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## **U.S. and China in the Global Economy: Trade Wars, Technological Rivalry and Future Power Shifts**

### **Abstract**

Currently the greatest intense economic competition worldwide in the 21st century could well be the United States and the People's Republic of China. Trade, technology, and geopolitical power relations are significantly contingent upon this rivalry. This essay examines the historical development of the U.S.-China trade relationship from cooperation to competition before analysing the reasons and effects of the ongoing trade war: tariff policies, intellectual property conflicts, and supply chain disruptions worldwide.

It has gone further than trade; technological supremacy has become a fundamental ground for fighting where both countries are vying for the market in perfect areas like semiconductor manufacturing, 5G networks, and artificial intelligence (AI). China is putting a lot of money in innovation and self-reliance, whereas the United States is putting export restrictions on critical technologies. These types of conflicts have much broader geopolitical implications in military strategies, economic decoupling, and international alliances.

The long-term effects of this economic and technological conflict are, as yet, not fully known, as the world watches it unfold. Will cooperation frameworks come about, or will the world economy partition into competing zones of influence? Policymakers, corporations, and international stakeholders can benefit from the insights this paper offers as it ensures a rigorous debate into these processes and propounds future power shifts.

**Keywords:** *U.S.-China rivalry, trade war, technological competition, global economy, economic diplomacy, sanctions and countermeasures, digital economy, 5G technology, artificial intelligence (AI) dominance, global trade regulations, World Trade Organization (WTO) disputes, strategic competition, (Belt and Road Initiative)*

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## **Qlobal iqtisadiyyatda ABŞ və Çin: ticarət müharibələri, texnoloji rəqabət və gələcək güc dəyişmələri**

### **Xülasə**

21-ci əsrdə dünyada ən böyük gərgin iqtisadi rəqabət ABŞ və Çin Xalq Respublikasının hazırda mövcud olduğu rəqabət ola bilər. Ticarət, texnologiya və geosiyasi güc əlaqələri əhəmiyyətli dərəcədə bu rəqabətdən asılıdır. Bu esse, davam edən ticarət müharibəsinin səbəblərini və təsirlərini təhlil etməzdən əvvəl ABŞ–Çin ticarət əlaqələrinin əməkdaşlıqdan rəqabətə qədər tarixi inkişafını araşdırır: tarif siyasətləri, əqli mülkiyyət münaqişələri və dünya miqyasında təchizat zəncirinin pozulması.

Ticarətdən daha da irəli getdi; texnoloji üstünlük hər iki ölkənin yarımkeçirici istehsalı, 5G şəbəkələri və süni intellekt (AI) kimi mükəmməl sahələrdə bazar uğrunda mübarizə apardığı əsas mübarizə meydanına çevrilib. Çin innovasiyalara və özünə güvənməyə çox pul qoyur, ABŞ isə kritik texnologiyalara ixrac məhdudiyətləri qoyur. Bu tip münaqişələrin hərbi strategiyalarda, iqtisadi ayrılıqda və beynəlxalq alyanslarda daha geniş geosiyasi təsirləri var.

Bu iqtisadi və texnoloji münaqişənin uzunmüddətli təsirləri hələ tam məlum deyil, çünki dünya onun baş verməsini izləyir. Əməkdaşlıq çərçivələri yaranacaq, yoxsa dünya iqtisadiyyatı rəqabətli təsir zonalarına bölünəcək? Siyasətçilər, korporasiyalar və beynəlxalq maraqlı tərəflər bu sənədin təqdim etdiyi fikirlərdən faydalana bilirlər, çünki o, bu proseslərə dair ciddi müzakirələri təmin edir və gələcək güc dəyişikliklərini təklif edir.

**Açar sözlər:** ABŞ–Çin rəqabəti, ticarət müharibəsi, texnoloji rəqabət, qlobal iqtisadiyyat, iqtisadi diplomatiya, sanksiyalar və əks tədbirlər, rəqəmsal iqtisadiyyat, 5G texnologiyası, süni intellekt (AI) üstünlüyü, qlobal ticarət qaydaları, Dünya Ticarət Təşkilatı (ÜTT) mübahisələri, strateji rəqabət (Kəmərlər və Yol İnkişafı)

## Introduction

The economic connection between China and the United States is oftentimes remarked as one of the most intricate and impactful alliances inside the world economy. Being the two biggest economies across-the-board, their exchanges are often noted to influence international trading rules, market compartment worldwide, and geopolitical equilibrium. It has been commonly stated that the collaborative or rivalrous characteristics of U.S.-China relations have direct implications for businesses, consumers, and whole sectors. The modified dynamics of this economic partnership highlights the essential magnitude of trade regulations, advancements in technology, and strategic economic initiatives in acclimating global financial engagement.

