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川普與習近平政權下之美中戰略競爭新紀元
**A New Era of U.S.-China Strategic
Competition Under Presidents Trump and Xi**

Student: Alicia Ma Shum

Advisor: Professor Ming Lee

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Abstract

The United States and China are the world's two most powerful countries, and their ideals of how the world should function are vastly different. The United States is a democracy and China is an authoritarian, both aim to promote their own political visions. It is clear that there is rising strategic mistrust in the bilateral relationship under the Trump administration. There have been serious concerns raised by the Trump administration about China's behavior in Xinjiang, Hong Kong, and Taiwan, as well as cyber-attacks on the US and economic pressure of US allies. China has shifted its focus toward the United States during the past decades as its economic and technological advances, diplomatic influence, and military capabilities have expanded. Following the global crisis of 2008 and President Xi's rise to power in 2012, the United States government report portrayed Chinese officials as "increasingly assertive" in their pursuit of their goal. As a result, Chinese leaders have grown more active in presenting the Chinese Communist Party's (CCP) one-party, authoritarian government system, and principles as a viable alternative to the US global leadership. This "new era of competition" is linked to China's competitiveness strategy with the United States, which is predicated on the developing security challenge. This means that the wording used in government documents indicates that the Chinese Communist Party (CCP) is a threat to liberal democracy and American interests, while the US is a threat to the Chinese Communist Party's interests (although not necessarily those of the Chinese people), but as a result of its defensive actions. The United States and China must work together to get a more common view of what constitutes acceptable efforts to safeguard CCP rule, or at the very least, what we can tolerate, and what constitutes intolerable intervention in China's domestic affairs. The two sides' exchanges are a vital step toward a more stable US-China relationship.

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List of Acronyms

Acronyms	Full Name
BEA	Bureau of Economic Analysis
BLS	Bureau of Labor Statistics
CMC	Central Military Commission
CPPCC	Chinese People’ Political Consultative Conference
DoD	Department of Defense
EDD	Equipment Development Department
GDP	Gross Domestic Product
ISO	International Organization for Standardization
NSS	National Security Strategy
PLA	People’s Liberation Army
PRC	People’s Republic of China
SOEs	State-owned Enterprises
TAIPEI	Taiwan Alliances International Protection and Enhancement Initiative Act
TSMC	Taiwan Semiconductor Manufacturing Company
TPP	Trans-Pacific Partnership
USA	United States of America
USAF	United States Air Force
USCG	United States Coast Guard
USMC	United States Marine Corps
USN	United States Navy
USTR	United States Trade Representative
WMD	Weapons of Mass Destruction
WTO	World Trade Organization

Chapter 1: Introduction

1.1 Research Motivation

The question of how the status quo of China impacts the future of the United States is a matter of the actions of our leaders and understanding the politics, economics, ideological, technological, security issues, and cultures of both sides. Is War between China and the US unavoidable? Scholar Graham Allison presented a TED talk about his views on why a growing China and a dominant United States could be headed for a violent conflict that no one wants and ways we can possibly prevent it. This video, which came out in 2018, was the catalyst for my interest in US-China relationship. The relationship between the United States and China has received a large worldwide attention in recent years. There is little doubt that the US has rethought its foreign policy on the issue of relations with China in recent years. The expansion of Chinese strength and influence is posing a threat to Washington's long-term policy in Asia, which is to ensure the Asia area is not dominated by a hegemon. The United States has changed from viewing China as a strategic partner to a strategic competitor under the Trump administration. This piqued my curiosity in learning more about this new era of strategic competition between the US and China by posing two primary questions: What issues influence this new era of strategic competition relationship? Will it result in increased cooperation or more open competition? Does tension between the United States and China lead to a new cold war? I would like to frame this new cold war as the continuation of the complexity of technological and security challenges. In particular, I am interested in learning more about President Trump's and Xi's decision-making processes and factors, as well as how this affects their neighbors.

Two years after the Ted Talk video was aired, Harvard Kennedy School issued a paper summarizing major points from the book *Destined for War: Can American and China Escape Thucydides Trap?* (2017) examines the strategic and military implications of the current US-China relations. Conversations with Lee Kuan Yew, Henry Kissinger, former Australian Prime Minister Kevin Rudd, and others who spent hours with Xi are included in this article. It presents "What Xi's China Wants," a summary of Xi's aim to make China great again or "the great rejuvenation of the Chinese nation," based on assessments from Western experts. When it comes to the US-

China relationship in the twenty-first century, we have entered a new period of great power struggle. Like Graham Allison's "Thucydides Trap," which claims that "conflict is nearly inevitably the result when one great power seeks to displace another." China is growing in certain ways, such as becoming the world's second largest economy. China's increasingly involvement in international organizations and assertiveness in a number of problems or areas, ranging from Hong Kong to Taiwan Strait to the South China Sea. Does this imply that a conflict between the United States and China is unavoidable or likely? Certainly not. This raises the question of what role the US and its allies should play in contending with China. While addressing the issue of China's rise in relation to the United States and its neighbors. The relationship between the United States and China is a model of globalization, in which both parties require the other to change.

Background

China, as a rising superpower within the international system, has challenged the United States for leadership and influence, mostly at the regional level but increasingly at the global level. Since China joined the World Trade Organization (WTO) in 2001, there has been a shift in international influence. Previously, the United States was each major Asian nation's primary commercial partner. Today, however, China is each country's most important trading partner. China's power may soon exceed the United States in several categories. This calls into questions about China's approach to the international order in the future. As China's influence advances in the international community, it is likely that will seek reforms to institutions and norms that best represent its strength and CCP values. Since President Xi Jinping took office in 2012, China has grown more powerful abroad while becoming more repressive at home. President Xi Jinping declared in 2017 that China would become a "global leader" in terms of national power and global influence.¹ China's aggressive military development and construction of military stations across the South China Sea, as well as its pursuit of territorial claims over Taiwan, have been viewed as a direct challenge to American supremacy in the Pacific by Washington.

¹ Michael J. Mazarr, Timothy R. Health, Astrid Stuth Cevallos. (2018). "China and the International Order." *RAND*.

Over the few years, the growing concerns grew regarding China's IP theft, cybersecurity violation, and failure to reduce subsidies and other market distortions and restrictions. Due to China's long-term vision growth plan, *Made in China 2025* and *The China Standard 2035*, there are more legitimate areas of worries. These changes pose fundamental questions regarding the future trajectory of the US-China relations as well as the underlying determinants. In Congress, public opinions and corporate views began to move in 2013, and attitudes became negative in 2018, reflecting movements in public opinion and corporate perspectives. If the United States and China do truly enter a new cold war, the next question is who will rule the twenty-first century?

With the increased technological advancement, and pursuit of technological leadership many companies face the issue of theft of intellectual property or coercive technology. We can see this happening in the United States. The use of illicit to get U.S. data such as cyber theft and industrial espionage, creates national security issues. To summarize, the US-China relationship has become increasingly combative over the past years as tensions over political, economic, and security problems have escalated. The Chinese government's pursuit of leadership in AI, new energy technologies, and new materials endangers the United States' economic competitiveness and national security. If Chinese power continued to grow, as long as it contained a potential to undermine America's interest and hegemony in the global system, Beijing would be viewed not as a collaborator but as a challenger in Washington. The same can be said for Beijing: as long as the US defends its allies in the face of rising Chinese power, any action taken by Washington will be seen as threatening by Beijing. Scholars, diplomats, policymakers, and governments from both sides offered policy ideas for managing the strategic competition between the United States and China and reestablishing a new balance between the two major powers. While managing their competitiveness and disputes, the US and China should widen and deepen their partnership.

This thesis sought to shed new insight on the problems and potential of this new age of strategic competition between the United States and China. This paper hopes to stimulate strategic thinking by identifying critical trends, issues, and factors that may occur under given scenarios and game-changers. While this thesis provides a framework and overview, the future continues to be uncertain as to how this phase of US-China relations will evolve, hopefully towards an optimistic

side. This thesis will focus on four key core issues: The Taiwan Strait issue, economic tensions, technology competition, and military advancement as the central issue in US-China relations today.

I submit three questions for discussions to help us better comprehend the current strategic competition between the United States and China. What issues influence this new era of strategic competition relationship? Will it lead toward deepening cooperation, stability, or increasingly open competition? Does tensions between the US and China signal the start of a new cold war, and can these shift in global power be achieved peacefully? The answers to these questions are super important because they do not only affect the US-China relations but also relations with its allies. The United States and the People's Republic of China will most likely have the most significant bilateral international relationship in the coming decades. If tensions between the two superpowers grow, the likelihood of confrontation and conflict appears to be increasing. A deepening US-China cooperation on the other hand, might boost the potential of prolonged global economic growth and peaceful or successful management of pressing global and domestic crises, depending on the Biden administration.

This paper will analyze policies under the Trump administration towards China emphasizing competition and leaves a little role for cooperation. In the next section, I will argue that the driving force behind this competition is precisely the ideological rivalry between the two systems as a source of mistrust, as well as the concept of the 'Thucydides' Trap.' which describes China's growing power and worry it produces in the United States. The ideological competition can be seen in both the sovereignty (the different views on issues) and economic section (The China Model). In the military and technology sector, we can observe the Thucydides trap. In terms of the theoretical framework, John Mearsheimer's Offensive realism will be utilized to illustrate how states (both the US and China) are the primary actors in international politics, with survival as their ultimate goal. This indicates that nations seek to increase their power and security, as well as establish supremacy, in order to avoid challenges from other states. Given the United States and China's levels of economic and social integration, I believe this new cold war will be more of a rivalry between two great powers in areas such as technology and economic domination. In conclusion, I will provide my major findings from books, articles, news, and data that can be used to better understand the strategic features of this partnership today. As well as probable future possibilities for the United States' involvement in the international system, as well as their impact

on the broader evolution of the US-China ties. I hope that this paper will spark discussion on the issues that both sides will face in the next years, as well as positive and peaceful methods to address them.

1.2 Propose of the Research

Objectives of the Thesis

This thesis is motivated by the growing concerns regarding the United States' strategic approach to the People's Republic of China in recent years. It is crucial to have a look at the current challenges that PRC poses to United States national interests: economic, our values, military, and security challenges. We're picking up on signs of Chinese ambitions on the global stage. The strategic battle of great competition for power, wealth, and influence in East Asia and around the world. Historic changes and structural developments are essentially driving this competition. Each party is focused on improving its position and freedom of action in relation to the other. This is not a zero-sum or winner-take-all competition; rather, it is an exclusivity of bilateral cooperation. Bilateral cooperation is essential for the welfare of both countries and the rest of the globe.

Washington has never had a strategic or ideological adversary who was both competent and competitive on a variety of subjects. Just like how the President's National Security Strategy puts it, "it is time the US rethink the failed policies of the past two decades." This means policies on the premise that engaging with competitors and including them in international organizations and global trade that would transform them into benign actors and reliable partners. China's dissatisfaction appears to target the United States interest and preferences and it will gain a certain legitimacy. This does not, however, imply that China is attempting a total upheaval of the current international system. Instead, it appears that the goal is to create a new, partial system cut out of the present order. China appears to be maximizing the system's ability to support China's objectives and endorsing its favored economic practices. In the Taiwan Strait, the South and East China Seas, the Yellow Sea, and the Sino-Indian boundary areas, Beijing has been engaging in provocative and coercive military activities. This military buildup endangers the national security interests of the United States and its allies, as well as posing difficulties to global commerce and supply networks. President Xi's ambition of dominating the global information and communications technology industry is reflected in his plans for *Made in China 2025* and *The*

China Standard 2035. As a result, the strategic competition between the United States and China has been dubbed a new Cold War. To those observers who want to define the phrase in a way that serves that goal, it's simply a "cold war."

The approach of this thesis is to take the method of negotiating and enforcing promises to achieve fairness and reciprocity with both Washington and Beijing. The US should retain its commitment to having an open line of communication with the PRC in order to decrease risks and manage crises while ensuring the safety of US friends and partners. The decision-making between the two countries is being watched by foreign leaders, and for those allies/partners who are looking for indications of US intent and capability to carry out, it rebalances strategy.

The objective of this thesis is to achieve the following:

- To contribute to the literature about the complexity of the US strategic approach to the People's Republic of China.
- To provide possible policy suggestions based on the finding of the study.
- More importantly, to indicate a fundamental reevaluation of how the United States perceives and responds to the People's Republic of China on several issue subjects.

1.3 Research Questions

To research the above objectives, this thesis would have to address the following questions: What issues influence this new era of strategic competition relationship? Will it lead toward deepening cooperation, stability, or increasingly open competition?

For answering the main question, several sub-questions will also be included in the research:

- Will tensions between the United States and China lead to a new cold war, and can these shifts in global power distribution be achieved peacefully?
- Is a war between the United States and China unavoidable as a result of the Thucydides Trap?

I'd like to point out that the new cold war is characterized by technology and economic factors, whereas the second question war is characterized by military conflict.

