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Review of Economic Perspectives – Národohospodářský obzor
Volume 25, Issue 1, 2025, pp. 15–28, DOI: 10.2478/revecp-2025-0002

MORE THAN PROTECTIONISM: UNBUNDLING U.S. MOTIVES IN THE TRADE AND TECHNOLOGICAL WAR WITH CHINA

Petr Svatoň[1]

[1] *Masaryk University, Brno, Czech Republic*

ABSTRACT

This article examines the underlying motives behind the United States' trade and technological conflict with China since 2018. While the measures undertaken—ranging from tariffs and export controls to investment screening and industrial policy—are often interpreted through the lens of economic protectionism, this paper argues that standard economic theories fail to account for their full scope, intensity, and strategic focus. The article systematically evaluates four leading economic explanations for protectionist behavior—trade balance correction, commodity structure of trade upgrading, terms of trade manipulation, and strategic trade policy—and demonstrates their limitations in explaining the U.S.–China case. It then proposes an alternative analytical framework that integrates realist international relations theory with a modified version of the mercantilist perspective on the commodity structure of trade which incorporates a retaliatory mechanism. This interdisciplinary approach better captures the combined geopolitical and economic underpinnings of U.S. protectionist policies aimed at China, in particular efforts to curb China's technological rise in semiconductors and dual-use sectors. This interdisciplinary approach contributes to the literature on economic statecraft by incorporating national security concerns into trade policy analysis.

KEY WORDS

trade war, mercantilism, technology, export controls, U.S., China

JEL CODES

F52, F51, F13, L52, B17

1 INTRODUCTION

In recent years, the global economic order has been profoundly reshaped by the intensifying rivalry between the United States and China. The clearest expression of this shift occurred in 2018, when the first Trump administration initiated sweeping economic measures against China that soon extended well beyond traditional tariff instruments. What began as a series of trade restrictions rapidly evolved into a wide-ranging framework of policies encompassing export controls on advanced technologies, expanded screening of incoming investment, and significant new domestic industrial subsidies (Lim, 2019; Triolo and Alisson, 2020; Mishra and Karthik, 2020). The non-tariff measures were most assertively applied in the sector of semiconductors

(Segal, 2020; Khan and Flynn, 2020; Timura et al., 2022; Shivakumar and Wessner, 2022). These policies, initiated under President Donald Trump, sustained and deepened under President Joe Biden, and at present continuing under the second Trump administration, represent a drastic break with the long-standing U.S. commitment to liberal trade norms (Mattoo and Staiger, 2019; Hoekman, 2020) and call for a reexamination of the conceptual underpinnings of trade policy.

The existing economic literature typically explains the U.S.–China conflict using conventional models of protectionism, drawing on both modern economic analysis and mercantilist perspectives. It interprets U.S. protectionist policies as: 1) a response to trade imbalances (Liu and Woo, 2018; Sheng et al., 2019; Chong and Li, 2019; Moosa et al., 2020), 2) an attempt to change the commodity structure of trade (Liu and Woo, 2018; Mishra and Karthik, 2020), 3) an effort to manipulate terms of trade (Qiu et al., 2019), or 4) strategic competition in oligopolistic markets (Gros, 2019; Lim, 2019; Ciuriak, 2019a, 2019b), or as some combination of these factors.[1]

While some studies (Liu and Woo, 2018; Gros, 2019; Ciuriak, 2019a, 2019b; Sheng et al., 2019; Chong and Li, 2019) briefly acknowledge geopolitical motives, they do not explore them in depth, as geopolitics falls outside their scope. On the other hand, there is a rich international relations literature dealing with the U.S.–China rivalry (see for example Kennedy and Lim, 2018; Kim, 2019; Lukin, 2019; Lee and Zulkefli, 2021; Kim, 2022), written from the realist point of view and focused on the geopolitical, national security and military motivations for the U.S. actions against China. However, these two fields remain largely disconnected, resulting in a fragmented understanding of U.S. policy toward China.

