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THE EMERGING SINO-AMERICAN COLD WAR

Introduction

Donald Trump's policies towards China over the first three years of his presidency were full of twists and turns. On the presidential campaign trail, he painted Sino-America relations in dark terms and right after his inauguration he continued in the same vein. However, later he changed tack and seemed to develop good relations with his Chinese counterpart. This warming, however, did not last for long and eventually gave way to bitter economic confrontation. This paper discusses shifts in American policies towards the Asian giant under President Trump and highlights challenges in international affairs that China presents to American leadership. The economic war that started in the spring of 2018 is now quickly escalating into a new cold war that cuts across all aspects of global politics.

Trump's evolving stance on China

Trump's views as a presidential candidate were clearly shaped by advisers like Steve Bannon and Dr. Peter Navarro. The former assumed important positions in the Trump administration; he became a member of the Principals Commit-

tee of the U.S. National Security Council and White House Chief Strategist, and the latter was made Director of the White House National Trade Council. Before the 2016 presidential campaign, Bannon opined that there will be a war between the United States and China within a decade.¹ Professor Navarro co-authored a book in which he argued that China resorts to unfair economic policies aimed at the subversion of American dominance.²

In the months following the elections and after assuming the presidency, actions taken by Donald Trump and his administration indicated that the U.S. is sticking to these anti-Chinese views. For instance, on January 11, 2017, Rex Tillerson, the newly appointed Secretary of State, said during his confirmation hearings in the U.S. Senate that America should prevent the Middle Kingdom from accessing illegally constructed islands on the South China Sea.³ Beijing was particularly angered with the relatively friendly relationships between the United States and Taiwan, an island that China considers its integral part. After winning the elections, President Trump accepted a congratulatory phone call from Tsai Ing-wen, president of Taiwan.⁴ Also, the Taiwanese president made several stopovers on the American soil on her travels to third countries.⁵

However, after the early tough statements, the President's rhetoric calmed down. While the Chinese continue the construction of dual use facilities, including underground storage and administrative facilities and a "large radar and sensor arrays" totaling some 72 acres in the Spratly and Paracel Islands,⁶

¹ B. Haas, "Steve Bannon: 'We're Going to War in the South China Sea... No Doubt'", *The Guardian*, 1.02.2017, <https://www.theguardian.com/us-news/2017/feb/02/steve-bannon-donald-trump-war-south-china-sea-no-doubt> [accessed: 11.01.2018].

² P. Navarro, G. Autry, *Death by China: Confronting the Dragon – A Global Call to Action*, Prentice Hall, Upper Saddle River, N.J., 2011.

³ It is worth noting that Chinese activity in this region is nothing new. For instance, the Chinese have been constructing military installations on Fiery Cross Reef and Subi Reef since 1988 and by now the facilities boast deep-water ports, a 10,000 feet long runway and aircraft hangers among others. A. Macias, "China Quietly Installed Defensive Missile Systems on Strategic Spratly Islands in Hotly Contested South China Sea", CNBC, 2.05.2018, <https://www.cnbc.com/2018/05/02/china-added-missile-systems-on-spratly-islands-in-south-china-sea.html> [accessed: 14.01.2019].

⁴ A. Gearan, Ph. Rucker, S. Denyer, "Trump's Taiwan Phone Call Was Long Planned, Say People Who Were Involved", *The Washington Post*, 4.12.2016, https://www.washingtonpost.com/politics/trumps-taiwan-phone-call-was-weeks-in-the-planning-say-people-who-were-involved/2016/12/04/f8be4b0c-ba4e-11e6-94ac-3d324840106c_story.html?utm_term=.fd5e06c5ae86 [accessed: 11.01.2018].

⁵ M.N. Maratita, "Taiwan President Visits U.S. Territory of Guam Despite Chinese Ire", Reuters, 3.11.2017, <http://www.reuters.com/article/us-usa-taiwan-guam/taiwan-president-visits-us-territory-of-guam-despite-chinese-ire-idUSKBN1D30J7> [accessed: 11.01.2018].

⁶ "A Constructive Year for Chinese Base Building", Center for Strategic and International Studies, 14.12.2017, <https://amti.csis.org/constructive-year-chinese-building> [accessed: 15.01.2018].

developments confirmed by official Chinese sources,⁷ the American response was restrained. The U.S. Navy is conducting freedom of navigation exercises in the South China Sea⁸ and is moving assets from the eastern Pacific to Asia to meet obligations stemming from security arrangements,⁹ and U.S. Navy commanders in the theatre speak out about the threats emanating from Beijing.¹⁰ The U.S. also seems to be supportive of all other claimants to the disputed area building their own artificial islands and military installations on the until-recently uninhabited Spratly Islands.¹¹ Yet, the Trump administration refrained from taking firmer actions, for instance sanctioning Chinese entities involved in activities hostile to American interests.

In April 2017 President Xi Jinping visited the United States and prior to it, President Trump predicted “very difficult” discussions, especially regarding the alleged theft of American intellectual property and jobs by the Asian competitor. However, afterwards, the president declared that “we have made tremendous progress in our relationship with China.” Moreover, President Trump foresaw the American and the Chinese “making additional progress” and stated that “the relationship developed by President Xi and myself I think is outstanding.” This optimism came even though the Chinese leader made no specific promises to resolve American grievances. On the most prominent issue, the huge U.S. trade deficit, China only agreed to a 100-day plan for talks aimed at boosting American exports and reducing its surpluses in bilateral trade. China also invited the U.S. to join the One Belt One Road initiative, a program that is widely perceived as a way to expand Chinese influence in Asia and Africa.¹²

⁷ “S. China Sea Island Construction Strengthens Defense, Helps Locals”, *People’s Daily Online*, 25.12.2017, <http://en.people.cn/n3/2017/1225/c90000-9307949.html> [accessed: 18.01.2018].

⁸ F.-S. Gady, “South China Sea: US Navy Conducts Freedom of Navigation Operation”, *The Diplomat*, 10.08.2017, <https://thediplomat.com/2017/08/south-china-sea-us-navy-conducts-freedom-of-navigation-operation> [accessed: 19.01.2018].

⁹ T. Kelly, “U.S. Navy Chief Says Forces in Asia May Be Reinforced with Warships from the Eastern Pacific”, *Reuters*, 19.12.2017, <https://www.reuters.com/article/us-usa-navy-northkorea-china/u-s-navy-chief-says-forces-in-asia-may-be-reinforced-with-warships-from-the-eastern-pacific-idUSKBN1ED0C0> [accessed: 12.01.2019].

¹⁰ S. Miglani, “China Is a Disruptive Force, U.S. Pacific Military Chief Says”, *Reuters*, 18.01.2018, <https://www.reuters.com/article/us-india-security-china-us/china-is-a-disruptive-force-u-s-pacific-military-chief-says-idUSKBN1F71ZS> [accessed: 21.01.2019].

¹¹ G. Torode, B. Blanchard, “Beijing Seen Poised for Fresh South China Sea Assertiveness”, *Reuters*, 31.10.2017, <https://www.reuters.com/article/us-southchinasea-china/beijing-seen-poised-for-fresh-south-china-sea-assertiveness-idUSKBN1D00Y0>; “Philippines Starts Construction Near China’s Manmade Islands in Disputed Waters”, *Reuters*, 7.11.2017, <http://www.reuters.com/article/us-southchinasea-philippines/philippines-starts-construction-near-chinas-manmade-islands-in-disputed-waters-idUSKBN1D71F2> [accessed: 11.10.2018].

¹² S. Holland, Koh Gui Qing, “At U.S.-China Summit, Trump Presses Xi on Trade, North Korea; Progress Cited”, *Reuters*, 7.04.2017, <https://www.reuters.com/article/us-usa-china/at-u-s-china-summit-trump-presses-xi-on-trade-north-korea-progress-cited-idUSKBN1792KA> [accessed: 8.04.2017].

In November of 2017, President Trump, in turn, visited President Xi Jinping in Beijing and things went even smoother than back in April. During the presidential campaign Trump, often likened Chinese trade practices that resulted in huge trade deficits to “raping”, but in Beijing he completely reversed the position and stated that he does not blame China for the situation, but America’s own misguided economic policies of which China takes advantage for its own benefit. Apparently, President Trump developed very cordial personal relations with his Chinese counterpart, as his granddaughter sang in Chinese to “Grandpa Xi” and “Grandma Peng” (Xi’s wife). Consequently, some observers expressed concerns that Donald Trump is too deferential to his counterpart, a claim strongly denied by Secretary Tillerson.¹³ Yet, the enthusiastic pronouncements made by the American President during both encounters masked deep distrust and bitter rivalry.

China as a global player

China is positioning itself for global influence. During the 2015 speech at the United Nations’ General Assembly, President Xi Jinping announced a \$100 million donation to the African Union to set up a military unit responding to emergencies and promised to donate one billion dollars to the United Nations’ “peace and development fund”.¹⁴ Symbolically, during that visit to New York President Xi Jinping stayed at the Waldorf Astoria hotel that had in the past decades served as the headquarters of the American delegation to the U.N., but it was bought by a Chinese conglomerate with strong ties to the government, the Anbang Insurance Group.¹⁵ This was a prelude to more resolute steps.

Like the U.S. after the Second World War, China is setting up international organizations that aim at increasing its stature and sway. Asian Infrastructure Investment Bank (AIIB) is designed to become a global multilateral organization. At the end of 2019, it had 102 members and 26 prospective members –

¹³ T. Munroe, Ch. Shepherd, “Trump Heaps Praise on ‘Very Special’ Xi In China Visit”, Reuters, 9.11.2017, <https://www.reuters.com/article/us-trump-asia-china-bromance/trump-heaps-praise-on-very-special-xi-in-china-visit-idUSKBN1D91C8?il=0> [accessed: 17.12.2018].