Rivalry in technology and trade nonconcurrence have been emphasised as pivotal elements shaping the economic ties between the U.S. and China. The accomplishment of inheritance taxes, export bans, and restrictions on technology communication has been seen to hinder trade, impeding a variety of sectors, including high-tech electronics and farming. The drive for supremacy in areas like artificial intelligence, microchips, and 5G technology has been formidable as a key ingredient of commercial competition. It is widely recognized that this economic contest has extended beyond mere business interests to encompass issues of national defence, further exacerbating the friction between the two countries. These trade conflicts are often noted to have influence worldwide, affecting the trade arrangement of other nations and altering global supply networks.

### Research

This thesis aims to examine the economic implications of U.S.-China relations with a particular focus on trade conflicts and technological competition.

#### The specific objectives are as follows:

- To identify the key economic and technological factors driving tensions between the United States and China.
- To analyze the impact of trade policies and technological restrictions on global supply chains and international markets.
- To develop strategic recommendations for businesses and policymakers to navigate the challenges posed by U.S.-China economic conflicts.

#### The research is guided by the following questions:

1. What are the primary economic and technological factors influencing U.S.-China relations?
2. How do trade conflicts and technological restrictions affect global supply chains and international business strategies?
3. What strategies can businesses and policymakers employ to mitigate risks and adapt to the evolving U.S.-China economic landscape?

In order to reach these goals, a diverse range of methods has been implemented. A comprehensive review of existing literature has been performed to refine major trends, obstacles, and eventualities that stem from the economic interactions through the U.S. and China. Discussions have taken place with economists and trade policy cognoscenti to gather real-world perspectives. Moreover, quantitative analysis has been applicable to evaluate the economic effects of trade regulations and technology boundary, offering a numerical foundation for assessment. A bibliometric exploration has been conducted to highlight significant research works and maturing topics in this area (International Monetary Fund (IMF), 2019).

The conceptual framework unites principles of systems thinking with well-known economic hypotheses, such as the Global Value Chain (GVC) model and Strategic Trade Theory. The GVC

model has been used to investigate how U.S.-China economic master plan affects worldwide trading systems, while Strategic Trade Theory has been examined to understand how countries utilize policy tools to secure competitive edges.

By accentuating interconnections, flexibility, and economic toughness, this combined framework offers a thorough base for covetous the wider effects of economic ties between the U.S. and China. By carefully exploring the economic aspects of this two-way relationship, this thesis aspires to enhance the comprehension of global trade movements. The results are awaited to yield applicable suggestions for businesses, policymakers, and global organizations aiming to navigate the intricacies of U.S.-China economic interactions. By merging systems thinking with cosmopolitan economic models, this study provides a detailed viewpoint on the changing terrain of global trade and economic competition.

### **Historical Context of U.S.-China Trade Relationships**

The evolution of the U.S.-China trade relationship over the past several decades has been marked by a dramatic shift from diplomatic collaboration to strategic competition. This transformation began with the formal establishment of diplomatic ties between the two nations in 1979, a pivotal moment that facilitated greater commercial interaction and the normalization of relations. The United States recognized an opportunity to access a vast new market as China embarked on economic liberalization, while China sought to integrate itself into the global economy through enhanced trade and investment. During this optimistic period, both nations reaped substantial benefits from closer economic ties, anticipating that increased economic engagement would foster market and political liberalization within China.

Throughout the 1980s and 1990s, trade between the United States and China continued to expand. A significant milestone was reached in 2001 when China acceded to the World Trade Organization (WTO). This event heralded a new era of expanded trade opportunities, as China committed to further opening its market and adhering to international trade norms. The expectation was that China's integration into the global economic system would catalyse domestic reforms, leading to greater market and political openness. However, as China's economy surged and its trade surplus with the United States widened, concerns in Washington began to mount. Issues such as state-controlled economic practices, allegations of unfair trade practices, and intellectual property theft came to the fore, straining the relationship (World Trade Organization (WTO), 2001).

