

The U.S.-China Trade War and Its Implications on Iran's National Interests

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Abstract

In recent years, we have witnessed China's economic and military growth. China's overarching strategy consistently emphasizes policies aimed at transforming into a global power. Initially, China's policies revolved around devaluing the regional order established by the United States. Secondly, China aimed to shape a new regional order, gain power in the region, and pursue expansionist policies, challenging the influence of the United States. China's efforts to disrupt the military and economic power balance led to a strain in U.S.-China relations, eventually culminating in the onset of a trade war in 2018.

With the commencement of the trade war, the future of political and economic relations between China and the United States became shrouded in uncertainty. China not only needs to seek alternative consumer markets but also has to strengthen its political, economic, and military in the region. It also has to ensure its energy security and reinforce its Belt and Road Initiative. Therefore, one might ponder whether, amid the strained relations between China and the United States, Iran and China will establish stronger reciprocal relationship.

Applying an explanatory-analytical approach and utilising the framework of structural realism, this paper posits that given the escalation of USA-China tensions amidst trade war, the political, economic, and military similarities and needs between Iran and China can play a significant role in shaping a coalition between the two countries. Iran can leverage China's support to enhance its position in the world order, while China, in turn, can utilise Iran for energy security, advancing the Belt and Road Initiative, and as a force to counteract U.S. expansionism policies in the region.

Keywords: Trade War; United States of America; China; Iran; Political Economy.

INTRODUCTION

What is now referred to as the trade war between the United States and China, is caused by the historical trade deficit of the United States with China and accusations from this superpower against China's perceived unfair trade practices, particularly during Trump presidency in 2018.

The volume of trade between the United States and China has consistently increased since the late 1970s, coinciding with economic reforms in China. With China's entry into the World Trade Organisation in 2001, economic collaboration between the two countries increased, making them each other's most significant and largest trading partners, with more than 558 billion Dollars bilateral trade in 2019.

Presently, with a bilateral trade volume of \$558 billion in goods in 2019, China stands as the largest trading partner of the United States. Throughout history, trade figures indicate that U.S. imports from China have consistently exceeded its exports to China, leading to the growing trade deficit between the two countries. China is the primary supplier of imported goods to the United States. For example, in 2019, the value of U.S. goods exports to China was \$106.4 billion (11.5% decrease from 2018 but over a 50% increase from 2009), while the value of goods imports from China was \$451.7 billion (16.2% less than 2018 but over 50% more than 2009).

The trade war between the United States and China can be characterised within the framework of ongoing trade tensions. Even though US-China trade tensions can be traced back to George W bush and Barack Obama presidency, trade war was initiated with the economic pressures and tariffs exerted by Trump on Beijing to change what he considered unfair trade practices. In 2018, Trump imposed tariffs and other trade restrictions on China to address the growing trade deficit between the two countries. The official commencement of trade tensions can be attributed to similar tariffs imposed by China on the United States, and Chinese leaders accused Trump of adopting nationalist protectionist policies. Although both sides took the first step towards negotiations in 2020, tensions persisted, and it is expected to continue during the Biden presidency.

Presently, with a bilateral trade volume of \$558 billion in goods in 2019, China stands as the largest trading partner of the United States. In contrast, China is the third-largest goods export market for the United States. Throughout history, trade figures indicate that U.S. imports from China have consistently exceeded its exports to China, leading to the growing trade deficit between the two countries. China is the primary supplier of imported goods to the United States. For example, in 2019, the value of U.S. goods exports to China was \$106.4 billion (11.5% decrease from 2018 but over a 50% increase from 2009), while the value of goods imports from China was \$451.7 billion (16.2% less than 2018 but over 50% more than 2009).

On the other hand, China's strategy to counter U.S. political maneuvers to contain its power can be summarised in several key factors. Firstly, its comprehensive expansion strategy aims to reopen its markets for goods, services, and investment. The second strategy involves advancing the Belt and Road Initiative, creating new economic and investment pathways by connecting the three continents of Asia, Europe, and Africa. The third strategy focuses on currency reforms and domestic economic adjustments to stabilise the yuan against the dollar and presenting modern and high-tech industries to structurally elevate its economy, contributing to economic stability and efficiency. Last but not least, the most crucial strategy for China is energy security either through self-dependency or importing from a safe and secure source.

Before the onset of U.S.-China trade tensions, China's options towards Iran were either to disregard U.S. unilateral sanctions on Iran and continue relations, purchasing oil, and investing more in the

country or vote in line with the interests of the Security Council and avoid direct opposition to the United States. Historical evidence indicate that China has always followed the latter strategy. That being said, it has sometimes disassociated itself from collaborating with the West in enforcing sanctions, continuing cooperation with Iran, rendering the sanctions ineffective. China's view of Iran stems from the perspective of this country as a regional, political, and economic rival to the United States, a country that can support China's expansion strategies. In essence, this research poses the primary question of whether it can be presumed that, with the ongoing strained relations between China and the United States, the relationship between Iran and China will become closer. According to the hypothesis of this research, political, economic, and military similarities and needs between Iran and China can be significant factors in shaping a coalition between the two countries. Iran can leverage China's support to pursue its goals, and, in turn, China can use Iran for energy security, advancing the Belt and Road Initiative, and as a force to counteract U.S. policies in the region. It is essential to note that in this research, data collection is based on library and electronic resources, adopting an explanatory-analytical approach inspired by constructivism theory.

LITERATURE REVIEW

Mohsen Shariati-Nia has written multiple articles on the subject of China and Iran. One of these articles is titled "**China, Energy Security, and Foreign Policy.**" In this article, he discusses China's increasing need for energy, its foreign policy, and its investments in countries with oil reserves. Shariati-Nia explores China's vulnerability due to its dependence on the United States and examines China's relations with oil-supplying countries, including Iran.

Another article by Shariati-Nia, titled "**Determinants of Iran-China Relations,**" delves into various factors shaping the relationship between the two countries. He argues that economic, military, and energy cooperation are significant motivators for stronger relations, considering them more influential than limiting factors, such as China's relations with the West.

In another article by Calabrese titled "**China-Iran Relations: The Not-So-Special "Special Relationship"**", the economic relationship between Iran and China is analysed, especially in terms of China's energy supply and its support for Iran against U.S. pressures in the region. The article also examines U.S. policies towards China (strategic competition with China) and Iran (broad changes in Iran's tension-prone relationships), asserting that China-Iran ties are highly influenced and conditional on U.S. policies in this regard.

Alongside research articles like Izadi and Khodaei's "**U.S. Sanctions in Iran-China Relations,**" various newspapers such as Bloomberg, Financial Times, ISNA, Shargh, and Mehr have covered and reflected on the impact of China-U.S. relations on Iran. For example, an article with the headline "Iran Wins in U.S.-China Trade War" suggests that one of China's responses to tariffs on Chinese goods is to increase oil imports from Iran.

