.2. Industrialization Motives of Rising Powers**

Industrialization is the most critical factor for states to obtain power and wealth. At the same time, industrialization is also seen as the source of many global problems. The power and wealth gained by a nation from industrialization could be converted into a threat to the status quo, as it could be used to satisfy their desires in the international system (Organski, 1958).

In terms of international power relations, there are two possible motives behind why a rising power may begin industrialization. Some states may undertake industrialization without the intention to replace the global hegemon. In this case, the rising power is usually satisfied with the current international order and benefits from being a part of the current international order to increase their national power and wealth (Kang, 2007). Though both the hegemon and the rising power may compete in many fields and even face conflicts, they aim to work together to arrange international order based on their common interests and goals.

The second possibility behind the industrialization of a rising power is to replace the hegemon. In this situation, the rising power is not satisfied with the current international system (Newman and Zala, 2018). The rising power likely holds a different ideology to the international order, so they are motivated to replace the current hegemon in the system in order to replace the global mandate with their own (Legro, 2007).

## **2.3. Hegemon's Response to a Rising Power**

Three possible policies can be considered by a hegemon while facing a rising power in the system. First, the hegemon may attempt to directly control the rising power to prevent them from developing their



industries, thus reducing the threat of industrialization. Moreover, a hegemon can foster internal subversion within a rising power and seek to replace that state's government with one that is more easily influenced by the hegemon. If all of these steps do not work, the hegemon is likely to carry out preventive war. This preventive war aims to destroy the rising power before it becomes too strong to contain (Organski, 1958).

The second possible policy is an indirect influence. A hegemon can indirectly influence a rising power that has the potential to become its rival in the future. A hegemon may implement trade barriers and embargoes or refuse to provide aid to the rising power. Though it will hurt the rising power when a hegemon refuses to provide them with aid, this will not stop its industrialization (Layne, 1993). A hegemon also can persuade its allies to do the same to further delay the rising power's industrialization process. This will limit the rising power from accessing the necessary goods and information they need in the period leading to industrialization as well as during the industrialization process itself (Organski, 1958).

The last possible policy for a hegemon in dealing with a rising power is to help the rising power. This takes the contrary approach to the first two policies. The hegemon can help the rising power in the hope that the rising power will remain friends, even if it becomes powerful enough to replace the hegemon (*ibid.*). In this third possibility, the hegemon establishes good relations with a rising state instead of making an enemy of them, but the hegemon will still simply have to hope that the rising power will not surpass it (Karim and Chairil, 2016). The drawback of this approach is that no state can guarantee that a "friend" will consider our interests as important as theirs (Organski, 1958).

The motives of the rising power behind their industrialization as well as the the hegemon's choice of policy will determine the conditions during the power transition period. Suppose the two states – the

hegemon and the rising power – choose to be friends and share common interests. In that case, peaceful conditions will last during the power transition period, even if the two states face several conflicts (*ibid.*). Peaceful conditions could also be realized if the rising power increases their power and capability through industrialization without replacing the hegemon (*ibid.*).

However, war will occur if a hegemon feels the need to prevent the rising power before it becomes too strong to be contained (*ibid.*). The stronger the rising power gets, the greater the threat to the hegemon's status as a global leader. Additionally, war could be initiated by a rising power who feels that they are strong and powerful enough to fight the hegemon's domination (*ibid.*).

Arguably, the final result of the power transition period is one of two possibilities: either the rising power replaces the hegemon as a global leader, or the hegemon in charge.

### **3. Power Transition and U.S.-China Trade War**

This section provides a general overview of the relationship between the United States and China, and examines the trade war between the two states. The manner in which power transition theory could provide insights into the trade war will also be explained in the following section.

#### **3.1. China's Economic Rise**

In the early days of its modern economic reform, China implemented several policies to increase the role of Chinese exports, such as decentralizing trade planning, adopting a more realistic exchange rate, and reducing bias towards exports. In 1992, China signed a Memorandum of Understanding (MoU) with the United States that

discussed the two states' commitment to reducing trade barriers (United States General Accounting Office, 1995). This MoU emphasized China's seriousness in its trade liberalization process. Tariff reductions began on January 1, 1992, when China reduced tariffs on 225 products from an average of 45 percent to 30 percent. In April 1992, China reduced between 20-80 percent tariffs on 14 products, and in December, additional tariffs of 3,371 products were reduced by an average of 7.3 percent (Li and Jiang, 2018). In the same year, China also committed to reducing other trade barriers not in the form of tariffs (non-tariff barriers) by 90 percent as well as reducing the number of quantitative restrictions from 1,247 to 240 in 2000 (*ibid.*).

Tariff reduction by China continued to expand with a broader product scope. In January 1994, China reduced import tariffs by 8.8 percent for additional 2,818 other products, while an average of 50 percent tariffs reduction also applied to around 200 industrial and agricultural goods. The following year at the 1995 Asia-Pacific Economic Cooperation (APEC) Summit, China announced that it would further reduce tariffs for 4,000 products from an average of 35.9 percent to 23 percent (*ibid.*). In December 2001, China officially became a member of the World Trade Organization (WTO). Since that year, trade, copyright, and foreign investment regulations and laws have become increasingly transparent, tariffs have been reduced, and non-tariff barriers have been removed (*ibid.*).