¹⁴ J. Perlez, “China Surprises U.N. with \$100 Million and Thousands of Troops for Peacekeeping”, *New York Times*, 28.09.2015, <https://www.nytimes.com/interactive/projects/cp/reporters-notebook/xi-jinping-visit/china-surprises-u-n-with-100-million-and-thousands-of-troops-for-peacekeeping> [accessed: 7.02.2018].

¹⁵ Eadem, “Once the Haunt of American Presidents, Chinese Leaders Stay at Waldorf Astoria”, *New York Times*, 26.09.2015, <https://www.nytimes.com/interactive/projects/cp/reporters-notebook/xi-jinping-visit/once-the-haunt-of-american-presidents-chinas-leaders-moves-into-waldorf-astoria> [accessed: 14.12.2018].

most OECD members already joined the organization.¹⁶ The notable exception is the U.S.

The U.S. heavily lobbied against the establishment of the bank and later against Western nations joining it, but the effort largely failed. Apart from Japan, all major American allies, including the United Kingdom, Canada, Australia, and New Zealand have joined the institution.¹⁷ Lawrence Summers sees the emergence of this China-led institution combined with the participation in it of other major economic powers as a turning point in the post-Second World War economic architecture, the one that used to be dominated by the United States.¹⁸ The author blames deep internal political divisions in the U.S. that lead to a dysfunctional political system for this development.

So far, most of the initial concerns regarding the AIIB being a blunt tool in the hands of Chinese communists' party bureaucrats turned out to be unfounded. Although, China wields veto power, its voting power is expected to decrease as more countries join.¹⁹ Similarly, the institution attracts managerial talent from many nations, it collaborates with other multilateral institutions on projects to serve interests of other countries, and its activities are transparent.²⁰

The U.S. blocked efforts to expand China's voting power at the International Monetary Fund (IMF) and in terms of the voting power China and India remain the most underrepresented countries at the fund – at purchasing power parity the countries account for, respectively, 18,6 and 7,1% of global GDP, but their voting power represents only, respectively, 6,2 and 2,7%.²¹ So, the AIIB is China's response to that policy. The bank is also a direct challenge to the so-called Washington Consensus as its lending policies are based on the principle of non-interference, i.e. do not include typical conditions set by the World

¹⁶ "Members and Prospective Members of the Bank", Asian Infrastructure Investment Bank, <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html> [accessed: 19.02.2019].

¹⁷ S. Denyer, "China Gloats as Europeans Rush to Join Asian Bank", *The Washington Post*, 18.03.2015, https://www.washingtonpost.com/world/china-gloats-as-europeans-rush-to-join-asian-bank/2015/03/18/82139f88-9915-4a81-81af-ae6eacf528c7_story.html?utm_term=.b0cb18fcd7f [accessed: 19.11.2018].

¹⁸ L. Summers, "A Global Wake-up Call for the U.S.?", *The Washington Post*, 5.04.2015, https://www.washingtonpost.com/opinions/a-global-wake-up-call-for-the-us/2015/04/05/6f847ca4-da34-11e4-b3f2-607bd612aeac_story.html?utm_term=.836a286ab455 [accessed: 17.01.2019].

¹⁹ J. Kynge, D. Pilling, "China-led Investment Bank Attracts 25 New Members", *Financial Times*, 23.01.2017, <https://www.ft.com/content/671d8ac4-e18a-11e6-8405-9e5580d6e5fb> [accessed: 19.12.2018].

²⁰ S. Hsu, "How China's Asian Infrastructure Investment Bank Fared its First Year", *Forbes*, 14.01.2017, <https://www.forbes.com/sites/sarahhsu/2017/01/14/how-chinas-asian-infrastructure-investment-bank-fared-its-first-year/#2dd9ab35a7f0> [accessed: 9.01.2019].

²¹ M. Weisbrot, J. Johnston, *Voting Share Reform at the IMF: Will It Make a Difference?*, Center for Economic and Policy Research, Washington, April 2016, <http://cepr.net/images/stories/reports/IMF-voting-shares-2016-04.pdf> [accessed: 1.12.2016].

Bank (WB) and the IMF, for instance, concerning the environment, labor regulations, privatization of state enterprises, and transparency in governance.²²

China is not only the largest economy in real terms, but its growth rate is much faster than that of the other major powers.²³ In the period of 2012–2016 China contributed over a third to the total increase in world's GDP, i.e. more than the U.S., European Union, and Japan combined.²⁴ As a fast-growing nation, it imports more and more commodities, and, for this reason, many other nations depend on the Chinese market. This is true not only of poorer nations, but also of highly advanced economies. In the 2016–2017 fiscal year China accounted for over 28% of Australia's total exports. Australia is a very large producer of raw materials, and in 2016 coal and iron ore, the two largest export goods that accounted for almost 30% of the nation's total value of exports, went almost exclusively to China.²⁵

As China attempts to spread its economic influence farther, the One Belt One Road initiative may include Latin America and the Caribbean, too.²⁶ By mid-2018 the Middle Kingdom signed 118 cooperation agreements with 103 countries and international organizations and the total volume of trade along the Belt and Road exceeded \$5 trillion. The China-Europe railway links grow, they connect 43 cities in 15 European countries and as of August 26, 2018 10,000 cargo trains made a trip to the Continent.²⁷

The U.S. dollar is the most important international reserve currency, and this offers the United States enormous economic and political power as most of international trade is conducted in the American currency. Every transaction conducted in the U.S. dollar must go through the American banking system and can be blocked at the request of the government. The United States has used this power in the past against its adversaries, not only terrorists, but also governments.²⁸ The 2017 National Security Strategy recognizes the significance of

²² D.C.K. Chow, "Why China Established the Asia Infrastructure Investment Bank", *Vanderbilt Journal of Transnational Law* 2016, Vol. 49, pp. 1255–1298.

²³ K. Dadak, „Donald Trump and the China Challenge”, *Krakowskie Studia Międzynarodowe* 2019, No. 3, pp. 75–93.

²⁴ "Economic Watch: China's High Quality Growth Underpins World Economic Recovery", Xinhua, 23.01.2018, http://www.xinhuanet.com/english/2018-01/23/c_136918178.htm [accessed: 12.11.2018].

²⁵ M. Thirlwell, "Australia's Export Performance in 2016", Australian Government, Australian Trade and Investment Commission, 16.06.2017, <https://www.austrade.gov.au/news/economic-analysis/australias-export-performance-in-2016> [accessed: 12.12.2018].

²⁶ "One Belt and One Road, a Chinese Project of Global Benefit", Prensia Latina, 24.01.2018, <http://www.plenglish.com/index.php?o=rn&id=23664&SEO=one-belt-and-one-road-a-chinese-project-of-global-benefit> [accessed: 15.02.2018].

²⁷ "SCIO Briefing on Development of Belt and Road Initiative", The State Council Information Office, The People's Republic of China, 29.08.2018, http://english.scio.gov.cn/pressroom/2018-08/29/content_60858744.htm [accessed: 8.10.2018].

²⁸ D.C.K. Chow, *op. cit.*

the dollar's central position in international finance.²⁹ So, for a nation aspiring to global influence it is critical to establish a medium of exchange that is not under American control and China is in fact setting the stage for making its own money an international currency.

In 2016 the Chinese renminbi was included in the list of official reserve currencies.³⁰ Slowly, the renminbi is gaining international recognition. At the end of the third quarter of 2017 the currency made up 1.12% of total official reserves, but two years later the share grew to 2.1%. Although it is a far cry from the U.S. dollar's or the euro's share of, respectively, 61.8% and 20.1%³¹, the first step has been taken and China is by no means shy in promoting it. Immediately following the renminbi becoming a reserve currency, China issued its first international bond denominated in renminbi.³² The issue was very well received. But, even more importantly, foreign nations started borrowing in renminbi in the Middle Kingdom.³³ Now, Pakistan and some nations in Africa are considering replacing the U.S. currency with renminbi in bilateral trade with China.³⁴

Economic war

China's rapid economic development and the establishment of international institutions competing with the American-led WB and IMF prompted a drastic reevaluation of Sino-American relations. The perception that market-oriented reforms will cause China's embracing Western standards and values gave way to the conclusion that rapid actions must be taken to confront the challenge.³⁵ How-

²⁹ White House, *National Security Strategy of the United States of America*, December 2017, <http://nssarchive.us/wp-content/uploads/2020/04/2017.pdf>, p. 34 [accessed: 2.01.2018].

³⁰ "Chinese Renminbi to be Identified in the IMF's Currency Composition of Foreign Exchange Reserves", International Monetary Fund, Press Release No. 16/90, 4.03.2016, <http://www.imf.org/en/News/Articles/2015/09/14/01/49/pr1690> [accessed: 9.11.2017].

³¹ "Currency Composition of Official Currency Reserves, 3rd quarter of 2017", International Monetary Fund, <http://data.imf.org/?sk=E6A5F467-C14B-4AA8-9F6D-5A09EC4E62A4> [accessed: 19.12.2019].

³² E. Moore, "China Issues its First Renminbi Sovereign Debt in London", *Financial Times*, 26.05.2016, <https://www.ft.com/content/f81c777a-233e-11e6-aa98-dbl1e01fab0c> [accessed: 15.10.2017].

³³ K. Allen, "Hungary Sells Renminbi Debt in China", *Financial Times*, 26.07.2017, <https://www.ft.com/content/0201afb8-7202-11e7-93ff-99f383b09ff9> [accessed: 14.12.2018].