Given the longstanding political and economic relations between Iran and China, various studies, both domestic and international, have examined them from different perspectives. However, with the new dynamics introduced by the U.S.-China trade war since 2018 and the bilateral sanctions, there is a need for further research directly addressing the effects of these tensions on Iran-China relations. This study aims to investigate the shifts, rotations, or clarifications in the foreign policy strategies of Iranian and Chinese policymakers within the framework of securing their national interests in the post-trade war era. The research is based on a combination of existing studies on the history of Iran-China relations in political, economic, and military aspects, and it will explore the potential for increased convergence between the two countries based on shared policies against U.S. influence in the region and common political, economic, and military needs.

THEORETICAL FRAMEWORK

With reliance on constructivist theory, where states construct intergovernmental relations and realities based on ideas, language, and concepts, one can elucidate the future of the international system as perceived by American and Chinese policymakers and their relations with each other based on norms, identities and interests.

This perspective emphasises the social construction of reality, asserting that all human actions take shape and find meaning in a social space, shaping the global realities. According to this theory, identities, norms, and cultures play a crucial role in shaping the foreign policies of countries. Therefore, by focusing on the cultures and norms of governments and identity and interest of their policy makers, one can understand and examine the interstate relations that are solely based on the meanings they attribute to each other.

Constructivists aim to understand how norms are established and institutionalised in international relations. Human societies create acceptable behaviors from stories passed down through generations, originating from ideas of power and influence. These social constructs generate a common knowledge shared among people. Although the creation of common knowledge is not equally distributed in the era of globalisation, and powerful entities in the international system have more legal power, allowing them to shape international norms to some extent according to their desires.

In the international political system, powerful governments influence less powerful governments more in shaping their own image, as well as how they are perceived by others. If an established and powerful state perceives a new emerging power as a revisionist threat who acts within the framework of an assertive realist strategy, tension between the two governments will be inevitable. Conversely, if governments view other governments as advocates for diplomatic dialogue, the likelihood of diplomatic resolution will be significantly high.

The core of structural constructivist paradigm is that states construct an identity to present themselves in the best way possible to others, both domestically and internationally. States strive to exhibit an identity of appropriate behaviour and a useful role in international affairs. When there is divergence between the internal identity of a state and the one perceived by an international system, the international community may reject the chosen identity, it can lead to tension and potentially serious conflicts in the international community.

In constructivist theory, the interests of states are derived from social relations, and the interactions of states are defined within the framework of the meanings and concepts they attribute to each other. Concepts and norms are as crucial as materialistic structures in this theory and meanings that are assigned to material objects. Identities and norms are the primary elements shaping the interests and interactions among states. Structures and agents influence each other in a two-way relationship, shaping and creating one another.

According to constructivists, the global environment is not limited to material factors but also includes cognitive and normative elements. States don't have predefined interests and identities; instead, their characteristics and policies are shaped through their interactions and social actions. These interactions encompass a wide range of activities, including negotiations, bargaining, debates, discourse, speeches, and symbols. Analysing foreign relations and understanding the motivations behind states foreign policies require examining norms and the role of identities. Constructivists suggest dividing the theory into two categories: international and domestic, emphasising international norms and domestic norms, respectively. It argues that international politics is shaped within the framework of the international society, which, based on its norms and rules, defines the interests of states.

Since this theory doesn't solely rely on material conditions and forces, it places importance on ideas, thoughts, and beliefs that widely occur among people worldwide. From their perspective, the behavior of states, their interactions, and their interests are not based on a predetermined and materialistic pattern

but develop over time based on their identities. The impact of normative structures on the actions and decisions of states and the change of states' policies over time are crucial in this analysis. States are not merely legal entities or formal organisations; they shaped based on norms and identities over the course of many years. On the one hand, structural realism views governments as international actors placed in competitive, antagonistic, or friendly spaces. Thus, in the international system, the U.S. and China emerge as rivals and to some extent, adversaries. In the economic war between China and the U.S., China seeks to portray its reactions as peaceful and non-threatening, while the U.S. interprets and interprets the actions of international players based on its worldview, deciding how to respond accordingly.

In the context of the U.S.-China conflict, Iran, as a strategic partner of China, has developed its relationships based on cultural and identity factors since the Islamic Revolution. Iran can leverage the tension and competitive space between US and China to promote its regional and international positions. Therefore, cultural elements, values, ideology, and threat perceptions from the perspective of structural realism provide a better explanation for the current research.

THE TRADE WAR BETWEEN THE UNITED STATES AND CHINA IN THE CONTEXT OF TIME

The trade relations between China and the United States do not begin with the Communist rule over this country and the establishment of the People's Republic of China, but it starts with China's economic reforms in 1970s. The trade relations between the two countries in this period show a fundamental distinction and difference compared to the past. The volume of commodity trade between the United States and China has rapidly grown since the beginning of China's economic reforms in the late 1970s (Guo et al., 2018: 106). The growth of trade accelerated after China's entry into the World Trade Organization (WTO) in 2001 (What Is the US-China Trade War, 2020), and the United States and China became each other's most important trading partners. The United States has consistently imported more from China than it exported to this Asian country, leading to a bilateral trade deficit for the United States with China reaching \$375.6 billion in 2017.

Background of the Trade War

The United States government has occasionally criticised various aspects of the trade relations between the United States and China, including significant bilateral trade deficits and relatively inflexible exchange rates in China. During the administrations of George W. Bush and Barack Obama, measures such as quotas and tariffs were imposed on Chinese textiles to protect domestic producers, with China accused of exporting these products at dumping prices (Guo et al., 2018: 107). Additionally, during the Obama administration, the United States accused China of subsidising the production of aluminium and steel, initiating a wide range of anti-dumping investigations against China. Throughout these two administrations, trade between the United States and China continued to grow (Guo et al., 2018: 108-109).

During this period, China's economy became the second-largest in the world (using nominal exchange rates), trailing only behind the United States. China's economic initiatives on a large scale, such as the Belt and Road Initiative, the Asian Infrastructure Investment Bank, and "Made in China 2025," raised concerns among some U.S. policymakers (Chong & Li, 2019: 194). More broadly, the economic growth of China has been considered by the United States administration as a challenge to America's economic and geopolitical dominance (Kwan, 2020).