The contribution of this article is threefold. First, it reviews the four main economic explanations of U.S. protectionist policies toward China, tracing their roots in economic thought and demonstrating why neither of these theories nor their combination provides a thorough and complete explanation of U.S. actions—particularly their strong sectoral focus on advanced technologies and their almost exclusive targeting of China. Second, it proposes a geopolitically oriented alternative, building on the often-overlooked work of Kennedy and Lim (2018) to offer a more comprehensive explanation of U.S. policy motivations. Third, it identifies areas of convergence between economic and geopolitical explanations, showing how the mercantilist commodity structure of trade argument, when adapted to incorporate a retaliatory dynamic, aligns with geopolitical motivations and provides a more comprehensive framework for understanding U.S. policy.

The article is structured as follows: Section 2 outlines the U.S.–China trade and technological war and the most important policy tools used by the U.S. against China. Sections 3-6 assess the four main economic explanations for U.S. protectionism, demonstrating their limitations. Sections 4 and 5 also suggest refining the mercantilist arguments in question by incorporating a retaliatory dynamic. Section 8 argues that U.S. policies are best understood through the lens of geopolitics, drawing in particular on Kennedy and Lim's (2018) work, which it critiques and expands upon. Section 9 concludes by integrating the modified mercantilist and realist perspectives.

2 THE U.S.–CHINA TRADE AND TECHNOLOGICAL WAR

In 2018, a year after Donald Trump became the U.S. president, years of simmering tensions and economic disputes between the United States and China escalated into what is almost certainly the biggest and most consequential trade war since World War II. Between July 2018 and September 2019, the United States imposed five major waves of tariffs on Chinese goods, which cumulatively

[1]The first two explanations come from the mercantilist school of thought, while the latter two are respectively rooted in neoclassical macroeconomic and microeconomic theory.

subjected some two thirds (68.5%) of U.S. imports from China to new tariffs and raised the average American tariff on Chinese goods from 3.2% to 19.3% (Federal Register, 2019; Bown, 2019; Svatoň, 2019).

It appears that the U.S. government initially concentrated its tariffs on high-tech goods but soon broadened them to include less sophisticated products. A good proxy here is the category of "Advanced Technology Products" defined by the U.S. Census Bureau (U.S. Census Bureau, 2023a). Out of the 552 tariff lines included in the ATP group, 446 (80.8%) were targeted by new U.S. tariffs, of which 274 (49.64%) were included in the very first wave — otherwise a relatively small round that affected only approximately 6% of total Chinese exports to the U.S. (Svatoň, 2019; Wong and Koty, 2019). By comparison, the September 2019 wave only included 73 (13.22%) of ATP tariff lines, while encompassing a wide array of consumer goods such as textiles and footwear (Federal Register, 2019). In 2021, Trump was replaced as the U.S. president by Joe Biden, who had vowed before taking office to maintain the Trump-era tariffs (Shalal and Lawder, 2020) and upheld them throughout his presidency. Since reassuming office in January 2025, Trump has imposed two further major waves of tariffs on China, each increasing tariffs on all Chinese goods by an additional 10% without distinction (Bown, 2025).

On April 2, 2025, Trump announced a sweeping wave of new tariffs affecting most U.S. trade partners. By default, these tariffs were set at 10%, but for countries with significant trade surpluses with the U.S., they appear to have been calculated using a simple formula:

$$\frac{\text{U.S. trade deficit with country } X}{\text{U.S. imports from country } X} \cdot \frac{1}{2}$$

China is expected to be hit particularly hard, with tariffs reaching 34%, seemingly on top of previous rounds (Chu and Edgington, 2025). As of this writing, it remains unclear whether these new tariffs will take effect. From 2019 onward, the United States also expanded its approach beyond tariffs to include a range of policy tools—most notably export controls, investment screening, and domestic industrial policy—using them to counter China's rise in digital high-tech.