1.4 Research Approach

This section presents the main understanding that underlies the current research. By presenting the methodological aspects, the aim is to provide an outline of how the data was collected, processed, and evaluated to produce reliable and valid conclusions. The purpose of this research is to provide an understanding regarding the aspects that influence the relationship between the US and China in the form of strategic competition. Official and academic statistics will be evaluated for quantitative data in order to create an understanding of China's and the United States' economic state and expenditures. The process of gathering data was formed through several stages: a literature review of the study, the outline of an opinion on the object of the study based on the data read, and selection of documents according to my own understanding and purposes. Both official documents (government report, legal framework, official statements, and statistics) and other findings provided by other researchers proved to be useful for my study. For the official document, some examples include the U.S. Department of State, National Security Council, the U.S. Department of Defense, the US Secretary of State, Minister of Foreign Affairs, and U.S.-China Economic and Security Review Commission.

This research will rely on huge amounts of books, articles, journals, and academic papers to provide a better understanding and different kinds of interpretations over the object of study. For journals and articles, the data will be collected in *The Diplomat*, *Foreign Affairs*, *The National Interest*, *Foreign Policy*, *Council on Foreign Relations*, and so on. Different types of statistics will be provided by agencies like the U.S. Census Bureau, *NAICS* Database, U.S. Department of Commerce, Bureau of Economic Analysis, People of Bank of China, China's National Bureau of Statistics via CEIC database, and on. Moreover, I used more recent documents as many issues continue to change, and some past documents for referencing the changes and the cause or course of some events. Regarding the representativeness, this paper lacks some official documents or statements regarding China's intentions and its exact position over different issues in relation to strategic policies.

1.5 Research Methods

A realist approach will be used to analyze the US-China strategic competition relationship. This thesis uses a realism perspective to offer a probable explanation for the current state of war and the rise and fall of major powers. This study will examine the competitiveness and conflict between China and the United States, as well as China's actions as a rising power against it, using John J. Mearsheimer's Offensive Realism. One of the premises of offensive realism is that states are the primary actors in international affairs, with survival as their ultimate goal. As a result, having power permits them to survive. Both China's and the United States' policies show a desire to rule and survive in the international arena. Will China's expanding military and economic strength trend lead to future great power confrontations, or will China become the backbone of future international relations status quo? According to John Mearsheimer's theory of offensive realism, major powers living in a highly competitive anarchical world would ceaselessly expand their strength in order to ensure their survival. According to Mearsheimer, China would want to become a regional hegemon in Asia in order to secure its own security, which will unavoidably lead to counter-balancing actions by the world's only regional hegemon, the United States. As a result, in order for the United States or China to survive, each state must become dominant in each of the four key areas discussed in this thesis: sovereignty, economics, technology, and military. Offensive realism provides us with a framework for comprehending both US and Chinese policy in each subject area.

It is undeniable that, as China's economic and military continue to grow, it will be better equipped to catch up to the US in terms of economics, military, and technology. This means China is capable to compete with the United States in all key issue areas: economic, technology, and military. However, it is debatable if China is attempting to change the US-led international order. Whether Beijing intends to use its expanding power to change the international order is a matter of interpretation on both sides. For the Chinese side, its denying about changing the international order. China is legitimizing its authoritarian governance system, extending its economic security and political objectives, and restoring China, according to the US perspective. The language use from the US government document signals an intention on its views towards China's policies. For example, the Trump administration has taken steps to address China's *Made In China 2025* industrial policy as unjustly favor Chinese enterprises, signaling its intention to disrupt global

trade and investment patterns, advance China's influence abroad, and improve China's technological and military capabilities.

Another point of view that helps us understand this new era of strategic competition is Kenneth Waltz's neorealism theory. Security competition, according to Kenneth Waltz's neorealism theory, is the product of an anarchic international system in which states have no central authority. He assumes that all states have the same goal in mind: survival, and that they must rely on self-help to achieve it. This means that Waltz refutes Mearsheimer's thesis by saying that the state's goal isn't to maximize power, but to survive and maintain its position in the system. As a result, China's ascent and policies in economics, technology, and military are motivated by survival rather than competition with the US or a desire to change the current international order. It cannot, however, deny that the United States refers to China as a strategic competitor in a variety of publications, including journals, news, and policy documents, resulting in a conflict between the two countries. Waltz's thesis includes a status quo bias, which depicts governments as merely aiming to retain the current power balance, theoretically restricting the range of power they desire. Specific foreign policies or historical events are not explained or predicted by Neorealism.

On the other hand, according to Mearsheimer, in an anarchic society, power enhances the chances of survival, and the more power means the most chances of survival. Mearsheimer divides national power into two categories: "military" and "latent." Despite the growing emphasis on military power, offensive realists agree that latent power – the socioeconomic factors that produce military power – is the primary goal of governments. As a result, states will inevitably conflict as each tries to gain an advantage over the others. As a result, initiatives like Made in China 2025 and China Standard 2035 show China's goal to continue accumulating influence until it is the system's dominant player or the regional hegemon for Asia. China may view US decision-making as a threat to its security or an interference into its domestic affairs. Although he presents a compelling case for the security challenge, he makes assumptions about China's power and fails to recognize the US's limitations in governing the world.

Offensive Realism Theory by John J. Mearsheimer

The offensive realism theory, proposed by John J. Mearsheimer, a political science professor and international relations theorist, is based on the idea that states are the primary actor in international politics, and their ultimate purpose is survival.² He claims that in a highly competitive anarchical environment, great powers constantly enhance their dominance in order to ensure their survival by attempting to gain regional hegemony at the expense of other powerful entities. Mearsheimer highlights five assumptions in this theory: The international system is anarchic; great powers inherently possess offensive military capabilities; states are never assured of the intentions of other nations; great powers' fundamental objective is survival, which trumps all other considerations; and great powers are rational actors.³

By applying his theory to China's ascent, he would argue that while it is impossible to know for certain what China's objectives are, there is reason to believe they will be bad. The reason of the ambiguity and unknown intentions of China's rise, the US seeks to maximize its power and security in order to anticipate challenges from other countries. China's strategic goal was to become Asia's hegemon, as Mearsheimer outlined in his book *The Tragedy of Great Power Politics*, and the US would endeavor to prevent this. Significant changes in China's material capabilities, according to Mearsheimer, will inevitably lead to a clash with an American-led counterbalancing alliance. Before the normalization of US-China relations, the United States was a significant creator and stakeholder of the existing international system, and it established diplomatic relations with China. China has grown enormously powerful in both economic and military terms during the last two decades. There is a real possibility that China will become Asia's regional hegemon. This "clash of interests" was triggered by a fundamental shift in the balance of power, which fueled the struggle. As a result, offensive realists say that a rising China is structurally predisposed to challenge the hegemony of the United States.

² John J. Mearsheimer. (2004). *The Tragedy of Great Power Politics*. New York: W. W. Norton & Company.

³ John J. Mearsheimer. (2004). *The Tragedy of Great Power Politics*. New York: W. W. Norton & Company.

As of today, I believe China has already established itself as a regional hegemon in Asia and its continuing to enhance its military capabilities. China possesses both national wealth and military power, as well as a large population, which qualifies it as a great power or rising power. According to this idea, the greatest way to survive is to increase your power, which means that the more powerful a state is in comparison to its adversary, the less likely it is to be attacked. However, how much strength does the state need to gather in order to avoid being attacked by others is still debatable. This does not imply that China will fight the US in the near future, given the country's numerous challenges and the power that surrounds its. There are two big powers (Russia and Japan), and emerging power (India), and at least two military expert states at the moment (South Korea, Vietnam, possible Taiwan). Both Russia and India have nuclear weapons, and Japan and South Korea could fast produce one if necessary. Today's East Asian landscape is vastly different. As a result, despite China's increased military might, it's advisable not to engage the US military at this time.

This led to my second question: Is it possible for the United States and China to go to war? During an interview, Mearsheimer was asked about the possibilities of the United States and China avoiding war. He answers, "I'm slightly more pessimistic now about the possibility of an actual war between the US and China because I always believed that there would be an intense security competition."⁴ He emphasizes that, particularly under Trump's leadership, he believes the risk of war is larger than he anticipated. On the other hand, he does point out that this new battle is distinct from the Cold War between the United States and the Soviet Union in that it is now much easier to envision a war erupting in the South China Sea. He doesn't say it's likely, but it's a realistic situation, which is quite concerning. I would suggest that the United States should focus on new policy alternatives to maximize its own strength while continuing to support and work together with its allies and partners, based on the offensive theory assumption that no state can know the intention of another with confidence.

⁴ Rodion Ebbighausen. (2020). "Mearsheimer: The US won't tolerate China as peer competitor." *DW*.

1.6 Literature Review

Is Conflict inevitable between the US and China? It's about the factors that will be most influential in determining its course

The rise of China has sparked concerns that the country's increasing economic, and military may put it on a collision path with the United States. However, just because China's economy is developing does not indicate that a war between the two nations is inevitable; rather, competition is more plausible. Many academics and professors have highlighted this fear about the future of US-China relations. The strategic battle for dominance between the United States and China, as well as disparities in their value systems, has resulted in a strategic and ideological dispute. We learned from Thucydides that the Peloponnesian War was inevitable due to the rise of Athenian dominance and the dread it instilled in Sparta. The conflict between Athens and Sparta was sparked by a shift in the power balance between the two kingdoms. As China's economic and military strength grows, the US fears that its dominance will be challenged, potentially posing a threat to US national interests. Both the US and China are currently engaged in a strategic competition with the goal of maximizing their respective strength.

China seeks to reclaim its position as Asia's regional hegemon, and its growing wealth will enable it to maintain a much stronger influence than other Asian countries. Various economic and energy agreements with Russia, African states, Latin American countries, and other countries demonstrate president Xi Jinping's global influences.⁵ China wants to increase its strength, while the United States does not want to lose its status quo. As demonstrated in the Indo-Pacific Strategy and with ASEAN countries, the US continues to create economic relations and collaboration as a means of limiting China's growth and influence in the Asia-Pacific area. Some academics suggests that China's efforts to improve its security increases the United States' insecurity. In the end, those who share this viewpoint are concerned about their own survival. With the pandemic and other international affairs issues, both countries have expressed outrage while accusing the other of interfering. Given the current state of affairs, one could argue that a clash between the US and China is unavoidable. Is it possible for both countries to share common interests that would allow

⁵ Bryon Ramirez. (2020). "Is Conflict between the United States and China inevitable?" *International Policy Digest*.

them to work together? Cooperation is feasible in a variety of areas as both countries strive for economic advancement peace, and the well-being of their own citizens. To develop cooperative solutions, both the US and China must adjust their perspectives so that the advantages of one nation are not seen as an affliction on the other.

Next, according to Aaron L. Friedberg, a professor of politics and international affairs, the US-China relationship will continue to be defined by confined or bounded competition highlighted in his article *The Future of U.S.-China Relations* (2006).⁶ The first major point he states was that he believes relations between Washington and Beijing will deteriorate before improving, as seen by current events such as the trade war, sovereignty disputes, and technology competition. This raises the possibility of conflict between China and the United States over Taiwan. Taiwan is a major interest for China, which has always seen Taiwan's reunification with the mainland as a foregone conclusion. The US has played an important role in preventing China from employing force against Taiwan. Taiwan, on the other hand, has a long history of cooperation with the US government in Washington, including the State Department and the Pentagon. There is also the Mutual Defense Treaty, which obligates the US to assist Taiwan in the event of a Chinese invasion. A changed stance toward Taiwan under Trump's administration, however, has resulted in impulsive reaction from both sides. For instance, the Trump administration was openly helping Taiwan expand its diplomatic space by passing the TAIPEI Act, which strengthens the scope of Washington-Taipei ties and promises to help Taiwan gain access to international organizations.

Regarding president Trump's trade war, he has pressed Beijing to make significant reforms to components of its economic structure that have facilitated unfair trade practices, such as forced technology transfer, intellectual property theft, and limited market access, and more. Both sides have suffered significant economic losses as a result of the trade war, which has resulted in trade flows diverting away from the US and China. In terms of technological competitiveness, Beijing's *Made in China 2025* and *The China Standard 2035* initiatives have already sparked a technological arms race. The Trump administration's technology competition began as a trade dispute before targeting on to key technologies such as 5G, AI, and semiconductors. This technology war raises barriers to the international trade flows such as tariffs, subsidies, and other protectionist barriers.

⁶ Aaron L. Friedberg. (2005). "The Future of U.S.-China Relations: Is Conflict Inevitable?" *International Security*.

It can also be considered in the context of domestic political economy, where a national government imposes protectionist obstacles in response to demands to defend industries and safeguard jobs.⁷ According to the US Trade Representative (USTR) report, China is accused of stealing US intellectual property and forcing technology transfers.⁸ The United States on the contrary, has a rich history of R&D and creation and has been the world tech leader for decades. While China is increasingly challenging this position. Even during the Biden administration, a plan to enhance US investment and R&D expenditures on core technology was proposed, and it received bipartisan support in Washington.

The second major argument made is that China's transformational era could be the greatest geopolitical challenge the US would face in the coming years. This may also be seen in China's current economic boom and increased global influence. The third argument is that how the United States handles certain situations might lead to collaboration or confrontation. A conflict over Taiwan or South Asia, for example, could result from an unforeseen or poorly managed crisis. This is demonstrated once again in today's tensions with China over the Taiwan Strait. Therefore, due to the diverse nature of alliance networks, economic interconnectedness among countries, and shifting public attitudes about war, competition is more plausible than a war between China and the United States.