The global importance of China and its trade has increased significantly in the twenty-first century. This is supported by the capacity of Chinese factories and their human resources, leading to China currently being nicknamed the "world's factory" because of their ability to produce vast quantities and varieties of products needed by consumers worldwide (Zhang (ed.), 2006). McKinsey & Company found that, in 2017, China became the largest source of imports for 65

countries worldwide, and Chinese goods represented 11.4 percent of global trade as a whole (*CNBC*, 23rd September 2019). This shows how China has the ability to meet the needs of consumers all around the world.

According to data from the World Bank (2021), China's GDP in 2018 was US\$13.895 trillion. This amount represents a rapid increase from 1978, when China began its initial implementation of economic reforms; at the time, China's GDP was only US\$149.541 billion (World Bank, 2021). Trade alone contributed approximately 38 percent of China's total GDP in 2018, while in 1978, its contribution was less than 10 percent of China's GDP (*ibid.*). This trade percentage is calculated from the total exports and imports of goods and services.

In 1978, when China began to liberalize its economy under Deng Xiaoping's leadership, there was a marked increase in China's bilateral trade with other countries, including the United States. This led to closer relations between the U.S. and China, not only in the economic sector but also in the political sector. Nevertheless, the U.S.-China relationship remains complicated to this day. The United States and China often have the same concerns on international issues, such as the nuclearization of the Democratic People's Republic of Korea (North Korea). On the other hand, they also face disputes on various topics such as South China Sea freedom of navigation, human rights issues, and intellectual property rights protection (Steinberg and O'Hanlon, 2015; Yang and Qu, 2020).

As of 2018, the total trade in goods and services between the U.S. and China is US\$736.8 billion, with U.S. exports to China amounting to US\$178 billion and Chinese exports to the United States amounting to US\$558.8 billion (Office of the United States Trade Representative, 2020). This data shows that the U.S. trade deficit with China was US\$380.8 billion in 2018. The total trade for goods alone between the

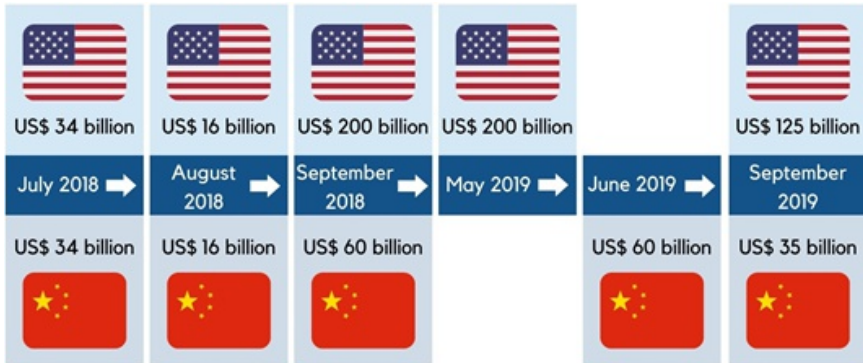
two countries in 2018 was US\$659.5 billion, making China the United States' largest trading partner in goods and resulting in a U.S. trade deficit to China of US\$419 billion for goods only (Goulard, 2020). China's exports to the U.S. are dominated by computers, cell phones, clothing, toys, and sporting goods, while U.S. exports to China are primarily commercial aircraft, soybeans, and semiconductors (Amadeo, 2021).

The data show that the U.S. and China are extensive trading partners and greatly influence one another. In fact, China is the third-largest export partner for U.S. goods and is the U.S.'s largest partner in terms of imported goods. This remains the case today, despite the focus of the previous Donald Trump administration on the U.S.'s trade deficit with China and attempts to implement trade practices considered to be unfair to China (Yang and Qu, 2020).

### ***3.2. The United States-China Trade War at a Glance***

The current trade war between the United States and China began in July 2018 when the U.S. imposed a tariff of 25 percent on U.S. trade with China, equivalent to approximately US\$34 billion (CNBC, 15th June 2018). In response, China retaliated and increased the import tariffs on U.S. products by 25 percent (Reuters, 6th May 2019) (see Figure 2). The Trump administration hoped their new tariff on Chinese imports would increase the price of Chinese products in the American market, inspiring consumers to choose local American products for their cheaper price (Sheng *et al.*, 2019). As the United States sees international trade as a zero-sum game, a trade deficit is seen as a loss that must be fixed. In the end, the United States believes that such an increase in tariffs can fix a trade deficit with China (Moosa *et al.*, 2020).

**Figure 2** The United States and China Trade Tariffs Increase



Source: Nicita (2019).