Donald Trump, during his presidential campaign in 2016, promised to reduce the U.S. trade deficit with China, attributing it to unfair trade practices such as intellectual property theft and restricted access of American companies to the Chinese market (What Is the US-China Trade War?, 2020). American proponents of tariffs argued that they would bring industrial jobs back to the United States. The tariffs

were intended to be reciprocal, with the goal for the U.S. to eliminate its trade deficit with China, and for China to change its policies regarding intellectual property and investment (Bekkers & Schroeter, 2020). Most economists have expressed scepticism about the ability of tariffs to achieve the first three of these objectives. One study estimates that U.S. exports to China support 1.2 million American jobs, and Chinese multinational companies directly employ 197,000 Americans, while U.S. companies invested nearly \$105 billion in China in 2019 (Lawder, 2021). Economists have studied the impact of trade with China and the increase in labour productivity on employment in the U.S. manufacturing sector, with varying results (Autor et al., 2013; Feenstra et al., 2019). Most economists believe that the U.S. trade deficit with China is a result of macroeconomic factors rather than trade policy (Guo et al., 2018: 110). While increased tariffs are expected to reduce U.S. imports from China, it is anticipated that it will lead to an increase in imports from other countries, and the overall U.S. trade deficit is expected to remain largely unchanged—a phenomenon known as trade diversion (Nicita, 2019).

Reasons for the Initiation of the Trade War and China's Response

In 2018, the United States initiated a trade war with China, marking a sudden deviation from the historical goal of the country to integrate the global market. By late 2019, the United States had imposed tariffs on nearly \$350 billion worth of imports from China, and China retaliated by imposing tariffs on approximately \$100 billion worth of U.S. exports. Economists have used various data and methods to assess the impacts of the trade war on the United States, China, and other countries, yielding significant and interesting results (Wu et al., 2021).

Donald Trump's first endorsement of tariffs was based on Japan's economic success in the 1980s, arguing that the U.S. trade deficit was burdensome, and tariffs would promote domestic production, preventing the United States from being "hollowed out" by its trading partners (Tankersley & Landler, 2019; Zarroli, 2018). The imposition of tariffs subsequently became a crucial part of his 2016 presidential election campaign (Zarroli, 2018). In early 2011, he stated that, due to China manipulating its currency, "it's almost impossible for our companies to compete with Chinese companies" (Zarroli, 2018).

During the 2016 U.S. presidential election, Trump participated in an economically supportive platform. As president, in August 2017, he directed the Office of the United States Trade Representative (USTR) to investigate China's economic actions. The resulting report, published in March 2018, attacked many aspects of China's economic policies, especially focusing on the alleged technology transfer, claiming it costs the U.S. economy \$225 billion to \$600 billion annually. Following the release of this report, Trump issued orders to impose tariffs on Chinese products, initiate cases against China at the World Trade Organization, and restrict China's investment in advanced U.S. technology sectors (Kwan, 2020).

He voiced support for tariffs as president, stating that China costs the U.S. economy hundreds of billions of dollars each year due to unfair trade practices. After imposing tariffs, he denied engaging in a trade war and said, "Trade wars are good, and easy to win." He argued that the U.S. has a \$500 billion trade deficit and an additional \$300 billion cost for intellectual property theft (Smith, 2018). Jim Schultz, a former White House adviser, said, "Through multiple presidencies—Clinton, Bush, and Obama—the U.S. has looked the other way as China has manipulated its path to an unfair advantage in the international trade market" (Schultz, 2019).

According to the U.S. administration, China's reforms have been minimal, unfair, and not reciprocal: "After years of dialogue with China that yielded minimal results and commitments that China failed to respect, the United States is taking action to confront China on its practices. Forced technology transfer, intellectual property theft, and cyber intrusion into U.S. commercial networks are among these distortions" (President Donald J. Trump Is Confronting China's Unfair Trade Policies, 2018).

Technology is considered the most crucial part of the U.S. economy. According to Robert E. Lighthizer, the U.S. Trade Representative, China maintains a policy of "forced technology transfer" alongside the

exercise of "state capitalism," including buying U.S. technology companies and using cyber theft to acquire technology. Consequently, Trump administration officials, until early 2018, took actions to prevent Chinese-controlled companies from acquiring U.S. technology companies and tried to deter American companies from transferring their key technologies to China as a cost for entering the Chinese market (Rogin, 2018). According to Josh Rogin, a political analyst, "There was a belief that China would develop a private-sector economy that is compatible with the WTO system. China's leadership has made a political decision to do the opposite. So now we have to respond" (Rogin, 2018).

Lighthizer believed that the value of the imposed tariffs was based on U.S. estimates of the real economic damage caused by alleged intellectual property theft and restrictions on foreign ownership forcing foreign companies to transfer technology (Clark, 2018). Such compulsory joint investments give Chinese companies illegal access to American technology (McLaughlin & Strohm, 2018).

More than half of the members of the U.S. Chamber of Commerce in the People's Republic of China considered intellectual property leakage a significant concern when doing business there (Oh, 2018). In August 2017, Robert Lighthizer scrutinized China's alleged unfair trade practices (Blair & Alexander, 2017). Trump, with the initiation of steel and aluminum tariff actions in March 2018, stated, "Trade wars are good, and easy to win," but with the intensification of the conflict until August 2019, he mentioned, "I never said China would be easy to win against" (Haberman & Baker, 2019).

China's response to the initiation of the trade war and the accusations from the United States also requires analysis and examination. The Chinese government argues that the real goal of the United States is to stifle China's growth, and the trade war has had a negative impact on the world (Cheng, 2019). China blames the United States for initiating the confrontation and claims that U.S. actions make negotiations difficult (FENG, 2021). Zhang Xiangchen, China's ambassador to the World Trade Organization, stated that the U.S. trade representative acts with a "presumption of guilt" and makes allegations without evidence, based on speculation and guesswork (US and China Clash over "technology Transfer" at the WTO, 2018).

The outlook of US-China Trade War

Despite the intense relationship between the People's Republic of China and the United States, this confrontation is considered a distinctive case compared to historical conflicts. Because unlike the military and arms-focused competition between the Soviet Union and the United States during the Cold War, this confrontation and hostility are primarily centred around economic and trade issues. Since 2018, the term "trade war" has been used to describe the nature of the conflict and rivalry between these two global powers. This trade war began with tariff disputes and evolved into a multifaceted conflict, resulting in extensive consequences. The impacts of the U.S.-China trade war have influenced both the economic and political aspects of both countries, as well as the international system and other nations in various ways. This section of the research provides insights into the Trade War, its consequences, and its effects.