On the other hand, some of the Thucydides Trap case studies, such as the Cold War, have parallels. Two great powers are pitted against each other, with opposing political and social systems. However, today's struggle between the US and China is conducted through subversive actions and critical technology such as the 5G network and AI. Some claim that there is a 'new Cold War,' although there is no distinct block formed between the West, led by America, and China's area of influence. The basis for this claim is that the world is currently too economically linked. Even if there is no military conflict, a Cold War between the two superpowers would impose a significant economic burden on the world. The reason for this claim is that the world is currently too economically linked. Even if there is no military conflict, a Cold War between the two superpowers

⁷ Darren Lim. (2019). "The US, China, and 'Technology War.'" *Global Asia*.

⁸ SCMP Reporters. (2021). "US-China tech war: Everything you need to know about the US-China tech war and its impact." *South China Morning Post*.

would impose a significant economic burden on the world. Furthermore, it is in the interests of American allies, China, and the United States to preserve a level playing field rather than end up in a war. As of now, China is unable to challenge America's global dominance due to numerous internal and external challenges. As a result, the US is unlikely to instigate war with China, preferring instead to seek a more peaceful manner of dealing with its new rival.

On the more optimistic view, Friedberg suggested that improving US-China relations may lead to more sustained global economic growth, peaceful resolution of unresolved regional disputes, and successful management of major global issues including the proliferation of weapons of mass destruction and terrorism.⁹ The hope that US-China relations will improve and become more harmonious. China and the United States need to keep improving their communication and collaboration. He makes a compelling case, however the author failed to forecast the evolution of China's national strategy and approach to security and military affairs (including changes in the PRC's armed forces). According to the US Department of Defense's (DoD) "China Military Power Report," the People's Republic of China (PRC) possess the world's largest navy as today.¹⁰ Given the PRC's strategic objectives' consistency, it will have major ramifications for US national interest and the international rules-based order's security.

The author summarizes future US-China ties as uncertain by offering both an optimistic and pessimistic point of view. As he noted, not only a few people predicted that the confrontation between the United States and the Soviet Union would undergo a fundamental transition twenty years ago, and even fewer believed that the latter would soon cease to exist. This is true in today's US-China ties, where the confrontation is unavoidable for the time being, but future cooperation might either rebalance or destabilize their relationship. Disagreements develop between liberal optimist and realist pessimists depending on which theoretical framework is employed to analyze future US-China relations.

⁹ Aaron L. Friedberg. (2005). "The Future of U.S.-China Relations: Is Conflict Inevitable?" *International Security*.

¹⁰ The US Department of Defense. (2020). Military and Security Developments Involving the People's Republic of China 2020.

1.7 Scope and Limitations of the Research

There are several limitations to this research such as the lack of access to data, limitation of using offensive realism theory, and time frame. First, this thesis lack data or of reliable data from the Chinese perspective which limit the scope of my analysis. Two main reasons to this, one is language barrier which some of the data/information are writing in Chinese and the data from Chinese perspective is also limited. Due to this limited access, some of the argument might lack the information of the other perspective or the inability to generalize the research findings. The theory of offensive realism is lacking in both theoretical accuracy and practical case interpretation.

Although the offensive realism approach provides important insights into the future of US-China relations and the elements that will influence their trajectory, it still falls short of explaining the tragedy of great power politics or other factors that influence US-China ties. Although the theory provides a framework for analyzing the influence of the rise of China on the United States and the global order, it overlooks certain key points. For example, the theory has failed to account for the evolution of the US-China economic relationship from one of cooperation to one of increasing competition, leaving the changing dynamics of US-China ties unaccounted for. According to offensive realism, as China's economy grows, there will be severe security competition between China and the United States. However, it provides just a piece of information on the growth of the bilateral economic relationship and its implications for US-China ties as a whole. In the examination of China's march to global power by contemporary aggressive realism.

Understanding the flaws in offensive realism is critical for avoiding foreign policy decisions that could worsen future tensions between the United States and China. This means that the US should aim for a policy that encourages China to be ambitious without being too confrontational. The theory also fails to account for the Trump administration's foreign policy failings, particularly his China policy. In his 2016 election campaign, Donald Trump made China a primary issue, resulting in a trade war and technological competition. When Trump declares his "America First" goal, he ignores the importance of the United States' allies. The United States appears to have forgotten why it has alliances, what they have accomplished, and why they are still vital. Instead, the US should establish a comprehensive strategy based on domestic and economic rejuvenation, global alliances, and candid communication with Beijing to defend its interests and compete with China.

Chapter 2: Washington-Taipei-Beijing Triangular Relationship

Central Questions: What are the implications for Taiwan under the U.S.-China Strategic Competition? Is Washington's policy toward Taiwan's government putting China's interests in jeopardy to the point of armed action?

2.1 Background and Current Status Quo

Taiwan is extremely important to the United States, not only economically, but also in terms of defense and diplomacy. Taiwan's continued integration into the global economy and role as a source of global public goods is the US's best interests. In the first half of 2020, Taiwan was the United States' ninth-largest trading partners and one of the world's leading producers of innovative information and communications technologies. When it comes to China's sovereign nations' internal affairs, the United States does not share the same ideals and vision. Although neither the United States nor China want to fight each other, both will continue to push their positions to their boundaries. Taiwan, Hong Kong, and the South China Sea are vital priorities for China, while the United States' credibility as a security guarantor and willingness to play the dominant regional force is being questioned. The United States opposes any unilateral move that might change the Taiwan Strait's "status quo." For the United States, the status quo in cross-strait ties is stability with no unilateral change.

If the status quo is changed, the implications for trilateral relations between the People's Republic of China, Taiwan, and the United States are apparent. The US takes a simple stance on the issue, stating that it supports the full execution of the Taiwan Relations Act (TRA) and the "six assurances." The US would continue to strengthen ties with Taiwan and ensure that it has self-defense capabilities. In terms of US-Taiwan relations, the US should continue to strengthen people-to-people links with Taiwan in areas such as economics, education, and democratic values. The US strategic uncertainty over whether or not to intervene in Taiwan's defense will be determined by Taiwan's attitude. The status quo in China is based on the idea of unification, or the merging of the People's Republic of China (PRC) and the Republic of China (ROC) into a single state. The current quo in Beijing is "One China," as defined by the "1992 Consensus." Tsai's refusal to recognize the "1992 Consensus" is seen by China as a breach with the status quo. Instead,

Taiwanese President Tsai has reassured the world that she is dedicated to maintaining the status quo. The Tsai administration's approach to the status quo is consistent with the DPP's long-held belief that Taiwan is already a sovereign nation. China's expanding clout and a shift in the military balance across the Taiwan Strait indicate its views on the long-term viability of key aspects of US policy toward Taiwan.

The US considers China's policies on the Taiwan Strait issue to be non-status quo. Both sides of the strait have a great interest in maintaining peace and stability, and the US should continue to oppose any changes to the status quo by either side. However, the issue might be viewed as a security dilemma between the triangular relationships. The reason that China-US ties do not appear to be improving is that the two nations' main interests are at odds over the Taiwan issue, resulting in an irreconcilable zero-sum relationship. That is, China and the United States are at odds on matters like national unity, territorial integrity, and the hegemonistic system. China will have the most important connection with the US over the Taiwan Strait issue.

The current security dilemma in Cross-Strait relations is exacerbated by anxieties of uncertainty, such as China's fear of Taiwan independence and any sovereignty measurements, and Taiwan's concern of unification operations and the Chinese military buildup. Taiwan sees China's military expansion as an offensive and growing threat to its security. The Trump administration's strategy toward Taiwan is an intention to challenge the status quo fundamentally. During Trump's presidency, the White House has made a series of decisions that have tightened Washington's connections with Taipei, despite an increasingly tense relationship with Beijing. There has been an increase in arms sales under Trump's policy toward Taiwan, as well as a commitment to the Taiwan Relation Act, Six Assurances, and TAIPEI Act, as well as senior official visits to Taiwan.

Since the Kuomintang's withdrawal to Taiwan in 1949, the bilateral relationship between the United States and Taiwan has changed. The United States communicates with Taiwanese officials through AIT, a private organization that reports to the Department of State. AIT maintains offices in the Washington, D.C., Taipei, and Kaohsiung metropolitan areas. The United States and Taiwan have also increased their involvement through established communication channels, allowing officials to hold senior-level discussion on subjects of mutual interest. The Taiwan Strait issue is

one of the most important sovereignty issues in today's US-China relations. Over the years, diplomatic ingenuity backed by military deterrent has kept the Taiwan Strait at a tenuous calm. The US has been a crucial factor in discouraging China from using force against Taiwan and Taiwan from seeking formal independence. Beijing's position is that it cannot be certain that the US will remain neutral in the face of Chinese aggression. While the Taiwanese are also concerned about whether the United States would defend them if an attack were to occur. Defending Taiwan, on the other hand, may be seen as a test of the US's ability to protect allies and partners in Asia. However, if the US abandons Taiwan, Beijing may interpret the surrender as weakening of the US resolve to preserve other Asian interests and regard the US as a "paper tiger." This could empower China to pursue territorial ambitions in maritime Asia with greater vigor.

Cross-Strait stability has allowed China-Taiwan relationship to focus on economic development while putting military modernization on hold for the time being. The United States allows for official diplomatic connections with China while maintaining a strong unofficial engagement with Taiwan, thanks to its One China policy. However, during Xi Jinping's government, the topic of whether the Taiwan conflict would affect China's economy was raised, and it was made clear that the Taiwan Strait issue could not be postponed indefinitely. President Xi has presented "reunification" as a precondition for attaining the "China Dream" in 2019, which linked to the CCP's long-term ambitions for 2049.¹ China's point is that the DPP authorities either be pragmatic and meet the mainland's cross-strait policies or learn from the failure of Hong Kong's extremist opposition groups.² According to experts and members of the Chinese People's Political Consultative Conference (CPPCC), a "new legislative of national reunification in the mainland is necessary in the future, and the country must be prepared for the legislation when the time comes."³ To put it another way, increased US intervention and Taiwan's desire for reunification with the mainland have prompted the mainland to exert economic and military pressure if necessary.

¹ John Culver and Ryan Hass. (2021). "Understanding Beijing's motives regarding Taiwan, and America's role." *Brookings Institution*.

² Xijin, Hu. (2021). "Taiwan's DPP should draw lessons from HK extreme opposition forces' ending." *Global Time*.

³ Yang Sheng and Xu Keyue. (2021). "Two sessions release clearer signals for promoting reunification with Taiwan." *Global Times*.

However, while the CCP's plan does not include conflict, this does not rule out the possibility of war. All of these forces that have contributed to maintain the status quo since diplomatic recognition between the US and China in 1979 have crumbled (such as the military balance). China's authorities have warned against being exploited by the US or another foreign power. According to the Global Times, several academics and parliamentarians say that new laws for national reunifications is an essential legal step that will enable island residents better understand their life after the reunification.

Richard C. Bush an American expert on China affairs, his book *Uncharted Strait: The Future of China-Taiwan Relations* provides a review of the tensions between China and Taiwan since 2008 and expands an insight into how Cross-Strait relations will look in the future. In chapter 10, titled "Policy Implications for the United States," he discusses the likely consequences for US interests. In particular, the author claims that American military power and the Taiwanese Mutual Defense Treaty deter any PRC takeover attempt. In terms of Beijing's lack of transparency in its rising military buildup and military intentions toward Taiwan, the US believes China is attempting to limit US influence in the Taiwan Strait. In the case of Taiwan, the Mutual Defense Treaty binds the United States to assist Taiwan in the event of a Chinese invasion. Even during Obama's presidency, the US has maintained that it will continue to give Taiwan with the armaments "essential to prevent any attack," while also backing Ma's efforts to strengthen Cross-Strait relations.⁴

Other initiatives taken include the US visa waiver program in 2012, an increase in arms sales, and a visit to Taiwan by US Secretary of Health and Human Services (HHS) Alex Azar, one of the highest-ranking US cabinet officials. Since Washington abandoned formal ties with Taipei in favor of Beijing in 1979, US Ambassador John Hennessey-Niland became the first sitting envoy to visit Taiwan in an official capacity.⁵ Arms sales to Taiwan, according to China, are infringing on China's core interests as well as peace and stability across the Taiwan-Strait. Between 2008 and

⁴ Richard, C. Bush. (2013). *Uncharted Strait: The Future of China-Taiwan Relations* (1st ed). Brookings Institution Press. (pp. 321-322).

⁵ Eleanor Albert. (2021). "US Ambassador Makes First Visit to Taiwan in More Than 40 Years." *The Diplomat*.

2012, US-Taiwan relations were seen to be favorable and better than in prior years, and they are still improving now.