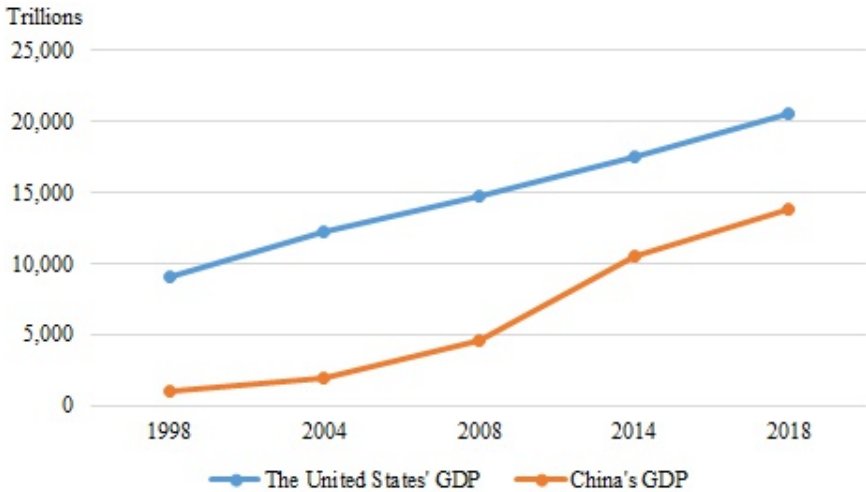
Many scholars believe that its trade deficit with China is one of the issues that prompted the United States to start this trade war (Chong and Li, 2019; Pangestu, 2019). The U.S. administration under Trump believed that this trade deficit would cause a reduction in the number of jobs in the country (Sheng *et al.*, 2019). In addition, the U.S. considered China to be using illegal and unfair trade practices to acquire U.S. technology; they believed that China was trying to weaken U.S. national security and its international status (Liu and Woo, 2018). China was also considered by the U.S. to have failed in protecting intellectual property rights (Lai, 2019). However, others argue that imposing tariff barriers will not solve the U.S.’s problems (Guo *et al.*, 2018; Krugman, 2016). Such change requires deep structural reforms and large new investments that would make the U.S. economy dynamic and its workers competitive again (McCormack and Novello, 2020; Moosa *et al.*, 2020).

The current trade war between the U.S. and China affects not only the two states' economies but also those of other states, such as the European Union, member states of the Association of Southeast Asian Nations (ASEAN), South Korea, Japan, and Taiwan (Chong and Li, 2019). The U.S.-China trade war is thus affecting the global economy and is considered to be hampering global economic activity and trade as a whole (Iqbal *et al.*, 2019).

According to the *World Economic Outlook* report released by the International Monetary Fund (IMF) in April 2019, the forecast for global economic growth in 2019 was 3.3 percent. However, with the implementation of U.S. trade tariffs on China and vice versa, the IMF lowered the estimated global economic growth to 3 percent (IMF, 2019). In fact, global economic growth in 2019 reached just 2.3 percent, the lowest figure since 2008 (UNCTAD, 2020). This shows that the trade war between the U.S. and China has affected the global economy and slowed its growth.

### ***3.3. Trade war as a Sign of Power Transition***

According to power transition theory, war is possible if competing countries have similar political, economic, and military capabilities (Organski and Kugler, 1980). These relatively equal capabilities can also be referred to as power parity, which is an important aspect that determines the conditions during power transition (Zhu, 2006). The United States and China are the world's two largest economies. U.S. GDP grew from US\$19.485 trillion in 2017 to US\$20.529 trillion in 2018, while China's GDP grew from US\$12.31 trillion to US\$13.895 trillion over the same period (World Bank, 2021). This shows that the two countries are approaching power parity (see Figure 3).

**Figure 3** The United States and China GDP Growth

Source: World Bank (2021).

A hegemonic war is a war to determine which country will become the dominant state to control the system (Gilpin, 1983). This potential for this type of war between China and the U.S. is not only driven by power parity, but also driven by the fact that China is a state that belongs to the second type of national characteristics; that is, the powerful and dissatisfied (Feng, 2009). According to the power transition theory, if rising power identifies with this type, then transition is most likely through war. Meanwhile, if the rising power comes from a state that can be identified as the powerful and the satisfied, the power transition period is more likely to be peaceful (Organski, 1958).

As mentioned before, China started its economic reforms in 1978 under Deng Xiaoping. This wide-reaching financial reform means that



China is currently experiencing a significant economic rise, with its economy growing by an average of 9.5 percent per year (Morrison, 2014). In this period of reform and industrialization, China is seen to be integrated into the current liberal international order by joining several international organizations, such as WTO and the UN. However, in the integration process, China often encounters problems with other states due to differences in common international values, rules, and norms with the country's internal domestic (Weinhardt and ten Brink, 2020). This leaves China involved in violations of international rules and contestation influenced by its domestic preferences. Weinhardt and ten Brink (2020) explained that two types of contestation are faced by China: frame contestation (rules validity contestation) and claim contestation (action contestation; rules violation).

In economic sectors dominated by state owned companies, such as steel, China tends to break the rules and even question the rules' validity. In the steel sector, for example, China is involved in both frame contestation and claim contestation because this sector is a crucial one directly dominated by the state. Thus, it will be impossible for China to pressure this sector to fully conform to WTO rules because they contradict its domestic rules and preferences (*ibid.*).

In sectors that are quite important to the country but are not directly dominated by the government, such as agriculture, China tends to bend the rules to argue that they are not a developed country but a developing country. China is involved in claim contestation in the agricultural sector because it considers agriculture alleviates poverty for small-scale farmers in areas that are not economically competitive, thus increasing development indicators. China claims that the existing rules are too focused on developed countries, so, according to China, they are allowed to bend the rules to make them more suitable for developing countries, including themselves (*ibid.*).