The early 2000s witnessed escalating tensions, with the United States increasingly critical of China's rapid economic development and its alleged unfair competitive advantages. The trade imbalance between the two nations became a focal point of contention, with Washington contending that China's economic model provided an uneven playing field. These grievances culminated in the 2010s under the presidency of Donald Trump, who adopted a more assertive stance toward China. The imposition of tariffs on Chinese goods was intended to address issues such as forced technology transfers and intellectual property violations. The ensuing trade war disrupted global supply chains and exacerbated economic uncertainty, underscoring the transition from cooperation to competition (Office of the U.S. Trade Representative (USTR), 2019).

When President Joe Biden assumed office in 2021, tensions remained high, though the strategic approach toward China underwent a recalibration. While tariffs remained a contentious issue, the administration shifted its focus to countering China's growing technological dominance, particularly in sectors like artificial intelligence, renewable energy, and advanced manufacturing. The competition now extends beyond trade to encompass global leadership in emerging technologies, signalling a broader contest for geopolitical influence. The Biden administration's strategy reflects a nuanced understanding of the challenges posed by China's rise, focusing on both economic and technological dimensions.

Today, the U.S.-China trade relationship is characterized by robust economic interdependence coexisting with pronounced strategic competition. The underlying factors driving this dynamic include technological innovation, global influence, and geopolitical tensions. The relationship has evolved from one of mutual economic benefit to one of strategic rivalry, with both nations vying for dominance in key industries and spheres of influence. This new era is marked by heightened competition and a recalibrated approach to economic cooperation, reflecting the complexities and challenges of managing a relationship between two global superpowers. The future trajectory of

U.S.-China trade relations will likely be shaped by the interplay of economic interests, technological advancements, and geopolitical considerations, suggesting that the current phase of competition is likely to persist and intensify (Blanchard, Cooper, 2021).

### **The Trade War: Causes and Consequences**

The ongoing trade war between the United States and China did not emerge overnight but rather developed due to long-standing economic issues that have been accumulating over time. The escalation of tensions can be attributed to several critical factors, including trade imbalances, tariff measures, and concerns over unfair economic practices. These factors have not only strained bilateral relations but also impacted the global economy, prompting significant changes in international trade dynamics.

#### **Causes of The Trade War**

##### **Trade Imbalance**

A respectable attorney influencing the trade discordance is the resolution of trade disparity between China and the United States. For many years, the U.S. has encouraged the import of far more products from China compared to what it has shipped out, resulting in a meaningful trade deficit. The U.S. Census Bureau thunderclap that this trade gap climbed to \$375 billion in 2017. Lawmakers in Washington declared this as clear proof of inequitable trading methods, claiming that China was saturating the U.S. market with inexpensive goods while enforcing high tariffs and multilayered barriers on American exports. This viewpoint intensified the conviction that China was embracing tactics that provided it an unfair edge, aggravating the flourishing trade disparity (U.S. Census Bureau, 2018).

##### **Intellectual Property Theft**

An additional pivotal ingredient fuelling the trade discord is the apprehension of the U.S. authority regarding the theft of intellectual property. For many years, businesses and officials in the United States have charged that Chinese companies are guilty of pilfering patents, trade secrets, and intellectual assets. In 2018, the United States Trade Representative's office unveiled that companies from China were involved in coerced technology transfers, pressuring foreign businesses to relinquish essential information in return for entry into the Chinese marketplace. U.S. representatives argued that this conduct created an imbalanced competitive environment and jeopardised American innovation. The report from the USTR illuminates that such practices suppressed both competition and innovation, thereby intensifying the friction between two countries (Lynch, 2019).

##### **Tariff Measures**

In response to these concerns, the United States imposed tariffs on Chinese imports valued at hundreds of billions of dollars. Initially, these tariffs targeted specific sectors, but they gradually expanded to cover a broader range of products. China retaliated by imposing its own tariffs, leading to a tit-for-tat escalation that sparked a global trade war. The imposition of tariffs on both sides aimed to address the perceived imbalances and unfair practices, but they also introduced significant uncertainties into global markets. The prolonged nature of these disputes raised questions about whether they would lead to further negotiations or result in permanent alterations to the global economic landscape.