³⁴ "Pakistan Considering Plan to Use Yuan in Trade with China", Reuters, 18.12.2017, <https://www.reuters.com/article/us-pakistan-china-currency/pakistan-considering-plan-to-use-yuan-in-trade-with-china-idUSKBN1ED0IB> [accessed: 19.12.2017]; "African Finance Leaders to Debate China's Yuan as a Reserve Currency – Xinhua", Reuters, 28.05.2018, <https://www.reuters.com/article/us-china-yuan-africa/african-finance-leaders-to-debate-chinas-yuan-as-a-reserve-currency-xinhua-idUSKCN1IU00N> [accessed: 19.12.2017].

³⁵ M. Martina, A. Shalal, "Trade Talks Seen as Unlikely to Mend U.S.-China Divide", Reuters, 17.09.2019, <https://www.reuters.com/article/us-usa-trade-china-analysis/trade-talks-seen-as-unlikely-to-mend-us-china-divide-idUSKBN1W20EB> [accessed: 18.09.2019].

ever, the initial tactics employed were rather peculiar, first in January of 2018 the U.S. imposed tariffs on the importation of large residential washing machines, 20% on the first 1.2 million machines and 50% on all subsequent units, and on the importation of solar panels, 30% on all modules and cells exceeding a total of 2.5 gigawatts per year.³⁶ In March the Trump administration followed with tariffs of 10 and 25% on the importation of, respectively, aluminum and steel.³⁷ Other nations retaliated, among them China responded with tariffs on American imports worth \$3 billion. However, soon after that the Middle Kingdom became the focus of the trade war as President Trump announced plans to impose tariffs on Chinese goods, especially high-technology products, worth tens of billions of dollars.³⁸ This threat was temporarily put on hold while top level negotiations took place in April and May.³⁹

The aim of the Trump offensive was to end Chinese practices that harmed American interests, particularly forced technology and intellectual property transfer, theft of intellectual property, limited access to the Chinese market, and a dramatic increase in the trade surplus that China has been enjoying for many years.⁴⁰ Over the years 2000–2017 American trade deficit in goods exploded, in 2000 it was only \$83.8 billion and by 2017 it reached \$375.6 billion. Despite the trade war, the situation was deteriorating, in all of 2018 the U.S. deficit grew to \$419.5 billion. With time the duties took their toll and over the first nine months of 2019 the deficit stood at \$263.2 billion while during the same period of the year before it was \$301.7 billion.⁴¹ However, the U.S. is running a trade surplus in trade in services, \$38.8 billion in 2018, and, therefore, total current account deficit for 2018 was only \$380.8 billion.⁴²

³⁶ Office of the United States Trade Representative, “President Trump Approves Relief for U.S. Washing Machine and Solar Cell Manufacturers”, 22.01.2018, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/january/president-trump-approves-relief-us> [accessed: 25.03.2018].

³⁷ U.S. Department of Commerce, *U.S. Department of Commerce Announces Steel and Aluminum Tariff Exclusion Process*, 18.03.2018, <https://www.commerce.gov/news/press-releases/2018/03/us-department-commerce-announces-steel-and-aluminum-tariff-exclusion> [accessed: 25.03.2018].

³⁸ Ch. Buckley, Sui-Lee Wee, “Responding to Trump, China Plans New Tariffs on U.S. Goods”, *The New York Times*, 22.03.2018, <https://www.nytimes.com/2018/03/22/world/asia/china-trump-retaliatory-tariffs.html> [accessed: 25.03.2018].

³⁹ A. Mayeda, *U.S. Puts Tariffs Against China ‘On Hold,’ Mnuchin Says*, Bloomberg, 20.05.2018, <https://www.bloomberg.com/news/articles/2018-05-20/u-s-puts-tariffs-against-china-on-hold-mnuchin-says> [accessed: 20.05.2018].

⁴⁰ B. Davis, Lingling Wei, “China Rejects U.S. Target for Narrowing Trade Gap”, *The Wall Street Journal*, 19.05.2018, <https://www.wsj.com/articles/china-rejects-u-s-target-for-narrowing-trade-gap-1526756661> [accessed: 19.05.2018].

⁴¹ U.S. Census Bureau, “Foreign Trade”, <https://www.census.gov/foreign-trade/balance/c5700.html> [accessed: 20.11.2019].

⁴² U.S. Department of Commerce, “International Trade in Goods and Services”, Bureau of Economic Analysis, <https://www.bea.gov/data/intl-trade-investment/international-trade-goods-and-services> [accessed: 20.11.2019]. The difference is due to rounding.

China is also quickly increasing direct investments abroad. In the past, the focus of foreign investment was on the acquisition of raw materials, but now high-tech companies are also on the menu. In 2016 China stunned the world by taking over Kuka, the largest German robotics-maker.⁴³

These developments resulted in the U.S. Congress taking countermeasures. The 2019 National Defense Authorization Act officially known as the “John S. McCain National Defense Authorization Act for Fiscal Year 2019” included Foreign Investment Risk Review Modernization Act (Title XVII, Section 1701 of the defense bill) which significantly increased the scope and power of the Committee on Foreign Investment in the United States (CFIUS), an inter-departmental panel assessing potential implications of foreign investment for national security.⁴⁴ This expanded legislation was fully supported by the Trump administration in general and in particular by Gen. James Mattis, the Secretary of Defense at the time.⁴⁵

Another point of contention is China’s “Made in China 2025 strategy”. In order to accomplish its goals, Beijing provides generous support to selected sectors and, if successful, soon Chinese firms could threaten the dominance of American firms in many high-tech industries. For this reason, the Trump administration demands an end to this policy which for Beijing is a red line.⁴⁶

To address the trade imbalance, President Trump set a target for an increase in Chinese imports from the U.S. at \$200 billion, but China refused to commit to a specific numeric target.⁴⁷ The Chinese side offered to increase imports of agricultural products and oil and liquified gas from the U.S., but these additional exports could shrink the deficit by only \$60–90 billion, a number far short of the President’s goal.⁴⁸ China argued that a larger increase in imports from the U.S. would require lifting of American export restrictions on high-technology exports to the country, but Washington seemed to be unwilling to relax these controls.⁴⁹

⁴³ “China’s Midea Receives U.S. Green Light for Kuka Takeover”, Reuters, 30.12.2016, <https://www.reuters.com/article/us-kuka-m-a-mideamidea-group/chinas-midea-receives-u-s-green-light-for-kuka-takeover-idUSKBN14J0SP> [accessed: 21.10.2018].

⁴⁴ John S. McCain National Defense Authorization Act for Fiscal Year 2019, H.R. 5515, One Hundred Fifteenth Congress of the United States of America, Second Session, <https://www.congress.gov/115/bills/hr5515/BILLS-115hr5515enr.pdf> [accessed: 19.12.2019].

⁴⁵ “Mattis Urges Anti-China Measure to be Included in U.S. Defense Bill”, Reuters, 7.05.2018, <https://www.reuters.com/article/us-usa-cfius-mattis/mattis-urges-anti-china-measure-to-be-included-in-u-s-defense-bill-idUSKBN1I827S> [accessed: 19.12.2018].

⁴⁶ “China Praises Positive Steps in U.S. Trade Row, Says Didn’t Give in”, Reuters, 20.05.2018, <https://www.reuters.com/article/us-usa-trade-china/china-praises-positive-steps-in-u-s-trade-row-says-didnt-give-in-idUSKCN1IM06R> [accessed: 20.05.2018].

⁴⁷ B. Davis L., Wei L., *op. cit.*

⁴⁸ “China May Buy \$90 Billion More U.S. Goods, Morgan Stanley Says”, Bloomberg, 22.05.2018, <https://www.bloomberg.com/news/articles/2018-05-23/china-may-buy-90-billion-more-u-s-goods-morgan-stanley-says> [accessed: 22.05.2018].

⁴⁹ *Ibidem.*

As a gesture of good will, Beijing announced a significant reduction of tariffs on cars to 15%, from 25%.⁵⁰ The government also promised to relax restrictions on foreign ownership of automobile manufacturers.⁵¹ Additionally, China plans to open more its financial markets to foreign firms but expects reciprocity.⁵²

But President Trump was unmoved and in June announced a 25% tariff on Chinese goods with the estimated value of \$50 billion.⁵³ This new round of levies was introduced in two phases, first on \$34 billion of goods in July and another one month later – in both cases Beijing responded with a dollar-for-dollar countermeasure.⁵⁴ It should be noted that in Washington these actions enjoyed a bipartisan support,⁵⁵ a rare development these days.

China exports to the U.S. more than three times as much as the U.S. to the Asian giant and this huge imbalance in trade is potentially China's weak spot and President Trump chose to take advantage of this disparity. Initially, he proposed a 10% tariff on additional \$200 billion of imports from the Asian nation, but it emerged soon that this might not cause sufficient pain to the adversary as the value of the Chinese currency substantially depreciated against the American dollar. So, in August of 2018 the President directed the Department of Commerce to consider imposing a 25% tariff instead.⁵⁶ A month later, President Trump stated that his administration has a plan to levy tariffs on all the remaining imports from the Asian rival valued at \$267 billion.⁵⁷

⁵⁰ "China Makes Massive Cut to Car Tariffs After Truce with Trump", Bloomberg, 22.05.2018, <https://www.bloomberg.com/news/articles/2018-05-22/china-is-said-to-cut-car-import-duty-in-boost-for-lexus-bmw> [accessed: 2.06.2018].

⁵¹ T. Moss, M. Colias, "China to Ease Rules on Foreign Auto Makers", *The Wall Street Journal*, 17.04.2018, <https://www.wsj.com/articles/china-to-ease-rules-on-foreign-auto-makers-1523963345> [accessed: 17.04.2018].

⁵² "China Says Opening up of Financial Sector Will Need Reciprocity", Reuters, 18.05.2018, <https://www.reuters.com/article/us-china-banks/china-says-opening-up-of-financial-sector-will-need-reciprocity-idUSKCN1IK03K> [accessed: 18.05.2018].