Since the 1980s, Trump, as an economic actor, advocated for tariffs to address the U.S. trade deficit and promote domestic production, arguing that the country was being "hollowed out" by its trading partners. The imposition of tariffs became one of his primary strategies, especially during his election campaigns (Tankersley & Landler, 2019). Most economists believe that the trade deficit is not a significant problem for the U.S. economy (Council on Foreign Relations, 2019). Nearly all economists who responded to surveys conducted by The Associated Press and Reuters stated that Trump's tariffs would harm the U.S. more than benefit it, and some economists supported alternative methods to address trade deficits with China (Boak, 2018; Sarkar, 2018).

Available statistics, expert opinions, and economists' views indicate that the trade war has had a negative impact on the economies of both countries (Laker, 2020; Nee Lee, 2020). In the United States, the trade war with China has led to higher costs for producers, higher prices for consumers, and financial

difficulties for farmers. In China, the trade war contributed to a slowdown in the growth of economic and industrial production, which was already on a declining trend. Many U.S. companies have shifted their supply chains to other Asian countries, raising concerns about the economic "decoupling" of the U.S. and China (Politi, 2020). The trade war has also caused economic damage in other countries, although some have benefited from increased production as manufacturing shifted to them. The trade war between the two countries has also contributed to market instability in global stock markets. Governments worldwide have taken actions to address some of the economic challenges arising from the economic confrontation between the two countries (Rappeport & Bradsher, 2019).

More than three years have passed since the start of the U.S.-China trade war, and the outcome of this economic confrontation has resulted in a "lose-lose" situation for both parties (China Daily, 2018). Furthermore, this trade conflict has not easily led to "decoupling" between China and the United States. On the contrary, it has sacrificed both countries to the ongoing imbalance in global trade. The reality has shown that the trade war cannot address U.S. concerns. Only by setting aside political biases, focusing on resolving domestic issues, ending the trade war, and cooperating with China can the U.S. approach be considered effective. Under the influence of the ongoing pandemic, achieving China's commitments in the Phase One trade deal is challenging. In 2020, China's imports from the United States were 40% lower than the agreement's target. The outlook for U.S.-China trade relations is bleak.

The U.S.-China trade war, given that both countries are considered economic and military powers, has had multiple consequences and effects. These consequences can be divided into three categories. The first category includes the consequences affecting the economy and politics in the People's Republic of China. The second category comprises consequences that have been impactful in the political and economic domains in the United States. The third category includes consequences that have affected the economy and politics in the international system, impacting other countries. A November 2019 United Nations analysis reported that "U.S. tariffs on China economically harm both countries" (Murray, 2019). An article in November 2019 in the Financial Times stated that since August 2019, the trade war has hit U.S. producers more than China (Lockett, 2019).

As mentioned above, the trade war between the United States and China has had diverse and significant impacts on both countries. In the case of the United States, some researchers and analysts argue that the Trump administration, under President Donald Trump, adopted a distinct foreign policy strategy compared to previous periods. Previous U.S. foreign policy, especially concerning events like the wars in Afghanistan and Iraq, had been generally based on liberal ideologies, stability, and security. However, the Trump administration brought about increasing and distinctive changes in U.S. foreign policy, particularly in its dealings with the People's Republic of China.

Several key reasons for the trade war initiated by the United States against China are identified, leading to the largest trade dispute between the two economies. These include:

Reduction of Bilateral Trade Deficit and Job Increase: The aim was to decrease the trade deficit and boost job numbers.

Restricting Chinese Access to U.S. Technologies and Preventing Digital Industrial Modernisation in China: Limiting Chinese companies' access to U.S. technologies and hindering digital industrial modernization in the People's Republic of China.

Preventing the Growth of China's Military Power: Restraining the expansion of China's military capabilities.

Reducing the Federal Budget Deficit: Addressing and reducing the federal budget deficit.

It appears that trade wars do not result in clear winners. Considering the scale of gross domestic product (GDP) and export volumes of both countries, the U.S.-China trade war is expected to lead to a reduction in global production and international trade.

This article analyses the results of the trade confrontation based on a qualitative methodology and the authors identify four scenarios with assumptions about response patterns and speculative diversity in bilateral economic relations.

The U.S. has experienced both negative and positive economic outcomes due to tariffs. The effects of tariffs were felt across various sectors, with some industries showing job growth while others were planning layoffs. Consumer goods were particularly affected, and uncertainties arose about whether companies could sustain tariff increases without passing costs to consumers.

Various sectors of the U.S. economy have also suffered damage and losses due to the reciprocal actions of the People's Republic of China in this trade war. One of these sectors is agriculture, with American farmers, in particular, being significantly affected by retaliatory trade measures imposed by China (Zumbrun, 2020a). In response, the Trump administration provided assistance to address the challenges faced by farmers, including cash payments, additional trade deal guarantees, and environmental regulation reforms benefiting corn farmers (Pramuk & Tauscher, 2019; Rapoport, 2019).

According to a report from the U.S. Department of Agriculture, agricultural exports from the United States to China decreased from \$24 billion in 2014 to \$9.1 billion in 2018. This decline included reduced sales of pork, soybeans, and wheat. Farm bankruptcies increased, and agricultural equipment manufacturer Deere & Company lowered its profit forecast twice between January and August 2019. In August 2019, the U.S. Department of Agriculture reported that with the decrease in U.S. wheat exports to China, Canada's wheat exports to China increased from 32% to over 60% (Rapoport, 2019). Producers of agricultural equipment were affected as farmers hesitated to invest in new equipment, leading to a significant decline in sales in the first three months of 2019 (Dorning, 2019).

Despite these negative impacts, surveys in July 2019 indicated that the majority of farmers continued to support Trump, with 78% believing that the trade war would ultimately benefit U.S. agriculture (Breuninger & Schoen, 2019). In February 2020, the government's accountability office announced a review of the assistance program due to reports of uneven distribution of aid (Rapoport, 2020). According to a study by the National Retail Federation, a 25% tariff on Chinese furniture alone would result in an additional \$4.6 billion annually in costs for American consumers (Ferek, 2019).

China, in response to the trade war initiated by the United States, also attempted to counter through increased tariffs on American goods and a reduction in tariffs on goods from other countries, representing a form of retaliation against America's hostile policies. Analysis by the Peterson Institute for International Economics showed that, in January 2018, before the trade war escalated, China had applied average tariffs of 8% on all its importers. By June 2019, import tariffs from the U.S. had increased to 20.7%, while tariffs for other countries decreased to 6.7%. The average tariffs imposed by the U.S. on Chinese goods also rose from 3.1% in 2017 to 24.3% by August 2019 (Wiseman, 2019).

Furthermore, the U.S.-China trade war has impacted the U.S. economy in other dimensions, causing job losses and disruptions in various sectors. Estimates by Moody's group suggested that by August 2019, around 300,000 jobs in the U.S. had either been lost or not created due to the trade war, especially in manufacturing, warehousing, distribution, and retail sectors (Newman, 2019). American manufacturers reduced their capital investments until September 2019, delaying hiring due to uncertainties arising from the trade war (Hufford, 2019).