#### **Consequences of The Trade War**

##### **Economic Impact**

The trade war has had a profound economic impact, affecting both the United States and China. Tariffs on Chinese imports to the United States increased the prices of consumer goods, electronics, and machinery, disproportionately burdening middle- and low-income households. According to a report by the National Bureau of Economic Research (NBER), rising prices in 2019 resulted in an additional \$1,000 being spent by the average American household. This increase in costs has eroded purchasing power, particularly for those who rely on imported goods for daily consumption.

##### **Impact on China's Economy**

The trade war also hindered China's economic growth, with GDP growth hitting its lowest level in nearly three decades in 2019. Supply chain disruptions and decreased demand for Chinese exporters contributed to this slowdown. The International Monetary Fund (IMF) warned that the prolonged trade conflict could lower global GDP by as much as 0.5%, highlighting the far-reaching

consequences of the tariff hikes. The IMF's assessment underscores the interconnectedness of global economies and the ripple effects of trade disputes.

### **Political Ramifications**

Beyond the economic impact, the trade war has also affected political relationships between the United States and other nations. Secondary tariffs and trade restrictions have impacted the economies of the United States' allies, particularly the European Union and Japan. The United States has adopted stronger protectionist policies, prioritizing American interests over international cooperation. This shift is evident in the renegotiation of trade agreements like the United States-Mexico-Canada Agreement (USMCA), which replaced the North American Free Trade Agreement (NAFTA) and included provisions aimed at reducing China's influence in the region. The trade war has also intensified China's push for technological independence, particularly in high-tech sectors. The Made in China 2025 plan, which aims to make China a leader in areas such as artificial intelligence, robotics, and semiconductors, has gained urgency as the Chinese government seeks to insulate itself from external economic pressures and reduce reliance on U.S. technology.

### **Disruptions in Global Supply Chains**

Perhaps the most significant result of the trade war has been to disrupt global supply chains for some time. Many companies, especially technology and manufacturing companies, have begun to move production from China to other places elsewhere to avoid missing out on the increased risk of tariffs. For example, Apple and Samsung have already shifted their production bases to Vietnam, India, and Mexico, among other places: thus, diversifying their supply chains and insulating themselves from exposure to the kind of volatility the trade war generates. Such companies have Chinese presence but further added capacity elsewhere to mitigate risks of geopolitical tensions or trade wars, a phenomenon commonly referred to as the "China Plus One" strategy. In the end, this would disintegrate the global manufacturing networks and return to other sources those countries previously highly dependent on China for their manufacturing base. Slowly, this trend will go on modifying the character of the world trade, and it may even weaken China's position as the central world manufacturing hub.

America's China trade war is a complicated and deep issue whose root causes go really deep and wide in consequence. Indeed, while the most important objective was to close trade deficits and protect intellectual property rights, that battle turned into an even grander fight for economic supremacy and technological leadership. Besides leaving behind political, economic, and supply chain dislocations on account of war, this long-lasting effect will, beyond a doubt, influence the world's economy in times to come. While still trying to navigate through difficult waters, only time will reveal what path—if any—the two countries will find or create to avoid the future reshaping of the global economic order by the trade war itself (Gates, 2022).

### **Technological Rivalry: The Trade Race for Supremacy in Artificial Intelligence (AI)**

A characteristic of recent years where tech supremacy has become a defining parameter of global competitiveness is artificial intelligence (AI). This has in turn led to competition between the U.S. and China to this effect. China became an early AI superpower at 2030 by dedicating large resources to R&D and talent acquisition. The Chinese government has introduced laws and regulations to nurture innovation within the industry, perceiving AI not just as a tool for economic growth in the coming years but as a strategic instrument that will help secure its national strength and global power. By building a powerful AI ecosystem, China intends to control subsequent technologies that will transform major national industries such as healthcare, transport, and defence (Brynjolfsson, McAfee, 2017).

However, America became widely acknowledged as the leader in AI innovation, especially through its booming private sector. It is basically the tech companies, Microsoft, Google, and OpenAI, who comprise the front line in the development of sometimes breathtaking AI systems. Top universities in the U.S., an entrepreneurial ecosystem unlike any other, and an ability to attract private investment in research and development— all these have accelerated the developments concerning AI. The breakthroughs made by American companies in areas like autonomous systems, machine learning, and natural language processing have helped them keep their ranks in the forefront of technological innovations (Chui, Manyika, Miremadi, 2018).