This book was published in 2013, demonstrating that the author's premise is correct because, throughout the Trump administration, Washington has continued to deepen relations with Taiwan by providing security and arm sales. By passing the TAIPEI (Taiwan Alliance International Protection and Enhancement Initiative) Act, the Trump administration has openly aided Taiwan in expanding its diplomatic space. This boosts Washington-Taipei ties by offering to assist Taiwan in gaining access to international organizations. The author, on the hand, presents the "Abandonment" debate, claiming that there is a shift in American thought regarding the costs and advantages of the US commitment to Taiwan. There are two sides to this argument: those who believe that the US should abandon Taiwan to safeguard its strategic interest, and those who say that they US should maintain Taiwan because of its commitment to security and values like democracy. Personally, I believe that the United States should defend Taiwan. The 1954 Mutual Defense Treaty, the shared values of democracy, the US's status as a global leader and its implications for other Asian countries, its ability to follow commitments and promises, and a more active participation in training Taiwan military personnel are all reasons why the United States should safeguard Taiwan

2.2 Trump Administration's Policies Toward Taiwan

In recent years, the struggle over Taiwan has intensified dramatically. According to Taiwan News, the United States is taking a much firmer stance on relations with Taiwan under the Trump administration. The reported \$2.6 billion weapons contract to arm Taiwan with new tanks and missiles to ensure Taiwan's defensive capabilities seriously.⁶ In the Indo-Pacific Strategy Report, it states "As democracies in the Indo-Pacific, Singapore, Taiwan, New Zealand, and Mongolia are reliable, capable, and natural partners of the United States," which could reveal Washington's position toward Taiwan.⁷ By referring to Taiwan as a "country" rather than the "Republic of China," Washington is signaling that the US military is committed to respecting the Taiwan

⁶ "DOD Releases Indo-Pacific Strategy Report." (2019). *U.S. Department of Defense*.

⁷ Duncan DeAeth. (2019). "US under Trump takes step towards recognizing Taiwan as a country." *TaiwanNews*.

Relations Act (TRA) while escalating tensions with Beijing. The Taiwan Contacts Act authorized the maintenance of commercial, cultural, and other relations between Americans and Taiwanese citizens. The Taiwan Relations Act, the three Joint Communiques between the United States and China, and the Six Assurances should remain the cornerstones of US policy toward Taiwan. The biennial Shangri-La Dialogue and Security Summit in Singapore is another example of the US's support for Taiwan. Defense Secretary Patrick Shanahan stated that the US is committed to Taiwan's duties under the TRA.⁸ Some feel that the trend of strengthening US-Taiwan relations will continue as long as tensions between Washington and Beijing persist.

For Taiwan, the Trump administration's turn to a more combative approach toward Beijing has been both beneficial and detrimental. On the one hand, the United States has publicly increased its support for Taiwan. The Trump administration has recast a long-standing policy between China and Taiwan, raising expectations and imposing new restrictions. In recent bilateral engagements, the Trump administration has demonstrated progress toward establishing a solid relationship with Taiwan. This might be interpreted in two ways: as a potential signal from China, and as a pledge to safeguard its regional friends. During the early stages of President Donald Trump's presidency, US arms sales and diplomatic visits to Taiwan increased tensions and friction for Beijing. Beijing responds by isolating Taiwan through trade and diplomatic means. Some of these dangers are just temporary. The internal political pressure on Xi is diminishing as the Chinese economy improves. The administration of Joe Biden has the potential to re-energize America's Asian ties while also reducing confusion about US intentions.

First, let's look at some of positive aspects of US Taiwan policy. Officials from the United States want to strengthen and widen their security ties with Taiwan. In addition, the administration reiterates its adherence to the Taiwan Relations Act. This enables high-ranking American officials to travel to Taiwan and vice versa. Trump sent Secretary of Health and Human Services Alex Azar to Taipei in August, making him the highest-ranking American official to visit Taiwan in more than four decades. While guaranteeing that Taiwan "remains secure, confident, free of coercion, and able to engage the mainland peacefully and constructively on its own terms."⁹ Strengthening

⁸ Duncan DeAeth. (2019). "US under Trump takes step towards recognizing Taiwan as a country." *TaiwanNews*.

⁹ Richard C. Bush. (2019). "The Trump Administration's Policies Toward Taiwan." *Brookings Institution*.

“defense and security cooperation” with Taiwan was stated in the 2019 National Defense Authorization Act (NDAA) of the United States.¹⁰ In July, the United States took action by announcing the approval of a \$2.2 billion arms sale to Taiwan.”¹¹ The sales of a \$500 million package that includes training, maintenance, and logistics support for Taiwanese F-16 fighters was also approved by the Trump administration. The administration of President Tsai also set aside \$15.25 million for travel expenses for American military troops visiting Taiwan.

Second, Taiwan is important because it is “powerful, prosperous, and democratic,” according to the Pentagon’s strategy study. The study emphasizes that, in light of Beijing’s pressure campaign against Taiwan, the US is pursuing a strong cooperation with Taiwan.¹² As a result, Taiwan’s security and democratic identity are prioritized in the Trump administration’s Free and Open Indo-Pacific Strategy. Furthermore, the Taiwan Allies International Protection and Enhancement Initiative Act of 2019 was passed, ensuring that United States relations with Taiwan are expanded while encouraging other countries and international organizations to strengthen their official and unofficial ties with the island nation.¹³ With this latest act and the progress made by both Congress and the States Department, we can observe how the conduct of US-Taiwan relations has been broadened.

On the other hand, there are some policies that are more complicated and not so much positive. One example of that is China’s military expansion and capabilities. China’s rapid economic growth, increased defense spending, and multi-decade People’s Liberation Army (PLA) modernization efforts have escalated Taiwan’s advantages. Given China’s capabilities now, it has complicated the US military plans to intervene if an invasion were to happen. The shifting cross-strait military balances raises questions about how long Taiwan’s military can hold out in the event of a conflict and how the United States should maintain the military capabilities necessary to defend Taiwan.

¹⁰ 2019 National Defense Authorization Act (NDAA).

¹¹ Sydney Ko and Milo Hsieh. (2019). “US Arms Sales to Taiwan Indicate Tougher Attitude Towards China.” *The News Lens*.

¹² “Military and Security Developments Involving the People’s Republic of China 2020.” Annual Report to Congress. Department of Defense.

¹³ S.1678 - Taiwan Allies International Protection and Enhancement Initiative (TAIPEI) Act of 2019 116th Congress (2019-2020).

Some scholars argue that US policy is characterized by “strategic ambiguity” in terms of what the US would do in any given scenario, as well as “tactical clarity” in terms of the US’s ability to deter and defeat aggression, as seen by the TRA’s explicit phrasing. The shift in the military balance between China and Taiwan, as well as Beijing’s military coercion, has generated fears that “strategic ambiguity” is no longer enough to keep the peace. Different factors would have to be weighed against the risk of any changes in declared policy by policymakers. This raises concerns about how Chinese officials may interpret US objectives, as well as whether the deployment and operations of PLA assets indicate a turn to war. In other words, China will pay attention not only to what US officials say, but also to what the Pentagon does to prepare for war, implying that if American declarations about Taiwan’s security are not backed up by appropriate capabilities, rhetorical warnings will be interpreted as hollow. As a result, Washington must be wary of giving Taiwan permission to pursue policies that could lead to war and are incompatible with US objectives.

Steel and aluminum tariffs have increased as a result of the Trump administration’s economic policy, which is based on a violation of US trade law. This action has prompted some Trump administration officials to rethink the tariffs, believing that they will harm global supply chains. This suggests that a successful policy process could resolve the tension between Taiwan’s security and commerce policies. However, improving economic relations between the United States and Taiwan, particularly through the negotiation of a bilateral trade agreement, is critical to Taiwan’s overall security and prosperity. Furthermore, because many Taiwan IT companies have both US and PRC partners, there has been some anxiety and difficulty with the new US limitations on hardware and software goods. In the transition to 5G and the Internet of Things, the integration of Taiwan Semiconductor Manufacturing Company (TSMC) and other Taiwanese high-tech enterprises would improve supply chain security (IoT).

A deeper supply chain and R&D connection with Taiwan would be required for future technological progress. This suggests that the US and Taiwan may work together on technology innovation and defense capabilities in areas like artificial intelligence and quantum computing. By prohibiting global chip makers, the Trump administration has placed Taiwan’s semiconductor

industry in the midst of America's attempts to reduce China's worldwide domination of 5G.¹⁴ This indicates that TSMC has also stated its intention to construct a plant in Arizona, United States. However, the Trump administration's activities require more consultation and policy cooperation. PRC actions, on the other hand, put these efforts to improve US-Taiwan collaboration in jeopardy. Over the last year, several TSMC managers and engineers have been engaged by Chinese government-backed semiconductors initiatives, highlighting the importance of Taiwan's semiconductor industry.

2.3 US-Taiwan Strategic Interests

Taiwan will remain a sensitive subject and a focal point of geopolitical conflict between the United States and China in the twenty-first century. In terms of values, Indo-Pacific geopolitics, and economic prosperity, Taiwan's future will have a significant impact on critical US national interests. Taiwan is a significant economic partner for the United States, and it plays a significant economic partner for the United States, and it plays a significant economic partner for the United States, and it plays a critical role in global supply networks. In the areas of security and diplomacy, the Trump administration has made progress with Taiwan. These actions demonstrate a recognition of Taiwan's importance to US national interests.

As previously stated, increased engagement between US and Taiwan officials has deepened ties without eliciting a strong negative response from Beijing. Taiwan has been able to flourish, remain secure, and establish its democratic institutions in recent years because of the framework of the unofficial bilateral relations. As a result, Beijing has increased its pressure on Taiwan. To response, the US should continue to oppose China's use of force and coercion to achieve its Taiwan goals, and make it clear that cross-strait issues must be settle peacefully and with the consent of the people of Taiwan. The US and Taiwan might establish an annual joint strategy review and capabilities assessment system in which both sides examine which military articles and defense services may be required to ensure Taiwan's self-defense capability remains adequate.

¹⁴ Bonnie S. Glaser, Richard C. Bush, and Michael J. Green. (2020). A report of the CSIS Task Force on U.S. Policy Toward Taiwan. *Center for Strategic & International Studies*.

In the framework of this new phase of strategic competition with China, Taiwan, the United States, and China will face both increased threats and possibilities. Robert D. Blackwill, a senior fellow for US foreign policy, Henry A. Kissinger, and Professor Phillip Zelikow gave their perspective on Taiwan. The authors of the new Council Special Report claim that Taiwan is “becoming the world’s most dangerous flashpoint for a possible war involving the United States, China, and perhaps other major powers.”¹⁵ This indicates that, in order to avoid a war over Taiwan, the US needs to rethink and clarify its strategy. Their recommendation was for the US to focus its strategic objective on Taiwan, saying, “Taiwan should be to preserve its political and economic autonomy, its dynamism as free society, and U.S.-allied deterrence- without triggering a Chinese attack on Taiwan.”¹⁶ This realist strategy goal for Taiwan allows the political equilibrium to be maintained. The authors urge the Obama administration to clarify three key points: affirm that is not attempting to change Taiwan’s status; work with allies (such as Japan) to develop new strategies to counter Chinese military moves against Taiwan and assist Taiwan in defending itself; and have a visible plan in place ahead of time for disruption and mobilization that could potentially escalate such war to the Chinese, Japanese, or American homelands. Therefore, progress in reaching a consensus to discuss actions to considerably expand Taiwan’s economy is still required. However, because the Trump administration and Congress have made it clear that they want to approach China in a more competitive manner, this could be a chance for the US to collaborate with Taiwan on technology such as semiconductors.

There has been a broader context of increasing US-Taiwan relations under Trump’s presidency, spurred by the changing structure of the international order. According to offensive realism, nations can never be guaranteed that other states would not use offensive military capabilities, and the best option for great powers to assure their survival is to enhance strength and pursue hegemony. Some might claim, based on offensive realism that the international framework frequently supports competitive policies in the case of Taiwan. However, I would argue that this does not imply that the US’s security commitment to Taiwan is being weakened. Instead, realism anticipates a strengthening of US-Taiwan relations as China advances in power. As the world organization

¹⁵ Robert Blackwill and Phillip Zelikow. (2021). “The United States, China, and Taiwan: A Strategy to Prevent War.” *Council Foreign Relations*.

¹⁶ Robert D.Blackwill and Phillip Zelikow. (2021). “The United States, China, and Taiwan: A Strategy to Prevent War.” *Council Foreign Relations*.

changes, Washington and Taipei are pushed closer together in terms of security cooperation. The reason for this is that an anarchic system's built-in trait of uncertainty about intentions create a security challenge and mutual distrust. In the framework of the security struggle between the United States and China, Washington may have a strong motive to strengthen security cooperation with Taiwan in order to contain Chinese power growth. If the United States wishes to preserve its dominance in Asia, it is in its best interests to include Taiwan, as well as Japan, South Korea, and other allies, in its wider Asia policy.

As a result, realism predicts that the United States will work with Taiwan to deal with China's dominance in Asia. The structural reasons for the improvement of US-Taiwan ties are several. The growth of Chinese power will determine if this trend continues. If China's military capability continues to develop, the US' ability to respond effectively may be called into question. We can also look at Section 3(c) of the Taiwan Relations Act (TRA) which states, "The US president is directed to inform the Congress promptly of any threat to the security or the social or economic system of the people in Taiwan and any danger to the interests of the United States arising therefrom. The president and the Congress shall determine in accordance with constitutional processes, appropriate action by the United States in response to any such danger."¹⁷ Let's break down the essential phrase "any danger to the interests of the US," this means that the United States must first decide if intervening in a cross-strait war is in its best interests. The "appropriate action" noted in the passage is determined by Washington's response to such a threat, demonstrating the policy's tactical ambiguity. Economic sanctions or diplomatic isolation may be used as part of this strategic tactic, as well as the mobilization of the US Navy and Air Force, as well as probable ground forces. Given all of this important passage and commitment from the United States, the People's Republic of China may also have a strategy. Their strategy could allow the People's Liberation Army to gain control of Taiwan before the US military is able to act fast and effectively.