In a competitive sector like information and technology (IT), China tends to comply fully with international rules (Yang and Qu, 2020). By complying, China will become more developed in this sector and obtain more opportunities and profits in the international market (Weinhardt and ten Brink, 2020).

With its growing economic might, China appears to have motivations to replace the U.S. as a global hegemon. China's actions relating to international trade signal its dissatisfaction with the current international order, where China calls into question the order's validity in several sectors, in line with their domestic preferences.

China's motivation to replace the U.S. are reflected in its global initiatives, notably the Belt and Road Initiative (BRI). BRI is a Chinese-led initiative to promote connectivity and strengthen partnerships in Asia, Europe, and Africa. China is trying to build infrastructure to connect countries in the world through sea and land routes and increase trade traffic. Through this initiative, China argues that it seeks to build shared interest and responsibility communities and promote cooperation in all fields. China claims that BRI promotes mutual trust in politics, economic integration, and cultural inclusiveness among the countries that are members (State Council, PRC, 2015).

The giant BRI initiative is seen as Chinese statecraft that will help it to achieve its goals of expanding its global influence on politics and economy. At least two thirds of all countries or around 139 countries in the world have joined this initiative (Sacks, 2021). China is also investing in port development to support its objective to deepen trade links with the world (Chatzky and McBride, 2020). However, despite benefits such as improved infrastructure that can increase the rate of global trade, the drawbacks of BRI could also be dangerous. For example, China provides low-interest loans to states involved, and ultimately these loans can leave countries deep in debt. In some cases,

China even requires the countries involved to use the services of Chinese companies on local infrastructure initiatives instead of local companies (*ibid.*).

China's second global initiative is known as the Made in China 2025 Strategic Plan. In this plan, China aims that by 2025, they will have 70 percent self-sufficiency in the high-tech industry (*ibid.*). It will no longer depend on other countries' technology and will even be able to promote Chinese high-tech producers in the global market. The aim is to increase the productivity and efficiency of China's industries, in turn boosting China's industries further and improving their economic competitiveness (Sutter, 2020). The strategic plan, which inspired by Germany's industrial 4.0 development plan, aims to catch China up with the technological capabilities of the West and perhaps even to surpass the capabilities of Western countries. However, the Chinese government later re-framed the Made in China 2025 Strategic Plan as an aspirational and unofficial one, following significant attention from leaders of Western states, who judged the plan as demonstrating China's ambition to become a global leader (McBride and Chatzky, 2020).

In the military sector, China is also trying to increase its defense power through various efforts. China initiated a project entitled Civil Military Integration (CMI), intending to harmonize its civil and defense technology development to achieve efficiency, innovation, and growth. In addition, China has strengthened the People's Liberation Army (PLA) through an array of training and evaluation programs (Office of the Secretary of Defense, US, 2020). China is also noted to have increased its defense budget to maximize and accelerate the development of its military capabilities, including an increase in ownership of fighter jets, aircraft carriers, and anti-satellite missiles, leading China to become the country with the world's second-largest defense budget, behind the United States (Funairole *et al.*, 2021).

Once a hegemon faces a rising power, the hegemon may initiate a hegemonic war as a method of prevention, before the rising power becomes too strong to contain (Organski, 1958). By imposing tariffs on its trade with China, we can see that the United States has chosen to indirectly influence China in order to delay China's industrialization and economic rise. These tariffs have brought the two states into a trade war. In this context, the hegemonic war is being carried out not conventionally with military warfare, but with a trade war. The United States is trying to restore its competitive advantage by trying to hold back the pace of China's economic growth, which, if left unchecked, is likely to threaten the U.S.'s position and international status as a global leader. The Trump administration also explicitly stated it believes that the Made in China 2025 Strategic Plan is a plan that will harm companies from not just the United States but from around the world (*The Guardian*, 4th April 2018).

For the United States, imposing tariffs on trade with China was justified by argument that the U.S. was attempting their trade deficit. Moreover, the United States considered that China was using illegal and unfair trade practices to acquire U.S. technology and was failing to protect intellectual property rights, in addition to attempting to weaken U.S. national security and international status (Lai, 2019; Liu and Woo, 2018). For example, China was seen to conduct unfair trade practices by providing subsidies to Chinese companies to sell commodities at lower prices. Thus, besides aiming to fix U.S. trade deficit, this measure was also seen as a financial 'fine' for China. On the other hand, through the lens of the power transition theory, increased tariffs can also be seen as a preventive measure that the United States considers capable of containing China's economic rise and increased influence.

The current U.S.-China trade war indicates that the world is potentially in a not-peaceful power transition. The United States as a hegemon feels the need to implement a preventive war (in this case, a trade war in the form of increasing tariffs on China's products) so that China's economic growth can be limited. However, this action is a measure of protectionism that violates the WTO rules (*CNBC*, 15th September 2020). As a rising power and the world's second-largest economy, China feels capable of fighting back against the U.S. by increasing tariffs for American products. This reciprocal action occurred in several rounds, until finally, the two states were involved in a trade war that has had far-reaching effects on the global economy as a whole.