The locus entry affords a train of thought suggesting that while the United States justifies its efforts in other respects, it is hard put to defend its stand against China's state-sponsored efforts in AI, especially with the data resources and centralized decision-making powers. Cut through so much rich data, with its government being able to marshal and direct resources efficiently; it will always remain an insurmountable challenge for the United States. Heavy investments in AI talent and infrastructure by China are changing the arena with both nations trying to maintain their standing as global torchbearers in this transformative technology.

The race is one of strategic considerations, not just of economics, with implications for national security and geopolitical influence. Both sides see AI as transformative to industries around the world and in redefining power dynamics. The United States is struggling to adjust, with marketplace innovation and competition embraced in free enterprise, in order to deal with challenges from China's state-driven tyranny. In contrast to the United States, China firmly believes its long-term goals and funding investments clearly reflect its determination to achieve technological parity and even overtake the United States in selected priority areas of AI development (Office of the U.S. Trade Representative, 2020).

US-China competition in AI is symptomatic of a larger competition for global technological leadership. Although the United States continues to make leading advances in various areas of AI innovations, China's concerted efforts to establish an all-encompassing AI ecosystem present a significant challenge. The ensuing trajectory of this rivalry will be dependent on how well each country is able to exploit its somewhat different strengths and counter the challenges posed by the other. As the contest for AI supremacy heats up, it will reshape the face of the global economy and geopolitics for years to come.

### **5G and Telecommunications**

The swift expansion of 5G technology has changed international telecommunications forever, raising important geopolitical issues in the process. Chinese telecommunications giant Huawei is becoming a crucial player in the field, aggressively expanding its global market share. With its rapid ascent, Huawei is now seen as a leading global provider of 5G services and infrastructure and has thus put itself at the head of the next generation of mobile communications (Smith, 2020).

Most central to the debate concerning the geopolitics surrounding Huawei's involvement in 5G is the potential threat to security that such technology might make available for exploitation. The U.S. government has long argued that Huawei's close relationship with the Chinese state enables it to use its technology to facilitate espionage. According to U.S. authorities, in accordance with its laws, which require all corporations in the country to cooperate with the government in all matters related to intelligence operations, China would force Huawei to act as a spy for the state. Therefore, for reasons of national security, the United States will be recommending to its allies to exclude Huawei from their 5G networks (Baker, 2021).

In this regard, China views 5G as an integral part of achieving economic and technological supremacy globally. With active international alliances and foreign partnerships, Huawei penetrates emerging markets in Africa and Asia where 5G infrastructures are still at infancy stage. Through these initiatives, China continues to develop its global telecommunications infrastructure, thereby enhancing its geopolitical influence and economic reach. This is what has created another point of contention between China and Western countries, particularly the United States. It is a microcosm of their larger competition for technological superiority in the 21st century.

Beyond the disputes over economic interests, it has become part of an apparent broader strategic motive for holding control over 5G infrastructure that increasingly appears to be a means of controlling information flows across the globe and, in the future, digital governance. Countries adopting Huawei's 5G will tend to compromise their sovereignty and autonomy in cyberspace. This concern, in fact, has triggered a near-revolution in Western government relations with Chinese technology companies. The United States thus took the hardest line, promoting an international approach to 5G that would exclude those entities not viewed as security threats.

Also, this 5G race is a significant factor in the larger competition between China and the United States regarding technological and economic ascendance. Up until now, the US had always taken the lead in areas like semiconductor design and software development. However, China's strength lies in its ability to design and deploy large-scale infrastructure projects at breakneck speed and

precision. This duality in capabilities has led to an increasing emphasis by the U.S. on having indigenous innovation and resilience of the supply chain. For example, the Biden administration is busy ensuring domestic semiconductor manufacturing is intensified while working to build alternative suppliers for 5G devices to reduce dependency on Chinese firms.

### **Semiconductors**

What is meaningful in this modern age is that semiconductors are an important asset in the global economy in which technology thrives—from smart devices to AI systems, everything is now related to it. However, current geopolitical friction, especially between the US and China, is affecting the semiconductor industry. One of the most important strides in this area has been the decision by the US government to impose restrictions on export of advanced semiconductor technologies. In fact, the chips that would be bought by Chinese companies from NVIDIA and ASML would be banned under U.S. Department of Commerce regulations as cutting edge chips for high-performance computing and AI-based or next-generation 5G networks because they would strongly contribute to the economic and national security agendas (Smith, 2021).