In May 2019, the U.S. first used export controls against China when it placed the telecom giant Huawei, as well as all its foreign branches, on the so-called Entity List, by which the U.S. prohibited the sale of all U.S. export-controlled products to that corporation (Triolo and Allison, 2020; Segal, 2020). It is worth noting here that export controls are not a normal tool of economic policy, but a far more drastic measure used to prevent the sale of weapons and dual-use goods to hostile states or non-state organization[2]. Rather than imposing a tax, export controls entail a strict ban, whose violation is considered a crime under U.S. law. The first Trump administration turned this pre-existing legal apparatus against China's commercial digital sector, attempting to cut Huawei off from imports of advanced semiconductor chips, which China cannot produce on its own (Ford et al., 2020; van Gerven, 2022).

By September 2020, the U.S. started to also target China's semiconductor industry itself when it placed SMIC, China's largest semiconductor producer, on the Entity List alongside Huawei (Reuters, 2020). The semiconductors area soon became the main target of U.S. anti-China export controls. Unlike with tariffs, where the Biden administration has merely maintained the regime created under its predecessor, the Democratic administration substantially expanded the breadth and scope of export controls on semiconductor technologies heading for China (Smith, 2022). The largest and most comprehensive wave of U.S. restrictions on technology transfer to China so far arrived in October 2022, when the U.S. government outright outlawed the export of most

[2]Historically, export controls were first used against Japan in the run-up to WWII, were then used against the Soviet block and, after the end of the Cold War, against smaller U.S. adversaries such as Iraq. (Yasuhara, 1991; Vandenberghe, 2021)

semiconductor manufacturing equipment to China as a country, rather than targeting individual Chinese corporations (Federal Register, 2022; Timura et al., 2022).

"Both the Trump and Biden administrations have expanded U.S. investment screening, specifically targeting Chinese acquisitions of sensitive technologies, especially in semiconductors (Congressional Research Service, 2020). The Biden administration has also revived industrial policy, primarily through subsidies, to rebuild and reshore the U.S. industrial base, with a strong focus on semiconductor manufacturing. This shift is exemplified by the CHIPS for America Act, which allocated $52 billion in subsidies for the industry, and the broader Inflation Reduction Act, which supports sectors ranging from renewable energy to drones (Kersten et al., 2022)."

The following sections apply the four theoretical explanations of protectionism to post-2018 U.S. economic measures against China and demonstrate that none fully accounts for these policies.

3 THE BALANCE OF TRADE ARGUMENT

Rooted in mercantilist thought, the traditional and often criticized balance of trade argument asserts that exports are economically beneficial, while imports are detrimental to a nation's prosperity. From this perspective, countries engage in a zero-sum competition to achieve a trade surplus by maximizing exports and limiting imports (Irwin, 1996, pp. 26–44).

Several authors have already interpreted the U.S.–China trade war as an attempt by the U.S. to reduce its trade deficit. Mattoo and Staiger (2019) argue that U.S. tariffs serve as bargaining tools to push China toward market liberalization, aiming for a more balanced trade relationship. Hoekman (2020) supports this view, linking U.S. protectionism to frustration over stalled WTO negotiations on industrial policy, which failed to curb China's interventionist practices seen as fueling the deficit. Liu and Woo (2018) identify three overlapping U.S. concerns: job losses from the trade deficit, China's alleged intellectual property theft and currency manipulation, and its technological rise as a national security threat. Sheng et al. (2019) similarly cite deficit reduction, U.S. manufacturing revival, and technological leadership as key motives behind Trump's trade war. These studies therefore share the premise that China was more protectionist than the U.S., prompting Washington to adopt protectionist measures either to "level the playing field" or to push China toward greater liberalization. The outcome, they suggest, would be either mutual protectionism or a shift toward freer trade that reduces the U.S. deficit.