As can be seen from World Bank data, global economic growth in 2019 only reached 2.6 percent, the lowest figure since 2008, despite projections of 3.3 percent (World Bank, 2019). This decline in the global economic growth rate has the potential to significantly disrupt global financial stability. In fact, global economic stability is one of the international public goods that the United States as a hegemon should fulfill.

The United States claims that the cheap Chinese products and its trade deficit with China are hurting local firms and causing reduced employment opportunities in the U.S. The U.S. argument is that an increase in price will cause a drop in consumer interest in Chinese-made products, instead causing them to turn towards local products. Thus, this policy is also seen as a protectionist measure by the United States for their local companies and workers.

The introduction of higher tariffs by the U.S. was followed by its withdrawal from several international agreements and organizations, such as the Trans Pacific Partnership (TPP), the Iran Nuclear Deal, the Paris Agreement, the U.N. Educational, Scientific and Cultural

Organization (UNESCO), and the U.N. Human Rights Council (Narine, 2018; Wolfe, 2018; Zhang *et al.*, 2017). The Trump administration saw these schemes as detrimental to the U.S. because many countries became ‘free riders’, even though these international schemes are formed based on liberal values, which the U.S. tends to promote globally (Karim, 2020).

The United States’ withdrawal from various international organizations and agreements illustrates its reluctance to provide international public goods as the hegemon. According to Ikenberry and Nexon (2019), to create stability, the international system needs a country that is willing and able to act as a quasi-international government and provides public goods for the international community by mobilizing their resources, both economic and military. Through this explanation, it can be concluded that a hegemon must be willing to make sacrifices to mobilize its resources to create public goods and create international stability. The trade war started by the U.S. has the potential to disrupt one of these public goods – global economic stability – because of the trade war’s extremely broad impact on the decline in global economic growth as a whole.

The United States has thus abandoned its role as the provider of public goods and has turned into a consumer of public goods (Zhang *et al.*, 2017). International organizations and agreements can facilitate cooperation between countries to produce public goods in international policies. Collaboration between countries can also create complex interdependence between countries that are needed to maintain international peace, security, and stability, which are also a part of international public goods. In the context of international trade, the United States’ withdrawal from the TPP can be seen as a decrease in their commitment to promoting free trade in the international system. According to the United States, the TPP did not benefit them; in fact, it

caused losses (Narine, 2018). With this, it can be seen that the U.S., as a hegemon, refuses to devote its resources to providing international public goods to create free trade. This decline in the United States' role can ultimately be seen as a decline in US global hegemony.

China has so far responded to the decline in U.S. hegemony by using its position as a rising power and taking an active role in the international system. In the United Nations Human Rights Council, which under Trump was abandoned by the U.S., China seemingly took an important role in promoting human rights, which are one of the essential values of the liberal world order (Cooley and Nexon, 2020). In addition, China has shown its significant influence in the international health sector by becoming a provider of health goods for other countries while facing the COVID-19 pandemic. This contrasts with the United States' decision to cut off funding to the World Health Organization (WHO) because the US considers China to have dominant influence over the organization (*The BMJ*, 1st June 2020).

The decline in U.S. hegemony and China's increasing role shows that the world is indeed in a power transition period, though the United States itself has tried to maintain its position as a global leader by attempting to suppress China's rise through the implementation of a trade war. By understanding the conditions explained above, we can see that the international system's power transition is inevitable. As a rising power, China seeks to be in the dominant position in the system, which can be seen in their global initiatives. The United States, as the current hegemon, tries to hold China's economic rise by imposing tariffs on its trade with China before China gets too strong to contain. This later became a trade war. In addition, the fact that the United States' global influence is declining while that of China is increasing, further triggers the power transition.

#### 4. Conclusion

This paper has shown how the current trade war between the United States and China can be seen as a form of power transition in the international system. In accordance with power transition theory, China's rise began with its internal transition through economic reforms and industrialization, which took China from a developing country to become the world's second-largest economy. This economic rise led to China almost achieving power parity with the U.S., making China a challenger for the position of global hegemon. In addition, power transition theory explains that stability can be obtained if there is a dominant state in the system, which is willing and able to use its resources to create international public goods. The growing reluctance of the United States to provide international public goods shows signs of diminishing U.S. hegemony. At the same time, as a rising power, China has shown its increasingly significant global influence and its role in creating international public goods. This can be interpreted as China's aspiration to replace the U.S. as hegemon.

Seeing China as a potential threat in taking its position as a global leader, the United States implemented trade barriers by increasing tariffs on Chinese-made goods. The U.S. hopes this tariff increase will reduce China's economic rise, given that it will affect China's income from exports to the United States. In other words, these tariffs are preventive measures from the U.S. to suppress China's economic rise before China becomes too strong. As a rising power, China feels capable of retaliating, so China has since applied tariffs in return on U.S. products. These repeated increases have ultimately placed the two states into a trade war, impacting the global economy.

According to the power transition theory, the transition of power can take place both peacefully and war-ridden. However, looking at the United States and China's conditions with their strength approaching



power parity, this power transition appears to be occurring in line with the definition of a hegemonic war. This theory explains that a war during in a power transition will most likely occur if the challenger is a country that is “powerful and dissatisfied”.