China has increased its efforts to develop an indigenous program in semiconductors. In trying to overcome foreign vendors, the Chinese government has increased expenditure in domestic semiconductor research and manufacturing. This effort finds reflection in large-scale initiatives, such as the strategy Made in China 2025, that aims for self-sufficiency in semiconductors and other critical technologies. The strategy aims to reward the domestic company while attracting foreign talent toward domestic production and innovation. However, these efforts notwithstanding, experts argue that China is facing great challenges toward the goal of semiconductor self-sufficiency, particularly in areas of cutting-edge chip design and photolithography technology, where Western companies continue to hold the dominant position (Li, 2020).

The semiconductor war with the US and China shows the growing significance of innovative technology in the global competition. While both states continue to invest in their respective semiconductor industries, global IT will evolve drastically in the years to come (Fajgelbaum, 2019).

### **Geopolitical Implications and Future Power Shifts**

New alliances and trade relationships around the world have undergone remarkable changes recently due to recent geopolitical developments, hence caused by new economic giants. A considerable realignment has come in the form of strengthening ties between the United States and the European Union under the weight of increasing China's global footprints. Both the United States and the European Union have been cooperating in areas of trade, security, and other emerging technologies as the two countries are faced with a series of similar issues that China's economic rise poses in their respective efforts to garner greater influence in global governance. This alliance has become even more important as both sides aim to challenge China's growing influence in global supply chains, the digital economy, and multilateral organizations.

Their involvement in trade and alliances has undergone significant changes globally in recent years towards the development of new giants in the economy and into geopolitical issues. One of the considerable realignments is the fortification of ties between the United States and the European Union, mainly as a consequence of China's increasing footprints in the world. The United States and the European Union are getting closer, especially in trade, security, and new technology preparation, as both are under a threat posed by recent issues from the economic rise of China. The significance of this relationship has increased on both sides as they seek to counter the burgeoning strength of China in global supply chains, the digital economy, and multilateral organizations (Kastner, 2021).

In the contrary, China has been working towards boosting its position as a global leading power since the launch of initiatives like the Belt and Road Initiative in the year 2013. The Belt and Road Initiative, which is also described as BRI, stands for a mammoth infrastructure project intending to connect China with Asia, Africa, and Europe. Through this project, China has established an extensive network of trade routes and strong economic connections with countries that have historically not been under the influence of the West. Correspondingly, the project has helped China in its geopolitical expansion through loans, investments, and infrastructure developments in the emerging economies.

The new competition has intern turned the largely monopolized environment of global trade into a more fragmented one. Southeast of all these increasingly competitive alliances has seen China step up its efforts even more in building ties through the BRI, as the US and the EU intensified their counteractions to curtail China's expanding reach through the establishment of new alliances like Transatlantic Trade and Technology Council (TTC) and multilateral collaboration in improved forums like G7. Such a development has now led to competing spheres of influence for countries that would be weighing whether to align itself with China's ambitious trade and infrastructural projects or remain in collaboration with the US-EU axis (Zhao, 2022).

### **Economic Decoupling**

Economic decoupling, or the processes whereby dependencies amongst countries are weakened, is becoming an emergent problem within the international trade arena. Most importantly, the fracturing of global supply networks that prosper in integrated economies is seen as one of the most grievous effects of decoupling. This transition has prominently been fueled by U.S.-China trade tensions, pressuring firms and governments to reconsider their reliance on one single country for vital commodities and resources. An increasingly fragmented global economy also places rising costs and inefficiencies before the industries trying to navigate through a more disparate supply chain (Huang, 2021). The heavy reliance on China for mass production was, in many ways, a co-creator of globalization. The escalation of geopolitical threats, in the form of tariffs and trade barriers, has forced businesses to actively consider new options in diversifying their supply chains to avoid potential disruptions (Lee, 2020).

Economic decoupling now exerts its influence on the multinational firm. Due to its excessive dependence on China for manufacturing, companies like Apple and Nike are looking into various alternatives in areas like Vietnam, India, and Mexico to minimize their reliance on a single market. While the China-Plus-One strategy achieves the noble goal of minimizing geopolitical risk, it creates complexity within logistic scenarios and cost of production, plus heavy investment into new plants and local supply chains. This change is also forcing firms to engage with new local laws, labour markets, and tax regimes, again rendering their international operations harder (Gates, 2022).