There are several problems with this argumentation. On the one hand, it does not explain why U.S. restrictive policies are so heavily focused on China. It is true that trade with China is a very important source of the overall U.S. trade deficit – in 2017, on the eve of the trade war, China accounted for circa 68% of the growing total trade deficit, which stood at 555 billion USD (U.S. Census Bureau, 2023b). However, China is far from being the only country with which the United States runs a persistent and sizeable trade deficit. In the same year, 2017, the U.S. trade deficit with the EU stood at 151 billion USD, comprising about 28% of the overall trade deficit, which is also far from negligible (U.S. Census Bureau, 2023c). Similarly, the United States runs a persistent and quite major trade deficit with Mexico, which in fact rose from approximately 70 billion USD in 2017 to 130 billion in 2022 (U.S. Census Bureau, 2023d).

Nevertheless, the U.S. never took any action against the EU or Mexico even remotely comparable with the restrictions imposed on China, at least not until the "reciprocal" tariffs announced by Trump in April 2025. While these tariffs also heavily target China, they are nevertheless global in nature, and if they are indeed implemented, they would strengthen the case for the balance of trade argument being an important U.S. motivation.

Moreover, the trade balance argument is even weaker when explaining the U.S. technological restrictions against China. The investment screenings and domestic industrial policy are not

directly relevant to a balance of trade, even though one could argue that industrial policy should indirectly decrease imports and increase exports in the targeted industry.

The export controls, meanwhile, lie completely outside the scope of a balance of trade logic. The best way how to reconcile these moves with a focus on limiting the U.S. trade deficit would be to argue that the U.S. is attempting to undermine China's export-oriented sectors. However, if this was indeed the goal, it would make little sense to specifically target China's semiconductor manufacturing, an area where China itself faces a substantial trade deficit (Naughton, 2018: 415).

The best explanation that can be provided by the balance of trade argument arises if we use the explanations by Hoekman and Mattoo and Staiger to somewhat modify the argument to claim that trade deficits are unacceptable only if they are the result of deliberate mercantilist policy of another nation, which justifies and necessitates a retaliation. Under this "retaliatory mercantilism" framing, the U.S. sees China as far more mercantilist than any other of its major trade partners, and has therefore decided that the continuation of its liberal approach is untenable only for China, but not for the EU and other trade partners.

However, the timing of the start of the trade war remains a problem. The most simple and straightforward instrument a country, in this case China, can use to gain a trade surplus is upholding an artificially undervalued exchange rate. China has indeed done so, but this practice was far more pronounced and obvious between 1994 and circa 2005, when China first drastically devalued its currency and then prevented it from revaluing (Naughton, 2018: 405). Combined with the breakneck speed with which Chinese exports into the United States grew in the early 2000s, one would have expected the trade war to start in this period rather than in 2018.

Overall, one can make a case that the balance of trade argument provides at best an imperfect explanation for U.S. protectionist policies aimed at China.

4 THE COMMODITY STRUCTURE OF TRADE ARGUMENT

Unlike the balance of trade argument, the commodity structure of trade argument has never been comprehensively disproven in academic debate. While largely absent from mainstream neoclassical economics—where models like comparative advantage and Heckscher-Ohlin assume an exogenous division of capabilities—it remains central to major heterodox traditions.

Developmental economists such as Wade (2003), Chang (2007), or Rodrik (2008) emphasize the role of state intervention in fostering industrial transformation, aligning with a mercantilist-adjacent perspective on the centrality of manufacturing in national economic development. Similarly, Marxist approaches, particularly the world-systems theory (Wallerstein, 1974) and dependency theory (Cardoso and Faletto, 1979), view the global economy as structured to benefit wealthy nations by preserving an advantageous composition of their trade, echoing mercantilist concerns at a systemic level. Economic nationalists within International Political Economy recognize that some industries contribute more to national power than others, reinforcing the argument that the commodity structure of trade matters beyond pure economic efficiency (Oatley, 2023).