¹⁷ Taiwan Relations Act (1979). (Public Law 96-8, 22 U.S.C. 3301 et seq).

Senator Rick Scott of the United States and Congressman Guy Reschenthaler of Congress sponsored the Taiwan Invasion Prevention Act in 2020. This bill would require China to renounce the use or threat of military force to invade Taiwan and authorize the US president to use military force to protect Taiwan under three conditions: “If China used military force against Taiwan; if China intended to seize Taiwan-controlled areas such as Penghu, Kinmen and Lienchiang counties; and if the lives of Taiwanese including military personnel were threatened.”¹⁸ The Act was proposed to safeguard Taiwan from China’s increasing hostility. Senator Scott stated that “it is no secret that General Secretary Xi Jinping is bent on world domination” and that the US will respond by supporting “our peaceful and democratic partner Taiwan.” This type of action appears to be adjusting the United States’ strategy clarity on providing military support to Taiwan in compliance with the Taiwan Relations Act. On the other side, this strategic clarity may be more effective in deterring the enemy, placing the US in jeopardy of not being able to fulfill its commitment to Taiwan. The evolution of the Chinese military, as well as how the US defines its national security and interests will determine whether the US will protect Taiwan.

2.4 Chapter Summary

To conclude, China has become more assertive in pushing its interests under President Xi Jinping. China's goal is to seize control of Taiwan, if necessary, by force. Nobody can rule out the potential that Taiwan will become the next Hong Kong. On the other hand, defending Taiwan is in the US's best interests. Taiwan's interests continue to be at odds with those of the United States. If the US fails to respond to such a Chinese use of force, regional US allies such as Japan and South Korea will determine that the US can no longer be trusted or reliable. I argue that the Taiwan Strait issue will be heavily influenced by Taiwan’s wishes or decision/stance. One of the most crucial issues in US-China relations is Taiwan (and its status). The use of ambiguous language in the US administration and policy indicates an attempt to prevent Taiwan from declaring formal independence and to make China reconsider staging an invasion attempt on Taiwan. Whether the United States will come to Taiwan's defense if it is attacked by China is an issue that will rely on Taiwan's stance. The challenge for the US strategic goal in Taiwan is to maintain Taiwan's political and economic autonomy, as well as US-allied deterrence, without provoking a Chinese invasion

¹⁸ H.R.7855 - Taiwan Invasion Prevention Act 116th Congress (2019-2020)

on the island. On the other hand, by strengthening Taiwan's defense deterrent against Beijing, the US has been assisting the island in improving its asymmetrical military capabilities.

In assessing the new era of strategic confrontation between the US and China, Taiwan has become extremely relevant. If the Taiwan problem did not exist between China and the United States, the trade war, intellectual property dispute, and tariff war between the two countries would be purely economic, similar to what the United States is experiencing with its allies. In the end, it's a question of who has more or less money. The Taiwan Strait, on the other hand, has now become a negotiating chip for conflict. Taiwan and the US have deepened and strengthened their strong bilateral relationship, with increased high-level meetings, continuous arms sales, and Taiwan's membership in US-led regional frameworks. Taiwan, a digital superpower with a democratically elected government, has become a vital part of Washington's attempt to move global supply chains away from China, particularly in the technology and chip industries. The Taiwan Semiconductor Manufacturing Company (TSMC) is an example of how future competition between the US and China will play out. To put it another way, before the Trump administration issued the Huawei ban, TSMC was able to conduct business in both China and the United States. However, due to the great power battle for technological superiority, technology corporations such as TSMC will eventually be forced to choose a side, putting them in the center and perhaps becoming victims of any escalation. This also implies that Taiwan has become much more important to American interests in the region.

During the decoupling between the US and China, the US has pushed for a supply-chain shift from mainland China to Taiwan and other Indo-Pacific allies. Some say that Taiwan will benefit from the geopolitical battle between the United States and China, but the truth is far more complicated. Profits accumulated by particular industries are a result of great power competition's spillover effects. Taiwan, on the other hand, is caught in the middle of a problem with China: a conflict between dependency and threat. China is regarded as a threat to Taiwan's democracy and national security. Taiwan is like a race card with two faces whose utility is dependent on their strategic interaction, but not fully. The Trump administration has strengthened ties with Taiwan while simultaneously imposing restrictions on Huawei, a Chinese telecommunications company that has impacted TSMC and its operation. It has become stronger as a result of the institution of an annual

bilateral economic discussion and the sanctioning of several arms deals by Washington. A series of high-level encounters between US and Taiwan officials took occurred on the diplomatic front.

The pandemic has accelerated efforts for the United States to shift sensitive technology supply chains away from China and toward trusted trading allies such as Taiwan. With the new Biden administration in power, Taiwan must change its pace while also dealing with Chinese pressure. To enhance bilateral investment flows and integrate Taiwan into the world market economy, the US should continue to enhance commercial and military cooperation with Taiwan. Using Taiwan Strait as a case study proves John Mearsheimer's offensive realism which demonstrated as the state's only goal is survival, and it must maximize its own strength. Taiwan is aware that it can assist the United States in strengthening and bringing fresh innovation to the high-tech industry. As a result, the United States is attempting to deepen its ties with Taiwan.



Chapter 3: U.S.-China Economic Relations

Central Question: Whether the rise of China is challenging the rules-based international order led by the United States? Is Beijing Promotion of Alternative Global Norms and Standards, the Chinese Model?

3.1 Overview of the Bilateral Economic Relationship

The global economy has become increasingly linked, with China's GDP developing rapidly and threatening to overtake the US at current exchange rates. For many countries, China has risen to the top as a commercial partner and investor. This has caused friction in all aspects of the bilateral relationship, including commerce and investment. With tariffs on a variety of products imposed by President Trump in early 2018, tensions rose quickly. Efforts by the US to decouple from China in order to limit its influence would harm not only China but also the global economy, but a trade agreement with China to calm tensions would likely assist the Chinese economy perform better, making the strategy competition with Beijing more intractable. Given the economies' interdependence and the importance of the Chinese market to US business, it's vital that the two cooperate and find methods to rectify China's unfair trade and regulatory policies. It's also difficult to foresee the world's two largest economies actually "decoupling," despite the fact that huge political forces on both sides appear to be pushing them in that direction. The United States can address the China challenge by promoting domestic innovation and technology, while maintain the free-market order based on norms.

According to Chinese observers, the first wave of this transition can be traced back to the global financial crisis of 2008, when it rapidly recognized the possibility for a fundamental shift in US-China relations. The second wave began in the Obama administration's promotion of the "Pivot/Rebalance to Asia" plan in 2010-2011. The most current wave was sparked by the Trump administration's shift in China policy. The Trump administration released its National Security Strategy report in 2017, claiming that the US has entered a new era of major power competition.¹

¹ National Security Strategy of the United States of America.

China is described as a “revisionist power” and a “strategic competitor” that aims to “create a world that is antithetical to US ideals and interest,” according to the study.² China is revisionist, but due to demographics, political instability, and the tyranny of geography, it is unlikely to achieve its aims even without direct US engagement.

The Trump administration’s approach to China is more combative in general, despite the administration’s efforts to promote its Indo-Pacific architecture. Tensions between Washington and Beijing over regional security and economic issues continue to increase. The current pandemic has dealt a major damage to American impressions of China. The Trump administration’s unveiling of a series of tariff plans on Chinese goods has made the US-China relationship more competitive. The recent cooperation on the Phase One Trade deal where both see mutual economic benefit open possibility to continue this peaceful relationship.³ The pandemic has also triggered the world’s deepest recession, with substantial implications for economic policy and worldwide trade.

Over the last few years, the People’s Republic of China has grown rapidly to become the world’s second largest economy.⁴ It remains to be seen if China will overtake the United States as the world’s most powerful economy, but it is evident that Washington’s economic dominance is under threat. Furthermore, the Fortune Global 500 released the list in 2020, showing for the first time that Mainland China and Hong Kong have more enterprises than the United States.⁵ China’s rapid economic development has already given it tremendous political influence in East Asia. Through programs like the Belt and Road Initiative, the Asian Infrastructure Investment Bank, the New Development Bank, and the Contingency Reserve Agreement, China has increased its openness throughout time and proven a willingness to support other nations in trade, finance, and FDI.⁶ Beijing is expanding its pressure on other countries, businesses, and even individuals to adopt its viewpoint. The projects outlined above have the potential to either challenge or replace the United States and other democratic countries. As a result, many US businesses are rethinking their supply

² The White House, ‘National Security Strategy of the United States of America’, December 2017, pp. 2–3, 25.

³ Justin Conrad. (2020). “US Public Opinion Is Changing the Relationship with China.” *The Diplomat*.

⁴ The World Bank, “The World Bank in China,” March 28, 2017.

⁵ Alan Murray and David Meyer. (2020). “The Fortune Global 500 is now more Chinese than American.” *Fortune*.

⁶ Robert Grosse, Jonas Gamso and Roy C. Nelson. (2021). “China’s Rise, World Order, and the Implications for International Business.” *Management International Review*.

chains. The ramifications for the United States in an era of strategic competition with China are highlighted in the 2019 Annual Report to Congress.⁷ The unresolved trade issues with China, as well as deeper political, technological, and security disagreements between the two countries, have turned into a long-term strategic competition.⁸ Beijing's attempt to position itself as a global political and economic leader with CCP interest and ideology have posed a challenge to the established international order in recent years. The liberal expectation was that China (the growing power) and the US (the established hegemon) would find reasons to cooperate based on share economic gains, but this expectation proved to be false or yet to be realized.⁹

China's admission to the World Trade Organization (WTO) is contingent on the multilateral phase of accession discussions being completed successfully. China pledge to adopt the WTO's open market-oriented policy and trade practices when it joined the organization in 2001. Members of the World Trade Organization (WTO) hope that when China joins, it will continue its own path of economic reform and evolve into a market-oriented economy and trade system. The Trump administration, on the other hand, claims that the WTO has failed to address China's unfair trade practices and that the WTO's dispute resolution mechanism is ineffective in resolving these concerns.¹⁰ Instead, China has taken use of the WTO's benefits to become the world's second largest economy while rigorously protecting its home markets.¹¹ Unfair practices like systematically discriminating against foreign products and foreign producers harm American business and employees. Other unfair trade practices that Trump has expressed worry about include high tariffs, domestic content requirements, and the employment of state-driven protectionist policies and practices.¹² As one of the professor puts it, "The WTO dispute settlement system has effectively resolved certain disputes and will continue to do so but the system has its limits."¹³ This is one of the reason why Trump wants to withdraw from the WTO because as long as China continue to rise, then the WTO legal order will be weakened.

⁷ 2019 Report to Congress of the U.S.-China Economic and Security Review Commission.

⁸ 2019 Report to Congress of the U.S.-China Economic and Security Review Commission.

⁹ Ashley J. Tellis, Alison Szalwinski and Michael Wills. (2020). "U.S.-China Competition for Global Influence."

¹⁰ Andrew Mayeda and Saleha Mohsin. (2017). "U.S. Rebukes China for Backing Off Market Embrace," *Bloomberg*.

¹¹ United States Strategic Approach to the People's Republic of China (White House Report, 2019).

¹² James Bacchus, Simon Lester, and Huan Zhu (2018). "Disciplining China's Trade Practices at the WTO: How WTO Complaints Can Help Make China More Market Oriented." *CATO Institute*.

¹³ Mark Wu. (2016). "The 'China, Inc.' Challenge to Global Trade Governance," *Harvard International Law Review* 57, no. 2: 261–324, 269.

The article *Disciplining China's Trade Practices at the WTO* emphasizes the importance of the US continuing to participate in the WTO in its trade ties with China., Instead, it should collaborate with other nations to hold China accountable and guarantee that it continues to meet its WTO duties. In this way, China's errant trade practices will be factored in, and the promise of a market economy will be realized. Implementing policies that could damage the endanger the open economic order would not be in China's best interests. In reality, the United States should continue to support the system it created and led since it has benefited both the US and other members of the system. Even if the United States or China back out of their WTO commitments, other regional trade agreements can replace the space in the international trade regime. The truth is that both the Chinese and American people will benefit the most if they are both members of a global economy that is open and rules based. Even though their economic connection is not symmetric, the two countries have a high level of economic interdependence.

China's Economic Model- Implications for the US

In recent years, the United States has become increasingly concerned about China's economic ambitions. The CCP sees itself as locked in a systemic conflict with the US and other democratic countries over the world order's destiny. The question of whether Beijing intends to use its expanding power to change the international system, on the other hand, is open to interpretation on both sides. China is legitimizing its authoritarian governance system, extending its economic security and political objectives, and restoring China, according to the US perspective.¹⁴ China's efforts challenged not only the US's dominating position in the current system, but also the existing international order's core values. In terms of the Chinese perspective, President Xi has repeatedly urged vigilance against the West's intention to utilize ideology to challenge and overturn the CCP. One argument advanced by the Chinese is that by weakening existing global rules, they might accelerate the collapse of Western power while furthering China's geopolitical objectives. As a result, the CCP seeks greater control over the formulations and ideas that underpin the international order in order to play a more central role in the world.