⁵³ D. Lawder, B. Blanchard, "Trump Sets Tariffs on \$50 Billion in Chinese Goods; Beijing Strikes Back", Reuters, 15.06.2018, <https://www.reuters.com/article/us-usa-trade-china-ministry/trump-sets-tariffs-on-50-billion-in-chinese-goods-beijing-strikes-back-idUSKBN1JB0KC> [accessed: 15.06.2018].

⁵⁴ Huileng Tan, "Beijing Retaliates as New US Tariffs Kick in on \$16 Billion of Chinese Goods", CNBC, 22.08.2018, <https://www.cnbc.com/2018/08/23/us-china-trade-war-new-round-of-american-tariffs-on-chinese-imports.html> [accessed: 15.09.2018].

⁵⁵ "Trump's China Tariffs Could be Imposed in June", BBC News, 29.05.2018, <http://www.bbc.com/news/business-44294131> [accessed: 15.06.2018].

⁵⁶ A. Mayeda, "Ross Signals More Tariff Pain Ahead in China Trade Battle", Bloomberg, 2.08.2018, <https://www.bloomberg.com/news/articles/2018-08-03/ross-signals-more-tariff-pain-ahead-in-china-trade-battle> [accessed: 15.08.2018].

⁵⁷ S. Holland, D. Lawder, "Trump Ups Ante on China, Threatens Duties on Nearly All its Imports", Reuters, 7.09.2018, <https://www.reuters.com/article/us-usa-trade-china/trump-ups-ante-on-china-threatens-duties-on-nearly-all-its-imports-idUSKCN1LN1TH> [accessed: 18.09.2018].

The additional tariffs could impact the lives of average Americans much more than the initial \$50 billion in levies because they involve a wide range of consumer goods. Many of the goods are not produced in the U.S. or cannot be easily sourced from other countries and the cost of tariffs would be borne by American consumers. The United States Trade Representative sought “comments” from the public and American businesses overwhelmingly argued against the tariffs.⁵⁸

The notion of taxing all Chinese imports caused a stir among majority of U.S. technology firms that manufacture products in China for the American market. Apple Inc. issued a letter stressing the negative sides of the proposed taxation of Chinese goods concluding that “the burden of the proposed tariffs will fall much more heavily on the United States than on China.”⁵⁹ The views expressed by Apple are shared by a wide range of business, from retailers,⁶⁰ to manufacturers, and to consumer technology firms.⁶¹

Even the initial \$50 billion in tariffs made a majority of affected American businesses report pressure on profits, higher costs and lower demand for their products.⁶² About three quarters of firms felt that the additional tariffs would cause further damage. Many American firms also reported negative effects stemming from Chinese retaliatory levies. Consequently, over 60 U.S. industry groups formed a coalition to convince the Trump administration to seek other means than tariffs to accomplish its goals.⁶³

The Chinese market has been important to U.S. technology firms for many years and leaders of American corporations were by no means shy about this. For instance, during President Xi Jinping’s trip to America in September of 2015 most important chief executive officers in the field, including the ten top ones, showed up to listen to President Xi Jinping’s short speech combined with a brief

⁵⁸ D. Shepardson, D. Lawder, “U.S. Firms Warn Next China Tariffs to Cost Americans from Cradle to Grave, Reuters, 19.08.2018, <https://www.reuters.com/article/us-usa-trade-china-hearing/u-s-firms-warn-next-china-tariffs-to-cost-americans-from-cradle-to-grave-idUSKCN1L50C1> [accessed: 18.09.2018].

⁵⁹ “Trump Tells Apple to Make Products in U.S. to Avoid China Tariffs”, Reuters, 8.09.2018, <https://www.reuters.com/article/us-usa-trade-china-apple/trump-tells-apple-to-make-products-in-u-s-to-avoid-china-tariffs-idUSKCN1LO0SX> [accessed: 18.09.2018].

⁶⁰ D. Lawder, J. Mason, “Trump Slaps Tariffs on \$200 Billion in Chinese Goods, Spares some Consumer Tech”, Reuters, 17.09.2018, <https://www.reuters.com/article/us-usa-trade-china-tariffs/trump-slaps-tariffs-on-200-billion-in-chinese-goods-spare-some-consumer-tech-idUSKCN1LX2M3> [accessed: 18.09.2018].

⁶¹ J. Tankersley, K. Bradsher, “Trump Hits China with Tariffs on \$200 Billion in Goods, Escalating Trade War”, *The New York Times*, 17.09.2018, <https://www.nytimes.com/2018/09/17/us/politics/trump-china-tariffs-trade.html> [accessed: 18.09.2018].

⁶² “U.S. firms in China Feeling ‘Clear and Far Reaching’ Trade War Pinch: Survey”, Reuters, 12.09.2018, <https://www.reuters.com/article/us-usa-trade-china-survey/u-s-firms-in-china-feeling-clear-and-far-reaching-trade-war-pinch-survey-idUSKCN1LT049> [accessed: 18.09.2018].

⁶³ *Ibidem*.

photo session.⁶⁴ This happened in spite of the long-standing complaints about the theft of intellectual property that by some estimates costs the U.S. hundreds of billions of dollars and hurts those very corporations.⁶⁵

The U.S. exports much less to China, so Beijing is in no position any more to retaliate dollar-for-dollar, but it can make life difficult for U.S. firms producing in China for the local market.⁶⁶ This could be a major issue for American firms as they sell approximately twice as much in China as are worth U.S. exports to the country.⁶⁷ Also, China is the dominant producer of minor metals and rare earth minerals that are critical in the production of many most advanced electronic products and could impose restrictions on their exports.⁶⁸

In spite of the protests, the Trump administration moved forward with the threat, on September 24, 2018 a 10% tariff went into effect on imports from China worth \$200 billion and the rate was scheduled to increase to twenty-five as of January 1, 2019.⁶⁹ Beijing responded with tariffs of between 5 and 10% on imports worth \$60 billion.⁷⁰

On December 1, 2018 presidents Trump and Xi had a working dinner after the G20 meeting in Buenos Aires and according to the Chinese Ministry of Foreign Affairs agreed not to impose new tariffs and have their economic teams start negotiations to “reach a concrete agreement that would result in win-win results.”⁷¹ However, this was not exactly how the American side saw the outcome, the White House press release made it clear that the tariff increase is suspended for 90 days and that during this period the parties will conduct “negotiations on

⁶⁴ J. Perlez, “The Most Memorable Moment of Xi’s America Trip”, *The New York Times*, 29.09.2015, <https://www.nytimes.com/interactive/projects/cp/reporters-notebook/xi-jinping-visit/china-tech-market> [accessed: 8.04.2017].

⁶⁵ D.C. Blair, K. Alexander, “China’s Intellectual Property Theft Must Stop”, *The New York Times*, 15.08.2017, <https://www.nytimes.com/2017/08/15/opinion/china-us-intellectual-property-trump.html> [accessed: 21.06.2019].

⁶⁶ *Ibidem*.

⁶⁷ OECD, *Interim Economic Outlook*, 19.09.2019, p. 7, <http://www.oecd.org/economy/outlook/> [accessed: 29.09.2019].

⁶⁸ Ministry of Commerce, People’s Republic of China, *Regular Press Conference of the Ministry of Commerce (May 30, 2019)*, 31.05.2019, <http://english.mofcom.gov.cn/article/newsrelease/press/201906/20190602873161.shtml> [accessed: 3.06.2019].

⁶⁹ Office of the United States Trade Representative, “Notice of Modification of Section 301 Action: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation”, *Federal Register*, 21.09.2018, Vol. 83, No. 184, pp. 47974–48192, <https://ustr.gov/sites/default/files/enforcement/301Investigations/83%20FR%2047974.pdf> [accessed: 23.04.2019].

⁷⁰ Se Young Lee, Min Zhang, “China Says U.S. Trying to Force it to Submit on Trade as New Tariffs Kick in”, *Reuters*, 23.09.2018, <https://www.reuters.com/article/us-usa-trade-china/china-says-u-s-trying-to-force-it-to-submit-on-trade-as-new-tariffs-kick-in-idUSKCN1M404F> [accessed: 25.09.2018].

⁷¹ Ministry of Foreign Affairs of the People’s Republic of China, “Xi, Trump Hold ‘Very Successful’ Meeting on Ties, Trade”, 2.12.2018, https://www.fmprc.gov.cn/mfa_eng/xxxx_662805/t1618238.shtml [accessed: 3.12.2018].

structural changes with respect to forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft, services and agriculture” and that China “will agree to purchase a not yet agreed upon, but very substantial, amount of agricultural, energy, industrial, and other products from the United States to reduce the trade imbalance between our two countries.”⁷² The significant differences in perceptions of what actually transpired during that working dinner foreshadowed the difficulties that laid ahead.

Negotiations dragged on beyond the 90-day deadline, but President Trump citing progress in the talks decided to extend it.⁷³ Negotiators shuttled between Beijing and Washington and after the April 30 – May 1 session Secretary of the Treasury Steven Mnuchin proclaimed that the talks were productive and announced that another meeting, hopefully final, will take place in Washington in a week time.⁷⁴ But early morning on May 5, President Trump stunned the world tweeting that China is trying to renegotiate the deal and threatened to institute the 25% tariffs on \$200 billion worth of Chinese imports on the coming Friday.⁷⁵ The American President made good on his threat.⁷⁶ Beijing responded in kind with a tariff hike to 25% on American imports worth \$60 billion. The stock market did not take this escalation in Sino-American trade tensions lightly.⁷⁷

In response to the Chinese counter, the Trump administration opened another chapter in the trade war – technology war. On May 16, 2019 the U.S. Government included Huawei, the Chinese telecommunication giant, and its numerous affiliates in the so-called Entity List. Washington took this step, because the company and its subsidiaries allegedly “pose a significant risk of involvement in activities contrary to the national security or foreign policy interests of the United

⁷² White House, “Statement from the Press Secretary Regarding the President’s Working Dinner with China”, 1.12.2018, <https://www.whitehouse.gov/briefings-statements/statement-press-secretary-regarding-presidents-working-dinner-china/> [accessed: 3.12.2018].