The commodity structure of trade argument can explain some, although not all, of the aspects of post-2018 U.S. protectionism towards China. Firstly, the renewed U.S. industrial policy is certainly attempting to boost American production and presumably also to limit imports and increase exports in advanced, high-value-added industries such as semiconductors. Investment screenings can also be interpreted in this milieu, as an attempt to keep industrial know-how at home and prevent it from falling into the hands of competitors. Another plausible argument is that, as was already explained, the early waves of Trump-era tariffs heavily targeted advanced technology products such as electronics or aircraft parts. On the other hand, later waves of U.S.

tariffs targeted even products that cannot reasonably be considered advanced, such as clothing and footwear, which weakens the argument.

The role of export controls here is debatable. On the one hand, they are a type of measure which can slow down the rise of a competitor in a field deemed strategic. On the other hand, it is a very extreme measure which countries normally do not use in the context of economic competition. It is also clear from the focus of U.S. export controls, as was discussed before, that their main purpose is to prevent China from gaining a capability to produce any cutting edge chips at all, while there has been no comparable move to slow down China in other advanced industries, such as batteries and electric vehicles, where China is currently a much more potent competitor than in semiconductors.

Even when it comes to consumer electronics, the area in which China has the largest annual exports to the United States, the U.S. has never attempted to hamstring the entire industry. The semiconductor restrictions that exist are largely focused on equipment necessary to produce chips, while American export controls make no attempt to prevent most Chinese companies (with the exception of Huawei) from importing the chips themselves and using them to produce goods for export to the U.S. (Khan and Flynn, 2020).

Another aspect of U.S. behavior which is difficult to explain using the commodity structure of trade argument is the Phase One trade deal, in which China accepted U.S. demands to purchase 200 billion USD in American products, often agricultural products such as soya beans. (Adams et al., 2020) While this makes sense on the American side from the point of view of the balance of trade argument, from the commodity structure perspective, it is clearly the opposite of what we would expect the U.S. to do, while by the same logic it might be viewed as a win for China.

Moreover, exactly as with the trade of balance argument, the commodity structure of trade argument is supposed to be applied to the entire relationship of one country with the rest of the world, not merely to one bilateral relationship. It is not clear from this argument why the U.S. should focus so much on China and not for example on car imports from Europe or Japan.

In sum, the commodity structure of trade does not quite fit the U.S. actions. However, precisely as with the balance of trade argument, this argument can be adapted in order to better describe U.S. behavior by adding a retaliatory dynamic. In this version of the argument, the U.S. trade and technological restrictions are a retaliation for Chinese attempts to boost China's capabilities in export-oriented and advanced technology sectors.

The best argument for this interpretation is the timing of the start of the trade war, which began after China significantly expanded the scope and ambitions of its industrial policy programs. This process so far includes three waves of increasingly larger and more ambitious industrial policy programs (2006: National Medium- and Long-Term Program for Science and Technology Development; 2010: Strategic Emerging Industry; 2015: Made in China 2025), which over time shifted their focus from catching up with industry leaders to leapfrogging competition entirely and attaining technological leadership in areas such as artificial intelligence (Chen and Naughton, 2016; Naughton, 2021). Crucially, semiconductors have been one of the quintessential sectors supported by these industrial policy programs, which might help to explain why the U.S. response is also so heavily fixated on this industry.

In other word, if we interpret China as a globally unique "techno-nationalist" mercantilist state obsessively focused on achieving a dominant position in high-tech industries and attaining an advantageous commodity structure of trade, it might make sense for the United States to specifically retaliate against Chinese policies in order to prevent being relegated from high-tech manufacturing sectors, while maintaining relatively free trade with other nations.

The composition of U.S. policies related to the trade war mostly makes sense from this perspective – the U.S. is attempting to boost its own capabilities in high-tech sectors using industrial policy, while also protecting these industries by investment screening and slowing down China's

rise with export controls. The scope of the Trump-era tariffs is still much too wide to be compatible with this version of mercantilism, but the modified theory otherwise provides a solid explanation for U.S. policies.