¹⁴ 2020 Annual Report to Congress of the US-China Economic and Security Review Commission.

President Xi Jinping stated in 2017 that China's approach provides "a new choice for other countries and nations who want to accelerate their development while maintaining their independence." Offensive realists argue that if China continues to grow economically, "great-power politics will return full force," resulting in a fierce security struggle with significant war potential.¹⁵ The offensive realist's problem is that it's difficult to explain why the US-China competition began with a trade dispute rather than another issue area. One side of the argument claims that since Xi Jinping took office, China has made clear indications that it wants to reshape, alter, and redefine elements of the existing system to better suit its interests, not just to enjoy a central position on the global state correlated with its economic and military power. Take a look at President Xi Jinping 'Made in China 2025' industrial policy, which outlines clear objectives for the country's expansion and dominance in a number of advanced high-tech industries, including automated machine tools, artificial intelligence, robotics, aerospace, ocean engineering equipment, and high-tech shipping.¹⁶ The United States has reasonable concerns that unfair Chinese competition will undermine American sectors, posing a threat to our national security.

Self-sufficiency, the utilization of SOEs, and industrial strategy are three fundamental components of China's economic model. First, based on comparative advantage, China is pursuing self-sufficiency in developing technologies. The second plan is to reform China's state-owned companies (SOEs) to gain access to subsidies and to improve the country's limited rule of law. This will help state-owned enterprises in China and around the world. SOE reform is a strategic instrument for improving the state sector's competitiveness and transforming it into world-class businesses.¹⁷ As for progress, SOEs occupied 82 of China's 129 slots on Fortune's Global 500 ranking of the world's largest firms by revenue in 2019.¹⁸ This demonstrates that China's state sector is viewed as a significant driver of growth in important industries. Third, China's industrial policies, such as "Made in China 2025" and "The China Standards 2035," are intended to affect global production in the future. Both plans aim to become the industry leader in a number of key manufacturing sectors, including sophisticated technology. Made in China 2025 was created to

¹⁵ John J. Mearsheimer. (2014). "Can China Rise Peacefully?" *The National Interest*.

¹⁶ Scott Kennedy. (2015). "'Made in China 2025.'" *Centre for Strategic & International Studies*.

¹⁷ EY Greater China. (2020). "How is China approaching SOE reform." *EY*.

¹⁸ Side note: This figure includes 10 companies from Taiwan.

encourage Chinese businesses to grow, develop, and dominate the global market, although there are certain concerns, such as government subsidies.¹⁹ China Standards 2035 follow similar model of shaping China's overall economic, scientific, and national strength while accelerating technological innovation.

China's goal does not appear to be aimed at a total overthrow of the current world order. Then there's the question of how liberal democracies may adopt policies and ideas that are similar to those of the Chinese government. The promotion of China's authoritarian model appears to be a clear challenge to the liberal international order and the United States' interests in upholding the ideals that have defined it from its foundation. China's claims that it is not attempting to topple the global system. Instead, it appears that they are attempting to construct a new partial system that will shape the current order. As a result, China would be the world's largest, most powerful, and most advanced country. When China wants tight control over other countries and builds economic and military domination, other countries will find it difficult to criticize the system from a position of strength.

In terms of the US, it should continue to deepen its ties with East Asia, engage in a force-effort economy, and pursue cost-cutting initiatives. It is the responsibility of the United States to recommit to multilateral forums and organizations. If the United States' leadership is missing, Beijing will be able to fill the gap and grow its influence even further. However, under President Trump's leadership, the United States has backed away from its multilateral obligations. This means that the US will move toward rivalry with China, which will demand a shift from Washington's decades-old "liberal international order." "This could indicate that China is prepared to fill the void left by the United States' withdrawal from global obligations. The United States and its allies and partners should continue to seek leadership in vital organizations and set norms for future domains like space, cyber, and artificial intelligence.

¹⁹ "China Standards 2035 and the Plan for World Domination-Don't Believe China's Hype." *Council on Foreign Relations*.

3.2 U.S.-China Trade Tensions

Concerns about bilateral trade conflicts in the United States come from specific practices in China's economic model that consistently favor Chinese enterprises both domestically and worldwide. The Trump administration initially began renegotiating with Beijing in 2018 in order to reduce the United States' massive trade imbalances with China. Following multiple rounds of unproductive talks with Chinese officials, the Trump administration implemented a series of tariffs, igniting a trade war between the US and China, citing unfair trade practices and intellectual property theft as justifications. With the imposition of unprecedented tariffs and sanctions on technology companies by the Trump administration, trade tensions between the world's two largest economies have widened. Tensions between China and the United States have risen recently as a result of the Chinese government's strict national security regulations in Hong Kong and its suppression of the Muslim minority Uighurs, which has prompted numerous rounds of US sanctions. Both sides have suffered economic losses as a result of the trade war, which has resulted in trade flows diverting away from both the US and China.

During his campaign in 2016, former President Trump emphasized the importance of U.S.-China trade, claiming that China was the principal source of the loss of manufacturing jobs and intellectual property in the United States.²⁰ Proclaim China a currency manipulator, confront China on intellectual property and forced technology transfer concerns, end China's use of export subsidies and lax labor and environmental standards, and lower America's corporate tax rate to make U.S. manufacturing more competitive, according to the Trump administration's four-part plan.²¹ Increased tariffs were used by Trump to put pressure on Beijing to restore better balance to bilateral trade between the US and China, benefiting those companies. He claims that imposing unilateral tariffs on China will reduce the US trade deficit and encourage corporations to relocate manufacturing employment back to the US. On the other side, as China's Belt and Road projects bring additional nations into the globalized economy, supply chains can continue to work and possibly even deepen. However, if new tariffs are put on certain products, economic difficulties

²⁰ Ryan Hass and Abraham Denmark. (2020). "More pain than gain: How the US-China trade war hurt America." *Brookings Institution*.

²¹ Ana Swanson, Alexandra Stevenson and Jeanna Smialek. (2019). "China's Currency Moves Escalate Trade War, Rattling Markets." *The New York Times*.

such as "unfair" trade restrictions on both sides can result in higher-cost exports. China believes the United States is attempting to block its emergence as a global economic force.

Trump claims that "trade battles are wonderful and easy to win," despite the fact that this trade war has harmed the American economy significantly.²² The trade war has done little to resolve concerns about China's unfair trade practices or to restore manufacturing jobs in the United States; instead, it has harmed the industry. The Trump administration accuses China of unfair trade tactics, but there is no evidence that this is a major cause of the imbalance. The trade war with China has not only harmed the US economy, but it has also failed to achieve the Trump administration's major policy objectives. Addressing a variety of administration worries about Chinese state-owned company disciplines, distorting subsidies, data, cybersecurity, and other areas of market access are all part of this goal.²³ The trade wars have raised major concerns about the harmful effects on the economies of both the United States and China, as well as the global economy. The trade war has ramifications that go beyond economics. Bloomberg Economics calculated that the trade war would cost the US economy \$316 billion by the end of 2020, according to a report released in 2019..²⁴ Another study by the Federal Reserve Bank of New York and Columbia University concluded that taxes on Chinese imports caused stock prices to drop by at least \$1.7 trillion in the United States.²⁵ Tensions over China's economic policies have resulted in a severe trade dispute that both nations are aware of, which is why the 2020 Phase One trade agreement only partially fixed it.

²² Ryan Hass and Abraham Denmark. (2020). "More pain than gain: How the US-China trade war hurt America." *Brookings Institution*.

²³ The US-China Business Council. (2021). "The US-China Economic Relationship." *Oxford Economics*.

²⁴ Shawn Donnan and Reade Pickert. (2019). "Trump's China Buying Spree Unlikely to Cover Trade War's Costs." *Bloomberg*.

²⁵ Mary Amity Sang Hoong Kong, and David E. Weinstein. (2020). "The Investment Cost of the U.S.-China Trade War." *Federal Reserve Bank of New York*.

Table 1: Stock Prices Generally Declined around “Trade War” Events

Stock Prices Generally Declined around “Trade War” Events			
Event	Date = t	Change in Stock Prices	
		On t	From $t-1$ to $t+5$
U.S. announces steel and aluminum tariffs	Mar 1, 2018	-1.16	0.28
U.S. orders identification of Chinese products for tariffs	Mar 22, 2018	-2.48	-2.70
China to impose tariffs on 128 U.S. exports	Apr 2, 2018	-2.25	0.39
China retaliates on \$50 billion of U.S. imports	Jun 15, 2018	-0.10	-0.53
U.S. announces tariffs on \$200 billion of goods from China	Sep 17, 2018	-0.67	0.32
U.S. raises tariffs from 10 to 25 percent on \$200 billion of Chinese imports	May 10, 2019	0.39	-0.70
China raises tariffs on soy and autos	Aug 23, 2019	-2.60	0.03
	All	-8.87	-2.93

Sources: Center of Research in Security Prices (CRSP), provided by Wharton Research Data Services (WRDS); authors’ calculations.

Table 1: This table shows the market return on and during trade war announcement. The t column indicates the market return on the day of the event announcement. The following column displays the total market return over a seven-day period, starting on the trading day before the announcement and finishing five trading days later.

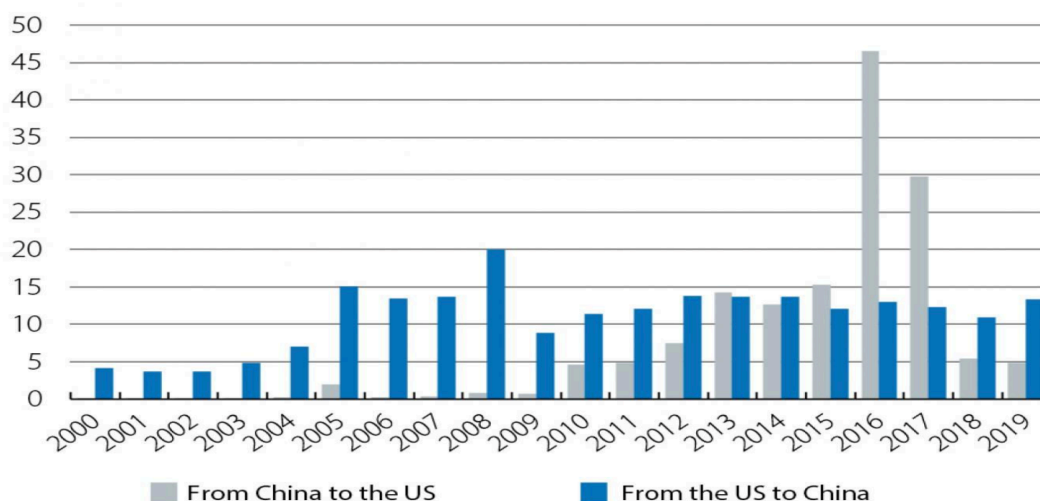
The deficit has decreased year over year in 2019, as American businesses have shifted to purchases from countries such as Vietnam.²⁶ The increase in the trade deficit with China was offset by an increase in the trade deficit with the rest of the world, resulting in a roughly unchanged overall US trade deficit. A “phase one” trade pact with China has been proposed for 2020. The pact includes

²⁶ “How China Won Trump’s Trade War and Got Americans to Foot the Bill.” (2021). *Bloomberg News*.

a Chinese commitment to buy \$200 billion more in American goods by the end of 2021 than in 2017.²⁷ Beijing was supposed to import \$172 billion worth of US goods in particular categories in 2020 as part of the phase-one trade pact, but it had only reached 51% of that objective by the end of November. The decrease in energy prices between the pandemic and the troubles with Boeing Co. could be one factor.²⁸ The immediate impact of the conflict on the two countries can be measured by looking at bilateral FDI flows between the US and China. Foreign direct investment flows between the two nations were an average of 37 billion dollars per year before the commencement of the technology-focused trade war (2013-2017).²⁹ However, due to the substantial stagnation in the ICT industry, this statistic plummeted by half in the average for 2018-2019.

See Graph 1 Below for Reference.

Direct investment flows between China and the US (USD billions)



Note: In 2016, the flow of investment from China increased substantially, partly as a result of HNA China's acquisition of the Carlson hotel group. However, the flows in 2018 and 2019 are abnormally low compared to the growth trend of previous years.

Source: CaixaBank Research, based on data from The US-China Investment Hub.

The graph above shows how the ICT industry has an impact on other important industries and countries, while a conflict between the world's two largest companies will have global ramifications.

²⁷ Ryan Hass and Abraham Denmark. (2020). "More pain than gain: How the US-China trade war hurt America." *Brookings Institution*.

²⁸ "How China Won Trump's Trade War and Got Americans to Foot the Bill." (2021). *Bloomberg News*.

²⁹ Claudia Canals and Jordi Singla. (2020). "The US-China technology conflict: an initial insight." *Caixa Bank Research*.