American importers were allowed to request exemptions from tariffs, with the U.S. Trade Representative reportedly granting fewer tariff exemptions to American companies – dropping from 35% of requests for the first two tariff tranches in 2018 to 3% for the third tranche in 2019 (DeBarros & Zumbrun, 2020). The mechanism for requesting exclusions expired in 2020 (Persistence of Donald Trump's China Tariffs Frustrates US Business, 2020).

The Impacts of the U.S.-China Trade War on the World Economy and International System

Minxin Pei, a China policy researcher at Claremont McKenna College in California, is among the scholars who argue that Xi Jinping's assertiveness to revive China as a global power has become evident through the continuation of the trade dispute (Vanderklippe, 2018). In the same year, Joe Biden, the former Vice President during Barack Obama's presidency, stated, "While Trump pursues a harmful and erratic trade war without any real strategy, China positions itself for global leadership in renewable energy."

Another challenge and issue associated with the U.S.-China trade war are related to the global spread of COVID-19. Tariffs on medical equipment have become politically complex due to the COVID-19 pandemic. The Wall Street Journal, citing Trade Data Monitor to highlight China as a primary source for many crucial medical supplies, expressed concerns that U.S. tariffs on imports from China threaten medical equipment imports to the United States (Greenwood, 2019).

As mentioned, the competition and rivalry between these two global economic giants have been a distinctive and unique feature compared to previous competitions, especially during the Cold War era. The extensive presence of the United States and its allies in the South China Sea, support for Taiwan against the People's Republic of China, as well as China's rapid and accelerating economic growth and its expanding influence internationally, have led to heightened friction between the two countries. This economic confrontation between the two parties has been officially recognized as a trade war in academic and political literature since 2018. The trade war began with the imposition of tariffs by the United States on imports of goods and services from China, followed by escalated retaliatory measures from China (Vlados, 2020: 2).

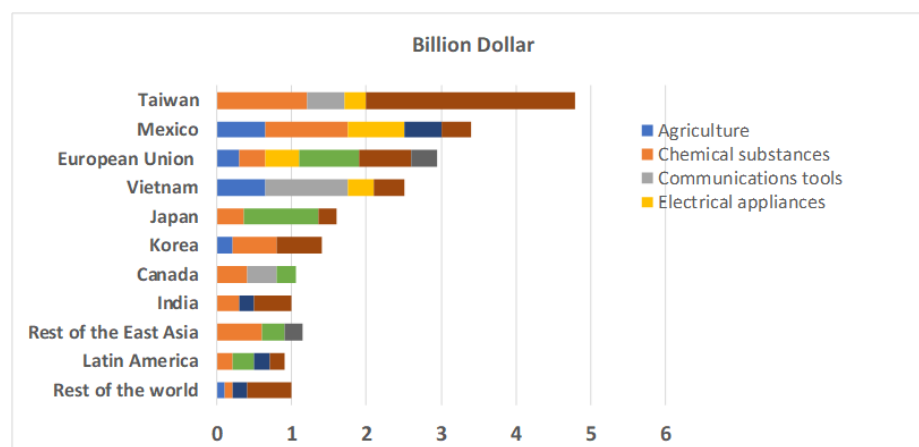


Figure 1 The Economic Impacts of the Trade War on the Global Economic Trends

In a summary, four reasons or causes can be considered for this trade confrontation. The four main reasons that have led to the largest trade tension between two economies in history, linked to the intentions of the United States, are: a) reducing the bilateral trade deficit and increasing job opportunities; b) restricting Chinese companies' access to U.S. technologies and preventing the digital modernisation of industry in the People's Republic of China; c) preventing the growth of China's military power; and d) reducing the federal budget deficit (Kapustina et al., 2020, 1).

This trade confrontation and economic tensions between the two countries have had repercussions and consequences at three levels: the national governments (U.S. and China), the international system at its macro level, and other origin countries. At the national government level, especially in the economic sphere, this trade confrontation has demonstrated its effects. One of the most significant impacts of this trade war for Americans has been the loss of job opportunities in the country. Also, American producers

and investors reduced their investments in China due to the risks associated with the trade war. Additionally, they refrained from hiring employees. American companies, due to the lower tariffs granted by the Trump administration, were severely affected in this trade war.

Another level affected by the U.S.-China trade war is the international system level. One of the most evident impacts it has had on the international system is creating grounds for redistributing and balancing equity in the economic structures of the international system. Some analysts and researchers also consider these changes and dynamics in the international system as a new form of globalization. Based on this, the belief is that the rise of the People's Republic of China, along with its key indicator, rapid economic and industrial growth, has led to a transformation in the dominant structures of the international system. Therefore, the United States' serious efforts to cope with these changes are justifiable.

In addition to the issue of redistribution and balancing in the structures of the international system, the trend of global economic growth indicates a significant decline since the beginning and escalation of trade tensions between the United States and China. Although European allies of the United States were in favour of confronting China by Donald Trump, they did not find his actions and tactics suitable for this confrontation. Mexican and British authorities provided examples of scientific evidence that sought a more peaceful approach to trade relations between China and the United States. Therefore, many international conferences, such as the G7, have tried to manage this issue in a way that addresses and solves the U.S.-China trade war.

With all the negative aspects and impacts that this trade war has brought about, some countries have benefited to a considerable extent due to their unique circumstances and the nature of their relations. However, researchers and scholars have warned that this benefit is a temporary and transient matter and, therefore, the issue of the U.S.-China trade war needs to be resolved in some way.

The Impacts of US-China Trade War on Iran's National Interests

A few points should be considered in Iran and China's relationship.

First, historically, the Islamic Republic of Iran and the People's Republic of China were subjected to different strategies of hostility and confrontation by the United States.

Secondly, Iran unique geopolitical position and regional status in the Persian Gulf and the Middle East make this country pivotal player in shaping regional dynamics and influencing key geopolitical developments. This region witnessed the significant presence of U.S after the September 11 terrorist attacks which is against Iran and China's policies in the regions.

Thirdly, China's dependency on energy and its need for energy security make Iran a promising country to supply its needs. Also, Iran could act as a transit route in the Middle East, particularly in the Persian Gulf and a great competitor to U.S oil supplier allies.

The issue of energy and market access and gaining more power in the Middle East has encouraged U.S to have a direct presence in the region, a goal that contradicts with China's and Iran policies. China, as one of the most significant emerging powers, plays a crucial role in the region's developments, acting both as an Asian power and due to its significant role in international politics, competing with major powers such as the United States. As a result, China has a strong inclination to capitalise on opportunities and develop collaborations with regional countries, including Iran, with whom it has a long-standing relationship.