⁷³ Office of the United States Trade Representative, “Notice of Modification of Section 301 Action: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation”, *Federal Register*, 5.03.2019, Vol. 84, No. 43, pp. 7966–7967, https://ustr.gov/sites/default/files/enforcement/301Investigations/84_FR_7966.pdf [accessed: 4.06.2019].

⁷⁴ D. Boyer, “Mnuchin Concludes ‘Productive’ Round of Trade Talks in China”, *The Washington Times*, 1.05.2019, <https://www.washingtontimes.com/news/2019/may/1/mnuchin-concludes-productive-round-trade-talks-chi/> [accessed: 2.05.2019].

⁷⁵ A. Swanson, K. Bradsher, “Trump Threatens China with More Tariffs Ahead of Final Trade Talks”, *The New York Times*, 5.05.2019, <https://www.nytimes.com/2019/05/05/business/trump-tariffs-china-trade-talks.html> [accessed: 5.05.2019].

⁷⁶ Office of the United States Trade Representative, “Notice of Modification of Section 301 Action: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation”, *Federal Register*, 9.05.2018, Vol. 84, No. 90, pp. 20459–20460, https://ustr.gov/sites/default/files/enforcement/301Investigations/84_FR_20459.pdf [accessed: 15.08.2019].

⁷⁷ G. Wearden, “Trade War: Wall Street Suffers Biggest Selloff since January after China Hits Back – As It Happened”, *The Guardian*, 13.05.2019, <https://www.theguardian.com/business/live/2019/may/13/trade-war-investors-china-retaliation-us-tariffs-growth-stock-markets-business-live> [accessed: 20.05.2019].

States.”⁷⁸ As a result, American businesses need a special license to sell goods to the Chinese firms, a privilege not likely to be easily granted. Unlike in the ZTE case, this action did not cause Huawei’s collapse, but the firm estimated that it could lose as much as \$30 billion in revenues over the next two years.⁷⁹ Also, on May 17, the U.S. Trade Representative initiated consultations concerning duties of up to 25% on additional \$300 billion of imports from China.⁸⁰ These new levies could affect practically all remaining goods brought in from the Asian nation and not taxed yet.

Facing these new threats, Beijing established an equivalent to Entity List called Unreliable Entities List that would include “foreign companies, organizations or individuals that violate market rules, break the contractual spirit, boycott or cut off supplies to Chinese companies for non-commercial reasons, and causing serious damages to the legitimate rights and interests of Chinese companies”. The criteria were vague and Gao Feng, the ministry’s spokesperson, clarified that further details will be released later.⁸¹ To convey its determination in defending its interests, the Chinese government invited representatives of foreign, American and non-American, major technology firms and forewarned them of “permanent consequences”, if they follow American restrictions and stop selling components to Chinese corporations.⁸²

The Chinese government also embarked on a propaganda counteroffensive and published a white paper on Sino-American economic relations. In the paper the Chinese side on one hand highlighted benefits that the trade between the two nations provides to the U.S. economy and on the other provided evidence showing harm that the tariffs inflicted on American consumers. The paper also vehemently denied claims of technology theft, laid blame for the failure

⁷⁸ Department of Commerce, “Addition of Entities to the Entity List”, Bureau of Industry and Security, 15 CFR Part 744 [Docket No. 190513445–9445–01] RIN 0694–AH86, *Federal Register*, 21.05.2019, Vol. 84, No. 98, pp. 22961–22968, <https://www.govinfo.gov/content/pkg/FR-2019-05-21/pdf/2019-10616.pdf> [accessed: 18.06.2019].

⁷⁹ D. Strumpf, “Huawei Expects \$30 Billion Revenue Hit From U.S. Clampdown”, *The Wall Street Journal*, 17.06.2019, <https://www.wsj.com/articles/u-s-clampdown-to-cost-huawei-30-billion-in-revenue-founder-says-11560766359> [accessed: 25.06.2019].

⁸⁰ Office of the United States Trade Representative, “Request for Comments Concerning Proposed Modification of Action Pursuant to Section 301: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation, [Docket Number USTR–2019–0004]”, *Federal Register*, 17.05.2019, Vol. 84, No. 96, pp. 22564–22639, <https://www.govinfo.gov/content/pkg/FR-2019-05-17/pdf/2019-10191.pdf> [accessed: 2.06.2019].

⁸¹ People’s Republic of China, “MOFCOM Spokesman Meets the Press on China’s Introduction of ‘Unreliable Entities List’ regime”, Ministry of Commerce, 1.06.2019, <http://english.mofcom.gov.cn/article/newsrelease/press/201906/20190602873151.shtml> [accessed: 3.06.2019].

⁸² “China Summons Tech Giants to Warn Against Cooperating With Trump Ban”, *The New York Times*, 7.06.2019, <https://www.nytimes.com/2019/06/08/business/economy/china-huawei-trump.html> [accessed: 25.06.2019].

of recent negotiations at the other side's doorstep, but left the door open for further negotiations.⁸³

On June 18 the American and Chinese presidents talked on the phone and agreed to meet in Osaka on the sidelines of the upcoming G20 meeting. At the meeting held on June 29, the leaders agreed, among other things, to restart talks aimed at resolving trade issues.⁸⁴ On July 9, the Office of the U.S. Trade Representative made decision to exclude 110 Chinese products from the 25% tariff imposed a year earlier.⁸⁵ However, just after one round of discussions President Trump announced on August 1 that on September 1, 2019 a 10% tariff will be put on the remaining untaxed Chinese imports estimated to total \$300 billion.⁸⁶ Two weeks later, the U.S. Trade Representative Office implemented tariffs only on a subset of the goods, deferred taxation of some (electronics in particular) until December 15, and excluded others from the list.⁸⁷

In response to this new development China stated that it was a "serious departure" from the understanding reached in Osaka, that the country will safeguard its "core interests" and undertake "necessary countermeasures," and repeated its standard line that "we do not want a trade war, but we are not afraid and will have to fight one when necessary."⁸⁸ On August 7, Beijing took a more specific action, it announced that Chinese firms suspended new purchases of American farm products.⁸⁹ On August 23, China upped the ante and announced additional

⁸³ "Full text: China's Position on the China-US Economic and Trade Consultations", Xinhua, 2.06.2019, http://www.xinhuanet.com/english/2019-06/02/c_138110404.htm [accessed: 3.06.2019].

⁸⁴ White House, "Remarks by President Trump in Press Conference", Imperial Hotel Osaka, Osaka, Japan, 29.06.2019, <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-press-conference-osaka-japan> [accessed: 30.06.2019].

⁸⁵ Office of the United States Trade Representative, "Notice of Product Exclusions: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation", *Federal Register*, 9.07.2019, Vol. 84, No. 131, pp. 32821–32826, <https://www.govinfo.gov/content/pkg/FR-2019-07-09/pdf/2019-14562.pdf> [accessed: 25.08.2019].

⁸⁶ A. Rapoport, "China Reacts to Trade Tariffs and Hong Kong Protests by Blaming U.S.", *The New York Times*, 1.08.2019, <https://www.nytimes.com/2019/08/01/us/politics/trump-tariffs-china.html> [accessed: 1.08.2019].

⁸⁷ Office of the United States Trade Representative, "USTR Announces Next Steps on Proposed 10 Percent Tariff on Imports from China", 13.08.2019, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/august/ustr-announces-next-steps-proposed> [accessed: 14.08.2019].

⁸⁸ People's Republic of China, "MOFCOM Spokesperson Responds to the Planned 10% Tariff on USD300 Billion Worth of Chinese Goods", Ministry of Commerce, 3.08.2019, <http://english.mofcom.gov.cn/article/newsrelease/policyreleasing/201908/20190802892224.shtml> [accessed: 7.08.2019].

⁸⁹ People's Republic of China, "Chinese Companies Suspend Purchase of Additional US Agricultural Products", Ministry of Commerce, 7.08.2019, <http://english.mofcom.gov.cn/article/newsrelease/policyreleasing/201908/20190802892226.shtml> [accessed: 8.08.2019].

tariffs on American goods valued at \$75 billion.⁹⁰ On the same day, the Trump administration retaliated by increasing tariffs to 30% on the \$250 billion of Chinese imports already taxed at a 25% rate starting on October 1 and increasing tariffs to 15% on goods that were scheduled to carry a 10% levy.⁹¹ Amidst these heavy blows Chinese vice premier called for calm and Donald Trump responded saying that trade negotiations should continue.⁹²

Although the threatened tariffs went into effect as scheduled on September 1, both sides agreed to start high level discussions in early October.⁹³ The talks proceeded at a fast pace and on October 11, 2019 President Trump announced that both parties agreed on general terms of a partial agreement, “Phase One” deal, that required China to substantially increase purchases of American commodities, improve protection for intellectual property and open its financial services industry to foreign firms, while the U.S. committed to the delaying of the imposition of tariffs that were to go into effect in just a few days.⁹⁴

The rounds of tariffs and retaliation measures resulted in significant increases in average tariff rates. The IMF estimates that if all announced in May and August tariffs go into effect the average U.S. levy on Chinese imports would go to 24%, from 12.25% that was in effect in April and the rate on American imports in China would rise to 26%, compared to an average of 16.5% that was in force in April.⁹⁵ After China joined the WTO, the average American tariff on Chinese goods was just 4%.⁹⁶

⁹⁰ People’s Republic of China, “China to Impose Additional Tariffs on US Imports Worth \$75b”, The State Council, 23.08.2019, Xinhua, http://english.www.gov.cn/statecouncil/ministries/201908/23/content_WS5d5fec43c6d0c6695ff7f339.html [accessed: 25.08.2019].