5 TERMS OF TRADE AS AN ARGUMENT FOR PROTECTIONISM

Terms of trade, introduced by Robert Torrens in 1844, measure the price of exports relative to imports, with higher values indicating greater national welfare. Torrens argued that large countries could improve welfare by imposing tariffs, lowering import prices globally while making exports scarcer and more expensive, thus enhancing terms of trade (Irwin, 1996, pp. 101–105). Johnson (1953) showed that a large country could still benefit from tariffs even if smaller nations retaliated, while Ossa (2014) used quantitative analysis to estimate optimal tariffs in various trade war scenarios.

Terms of trade therefore offer a theoretically well-established explanation argument for protectionism, which remains valid in economic theory. Its main weakness is its abstract and somewhat impractical nature from a policy making perspective. For example, of the myriad articles written on the U.S.–China trade war, the only one which addresses terms of trade as a possible motivation is the one by Qiu et al. (2019), who themselves admit that this argument is unlikely to be the primary motivation. It is addressed in this article because of its theoretical strength and long intellectual history.

Alas, it truly offers little insight into the formulation of U.S. policies towards China. The argument suggests that tariffs should be targeted at some specific category of goods, and not their majority, let alone all products imported from China, which is the span of the 2025 Trump tariffs. Moreover, it only makes sense when restrictions are aimed at all imports of a product, or their vast majority, and not on a single country. Terms of trade also offers no explanation for export controls or investment screenings, both of which are well beyond its scope. As for industrial policy, this approach would make sense from a terms of trade perspective for an import-competing industry, which is difficult to square with actual U.S. policy that has so far most heavily targeted semiconductors, whose complicated supply chain is challenging to interpret from a terms of trade perspective.

All in all, while terms of trade cannot offer a reasonable interpretation of U.S. protectionist policies towards China.

6 STRATEGIC TRADE THEORY

Strategic trade theory emerged in the 1980s among authors such as Brander and Spencer (1985), Eaton and Grossman (1986), Helpman and Krugman (1985), or Brainard and Martimort (1997), who turned their attention from models of international trade assuming perfect competition to an oligopolistic setting with a limited number of firms capable of strategic interactions influencing prices and profits. Strategic trade policy consequently took this micro-economic understanding of the dynamics of an oligopoly and added new actors in the form of national governments capable of influencing economic outcomes in favor of their domestic "national champions" by trade and industrial policies. For example, Brander and Spencer (1985) studied trade wars taking place via research and development subsidies or export subsidies, while other authors contributed other modalities.

The logic of strategic trade theory has been applied to the U.S.–China trade war and technological rivalry by several authors, most notably Ciuriak (2019a, 2019b) and Gros (2019), who

have both argued that a part of the U.S. motivation is to gain/maintain monopolistic rents in high-tech fields with a winner-takes-most dynamic. Neither author explicitly discusses strategic trade theory, but their insights are clearly in line with its logic.

Given the high market concentration in high-tech industries targeted by U.S. policies against China such as AI or semiconductors, strategic trade theory cannot be overlooked as a potential explanation for U.S. actions. Nevertheless, as with the previous theories, it provides at best a partial explanation of U.S. behavior, because of its inability to explain the almost singular focus on China, the wide range of U.S. tariffs, and the very narrow scope of U.S. technological policies.

China is not America's only competitor in oligopolistic markets, many markets targeted by U.S. tariffs are not oligopolistic (for example clothing), the sector most heavily targeted by U.S. policies, semiconductors, does not feature China, but rather South Korea, Taiwan and Japan as the main economic competitors of the U.S. (Kleinhans and Baisakova, 2020), while other oligopolistic sectors where China does in fact play a powerful role, such as electric vehicles or smartphones (Yang, 2023), have not been targeted by U.S. policy with the same intensity. If the U.S. government was truly motivated by strategic trade reasons, one would expect it to for example heavily subsidize American potential national champions, such as Tesla or Apple, against their Chinese competitors. Instead, the U.S. government focuses on the semiconductor industry and attempts to prevent China from getting into cutting-edge production at all.