Furthermore, the region's attractiveness, from the perspective of energy supply, especially crude oil, joint cooperation in the Belt and Road Initiative, and the development of influence in the region to advance regional interests within the framework of peaceful relations and active diplomacy with regional countries, has led China to have a special and unique focus on this region. In this regard, Iran can also benefit from cooperation with China given its current conditions in the international system and its strategic and geopolitical position in the region. Interests and these common benefits, alongside the confrontational and hostile approach of the United States towards both countries, create a common ground that brings them closer to each other. Consequently, we will proceed to examine the impact of the U.S.-China trade war on Iran-China relations in various areas, including economic and energy security, military-security, and political-diplomatic aspects.

Economy and Energy Security

Since the early 21st century, the economic core of Tehran and Beijing relations has primarily revolved around oil and consumer goods trade. China purchases Iranian oil to meet its industrial needs, while simultaneously selling machinery, electronics, and household items to Iran, expanding its global market.

Trade with China gained special significance for Iran from 2018 when the United States withdrew from the nuclear agreement and imposed over 1500 economic sanctions against Tehran. Since 2019, the Chinese market has been a crucial for Iran to keep its economy afloat and circumvent U.S. sanctions. As shown in the diagram between January and May 2023, Iran has exported an average of nearly one million barrels of oil per day to China (Iranprimer, 2023).

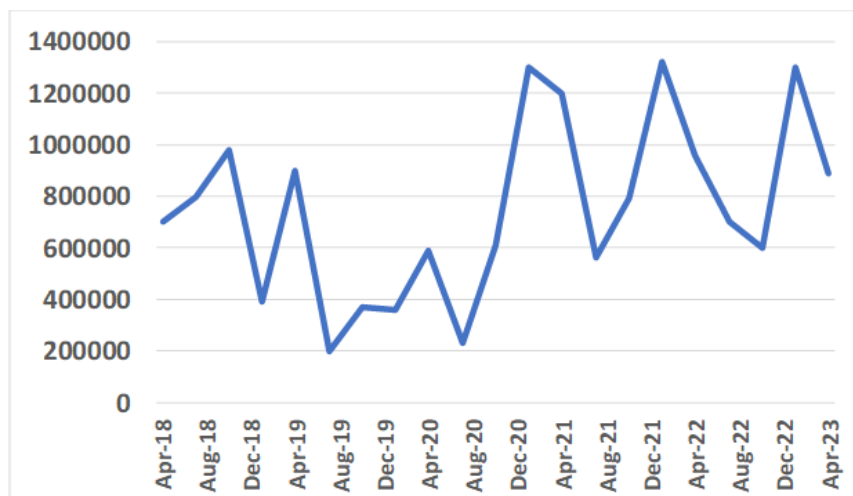


Figure 2 Iran's oil import to China (2018-2023)

In fact, due to international sanctions against Iran, China reported only \$6.5 billion in imports from Iran in 2021, while other data indicates that it imported over \$20 billion worth of crude oil and petroleum products from Iran. Companies like TankerTrackers, monitoring shipments and vessel movements worldwide, and the group advocating against Iran's nuclear activities have reported that China averaged daily imports of 850,000 barrels of oil and two products from Iran in 2021, significantly more than the previous year. It's worth noting that the average price of Iranian oil in 2021 was \$70 per barrel, and China purchased over 300 million barrels, totaling more than \$20 billion. When the United States imposed comprehensive sanctions on Iran's oil exports in May 2019, China continued to buy 100,000 to 200,000 barrels per day until the third quarter of 2020 (Khatinoglu, 2022). However, reports suggest that Iran is sending more oil to China, and this volume of crude oil, especially in the past two years (2022 and 2023), has increased.

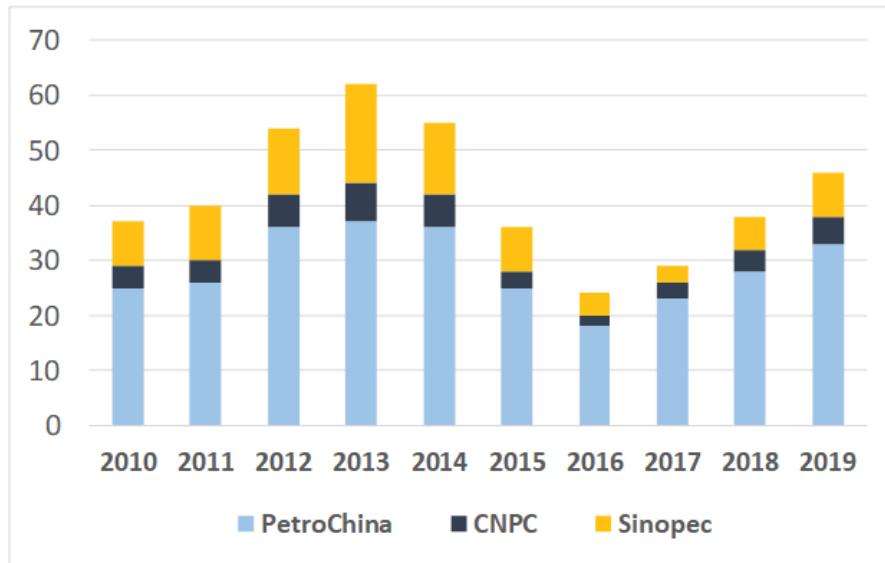


Figure 3 Capital expenditure statistics of Chinese oil companies (Billion U.S. Dollars)

According to the latest statistics and calculations, in 2021, China imported crude oil from Iran and Venezuela, obtaining the highest volume from regimes sanctioned by the United States in the past three years. Based on data from the market information company Kpler, it was observed China purchased approximately 324 million barrels from Iran and Venezuela in 2021, about 53% more than the previous year. This marks the highest volume since 2018 when China bought 352 million barrels from both countries (Bloomberg, 2022). However, based on available information and data, since 2018 when China initiated a trade war with the United States and adopted hostile policies against Iran during Donald Trump's administration, the country has reduced its purchases of oil from Iran.