⁹¹ Office of the United States Trade Representative, “USTR Statement on Section 301 Tariff Action Regarding China”, 23.08.2019, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/august/ustr-statement-section-301-tariff> [accessed: 1.09.2019].

⁹² J. Mason, Yawen Chen, “Trump Says China Trade Deal Coming, Beijing Calls for Resolution of Dispute”, Reuters, 26.08.2019, <https://www.reuters.com/article/us-usa-trade-china-trump-idUSKCN1VG0HK> [accessed: 27.08.2019].

⁹³ “Stocks Jump on Word U.S.-China Trade Talks to Resume in October”, CBS News, 5.09.2019, <https://www.cbsnews.com/news/u-s-china-trade-talks-scheduled-for-october-beijing-says-2019-09-05/> [accessed: 5.09.2019].

⁹⁴ J. Leonard, S. Mohsin, J. Wingrove, S. Donnan, “Trump Touts U.S.-China Phase One Trade Deal, Delays Tariffs”, Bloomberg, 11.10.2019, <https://www.bloomberg.com/news/articles/2019-10-11/u-s-china-said-to-reach-partial-deal-could-set-up-trade-truce-k1melw60> [accessed: 11.10.2019].

⁹⁵ International Monetary Fund, *World Economic Outlook*, October 2019: *Global Manufacturing Downturn, Rising Trade Barriers*, p. 41, <https://www.imf.org/en/Publications/WEO/Issues/2019/10/01/world-economic-outlook-october-2019> [accessed 10.10.2019].

⁹⁶ G. Ip, “Despite Trade Truce, U.S.-China Cold War Edges Closer”, *The Wall Street Journal*, 16.10.2019, <https://www.wsj.com/articles/despite-trade-truce-u-s-china-cold-war-edges-closer-11571227090> [accessed: 16.10.2019].

OECD blamed an expected decrease in world economic growth of 0.3 and 0.4 percentage points in, respectively, 2019 and 2020 on “escalating trade policy tensions” that increase risk and hence hinder investment.⁹⁷

So far, the burden of U.S. tariffs has fallen almost entirely on the American consumer and importer.⁹⁸ The cost of the 2018 tariffs to an average American household is estimated at \$414 and the May 2019 tariffs increase it to \$831.⁹⁹ The Congressional Budget Office estimates a smaller burden on the consumer, only \$580 (in 2019 dollars) in 2020.¹⁰⁰ The Congressional Budget Office also predicts mild effects of the trade war and other tariffs imposed since January of 2018 on the U.S. economy, a GDP decline of about 0.3 percentage points by 2020.¹⁰¹

A new Cold War declared?

The 1946 Winston Churchill speech at Westminster College is considered the starting point in the U.S.-Soviet Cold War¹⁰². The recent Vice President Mike Pence’s speech at the Hudson Institute may mark the beginning of the emerging U.S.-Sino Cold War. Most significantly, the Vice President accused China of:

employing a whole-of-government approach to advance its influence and benefit its interests. It’s employing this power in more proactive and coercive ways to interfere in the domestic policies of this country and to interfere in the politics of the United States. [...]

The Chinese Communist Party is rewarding or coercing American businesses, movie studios, universities, think tanks, scholars, journalists, and local, state, and federal officials. [...]

And worst of all, China has initiated an unprecedented effort to influence American public opinion, the 2018 elections, and the environment leading into the 2020 presidential elections. [...] China is meddling in America’s democracy. As President Trump said just last week, we have, in his words, “found that China has been attempting to interfere in our upcoming [midterm] election[s]”.¹⁰³

⁹⁷ OECD, *op. cit.*, pp. 1–2.

⁹⁸ M. Amiti, S.J. Redding, D.E. Weinstein, “The Impact of the 2018 Trade War on U.S. Prices and Welfare”, *NBER Working Paper*, No. 25672, March 2019, <http://www.nber.org/papers/w25672> [accessed: 15.07.2019].

⁹⁹ Eidem, “New China Tariffs Increase Costs to U.S. Households”, *Liberty Street Economics*, 23.05.2019, <https://libertystreeteconomics.newyorkfed.org/2019/05/new-china-tariffs-increase-costs-to-us-households.html> [accessed: 25.06.2019].

¹⁰⁰ D. Fried, “The Effects of Tariffs and Trade Barriers in CBO’s Projections”, Congressional Budget Office, 22.08.2019, <https://www.cbo.gov/publication/55576> [accessed: 21.09.2019].

¹⁰¹ Congressional Budget Office, “An Update to the Budget and Economic Outlook: 2019 to 2029”, August 2019, https://www.cbo.gov/system/files/2019-08/55551-CBO-outlook-update_0.pdf [accessed: 21.09.2019].

¹⁰² W. Churchill, “The Sinews of Peace (‘Iron Curtain Speech’)”, Westminster College, Fulton, Missouri, 5.03.1946, <https://winstonchurchill.org/resources/speeches/1946-1963-elder-statesman/the-sinews-of-peace> [accessed: 8.09.2019].

¹⁰³ M. Pence, “Remarks by Vice President Pence on the Administration’s Policy Toward China”, The Hudson Institute, Washington, D.C., 4.10.2018, <https://trumpwhitehouse.archives>.

Vice President Pence also charged Chinese officials with efforts to influence American business leaders into “condemn[ing] our trade actions” by “leveraging their desire to maintain their operations in China” and observed that fewer and fewer managers are interested in entering the Chinese market and encouraged those who still continue in the old ways to reverse course. He singled out Google for developing the “Dragonfly” app that allegedly aids Communist Party censorship and asked the company to immediately terminate the program.¹⁰⁴

The Vice President also repeated accusations of the Chinese security services’ engagement in “the wholesale theft of American technology – including cutting-edge military blueprints”. He condemned Chinese designs to push the U.S. from the Western Pacific to prevent America from aiding its allies and assured the listeners that this effort “will fail”. To support this last claim the Vice President stated that the U.S. Navy will continue to “operate wherever international law allows and our national interests demand” and added “we will not be intimidated, and we will not stand down”. Mike Pence also pointed out that the recent federal budget included the largest surge in military expenditures since the presidency of Ronald Reagan to “extend the strength of the American military to every domain” including the Indo-Pacific region and outer space.¹⁰⁵

The Vice President did not fail to condemn the ubiquitous One Belt One Road initiative that expands Chinese influence in Asia, Africa, Europe, and even Latin America. He labelled it “debt diplomacy” and forewarned countries against falling into the trap.¹⁰⁶

Mike Pence highlighted the fact that the most recent National Security Strategy marks “a new approach to China” and concluded that the U.S. “will not relent until our relationship with China is grounded in fairness, reciprocity, and respect for our sovereignty”. He also extended an olive branch to China saying that America “want[s] a constructive relationship with Beijing where our prosperity and security grow together, not apart” and emphasized that “China’s rulers can still change course and return to the spirit of reform and opening that characterize the beginning of this relationship decades ago”, yet he could not miss the fact that the trade war has “had a major impact. China’s largest stock exchange fell by 25% in the first nine months of this year”.¹⁰⁷

The Pence speech marks a significant expansion of the scope of the American-Sino confrontation. Other members of the Trump administration quickly followed suit. Secretary of State, Mike Pompeo, continued the offensive against the

gov/briefings-statements/remarks-vice-president-pence-administrations-policy-toward-china [accessed: 8.10.2019].

¹⁰⁴ *Ibidem*.

¹⁰⁵ *Ibidem*.

¹⁰⁶ *Ibidem*.

¹⁰⁷ *Ibidem*.

One Belt One Road program.¹⁰⁸ Secretary of Defense, James Mattis, at a security conference in Singapore rallied Japan and South Korea to the U.S. side quoting verbatim Mike Pence's words that "we will not be intimidated, and we will not stand down" and added that the U.S. cannot accede to the Chinese militarization of the South China Sea.¹⁰⁹ The efforts to form a global anti-Chinese alliance are not limited to America's Asian allies. The Five Eye coalition that besides the U.S. includes Canada, the United Kingdom, Australia and New Zealand, is engaged in a limited collaboration with German and Japanese and, to a lesser degree, with French intelligence services to counter Chinese influences.¹¹⁰

Almost a year later President Trump echoed the sentiments expressed by his Deputy in a speech at the United Nations. The American leader proclaimed that since China entered the World Trade Organization in 2001 the U.S. lost 60,000 factories. This was so because rather than liberalize and open its markets to foreign firms China erected "massive market barriers", offered heavy state subsidies to its firms, engaged in currency manipulation, forced foreign firms to transfer technology to their local partners, and resorted to the theft of intellectual property and trade secrets "on a grand scale". To support his claims, President Trump gave the example of Micron Technologies, a major American technology firm that allegedly lost \$8.7 billion as a result of theft committed by a state-controlled Chinese company.¹¹¹

Experts also believe that Chinese espionage activities are not limited to commercial interests, but encompass American defense industrial base, including national laboratories and universities and defense contractors and subcontractors engaged in the development and production of most advanced military programs, for instance, the F-35 fighter, Aegis Combat System, and the Patriot missile system.¹¹²

The pronouncements and actions taken by the leaders in Washington seem to confirm the hypothesis that at the heart of the disagreement are not economic grievances, but that instead, as former U.S. Secretary of State, Henry Kissinger, put it, we are "in the foothills of a Cold War" and, if there is no quick resolution

¹⁰⁸ K. Vaswani, "China v the US: Not Just a Trade War", BBC News, 22.10.2018, <https://www.bbc.com/news/business-45937741> [accessed: 8.11.2019].