The U.S.-China trade war is thus a tangible form of the power transition process in the international order. It shows that even though the United States rejects China’s rise, indications of a power transition have already occurred, with the trade war being the most obvious indication. Through a trade war, the United States is preventing China from replacing them as the hegemon in the system, yet at the same time, the U.S. is showing signs of hegemonic decline.

However, as the trade war is still ongoing, the power transition period’s result cannot be analyzed in this paper. Whether China as a rising power replaces the U.S. as a hegemon, or the U.S. remains a hegemon, is not provided in this research. Therefore, future research will be needed to complete this analysis of the U.S.-China trade war through the lens of power transition theory.

## Notes

- \* Dr Moch Faisal Karim (corresponding author) is an Assistant Professor at the Department of International Relations, Bina Nusantara University, Jakarta, Indonesia. His research has been published in *Foreign Policy Analysis*, *Third World Quarterly*, *Australian Journal of International Affairs*, *The Pacific Review*, *Asian Journal of Social Science*, *South East Asia Research*, *European Journal of East Asian Studies*, *International Area Studies Review*, and *Journal of International Migration and Integration*. He is currently a managing editor for *Journal of ASEAN Studies*. <Email: [faisal.karim@binus.ac.id](mailto:faisal.karim@binus.ac.id)>

\*\* Alfiani Gracia Susanto is a Research Associate at the Centre for Business and Diplomatic Studies (CBDS), Bina Nusantara University, Jakarta, Indonesia. Her research focus is in the area of Indonesia-China relations, and Chinese foreign policy. <Email: [alfiani.susanto@binus.ac.id](mailto:alfiani.susanto@binus.ac.id)>

## References

- Amadeo, Kimberly (2021). U.S. trade deficit with China and why it's so high. *The Balance*, updated 30th April 2021. <<https://www.thebalance.com/u-s-china-trade-deficit-causes-effects-and-solutions-3306277>>
- Chan, Steve (2007). *China, the US and the power-transition theory: A critique*. 1st edition. New York: Routledge.
- Chatzky, Andrew and James McBride (2020). China's massive Belt and Road Initiative. *Backgrounder*, updated 28th January 2020. New York: Council on Foreign Relations. <<https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>>
- Chong, Terence Tai Leung and Xiaoyang Li (2019). Understanding the China-US trade war: Causes, economic impact, and the worst-case scenario. *Economic and Political Studies*, Vo. 7, No. 2, pp. 185-202.
- CNBC (15th June 2018). China announces retaliatory tariffs on \$34 billion worth of US goods, including agriculture products. (Reported by Evelyn Cheng.) <<https://www.cnbc.com/2018/06/15/china-announces-retaliatory-tariffs-on-34-billion-worth-of-us-goods-including-agriculture-products.html>>
- CNBC (23rd September 2019). Here are 4 charts that show China's rise as a global economic superpower. (Reported by Yen Nee Lee.) <<https://www.cnbc.com/2019/09/24/how-much-chinas-economy-has-grown-over-the-last-70-years.html>>
- CNBC (15th September 2020). WTO says U.S. tariffs on Chinese goods violated international trade rules. (Reported by Amanda Macias.) <<https://www.cnbc.com/2020/09/15/wto-says-us-tariffs-on-chinese-goods-violated-international-trade-rules.html>>

[//www.cnn.com/2020/09/15/wto-says-us-tariffs-on-chinese-goods-violated-international-trade-rules.html](https://www.cnn.com/2020/09/15/wto-says-us-tariffs-on-chinese-goods-violated-international-trade-rules.html)>

- Cooley, Alexander and Daniel Nexon (2020). *Exit from hegemony: The unraveling of the American global order*. Oxford: Oxford University Press.
- Feng Huiyun (2009). Is China a revisionist power? *The Chinese Journal of International Politics*, Vol. 2, No. 3, pp. 313-334.
- Funaiole, Matthew P., Brian Hart, Bonnie S. Glaser and Bonnie Chan (2021). Understanding China's 2021 defense budget. *Critical Questions*, 5th March 2021. Washington, DC: Center for Strategic and International Studies (CSIS). <<https://www.csis.org/analysis/understanding-chinas-2021-defense-budget>>
- Gilpin, Robert (1983). *War and change in world politics*. Cambridge: Cambridge University Press.
- Gilpin, Robert (1988). The theory of hegemonic war. *The Journal of Interdisciplinary History*, Vol. 18, No. 4, pp. 591-613.
- Goulard, Sebastien (2020). The impact of the US-China trade war on the European Union. *Global Journal of Emerging Market Economies*, Vo. 12, No. 1, pp. 56-68.
- Guo, Meixin, Lin Lu, Liugang Sheng and Miaojie Yu (2018). The day after tomorrow: Evaluating the burden of Trump's trade war. *Asian Economic Papers*, Vo. 17, No. 1, pp. 101-120.
- Hurrell, Andrew (2013). Regional powers and the global system from a historical perspective. In: Daniel Flomen (ed.), *Regional leadership in the global system: Ideas, interests and strategies of regional powers*. Burlington, VT: Ashgate Publishing.
- Ikenberry, G. John and Daniel H. Nexon (2019). Hegemony studies 3.0: The dynamics of hegemonic orders. *Security Studies*, Vol. 28, No. 3, pp. 395-421.
- International Monetary Funds (IMF) (October 2019). *World Economic Outlook, October 2019: Global manufacturing downturn, rising trade barriers*.