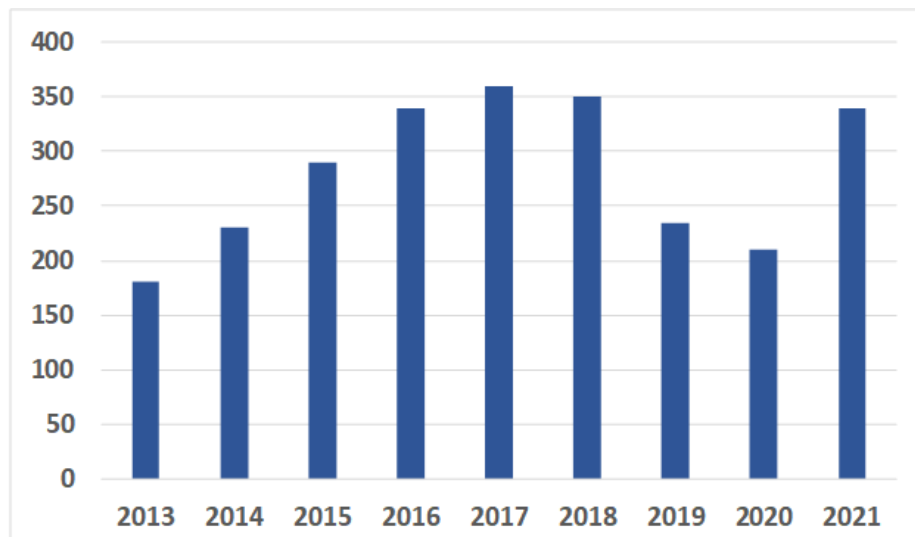


Figure 4 China's oil import from Iran and Venezuela (2013-2021)

The analysis of the data in the above table indicates that China continued its growing trend of importing oil from Iran and Venezuela from 2013 to 2017. However, from 2018 to 2020, there was a consistent decrease in the flow of oil imports from these two countries. Nevertheless, in 2021, China's oil imports from both countries increased approximately twofold. The inference drawn from these figures suggests that concurrent with the onset of the trade war between China and the United States in 2018, the country reduced its oil imports from Iran and Venezuela. Only in 2021, during the Biden administration, did

China's oil imports from these two countries experience an upsurge. These numbers also indicate that the China-U.S. trade war, considering China's essential need for oil and energy resources, failed to lead to increased purchases of oil from Iran.

In 2021, Iran exported \$5.94 billion worth of products to China. The primary exported products from Iran to China were ethylene polymers (\$2.53 billion), semi-finished iron (\$666 million), and non-alcoholic alcohols (\$513 million). Iran's exports to China have increased annually by 14% over the past 26 years, rising from \$198 million in 1995 to \$5.94 billion in 2021. In the same year, China exported \$8.27 billion worth of products to Iran. The main exported products from China to Iran were motor vehicle parts (HS codes 8701 to 8705) (\$627 million), air pumps (\$250 million), and vehicle bodies (including cabins) for motor vehicles (HS codes 8701 to 8705) (\$224 million). Over the past 26 years, China's exports to Iran have increased annually by 14%, from \$276 million in 1995 to \$8.27 billion in 2021 (oec.world, 2021).

In 2022, Iran and China engaged in a trade of \$15.795 billion worth of goods, marking a 7% increase compared to 2021. This figure is slightly over \$1 billion higher than the recorded amount in 2021, indicating a 14% growth in China's exports to Iran in 2022. China's exports to Iran reached \$8.258 billion out of this total. According to recent monthly data, in December 2022, China exported \$893 million worth of goods and imported \$312 million from Iran, resulting in a positive trade balance of \$581 million. This reflects a shift in bilateral trade with China buying more oil and energy resources from Iran. Despite strong sanctions on Iran's nuclear energy industry by the United States, Iran possesses the fourth-largest oil reserves and the second-largest gas reserves globally (Devonshire-Ellis, 2023).

On the other hand, Iran's share of China's total global trade in 2022 was approximately 0.25% due to international constraints. China's global trade in 2022 reached \$6.308 trillion, with \$3.593 trillion in exports and \$2.715 trillion in imports. In 2021, Iran attracted about \$1.425 billion in foreign direct investment, growing by approximately 6% compared to \$1.342 billion in 2020. Despite the sanctions, Iran's total attracted foreign investment reached \$5.95 billion in 2022, with Chinese companies contributing around \$185 million (Devonshire-Ellis, 2023).

Some analysts and interpretations consider Iran a winner in the trade war between China and the United States. China's policy towards the Islamic Republic has increasingly favoured Iran over the United States in recent years, partly due to the trade war between Washington and Beijing. It seems unlikely that this trend will change in the near future.

Since the beginning of the trade war, China has used a similar argument to what Iranian leaders use regarding the nuclear deal. Despite the Islamic Republic disregarding all the ideals of the JCPOA and undermining nuclear negotiations, Beijing holds the United States responsible. Instead of holding Iran accountable, the Chinese Foreign Ministry spokesperson placed the responsibility on the United States: "As the one who initiated the new round of tensions over Iran's nuclear situation, the United States should rectify its wrong maximum pressure policy on Iran, lift all sanctions, including illegal ones against Iran, and make efforts for the resumption of talks and achieving results at an early date" (Rafizadeh, 2021). Overall, the development of economic cooperation, especially the increase in China's oil imports from Iran, could serve as a leverage for Washington to reduce pressure in nuclear negotiations. In this regard, reducing oil imports from the U.S. and replacing a significant energy source in Asia could be achieved. Additionally, the signing of cooperation agreements between Iran and China can signify the potential for increased mid-term and long-term collaboration between the two, strengthening China's focus on Iran in its East Asian strategy.

Belt and Road Initiative (BRI) in Iran

The Belt and Road Initiative, also known as the "One Belt, One Road" project, is a Chinese investment initiative involving economic infrastructure in over 77 countries worldwide. It includes the development

of two trade routes, the "Economic Belt of the Silk Road" and the "Maritime Silk Road," proposed by China in 2013. This initiative represents the largest investment plan ever presented by a single country. The Islamic Republic of Iran has been actively participating in this programme, becoming one of the main gateways and corridors for the implementation of the Belt and Road Initiative.

Given Iran's historical role as a bridge in the ancient Silk Road connecting East and West, its current geographical position provides significant potential for playing a crucial role in the new Silk Road. Iran's location in the Persian Gulf region not only enables it to influence maritime routes but also positions the country prominently in land transit.

Iran has emerged as a key partner in the implementation of the Belt and Road Initiative. Currently, more than three-quarters of the world's countries, including Iran, and over thirty international organisations have joined this initiative. In 2016, Chinese President Xi Jinping visited Iran, and during this visit, the two nations signed a memorandum of understanding for cooperation within the Belt and Road Initiative. Bilateral collaborations under the BRI framework have been continuously progressing, yielding fruitful results. Iranian President Ebrahim Raisi, before his trip to China in February 2023, acknowledged that China had proposed the Belt and Road Initiative to revive the ancient Silk Road, linking the destinies of the two nations closely. During their meeting in China, the leaders of both countries agreed on the joint construction of the Belt and Road, enhancing relations, and expanding people-to-people and cultural exchanges (Abolghasemi, 1402).