Economic decoupling represents an existential threat to emerging economies, especially in Asia and Africa. As global supply chains lose interdependence, slower growth will be felt among countries that have been primarily dependent on China for investment and trade. In Southeast Asia, firms that have benefited from China's industrial capabilities may now find it increasingly difficult to compete against attrition of manufacturing as plants relocate to other areas. Global economic fragmentation may also serve to widen the gap between established and emerging markets, which are to be left more vulnerable to slower growth and, hence, financial instability.

### **Military and Strategic Considerations**

The world of industry and military tactics everywhere changes due to a rapid improvement in artificial intelligence (AI) and quantum computing. These technologies hold immense potential in improving military capabilities, such as increased weapon accuracy, improved cybersecurity, and enhanced decision making. For instance, AI is incorporated into drones, surveillance systems, and driverless cars to enable military forces to do better and with less loss of human life. However, when quantum computing breaches existing encryption technologies and facilitates faster and stronger data analysis for military operations and the collection of intelligence, it will completely transform defence plans (Harris, 2021).

International military competition has been primarily concerned with the arms race in cutting-edge technology, notably artificial intelligence and quantum computing. With respect to defence, both countries are investing massive sums in these technological fields. Whereas the U.S. Department of Defence is actively pursuing the various defence applications of AI through Joint Artificial Intelligence Centre (JAIC) programs aimed at accelerating the fielding of AI capabilities in military operations, China has also been making huge investments in quantum research. From military cryptography and communication, state-sponsored efforts include the Quantum Experiments at Space Scale (QUESS) satellite mission (Stewart, 2020).

Affects global power dynamics, continuing the arms race in technologies with the military industry. National security and military strategy are fast becoming reliant on competitive AI and quantum technologies. The race moves beyond conventional defence capabilities and into areas of

cyber-warfare, intelligence operations, and even space-based initiatives, adding a level of complexity to the geopolitical environment.

## Conclusion

The economic relationship between China and the United States is probably among the most complicated and influential dynamics shaping global trade and investment. As interacting with the two largest economies has repercussions on international trade regulations, worldwide market stability, and the geopolitical strategies the two nations pursue, this study has undertaken the analysis of U.S.-China economic tensions, particularly in trade conflicts, technology competition, and their broader implications for global markets.

One interesting observation from this research is that technology competition and trade conflicts have really become a driving force in determining present-day relations between the United States and China. Tariffs, export controls, and restrictions on technology transfers have upset global supply chains, particularly in the case of electronics, agriculture, and telecommunications. The aspiration for technological supremacy in AI, semiconductors, and 5G has added the edge of national security to economic rivalry, fuelling further tension. In the opinion of this paper, this type of policy will likely promote further decoupling-of economic ties-leaving firms and nations to adjust to new trade dynamics.

Clearly evident, is the great extent to which U.S.-China economic tensions have influenced global markets. Multinational corporations, policymakers, and economic institutions continuously find themselves being forced into re-conditioning as ever-evolving trade policies affect business. Prolonged tensions could endanger global economic stability according to World Bank Global Economic Prospects Report (World Bank, 2023). Businesses face critical challenges such as supply chain realignments, investment shifts, and adjustments to trade policies. This research highlights the strategic flexibility and diversification needed to confront risks arising from or in reply to evolving geopolitical developments.

By means of a multi-method research approach, the study provides a comprehensive analysis of U.S.-China economic tensions. Literature reviews, expert interviews, statistical analyses, and bibliometric studies have all contributed toward a more profound understanding of the two economies- by synthetically analysing trends and analysing trade strategies. Furthermore, combining systems thinking with the GVC framework and Strategic Trade Theory would instil ideas into global economies' interdependence and the need to adapt strategically.

The results highlight the importance of diversifying supply chains, investing in alternative markets, and being technologically self-reliant. This raises the question of examining the long-term implications of economic decoupling and the opportunity for multilateral trade fora to stabilize global markets in future research.

The ongoing U.S.-China economic rivalry will have a lasting impact on the evolution of trade and the shift of economic power centres. The businesses and policymakers have to adapt constantly to new challenges, making their operations resilient in an unpredictable global environment.

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