<https://www.imf.org/en/Publications/WEO/Issues/2019/10/01/world-economic-outlook-october-2019%C2%A0%20%C2%A0>

- Iqbal, Badar Alam, Nida Rahman and Jonathan Elimimian (2019). The future of global trade in the presence of the Sino-US trade war. *Economic and Political Studies*, Vol. 7, No. 2, pp. 217-231.
- Kang, David Chan-oong (2007). *China rising: Peace, power, and order in East Asia*. New York: Columbia University Press.
- Karim, Moch Faisal (2020). The limits of global human rights promotion: Indonesia's ambivalent roles in the UN Human Rights Council. *Contemporary Politics*, Vol. 26, No. 3, pp. 351-370.
- Karim, Moch Faisal and Tangguh Chairil (2016). Waiting for hard balancing? Explaining Southeast Asia's balancing behaviour towards China. *European Journal of East Asian Studies*, Vol. 15, No. 1, pp. 34-61.
- Kim, Woosang and Scott Gates (2015). Power transition theory and the rise of China. *International Area Studies Review*, Vol. 18, No. 3, pp. 219-226.
- Krugman, Paul (2016). And the trade war came. *The New York Times*, 26th December 2016 (Opinion). <https://www.nytimes.com/2016/12/26/opinion/and-the-trade-war-came.html>
- Lai, Edwin L.-C. (2019). The US–China trade war, the American public opinions and its effects on China. *Economic and Political Studies*, Vol. 7, No. 2, pp. 169-184.
- Layne, Christopher (1993). The unipolar illusion: Why new great powers will rise. *International Security*, Vol. 17, No. 4, pp. 5-51.
- Layne, Christopher (2009). The waning of U.S. hegemony—Myth or Reality? A review essay. *International Security*, Vo. 34, No. 1, pp. 147-172.
- Legro, Jeffrey W. (2007). What China will want: The Future Intentions of a Rising Power. *Perspectives on Politics*, Vol. 5, No. 3, pp. 515–34.
- Li, Chunding, Chuantian He and Chuangwei Lin (2018). Economic impacts of the possible China–US trade war. *Emerging Markets Finance and Trade*, Vol. 54, No. 7, pp. 1557-1577.

- Li, Kunwang and Wei Jiang (2018). China's foreign trade: Reform, performance and contribution to economic growth. In: Ross Garnaut, Ligang Song, and Cai Fan (eds.), *China's 40 years of reform and development: 1978–2018*. Canberra: ANU Press.
- Lim, Yves-Heng (2015). How (dis)satisfied is China? A power transition theory perspective. *Journal of Contemporary China*, Vol. 24, 2015 - Issue 92, pp. 280-297.
- Liu, Kerry (2018). Chinese manufacturing in the shadow of the China–US trade war. *Economic Affairs*, Vol. 38, No. 3, pp. 307-324.
- Liu, Tao and Wing Thye Woo (2018). Understanding the U.S.-China trade war. *China Economic Journal*, Vol. 11, No. 3, pp. 319-340.
- McCormack, Michael and Amanda Novello (2020). The true state of the U.S. economy. *Challenge*, Vol. 63, No. 2, pp. 60-76.
- Moosa, Nisreen, Vikash Ramiah, Huy Pham and Alastair Watson (2020). The origin of the US-China trade war. *Applied Economics*, Vol. 52, No. 35, pp. 3842-3857.
- Morrison, Wayne M. (2014). *China's economic rise: History, trends, challenges, and implications for the United States*. (CRS Report RL33534.) Washington, DC: Congressional Research Service (CRS).
- Morrison, Wayne M. (2019). China's economic rise: History, trends, challenges, and implications for the United States. *Current Politics and Economics of Northern and Western Asia*, Vol. 28, No. 2/3, pp. 189-242.
- Narine, Shaun (2018). US domestic politics and America's withdrawal from the Trans-Pacific Partnership: Implications for Southeast Asia. *Contemporary Southeast Asia*, Vol. 40, No. 1, pp. 50-76.
- Newman, Edward and Benjamin Zala (2018). Rising powers and order contestation: Disaggregating the normative from the representational. *Third World Quarterly*, Vol. 39, No. 5, pp. 871-888.
- Nicita, Alessandro (November 2019). Trade and trade diversion effects of United States tariffs on China. *UNCTAD Research Paper No. 37*. Geneva:

- United Nations Conference on Trade and Development (UNCTAD).  
Office of the Secretary of Defense, United States (2020). *Military and security developments involving the People's Republic of China 2020*. (Annual Report to Congress.) Washington, DC: US Department of Defense.
- Office of the United States Trade Representative (USTR), Executive Office of the President (2020). The People's Republic of China – U.S.-China trade facts. <<https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china#:~:text=China%20is%20currently%20the%20United,wass%20%24345.2%20billion%20in%202019>>
- Organski, A.F.K. (1958). *World politics*. New York: Knopf.
- Organski, A.F.K. and Jacek Kugler (1980). *The war ledger*. Chicago: University of Chicago Press.
- Pangestu, Mari (2019). China–US trade war: An Indonesian perspective. *China Economic Journal*, Vol. 12, No. 2, pp. 208-230.
- Reuters (6th May 2019). Factbox: Tariff wars - duties imposed by Trump and U.S. trading partners. <<https://www.reuters.com/article/us-usa-trade-tariffs-factbox-idUSKCN1SB0SA>>
- Rynning, Sten and Jens Ringsmose (2008). Why are revisionist states revisionist? Reviving classical realism as an approach to understanding international change. *International Politics*, Vol. 45, No. 1, pp. 19-39.
- Sacks, David (2021). Countries in China's Belt and Road Initiative: Who's in and who's out. *Blog Post*, 24th March 2021. New York: Council on Foreign Relations. <<https://www.cfr.org/blog/countries-chinas-belt-and-road-initiative-whos-and-whos-out>>
- Schweller, Randall L. (1994). Bandwagoning for profit: Bringing the revisionist state back in. *International Security*, Vol. 19, No. 1, pp. 72-107.
- Schweller, Randall L. and Xiaoyu Pu (2011). After unipolarity: China's visions of international order in an era of U.S. decline. *International Security*, Vol. 36, No. 1, pp. 41-72.

- Sheng, Liugang, Hongyan Zhao and Jing Zhao (2019). Why will Trump lose the trade war? *China Economic Journal*, Vol. 12, No. 2, pp. 137-159.
- Sinaga, Lidya Christin (2020). Xi Jinping, 'China Dream', and Chinese military diplomacy to ASEAN. *JAS (Journal of ASEAN Studies)*, Vol. 8, No. 2, pp. 173-190.
- Steinberg, James and Michael E. O'Hanlon (2015). *Strategic reassurance and resolve: U.S.-China relations in the Twenty-first Century*. Princeton, NJ: Princeton University Press.
- Sutter, Karen M. (11th August 2020 Version). "Made in China 2025" industrial policies: Issues for Congress. *In Focus (CRS Report)*. Washington, DC: Congressional Research Service.
- The BMJ* (1st June 2020). US to withdraw from WHO as China has "total control" over it, Trump claims. (News reported by Elisabeth Mahase.) <<https://www.bmj.com/content/369/bmj.m2178>>
- The Guardian* (4th April 2018). Made in China policy at centre of tariff war with US. (Reported by Lily Kuo.) <<http://www.theguardian.com/world/2018/apr/04/made-in-china-policy-at-centre-of-tariff-war-with-us>>
- United Nations Conference on Trade and Development (UNCTAD) (16th January 2020). Prospects for economic growth in 2020 hinge on reducing trade disputes and uncertainty, UN finds. <<https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2272>>
- United States General Accounting Office (GAO) (January 1995). *U.S.-China trade: Implementation of agreements on market access and intellectual property*. (Report to the Honorable Hank Brown, U.S. Senate.)
- Walt, Stephen M. (1985). Alliance formation and the balance of world power. *International Security*, Vol. 9, No. 4, pp. 3-43.
- Webb, Michael C. and Stephen D. Krasner (1989). Hegemonic stability theory: An empirical assessment. *Review of International Studies*, Vol. 15, No. 2, pp. 183-198.

- Weinhardt, Clara, and Tobias ten Brink (2020). Varieties of contestation: China's rise and the liberal trade order. *Review of International Political Economy*, Vol. 27, No. 2, pp. 258-280.
- Wolfe, Lauren (2018). Trump's insidious reason for leaving the UN Human Rights Council. *The Atlantic*, 20th June 2018. <<https://www.theatlantic.com/international/archive/2018/06/trump-haley-un-human-rights-israel-venezuela-withdrawal/563246/>>
- World Bank (2019). Global growth to weaken to 2.6% in 2019, substantial risks seen. *Press Release No: 2019/190/EFI*, 4th June 2019. <<https://www.worldbank.org/en/news/press-release/2019/06/04/global-growth-to-weaken-to-26-in-2019-substantial-risks-seen>>
- World Bank (2021). *Data – China*. <<https://data.worldbank.org/country/CN>>
- Yang, Xinglong and Shuang Qu (2020). China-US trade friction under trade unilateralism and China's legal responses. *Contemporary Chinese Political Economy and Strategic Relations: An International Journal*, Vol. 6, No. 2, pp. 655-691.
- Zhang, Kevin H. (ed.) (2006). *China as the world factory*. London and New York: Routledge.
- Zhang, Yong-Xiang, Qing-Chen Chao, Qiu-Hong Zheng, and Lei Huang (2017). The withdrawal of the U.S. from the Paris Agreement and its impact on global climate change governance. *Advances in Climate Change Research*, Vol. 8, No. 4, pp. 213-219.
- Zhao, Quansheng (2005). America's response to the rise of China and Sino-US relations. *Asian Journal of Political Science*, Vol. 13, No. 2, pp. 1-27.
- Zhu, Zhiqun (2006). *US-China relations in the 21st Century: Power transition and peace*. London: Routledge.