¹⁰⁹ T. Axelrod, "Mattis: US, Japan, South Korea Must Work Together against China on South China Sea", The Hill, 19.10.2018, <https://thehill.com/policy/international/china/412190-mattis-us-japan-south-korea-must-work-together-against-china-on> [accessed: 8.11.2019].

¹¹⁰ N. Barkin, "Exclusive: Five Eyes Intelligence Alliance Builds Coalition to Counter China", Reuters, 11.10.2018, <https://www.reuters.com/article/us-china-fiveeyes/exclusive-five-eyes-intelligence-alliance-builds-coalition-to-counter-china-idUSKCN1MM0GH> [accessed: 28.10.2019].

¹¹¹ White House, "Remarks by President Trump to the 74th Session of the United Nations General Assembly", United Nations Headquarters, New York, New York, 24.09.2019, issued on 25.09.2019, <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-74th-session-united-nations-general-assembly> [accessed: 25.09.2019]

¹¹² D.C. Blair, K. Alexander, *op. cit.*

to the conflict, “the outcome could be even worse than” the damage suffered by European countries as a result of the First World War.¹¹³ The trade war is a mean to “decouple” American and Chinese economies and force multinational corporations to leave China and so hinder its development.¹¹⁴

The de-escalation of tensions that led to the October 2019 “Phase One” agreement is probably more of a temporary truce than a new long-term strategy. Donald Trump probably realized that trade tensions with China are inconsistent with strong economic growth and improving standards of living at home.¹¹⁵ In about a year pivotal presidential and congressional elections will be taking place and the state of the economy is among the most prominent factors determining electoral outcomes and there is every indication that President Trump is cognizant of this. But, the continuation of “the war of attrition”, as John Kemp put it, is just a matter of time for some policymakers in both governments.¹¹⁶ For instance, Larry Kudlow, Director of National Economic Council, is predicting a struggle that may last 50 or even 100 years.¹¹⁷ If this is to materialize, the global economy is likely to experience an extended period of slow growth.¹¹⁸

An uphill battle ahead?

If we are to believe H. Kissinger, the stakes are extremely high and the fundamental question arises – what are the prospects of America winning the war?

Some believe that the U.S. has a good chance of coming out on top. John Woods, Credit Suisse’s chief investment officer, believes that Beijing is keen to find a solution, because China has much more at stake than the U.S.¹¹⁹ Gregory Ip thinks that at this moment the U.S. seems to have the upper hand, but the long

¹¹³ E. Cheng, “Fallout from US-China Trade Conflict Could Be ‘Even Worse’ than WWI, Kissinger says”, CNBC, 22.11.2019, <https://www.cnbc.com/2019/11/22/us-china-economic-conflict-could-be-worse-than-wwi-henry-kissinger-says.html> [accessed: 22.11.2019].

¹¹⁴ G. Ip, “An Economic Cold War Looms between the U.S. and China”, *The Wall Street Journal*, 26.09.2018, <https://www.wsj.com/articles/an-economic-cold-war-looms-between-the-u-s-and-china-1537968600> [accessed: 27.09.2018].

¹¹⁵ J. Kemp, “Trump Must Choose between Economy and Trade War: Kemp”, Reuters, 23.08.2019, <https://www.reuters.com/article/us-usa-economy-kemp-column/trump-must-choose-between-economy-and-trade-war-kemp-idUSKCN1VD1SJ> [accessed: 24.08.2019].

¹¹⁶ J. Kemp, “China Has Replaced U.S. as Locomotive of Global Economy: Kemp”, Reuters, 5.11.2019, <https://www.reuters.com/article/us-economy-global-kemp-column/china-has-replaced-u-s-as-locomotive-of-global-economy-kemp-idUSKBN1XF211> [accessed: 5.11.2019].

¹¹⁷ J. Fabian, “Kudlow Sees Long Road to Resolution in U.S.-China Trade Dispute”, Bloomberg, 6.09.2019, <https://www.bloomberg.com/news/articles/2019-09-06/kudlow-sees-long-road-to-resolution-in-u-s-china-trade-dispute> [accessed: 6.09.2019].

¹¹⁸ J. Kemp, “China Has Replaced U.S....”, *op. cit.*

¹¹⁹ Ch. Bray, “China Has a lot More to Lose than the US in Trade War, Says Credit Suisse”, *South China Morning Post*, 14.01.2019, <https://www.scmp.com/business/companies/article/2181878/china-has-lot-more-lose-us-trade-war-says-credit-suisse> [accessed: 15.01.2019].

run outcome is less obvious as China may be able to form a dominant Asia-based trading block.¹²⁰ The view that Beijing is deeply concerned with the outcome seems to be shared by some in the Chinese leadership, too. For instance, Wang Yi, State Councilor and Foreign Minister, proclaimed that “for now and for the foreseeable future, the United States is and will still be the strongest country in the world”.¹²¹ However, it is not clear what the phrase “foreseeable future” really means, because two years earlier, at the 19th Communist Party National Congress, President Xi Jinping declared that since the last such an event in 2012 the communist party’s policies propelled China “into a leading position in terms of economic and technological strength, defense capabilities, and composite national strength. China’s international standing has risen as never before” and that “the Chinese nation, with an entirely new posture, now stands tall and firm in the East”. The Chinese leader also outlined his vision for the next thirty years, according to him it “will be an era that sees China moving closer to center stage and making greater contributions to mankind” and predicted that by the middle of this century a goal of China becoming “a global leader in terms of composite national strength and international influence” will have been met.¹²²

Some Western leading experts believe that Beijing is likely to realize its grand strategy. Alex Younger, the head of MI6, the British Secret Intelligence Service, opined that “basically, power, money and politics is going east” and encouraged his audience to “dwell on the opportunities inherent in that as well as the threats”.¹²³ Beijing is in fact striving to establish a major trading bloc, in November of 2019 China and 14 countries, all ten ASEAN members and Australia, Japan, New Zealand, and South Korea, agreed to form Regional Comprehensive Economic Partnership (RCEP). The partnership will encompass almost a third of world population and will generate about the same proportion of global GDP.¹²⁴

In a 2018 speech Henry M. Paulson, Jr., Secretary of the Treasury, warned the U.S. against drawing down an “Economic Iron Curtain”, because he did not

¹²⁰ G. Ip, “An Economic Cold War...”, *op. cit.*

¹²¹ E. Cheng, “China Wants the US to ‘Remove All Unreasonable Restrictions,’ Foreign Minister Says”, CNBC, 25.09.2019, <https://www.cnbc.com/2019/09/25/china-expects-us-to-remove-unreasonable-restrictions-foreign-minister.html> [accessed: 25.09.2019].

¹²² Xi Jinping, “Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era Delivered at the 19th National Congress of the Communist Party of China, October 18, 2017”, Xinhua, 3.11.2017, http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf [accessed: 11.03.2019].

¹²³ “The Future is Tilting East toward China, British Spymaster Says”, Reuters, 3.12.2018, <https://www.reuters.com/article/us-britain-security-china/the-future-is-tilting-east-toward-china-british-spymaster-says-idUSKBN1O219E> [accessed: 3.12.2019].

¹²⁴ P. Wongcha-um, P. Tanakasempipat, L. Lee, “India Rejects China-backed Asian Trade Deal, As Others Move Ahead”, Reuters, 3.11.2019, <https://www.reuters.com/article/us-asean-summit/india-rejects-china-backed-asian-trade-deal-as-others-move-ahead-idUSKBN1XE09T> [accessed: 3.11.2019].

“believe that any country in Asia can afford to divorce China, or even wishes to” do so. In his view “China does not pose an existential threat to American civilization”, it is rather a strategic competitor and called for “de-integration” based on national security grounds, “carefully calibrated” rather than wholesale decoupling, and forewarned that the latter could lead to self-isolation.¹²⁵ A year later Henry M. Paulson stressed that a technology war could gravely harm both nations, likewise a division of the world into technology blocs would prevent American and Chinese firms from doing business on global scale, make them less competitive and, thus, harm national security goals. In his view, in the long-run an across the board de-integration could harm the U.S. more, because he is unaware “of any country that is prepared to abandon a commercial and technology relationship with China.”¹²⁶

On both occasions the former Treasury Secretary presented a long list of steps that both nations need to take to resolve contentious issues and rebuild lost trust. He also highlighted potential benefits to both sides from the abandoning of a cold war attitude and the returning to strategic competition. For instance, Paulson recalled the time of the 2008 financial crisis and emphasized the benefits of Sino-American cooperation in overcoming the calamity. Similarly, he outlined potential benefits from China opening its financial markets to foreign financial firms that offer superior know-how and technologies.¹²⁷

Robert B. Zoellick, former U.S. Trade Representative and World Bank president, shares Paulson’s views. Like Paulson, he expresses significant reservations concerning China’s behavior, but at the same time debunks the notion that Sino-American relations failed to produce benefits to the U.S. and that China is “only a disrupter”. Zoellick quotes Kevin Rudd’s, Australia’s former prime minister, warning that a world divided into two camps would be “deeply destabilizing” and would undermine the global order that underpinned economic growth during the previous 40 years. Such a world would most likely result in a new arms race and, thus, increased risk. Zoellick, like Kissinger, cautions that a clash between China and America could result in a catastrophe equal, if not greater than those that the 20th century brought to humanity.¹²⁸ On another occasion Zoellick explicitly said that “you can’t contain China” and that President Trump’s attempt

¹²⁵ H.M. Paulson, Jr., “Remarks by Henry M. Paulson, Jr., on the United States and China at a Crossroads”, Paulson Institute, 7.11.2018, https://www.paulsoninstitute.org/press_release/remarks-by-henry-m-paulson-jr-on-the-united-states-and-china-at-a-crossroads [accessed: 4.05.2019].