The United States, on the other hand, overlooked China's capability. During the epidemic, China was the only country that could increase output on a large enough scale to fulfill rising demand for items like work from home computers and medical equipment.³⁰ Furthermore, in 2019, some Southeast Asian countries surpassed the United States as China's second-largest trading partner. Southeast Asian economies are expected to grow faster than industrialized countries over the next decade, indicating that this trend will likely continue. On the other hand, we can look at former President Trump's goals, which are part of the economic war's technology front. This action can be seen in the form of incentives for American companies with operations in China to leave and relocate their supply chains elsewhere. This goal is based on the notion that the American economy has become overly reliant on China's economy, which could compromise not just the country's economic competitiveness but also its national security. As a result, it is in both countries' best interests to continue providing global public goods that encourage global commerce and investment.

3.3 Made in China 2025 Strategic Plan & Implication for the US

China, the world's second-largest economy, is now a major economic force, yet it is still a developing nation. It is remarkable that China has been so successful in promoting economic development and reducing poverty. The continuation of China's economic development plan will put the country more directly in rivalry with the US. In order for China to maintain economic and political stability in the coming years, it must maintain its economic growth. As a result, the Chinese people's purchasing power has increased, and the country's development model has shifted from low-end manufacturing to high-tech manufacturing. The Made in China 2025 project, in conjunction with the Belt and Road Initiative, will aid China's technical readiness, as well as the globalization of Chinese firms and the development of new markets for Chinese goods. This raises concerns about how other countries may react, given the strategy's impact on international trade and business. How likely is it that China will become a worldwide industrial, cyber, scientific and technology innovation superpower by 2025? In fact, China competes with already-industrialized

³⁰ “How China Won Trump’s Trade War and Got Americans to Foot the Bill.” (2021). *Bloomberg News*.

Japan, the United States, and Germany, as well as India, Brazil, and Africa, which all rely on cheap labor.

Countries such as Germany and the United States have already laid out plans similar to the MIC 2025, all of which suit domestic interests, so why does the United States just blame China for having plans? The MIC 2025 plan aims to strengthen China's domestic enterprises by providing subsidies and other incentives, while also putting pressure on international corporations to transfer technology in order to get access to the Chinese market. It identifies three key milestones: 2025 as a major manufacturing power, 2035 as a global manufacturing power, and 2049 as the leading manufacturing superpower. China must progress toward high-tech industries in order to avoid the "middle income trap."

The MIC 2025 is a framework for developing a world-class innovation system and reaching global supremacy in key technologies and sectors through industrial strategy. With the concerns it has raised about doing business with China, the MIC 2025 is becoming a national stakeholder not only for the US but also for the rest of the world. Europe, for example, has expressed alarm over China's broad industrial reform plan. We can also see the parallels and distinctions in Germany's equivalent strategic goal, dubbed "Industry 4.0." China, on the other hand, must play catch-up, racing to establish Industry 2.0, 3.0, and 4.0 by upgrading old industries and developing high-tech and emerging sectors at the same time. While many governments employ industrial policy to achieve their economic and national security objectives, China's MIC 2025 aims to challenge advanced economies' supremacy in high-tech industries. This raises the question of what motivates the Made in China 2025 initiative. China's short-term ambition to reverse its recent economic decline, as well as its long-term goal in promoting domestic innovation and strategic interest in remaining competitive with other countries' innovation programs, drove the development of the MIC 2025.³¹ China's status, behavior, and influence in the global order have sparked debate in international societies while offering internal difficulties to cities. The United States is concerned about China's rise and domination in strategic industries. Made in China 2025 will put international trade rules and US trade policies to the test, forcing the US to use its flawed trade policy tools while

³¹ Alexander B. Hammer. (2017). "Made in China 2025 Attempts to Restimulate Domestic Innovations." *JOUR*.

collaborating with its allies and China to build new standards. Perhaps the United States should form an international coalition to restructure the current World Trade Organization.

Made in China 2025 Strategic Plan is Related to Offensive Realism

I will use John Mearsheimer's offensive realism to support my claim that China must maximize its power in order to remain in the international system and be secure, and MIC 2025 is part of their goal to improve their economic and technological capabilities. According to John Mearsheimer's theory of offensive realism, states can never be really secure, and the only option for states to maintain their survival is through power maximization.³² He also claims that no state can be certain of another's intentions. This is because of this uncertainty, states seek to maximize their power and security, as well as achieve dominance, in order to avoid being challenged by other states. This can be seen in the current China-US relationship, where both countries are devising new strategies to strengthen their respective countries in order to restore greatness. China's rise will continue to put the United States and China in a fierce security competition with a high risk of armed war. Made in China 2025 is an example of how China may maximize its soft power by proving Mearsheimer's offensive realism claim that "the mightiest governments strive to achieve hegemony in their sector of the world while ensuring that no rival great power dominates another region." To put it another way, China is still lagging behind its industrialized neighbors, such as Japan. As a result, China unveiled the MIC 2025 strategy to maximize its domestic and global strength.

According to Mearsheimer, China will attempt to establish a regional hegemon in Asia, which will be counterbalanced by the United States, which is currently the only regional hegemon. The United States cannot accept the premise that China will become a regional hegemon. The struggle between the two countries is driven by this conflict of interests. We can think of the United States as a liberal democracy and China as a communist state, which is an ideological confrontation in and of itself. Peer competitors are not tolerated in the United States. As a result, in order for China to maintain its position in the balance of power, it must maximize its dominance in areas such as economics, military, and technology, as outlined in the MIC 2025 strategic plan. Even before the

³² Glenn, H. Snyder. (2002). "Mearsheimer's World-Offensive Realism and the Struggle for Security: A Review Essay." *International Security*.

MIC 2025 strategy, China's entry to the WTO in 2001 allowed the Chinese economy to speed to the point where the United States saw China's ascent as a problem.

It gives us an alternative perspective on China's actions as a rising power in relation to the US by employing aggressive realism. First, when Xi Jinping made his vision and priorities clear, which is to restore China's greatness. Xi's desire to return China to the top of the global power hierarchy, as well as his focus on the significance of military strength in China's ascent, demonstrated a firm commitment to an offensive realist strategy. The concept of offensive realism is demonstrated by the interpretation of Xi's China Dream slogan, which underlines the impact of the anarchic international structure and forces governments to try to maximize their influence. We can use a realism perspective to describe China's strategic actions. According to some researchers, China's strategic behavior is based on maximizing power. China's grand strategy, maritime ambitions and modernization, and the rapid increase in military spending all support the offensive realism argument. I'll use Mearsheimer's offensive realism theory to show that states (China) can never be really secure, and that the only way for states (China) to ensure their survival is to maximize their power. We may also see offensive realists backed up by China's investment in both soft and hard power, implying that they are solidifying their position in the hegemonic rivalry with the US. China's investment in soft power may be seen in the MIC 2025 project, in which President Xi said unequivocally that he intended to quickly overtake the United States as the world's technological leader. China's investment in physical force is demonstrated by its actions in the South China Sea.

Introduction of *Made in China 2025* Strategic Plan

Prime Minister Li Keqiang unveil *Made in China 2025* in 2015 as a strategic goal to lessen China's reliance on foreign technology while also boosting Chinese technological products in the global marketplace. This initiative focuses on ten strategic priority sectors, including new generation information technology, advanced numerical control machine tools, and robotics, aerospace technology, which includes aircraft engines and airborne equipment, biopharmaceuticals, high-performance medical equipment, electrical equipment, farming machines, railway equipment, energy-saving and new energy vehicles, and ocean e-mobility.

The goal of Made in China 2025 is to shift China's image from a low-cost producer to a high-end one. It focuses on building innovation-driven technologies and networks, such as clean energy, information technology, and robotics, to achieve this goal. China will become less reliant on other countries for innovative technologies as its manufacturing capacity and technology progress. The government has fostered growth in these technical and innovation-driven sectors in order to achieve the objectives. If this strategic goal succeeds, China's position as a global manufacturing superpower will be enhanced even further. The MIC 2025 strategy protects Multinational companies from global competitors while allowing them to thrive locally. To recruit human talent in the scientific and technology industries, China leverages modern economies such as open education systems.

The MIC 2025 strategy's key objectives are not new to China; rather, they are a basic progression of the PRC's long-standing industrial policy, which aims to develop essential technologies in order to enhance domestic growth and maintain political legitimacy. China's modernization may be traced back to Deng Xiaoping's 1978 economic reform and opening, which focused on both science and technology. Hu Jintao's "indigenous innovation" policy from 2006 serves as a platform to MIC 2025. Hu's approach set goals for China to become accustomed to foreign technology and a global tech leader by 2050.³³ Hu's "Indigenous Innovation" formed a new pattern for the entire government's strategy, which included features of unfair competition including discriminatory treatment of foreign investment in China's market or foreign tech transfer. These strategic policies aided Chinese enterprises in gaining control of key foreign technologies and increasing their local and global market dominance at the expense of foreign rivals.

This supports Mearsheimer's offensive realism hypothesis, which claims that rational governments are concerned with survival and power maximization (as evidenced by China's strategic objectives). It does not make sense, according to Mearsheimer, that they should not utilize past behavior to determine the intensity of the threat represented by the creation of another state.³⁴ This is why, once Xi Jinping took power in 2012, the CCP extended Hu's concept of "Indigenous Innovation."

³³ Arati Shroff. (2020). "Made in China 2025 Disappears in Name Only." *Indo-Pacific Defense*.

³⁴ Sverrir Steinsson. (2014). "John Mearsheimer's Theory of Offensive Realism and the Rise of China." *E-International Relations*.

China will become a "moderately prosperous society" by 2021, doubling its 2010 per capita GDP, and a "fully developed, affluent, and powerful" nation by 2049, according to Xi. China has already taken a number of steps to invest in important industries, such as memory manufacturing facilities, and has come up with some ingenious design modifications in the hopes of avoiding patent conflicts. The question remains if China can create a significant competitive indigenous memory business that can meet its memory IC needs even in the next ten years.

Made in China 2025- Status Quo

Setting stated targets, offering direct subsidies, foreign investment, and acquisitions, mobilizing state-backed firms, and forced transfer agreements are among ways China wants to achieve their Made in China 2025 ambitions.³⁵ China hopes to achieve its goals through expanding the local market share of Chinese products by setting stated targets. We can look at Baidu's present process. Baidu has already issued and licenses for self-driving vehicle testing, as well as releasing 'Project Apollo,' a platform that gives hardware and open-source code for other manufacturers to create their own vehicles. In terms of the second goal, providing direct subsidies, the Chinese government has already increased state funding for the ten essential sectors. For example, the government has previously granted Xiaomi with a semiconductor fund to help the company construct its first smartphone CPU. They have access to the \$21 billion National Integrated Circuit Fund.

Following that, Chinese firms have been pushed to invest in international firms in order to gain access to sophisticated technologies. When it comes to mobilizing state-sponsored enterprises, we can see how China's privately operated global tech titans, such as Huawei and ZTE, are backed by the government. This gives the government the authority and clout to direct resources to these critical sectors. Despite the fact that the MIC 2025 drive may benefit foreign companies as a tool to improve China's manufacturing skills, it will create a need for technology such as robotics, smart sensors, wireless sensor networks, and radio frequency identification chips. Foreign enterprises may face difficulties as a result of the policy in the long run. The reason for this is that China is attempting to gradually replace foreign technology with domestic technology. According to IC Insights, China will fall short of its 2020 target if current trends continue. It claims that China will

³⁵ Ada Wang. (2020). "Made in China 2025: What it means for international manufacturers." *Sinorbis*.

only reach a third of the 70 percent self-sufficiency objective set out in Made in China 2025 for IC manufacture.

The pressure on China's manufacturing industry comes from two directions: the more industrialized economies of Germany and Japan, as well as low-cost manufacturers in India, Brazil, and other countries. This makes implementing a successful approach challenging. On the other hand, some businesses may be unprepared for such a significant and abrupt technology shift. As a result, only a few businesses will be able to satisfy the government's goals. These businesses will be able to develop their international footprint and competitiveness while facing less competition in China. Over extenders may face challenges as a result of the higher possibility of inadequate risk management and failing enterprises. Another difficulty that China has is that as the population ages, more people will retire and leave the economy, relying on the economy for payment through their children and social security. As a result, if China does not invest sufficiently in new technology, it will struggle to maintain sufficient productivity to support its massive population while employing fewer people. On the other side, if China spends too quickly, it will have to subsidize uncompetitive workers or risk mass layoffs, as automation and efficiency would simply make vast portions of the Chinese workforce illiterate and low-skilled.

Next, this plan necessitates a significant monetary expansion (money printing), which has become an issue for China's economy, causing international concerns about its debt. China intends to pay off its debt by rising up the value chain, reducing imports while increasing exports and making IP payments on Chinese technology. As a result, China is attempting to attract foreign direct investment and greenfield investment into the country by granting tax-free periods to provincial governments.

Implications for the US Companies

The United States currently leads the fifth industrial revolution (information technology) and hopes to lead the sixth industrial revolution as well (artificial intelligence, biotechnology and on). China's unfair and destructive trade and technology policies, on the other hand, pose a huge danger to US leadership. The US Congress has carefully considered the potential economic benefits and risks of present US technology relationships with China in the long run. Given the US leverage

and policy choices on whether and how to fight or promote China's industrial programs, the Chinese are still reliant on US technology, IP, and knowledge for the time being. The US, on the other hand, is concerned that American industries would lose competitiveness as a result of MIC 2025, which gives domestic industries “preferential access to funding in order to strengthen their indigenous research and development capabilities.” The apparent advantages obtained in the quest of new energy, self-driving vehicles, and aerospace equipment have alarmed Washington. Indeed, MIC 2025 is a well-organized and strategic system of authoritarian state capitalism on a large scale.