Overall, the U.S. choice of priorities is not explicable by strategic trade theory alone, which explains at most a fragment of the mosaic of U.S. policies targeted at China.

7 MERCANTILISM AND GEOPOLITICS

Taken together, the four theories of protectionism do not fully account for U.S. policies toward China, though the modified commodity structure of trade argument provides the most compelling framework. The biggest problem for all theories is explaining the almost exclusive focus of U.S. tariffs, investment screenings and export controls on China in the context of a globalized world where China is far from being the only economic competitor of the United States. The addition of a retaliatory dynamism into the two mercantilist arguments can to some extent account for this puzzle given China's own policies and specific economic model, but even this modification cannot plausibly explain the use of export controls against China's emerging semiconductor fabrication industry.

Explaining U.S. policies toward China requires looking beyond economic theory and motives and into the realm of geopolitics. In this context, China is widely regarded as the United States' only true peer competitor, whereas other major nations or blocs are either U.S. allies or lack the resources and capabilities to pose a comparable challenge on the global stage. Several authors cited in this article (Liu and Woo, 2018; Gros, 2019; Ciuriak, 2019a, 2019b; Sheng et al., 2019) acknowledge American geopolitical and national security concerns. However, existing economic literature typically treats these factors as exogenous and does not explore them in depth, which is understandable given the discipline's scope. In contrast, international relations scholarship — particularly the realist tradition, as developed by Waltz (1979) and Mearsheimer (2001) — focuses on great power competition, where states pursue relative gains against their rivals. The U.S.–China rivalry has indeed been extensively analyzed within this framework, for example by Mearsheimer (2001), or Allison (2017). While realists are mainly focused on political and military affairs, their approach provides a useful guidance when interpreting the economic policies created by the United States against China. It can explain why the United States focuses on China and not on other economic competitors, as well as why there is such a focus on the denial of technology, in particular semiconductors.

Technology is understood by realist scholars as one of the most important underlying factors determining a nation's military strength, while semiconductor chips are a crucial component of most modern weapon systems (Imbrie and Fedasiuk, 2020; Lee, 2021; Shivakumar and Wessner, 2022). Therefore, the U.S. attempt to prevent China from gaining a capacity to produce cutting-edge chips, even in small quantities, makes sense from this perspective, much more so than from the perspective of the four theories of protectionism discussed above, which would only assign importance to China's semiconductor industry if it in fact grew enough to be commercially viable and played a major role in international trade. From a realist perspective, even a small production destined for the military, which does not even have to appear on the open market, is a possible concern.

The main limitation of realist IR literature from the point of view of economics and political economy is its predominant focus on the possibility of open war between the United States and China, treating their economic conflict as secondary and addressing it only when directly relevant to geopolitics. As a result, there has been little effort within this framework to comprehensively explain the U.S.–China economic and technological rivalry. A notable exception is Kennedy and Lim's often-overlooked 2018 article The Innovation Imperative.

Kennedy and Lim (2018) argue that a rising power seeks to sustain its catch-up growth by acquiring know-how, while an established great power may perceive this as a security threat and attempt to curb its rival's rise by restricting access to critical technology. This logic convincingly explains the U.S. use of investment screenings to block sensitive technology transfers to China. Although their article predates the U.S. adoption of export controls, its approach provides a clear rationale for these measures, as they serve the same strategic purpose.

However, Kennedy and Lim (2018) do not address tariffs, as their analysis is limited to technology. This omission can be resolved by applying the broader realist logic of relative gains: within a zero-sum framework, China's trade surplus makes it far more more vulnerable to economic losses from a trade war. This hypothesis is supported by general equilibrium modeling from Bollen and Rojas-Romagosa (2018), Bouët and Laborde (2018), Li et al. (2018), Tsutsumi (2018), Devarajan et al. (2018), Walmsley and Minor (2020) and Itakura (2020), and all of whom concluded that while both countries would suffer economically from a trade war, China would be hit harder—precisely the outcome the U.S. would seek to weaken its geopolitical rival.