While the Belt and Road Initiative is a Chinese idea, the opportunities and outcomes are mutually beneficial. Strategically, Iran sees this project as an opportunity to enhance its position in the global economy, expand its maneuvering space internationally, and develop its relations with China as a rapidly growing major power. Conversely, China aims for significant economic growth, particularly in energy security, expanding its sphere of influence, exerting influence in various regions, accessing global markets, and creating more cost-effective communication and transportation routes. Consequently, the initiative aims to facilitate and secure the transport of energy, goods, and bring different parts of the globe closer to China.

However, despite being a Chinese initiative, the Belt and Road Initiative presents opportunities and benefits for both parties involved. In strategic terms, Iran defines this project as an opportunity to elevate its position in the global economy, expand its maneuvering opportunities internationally, and develop relations with China as a rapidly growing major power. Conversely, for China, it is a strategic initiative to ensure energy security, expand its influence, access global markets, and create more cost-effective communication and transportation routes.

In conclusion, although the Belt and Road Initiative originates from China, it offers mutually beneficial opportunities for both Iran and China. Iran, with its historical and geographical significance, plays a pivotal role in the success of the initiative. The collaboration between these two nations within the framework of the Belt and Road Initiative is expected to further deepen, providing strategic advantages for both countries.

Iran-China Cooperation: Limiting U.S. Influence and Expanding Chinese Presence in the Middle East

As previously mentioned, Iran and China share common positions regarding unilateralism by the United States. Both governments oppose U.S. influence in the Middle East, with China viewing American interventions in the region as destabilising. China sees U.S. interventions in the Middle East as an attempt to assert dominance over the vast Eurasian region. While China does not aim to create confrontational alliances against the U.S., it seeks to hinder U.S. success in regaining political and economic influence in the Middle East.

In the context of the Iranian nuclear issue, China has played a role in preventing the expansion of sanctions by the United Nations Security Council against Iran. Despite Western pressure on Iran, China has supported the country against the severity of Western pressures. In the aftermath of the U.S. withdrawal from the Joint Comprehensive Plan of Action (JCPOA), China emphasised that the best solution to the nuclear issue is a return to the JCPOA. This stance aligns with regional objectives, reflecting China's strategy to obstruct U.S. political and economic resurgence in the Middle East. Also, China strengthen its collaboration with Iran to exert pressure on the West regarding issues such as Taiwan and other disputes with the United States such as South China Sea and Japan.

The Middle East has historically been a focal point of U.S. attention. In recent years, especially during the Trump presidency, the U.S. has retreated from the region. In response, China has pursued the development of relations with Middle Eastern countries, driven by its own needs, including securing markets for its products and ensuring energy supplies.

Among the powerful countries in the region, Iran has shown the greatest inclination to draw closer to China due to both countries' similar strategies towards U.S. Arab countries, due to their long-standing relationships with the U.S. and reluctance to embrace China as a replacement power, have not demonstrated a similar desire. Nevertheless, China, through significant investments in Arab companies and recognising the inadequate domestic market for its advanced industrial products, has managed to attract the attention of Arab countries.

China has never expressed any willingness to directly involve itself in regional tensions, and has acted as a mediator to resolve disputes between Saudi Arabia and Iran, fostering greater confidence in its role as a major regional player.

In conclusion, the escalating trade war between the U.S. and China is pushing China towards the Middle East. To enhance its influence further, China is likely to capitalise on cooperation with Iran. The U.S. will need to engage with Iran to stabilise its position in the region amid the intensifying influence of China as a major Asian power.

CONCLUSION

Geographically, Iran is positioned in the middle of "One Belt, One Road" plan. Therefore, it holds a fundamental strategic importance for China to execute this plan as seamlessly as possible. Consequently, since the operationalisation of this strategy in 2013, the relations between the Islamic Republic of Iran and the People's Republic of China have significantly intensified. Additionally, another impact that has emerged in Iran-China relations pertains to China's supportive approach, which contrasts with the policies of the United States. It is notable to mention that China had aligned itself with U.S. policies towards Iran until 2016, has been less supportive of U.S. policies before the trade war. These shifts could be witnessed during and after trade war.

Despite the potential for an enhanced relationship between Iran and China to limit U.S. presence in the region and advance the One Belt, One Road initiative, evidence indicates that during the peak of the trade war between China and the United States, China decreased its oil purchases from Iran. Consequently, it is not reasonable to anticipate a direct impact of the trade war on an increase in oil imports from Iran. Only after Joe Biden's victory in the 2020 U.S. presidential election and Donald Trump's departure from the White House did China augment its oil purchases from Iran.

Therefore, developments in Iran-China relations are not only influenced by economic factors but also by political and diplomatic transformations. Amidst global competition and changes, both countries are striving to preserve their interests and strengthen their strategic cooperation.

In addition, the pressure from the United States on both the People's Republic of China and the Islamic Republic of Iran has led to increased alignment between them alongside the Russian Federation.

However, the confrontation between China and the United States is more economic in nature, while the Russia-U.S. confrontation is more politically oriented, considering the crises in Eastern Europe and Ukraine. The United States pressures on Iran however encompass both economic and political dimensions. The convergence of these three countries, Iran, China and Russia can create triangle of power in the region that could threaten the U.S. regional and international power. The enhancement of this alliance could change the world structure towards a shift power to East and East Asia.

From the Iranian leaders' perspective, the U.S.-China trade war presents a unique opportunity for them to redefine their position in the region. Following the Trump administration's withdrawal from the nuclear deal with Iran, which had significant economic repercussions for the country, Iran is actively seeking a regional ally to counter these pressures and restore its economic and diplomatic influence. This has elevated the People's Republic of China to a crucial role as an economic and diplomatic partner for Iran. Iran aims to leverage the tensions between the U.S. and China to build a coalition and improve its economic and diplomatic standing. Some trade statistics indicate a rising trend in China's investment in Iran. However, due to the existing multi-faceted policies of Iran's administration, the potential capability of Iranian decision-makers to fully exploit this opportunity is limited.

To conclude, despite the assumption of an escalation in the US-China trade war and a few strong geopolitical and geostrategic factors that might lead to increased collaboration between Iran and China, it is highly unlikely that China would confront U.S. strategies against Iran and choose Iran over the U.S., risking the loss of trust and support from the U.S. and its allies in the international order. China's foreign policy revolves around economic growth and becoming an economic and military power within a stabilised international order with minimal tensions. Therefore, forming a coalition with Iran could heighten the sensitivity of U.S. administrators and escalate tensions in the region. That being said, the likelihood of increased investment in Iran's infrastructure and greater economic cooperation is foreseeable in a manner that doesn't trigger U.S. sensitivity.

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