¹²⁶ Idem, “Remarks by Henry M. Paulson, Jr., on the Delusions of Decoupling”, Paulson Institute, 21.11.2019, https://www.paulsoninstitute.org/press_release/remarks-by-henry-m-paulson-jr-on-the-delusions-of-decoupling [accessed: 25.11.2019].

¹²⁷ *Ibidem*.

¹²⁸ R.B. Zoellick, “Can America and China Be Stakeholders?”, Carnegie Endowment for International Peace, U.S.-China Business Council, 04.12.2019, <https://carnegieendowment.org/2019/12/04/can-america-and-china-be-stakeholders-pub-80510> [accessed: 7.12.2019].

to decouple the two economies was not going to succeed.¹²⁹ It is also worth noting that both Paulson and Zoellick lament America's foreign policies that alienate friends and allies.¹³⁰ Overall, many arguments raised by Paulson and Zoellick beg two questions – is the war in the American national interest and is the U.S. likely to win?

A major issue is America's ability to muster economic resources necessary to withstand a long-term struggle against the rising Asian power. In real terms the Chinese economy is now larger than that of the U.S. and America has little fiscal space to allocate significantly more for military build-up or R&D effort.¹³¹ Official forecasts show that without any additional major government expenditures or significant economic problems the U.S. is going to run budget deficits to the tune of 4.4 to 4.8% of GDP over the coming decade and, consequently, federal debt held by the public is going to balloon to 95% of GDP, from 79% in 2019. The U.S. has not had such a huge debt burden since the period just after the end of the Second World War.¹³² On the other hand, Beijing does not face such major constraints and the Chinese leadership is gearing up for an “epochal, systemic contest”.¹³³ Allegedly, in a closed session President Xi said to members of the politburo that a 30-year long struggle with the U.S. is awaiting China.¹³⁴

Conclusions

In 2013, after 140 years, the United States lost to China the top position on the list of largest economies¹³⁵. Just three years later, China established AIIB, a multilateral institution that rivals the U.S.-dominated WB and IMF. Now, China is setting the stage for the renminbi to depose the American dollar as the most important reserve currency. The One Belt One Road initiative has every hallmark of making China the focal point of international trade and, hence, politics. The Chinese government is using its formidable resources and power to make its economy

¹²⁹ F. Bermingham, “You Can't Contain China: Former US Trade Chief Robert Zoellick Warns Donald Trump”, *South China Morning Post*, 15.01.2019, <https://www.scmp.com/economy/china-economy/article/2182022/you-cant-contain-china-former-us-trade-chief-robert-zoellick> [accessed: 20.01.2019].

¹³⁰ H.M. Paulson, Jr., “Remarks by Henry M. Paulson, Jr., on the United States and China at a Crossroads”, *op. cit.*; idem, “Remarks by Henry M. Paulson, Jr., on the Delusions of Decoupling”, *op. cit.*; and R.B. Zoellick, *op. cit.*

¹³¹ K. Dadak, *op. cit.*

¹³² Congressional Budget Office, *op. cit.*

¹³³ F. Kempe, “The US-China Trade War Has Set in Motion an Unstoppable Global Economic Transformation”, CNBC, 14.09.2019, <https://www.cnbc.com/2019/09/14/us-china-trade-wars-unstoppable-global-economic-transformation.html?recirc=taboolainternal> [accessed: 14.09.2019].

¹³⁴ R.B. Zoellick, *op. cit.*

¹³⁵ B. Carter, “Is China's Economy Really the Largest in the World?”, BBC News, 16.12.2014, <http://www.bbc.com/news/magazine-30483762> [accessed: 17.01.2019].

the most technologically advanced in the world. Robert W. Fogel's prediction made in 2007 that the center of gravity is moving to Asia is taking shape.¹³⁶ Alex Younger, MI6 chief, confirms this forecast.¹³⁷

The National Security Strategy announced in December of 2017 and the National Defense Strategy published in January of 2018 took full account of the challenges that China poses to American dominant position in the world.¹³⁸ In the spring of 2018, the Trump administration took a leap into a trade war with China and in October of that year Vice President Pence proclaimed that the U.S. is not ready to vacate the leading role in world affairs. Yet, in less than two years after the introduction of tariffs on Chinese imports, when it seemed that the administration had embarked on a war of attrition with China, President Trump decided to take a break and announced a "Phase One" agreement.

The victory in the American-Soviet Cold War was a result of a joint effort of the entire West. It was led by the U.S., but without NATO and close American-Japanese cooperation the victory would have been much harder, if possible at all. This should be even more true in the emerging Sino-American Cold War, because the Chinese challenge is by far more serious.

During the American-Soviet Cold War, the U.S. successfully projected not only the image of the ultimate protector of the free and democratic world against communist tyranny, but also of a benevolent superpower working for the common good. This superiority in soft power was instrumental in containing and defeating the Soviet Union. Soft power will likely prove to be decisive in overcoming China's challenge, too.

But President Trump promised his electorate to "make America great again" and the motto underlying his political platform is "America First". In line with these assurances he renegotiated NAFTA on American terms, imposed high duties on products imported from close allies, and withdraw from the Trans-Pacific Partnership. These steps, together with sudden changes in American policies towards China that seem to have more in common with the U.S. political calendar than reflect any long-term strategy, do not bode well for the prospect of the West forming a united front towards China. It may take more than just words to convince allies and partners that "America First doesn't mean America Alone."¹³⁹

The path taken by the Trump administration is risky, especially when the opponent does exactly the opposite by forming a large trading bloc, the RCEP,

¹³⁶ R.W. Fogel, "Capitalism and Democracy in 2040: Forecasts and Speculations", *NBER Working Paper*, No. 13184, 2007, <http://www.nber.org/papers/w13184> [accessed: 2.12.2019].

¹³⁷ "The Future is Tilting East toward China, British Spymaster Says", *op. cit.*

¹³⁸ K. Dadak, *op. cit.*

¹³⁹ H.R. McMaster, G.D. Cohn, "America First Doesn't Mean America Alone", *The Wall Street Journal*, 30.05.2017, <https://www.wsj.com/articles/america-first-doesnt-mean-america-alone-1496187426> [accessed: 13.12.2018].

as well as expands the list of nations with which it has free trade agreements.¹⁴⁰ Additionally, China established AIIB that undermines the attractiveness of the WB and the IMF.

The United States is still a very powerful nation, the most innovative and advanced major economy, but it is facing an adversary that has a population over four times bigger. China has the potential to continue expanding its economy at a much faster rate than the U.S. does. China's sheer size is a potent magnet; consumer spending in the nation is equal, if not larger than that in the U.S.¹⁴¹ Moreover, the drastic increase in the standard of living that the population has experienced over the past forty years makes it an attractive template to follow. In sum, the United States is facing a challenge like it has never faced before.

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¹⁴⁰ "China Piles Up Free Trade Deals as Trump Abandons Them", Bloomberg, 24.01.2018, <https://www.bloomberg.com/news/articles/2018-01-24/china-wants-to-rack-up-free-trade-deals-as-trump-tramples-them> [accessed: 4.02.2018].

¹⁴¹ "Chinese Now Buying as Much as Americans", *The Straits Times*, 13.01.2018, <https://www.straitstimes.com/asia/east-asia/chinese-now-buying-as-much-as-americans> [accessed: 14.01.2018].

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The Emerging Sino-American Cold War

The Donald Trump presidency ushered in a new era of Sino-American relations. Under Trump, American policies towards the Asian Giant evolved from antagonistic and confrontational to seemingly close and warm to eventually turn into an open economic and political conflict. The present "decoupling" of the two economies initiated by the Trump administration may be seen as an attempt to divide the world into two camps and this process may shape global politics, economics, and military affairs for decades to come. The emerging struggle for world dominance has features resembling the Soviet-American cold war. But the Soviet Union posed only a major military and ideological threat while China is quickly becoming an economic superpower and uses this strength

to pry out entire regions from the American sphere of influence. China has created international trade and financial structures that challenge the dominance of the American-led World Bank and the International Monetary Fund. The Asian competitor is also taking steps to replace the U.S. dollar with its own currency in international markets.

Key words: world dominance, tariffs, global economic competition, cold war, U.S.-China relations

Rozpoczynająca się chińsko-amerykańska zimna wojna

Prezydentura Donalda Trumpa rozpoczęła nową erę w stosunkach amerykańsko-chińskich. Pod rządami Trumpa amerykański kurs w stosunku do tego azjatyckiego giganta ulegał częstym zmianom, od nieprzyjaznego i konfrontacyjnego poprzez na pozór bliski i ciepły – aż w końcu przybrał postać otwartego politycznego i gospodarczego konfliktu. Obecna, zapoczątkowana przez administrację Trumpa faza sporu, mająca na celu „rozdzielenie” obu gospodarek, może być postrzegana jako próba dokonania podziału świata na dwa obozy i ten proces w najbliższych dekadach może kształtować światową politykę, kwestie gospodarcze i wojskowe. Te wyłaniające się zmagania o dominację nad światem mają wiele podobieństw do amerykańsko-sowieckiej zimnej wojny, z tym że ZSRR stanowił tylko zagrożenie wojskowe i ideologiczne, podczas gdy Chiny w szybkim tempie stają się gospodarczą superpotęgą i używają tego czynnika, by wyrwać całe regiony z amerykańskiej strefy wpływów. W sferze obrotów i finansów międzynarodowych Chiny stworzyły struktury, które stanowią wyzwanie dla dominacji kierowanych przez USA Międzynarodowego Funduszu Walutowego i Banku Światowego. Azjatycki rywal podejmuje także kroki mające na celu zastąpienie na światowych rynkach amerykańskiego dolara przez swoją własną walutę.

Słowa kluczowe: dominacja nad światem, wojna celna, współzawodnictwo gospodarcze na arenie światowej, zimna wojna, stosunki amerykańsko-chińskie