Another gap in Kennedy and Lim's analysis is their limited discussion of industrial policy. While they acknowledge that an emerging power's use of industrial policy could provoke a response from the dominant power, they surprisingly do not explicitly apply this to China, despite its extensive use of industrial policy since at least 2006 (Naughton, 2021). Here, the realist approach intersects with the modified commodity structure of trade argument from section 4: both explain a state's backlash against a competitor's industrial policy, but with different emphases. The retaliatory mercantilist argument focuses on the economic motives retaliation, aiming to counter foreign interventionist policies that threaten the advantageous sectoral structure of the domestic economy. The realist approach, by contrast, highlights national security concerns, identifying strategic industries— such as semiconductors, shipbuilding, and steel— as crucial due to their dual-use potential in warfare. This perspective also narrows the scope of retaliation to geopolitical rivals.

The two approaches are therefore mutually reinforcing. Both predict that status quo states will respond to similar behavior with similar consequences, but the realist framework sharpens the definition of strategic sectors and provides stronger justification for extreme measures like export controls, which are rarely used for purely economic reasons. Beyond retaliation via tariffs, export controls, or investment screenings, both perspectives also justify the use of industrial policy by the dominant power, which has both an economic motivation to help sectors facing foreign

competition subsidized by foreign governments, and a geopolitical motivation to sustain domestic production of dual-use goods potentially useful in a future conflict.

The two overlapping motives behind U.S. protectionist policies toward China help differentiate the U.S. approach from that of other actors, such as the EU. While the EU shares the retaliatory mercantilist aversion to China's expanding industrial policy, it does not perceive China as a direct security threat due to geography and its limited geopolitical presence in Asia. Consequently, the EU's actions have, to some extent, mirrored those of the U.S.—most notably through investment screenings (European Commission, 2019) and efforts to develop its own industrial policy for semiconductors (European Commission, 2022)—but it has refrained from more drastic measures such as tariffs or export controls.

8 CONCLUSION

The U.S.–China trade and technological conflict has long defied a clear and comprehensive explanation from economists and as this article has demonstrated, purely economic explanations inevitably fall short in capturing the full rationale behind U.S. policies. At the same time, while the realist approach in rooted in international relations offers a compelling account of U.S. geopolitical motives, it largely overlooks the economic dimension of the U.S.–China conflict. What emerges, then, is the need for an interdisciplinary framework that integrates both geopolitical and economic considerations to explain the U.S.–China rivalry.

This article has sought to advance such an approach by building on Kennedy and Lim's theory, which originally focused on conflict over know-how and intellectual property. Their framework has been extended to incorporate both China's use of industrial policy as a broader challenge to U.S. hegemony, as well as additional American responses—including industrial policy and export controls—as mechanisms of strategic counteraction.

To further strengthen this interdisciplinary perspective, the analysis has paired a geopolitically oriented realist approach with a modified version of the mercantilist commodity structure of trade argument. While the former explains U.S. actions as an attempt to contain a rising geopolitical rival, the latter adds an economic rationale—retaliating against China's use of industrial policy to preserve high-value-added production at home. Together, these perspectives offer a more comprehensive explanation of U.S. trade and technology restrictions on China by integrating both national security and economic motivations.

In many ways, this synthesis of mercantilist and realist logic echoes the original conception of mercantilism in the 16th and 17th centuries—an economic doctrine shaped by a world where war was frequent, and national policies reflected the need to accumulate trade surpluses or develop dual-use industries, such as shipbuilding, that could serve both economic and military ends.

Given the likelihood that U.S.–China economic and technological competition will persist into the second Trump administration and likely beyond, and considering the potentially disruptive consequences of the policies examined here, further interdisciplinary research on this subject is both necessary and urgent.

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AUTHOR'S ADDRESS

Petr Svatoň, Department of International Relations and European Studies, Faculty of Social Studies, Masaryk University, Brno, Czech Republic, e-mail: petr.svaton@mail.muni.cz, ORCID: 0009-0005-3494-5170