We can see the choice to impose tariffs on \$50 billion in Chinese goods imports under Trump's administration, as well as the possibility of targeting an extra \$100 billion to push back against China's "unfair competition."³⁶ Furthermore, the Trump administration is considering broadening the restrictions to particularly target China's ten major industries, as well as limiting Chinese investment in US technology firms. The United States views China as a revisionist state that poses a direct danger to American security and prosperity, according to the 2018 National Security Strategy (NSS). Trump's tariffs are unlikely to have a big impact on China's MIC 2025 industrial development program. His plan exaggerates China's reliance on the US market, which accounts for about 18% of China's exports, implying that more than 80% of China's exports are sent overseas.³⁷ To put it another way, even if Trump completely restricted access to the US market, China's sophisticated sectors would continue to thrive.

Furthermore, the United States has already labeled China's actions as intellectual property theft. To collect foreign secrets, China has used industrial espionage. For example, the New York Times reported that a top Chinese computer chip producer accused paid workers of a Taiwanese semiconductor business of stealing valuable semiconductor design from Micron, a US corporation.³⁸ Not only that, but approximately 7% of US companies doing business in China said cyber theft was a concern. President Xi has attempted to address the problem by making "commitments" to prevent Chinese cyber-theft, but there is no indication that the Chinese have

³⁶ “Made in China 2025 Explained.” *Harvard University*.

³⁷ Kristen Hopewell. (2018). “What is Made in China 2025- and why is a threat to Trump’s Trade Goals?” *Washington Post*.

³⁸ Paul Mozur. (2018). “Inside a Heist of American Chip Designs, as China Bids for Tech Power,” *The New York Times*.

kept their word. For the next policy recommendation to Washington, I would urge that it should concentrate on the new competition and strategy to enhance and safeguard its own technologies. If a firm from Japan, the United States, or Germany develops something before a Chinese company, all public money spent on research could be effectively discarded.

Due to Chinese policies aimed at gaining domestic and global market share in industries as diverse as semiconductors, computers, biopharmaceuticals, aerospace, the Internet, digital media, and more, the Made in China 2025 strategic policy has already impacted US jobs in industries as diverse as semiconductors, computers, biopharmaceuticals, aerospace, the Internet, and digital media. As a result, the US government should respond to the MIC 2025 difficulties by holding China accountable for its unjust elements of the MIC 2025 and other Chinese government policies, as well as instituting tougher domestic regulations to assist advanced industry enterprises in increasing output.

International Concerns

Made in China 2025 has also sparked a lot of debate and mixed reactions around the world. It has been criticized around the world since it has an impact on world leaders due to their significant positions in particular businesses. China will be able to become one of the world's largest providers once it achieves self-sufficiency. Manufacturers in other nations will be concerned since this could destabilize the marketplace on which they have relied for decades.

Furthermore, the PRC's commitment to the World Trade Organization is violated by the MIC 2025 industrial program, which could unjustly place Chinese enterprises in a new position to set standards, build protocols, and construct strategic ecosystems of next-generation technology (5G as an example). As China continues to maximize its influence and exploit these sectors, the opportunity for foreign companies to compete fairly in these areas in China is closing. One could argue that China MIC 2025 is increasing its domestic and global market share at the expense of foreign competitors, but this is not done in a free and open market. As a result of the People's Republic of China's unfair and exploitative economic policies, the international community demands transparency and information exchange.

Business and media organizations from the United States and Europe are focusing their attention on MIC 2025, claiming that the program violates market economy principles and poses a threat to non-Chinese businesses.³⁹ In terms of the United States' impact, The MIC 2025 strategy plan has been a point of contention in the trade war between the United States and China. China's government is continuing to prepare for the implementation of its long-term industrial strategy to modernize manufacturing, a process aided in part by US tariffs and national security restrictions imposed by Japan, New Zealand, and Australia on PRC enterprises.

3.4 Chapter Summary

The economic relationship between the United States and China has deteriorated under the Trump administration due to trade conflicts and national security concerns. Concerns have been raised that, because of its unique economic model, China does not follow universally acknowledged rules in international markets. Trade tensions have risen, culminating in a trade war and sanctions against Chinese technology businesses. Technology competition, unilateral sanctions, extraterritorial business laws, and cross-border legal enforcement were the key drivers of the trade war. Despite the phase one deal, tariffs are still at an all-time high. The US economy has been further harmed by trade tensions and a considerable decoupling from China, which has resulted in job losses.

Offensive realism is a reasonable illustration of Trump's foreign policy. Trump's plans of launching a trade dispute and obtaining intellectual property demonstrate that the Trump administration's economic policies toward China can help the US acquire a competitive advantage. Protectionism, on the other hand, is the incorrect response to China's slowing economy. Trump's trade policy toward China demonstrates a lack of understanding of the global economy's structure. Trump's trade policies, on the other hand, will improve China's economic position. As a result of competitors exist in the international system, a reasonable state in the United States' situation would conclude that the costs of implementing economic protectionist policies against China outweighed the benefits, or at the very least would maintain the status quo. Trump's economic approach with China means that he intends to incrementally strengthen national power and is

³⁹ Liang Shixin. (2020). "What Happened to "Made in China 2025"? *EchoWall*.

pursuing an ambitious containment policy by employing offensive realism as an analytical tool. If the US' primary goal is to control China's ascent and prevent it from attaining regional hegemony in East Asia, Trump's choice to withdraw from the TPP and launch a trade war with the country may be viewed as a failure. This demonstrates that the two big nations are competing economically as well as in terms of security.

The Chinese government and Chinese enterprises have had to bear significant economic difficulties and compliance costs as a result of this. Chinese businesses will not be able to bargain on an equal footing with global corporations from the West. If China follows the US's "fairness" criteria, it will be relegated to the bottom of global manufacturing chains. China's leader believes that who leads the next industrial revolution will be determined largely within the next decade. President Xi claims that "a new round of technological revolution and industrial transformation, such as artificial intelligence, big data, quantum information, and biotechnology," will enable advancing development.⁴⁰ This implies that surpassing the US in high technology would signal the end of its era of global leadership, which is why both Made in China 2025 and the China Standard 2035 have significant implications for the US.

China's current position may allow it to outcompete the United States in the Fourth Industrial Revolution competition, and it has four main advantages: massive R&D investment, superior institutions and industrial policies supporting China's ambitions, manufacturing expertise and centrality to global supply chains, and a strong monetary policy. In the case of the United States, it may consider forming an institution to audit the US supply chain and develop effective supply chain reporting rules for industry. Next, the United States may wish to expand its present industrial reports program by putting in place policies to improve the country's resilience and competitiveness in order to compete with China. Furthermore, in order to keep up with China, the US may seek to expand federal R&D expenditures and support initiatives to develop coordinated domestic and global methods to standard-setting.

⁴⁰ "Xi Jinping: Follow the trend of the times and achieve common development."
[习近平：顺应时代潮流 实现共同发展].” People’s Daily [人民日报], July 26, 2018.

Chapter 4: Competing for Technological Dominance

Central Question: How do the United States and China strike a balance of interests as they work for technical standardization in data governance?

4.1- U.S.-China Technology Competition

Technology competition has been a major point of contention in US-China relations. The “race for technical dominance” connected with China's rise, according to the Global Trends 2040 report, includes artificial intelligence (AI), smart manufacturing, biotechnology, and space.¹ In innovative semiconductor design, manufacturing, software, and other fundamental technologies, the US and China are battling for technical supremacy. Both countries are implementing new tactics to balance their interests, such as preserving competitiveness, encouraging innovation, and assuring the safe and reliable development of new technology. First and foremost, it's critical to understand what technical standards entail in various circumstances. As a kind of regulation, domestic policy-oriented norms can be established.² This standard will apply different in the United States and China. For China, because of its government-led standardization process, China has the potential to advocate for a new standard as regulatory weapon. While the United States can have more voluntary consensus standards for policy regulation because it is an industry-led standardization process. Standardization, on the other hand, aims to create universally interoperable technical specifications that are recognized by the International Organization for Standardization (ISO).

The US Commerce Department and other agencies have already imposed limitations on the technologies that can be sold to China, as well as adding major Chinese tech businesses to a blacklist of corporations, due to differing technical requirements. While China's world-class smartphone, PC, smart device, and telecoms equipment businesses will continue to be protected. Furthermore, China's Standard 2035 roadmap emphasizes China's desire to shape the next generation of technology, from telecommunications to artificial intelligence. These initiatives

¹ Global Trends 2040 Report from publication of the national intelligence council.

² Jeffrey Ding. (2020). “Balancing Standards: U.S. and Chinese Strategies for Developing Technical Standards in AI.” *NBR*.

show a deepening technological split between the United States and China, with both countries advocating alternative models of global digital governance. Furthermore, powerful regimes have traditionally sought to control the top industrial sectors of their era, recognizing that superior technology may contribute to both military supremacy and economic dynamism. The struggle of technology has the potential to change the way we live, work, and fight conflicts in the future. For example, with applications like augmented reality and remote surgery, artificial intelligence is frequently marketed as the core of a new industrial revolution. While quantum computing offers the ability to identify novel medications and decrypt uncrackable encrypted data, Autonomous vehicles have the potential to improve our transportation systems, infrastructure, and how we all travel. Advanced computer chips are also important because they operate as digital brains that coordinate everything.

There is a growing bipartisan consensus in Washington under Trump's administration that China constitutes a security danger, and that the US must safeguard local businesses in order to maintain a technological advantage. China is gaining progress in a variety of technologies, including AI, facial recognition, microchips, and quantum computing, that analysts believe will provide the country an economic and military advantage.³ The government has accused China and its firms of corporate espionage, hacking, and intellectual property theft on numerous occasions. Furthermore, Washington is concerned that, as it did with steel, furniture, and solar panels, China may grow to dominate sophisticated sectors, putting American competitors out of business. This has generated concerns about China's ability to be a trustworthy and reliable partner in the development of a 21st-century international order based mainly on modern technology.

President Trump has taken action by proposing new restrictions on the transfer of technology outside the United States and prohibiting Chinese corporations like Huawei from purchasing American components. Beijing retaliated by imposing comparable trade, investment, and technology restrictions. The Provision on the Unreliable Entity List, issued by China's Ministry of Commerce, is an example of this. It is based on a sanctions framework that targets corporations

³ Ana Swanson and David McCabe. (2020). "Trump Effort to Keep U.S. Tech Out of China Alarms American Firms." *The New York Times*.

and persons who threaten China's national sovereignty or national security.⁴ There have been mixed reactions to tougher rules under Trump's presidency. Some in the Commerce Department support tighter regulations, while others argue that hobbling American enterprise will damage national security more.⁵ While the Pentagon is divided, some officials advocate for stricter regulations, while others believe the government should not jeopardize innovation. Furthermore, the Chinese foreign ministry has accused the United States of abusing its power and unnecessarily restricting foreign enterprises with the sanctions. This can be seen in Trump's executive order prohibiting U.S. transactions with Alibaba's Alipay mobile payment app and Tencent's WeChat and QQ Wallet, citing worries that they could be used to "monitor the movements of federal employees" and access private data from their users.⁶ Beijing enacted similar rules and policies, as well as a legal framework, in response to US limitations and targeted actions against Huawei, ZTE, Tik Tok, and WeChat.

As authorities in the United States consider how to proceed with China's technology strategy, they will have to face some harsh truths. This implies that, in the coming years, a Chinese vendor might exceed one of Google, Microsoft, or Amazon, or that China could become the headquarters for a top-three worldwide cloud services provider. The US administration might think about a policy that blends firmness and appeal. Strengthening intellectual property protections for US companies at home and abroad, targeted technology transfer barriers for leading technologies applied to firms with clear ties to PRC military or security interests, and negotiations on Chinese home market access and technology innovation opportunities would all be part of such a policy. It enables chances for global talent, capital, and companies to benefit the United States by promoting American technology in global markets. The Strategic Competition Act of 2021 is an example of the first significant plan to unite Democrats and Republicans in putting out a strategy for dealing with Beijing. This indicates that the United States will be able to compete with China in all aspects of national and international strength for decades. The United States intends to boost its competitiveness in the technology sector by investing in science and technology, global

⁴ Aarshi Tirkey. (2020). "There's a New Front in the US-China Trade and Tech War." *WITA*.

⁵ Ana Swanson and David McCabe. (2020). "Trump Effort to Keep U.S. Tech Out of China Alarms American Firms." *The New York Times*.

⁶ Marc Jones. (2021). "Analysis: The trillion-dollar weapons in the U.S.-China tech stock war." *Reuters*.

infrastructure development, digital connectivity, and cybersecurity collaborations.⁷ Strong provisions to protect intellectual property (IP) are another centerpiece of this plan, which also proposes new talks for digital commerce and cybersecurity pacts with US allies such as Taiwan and Japan.

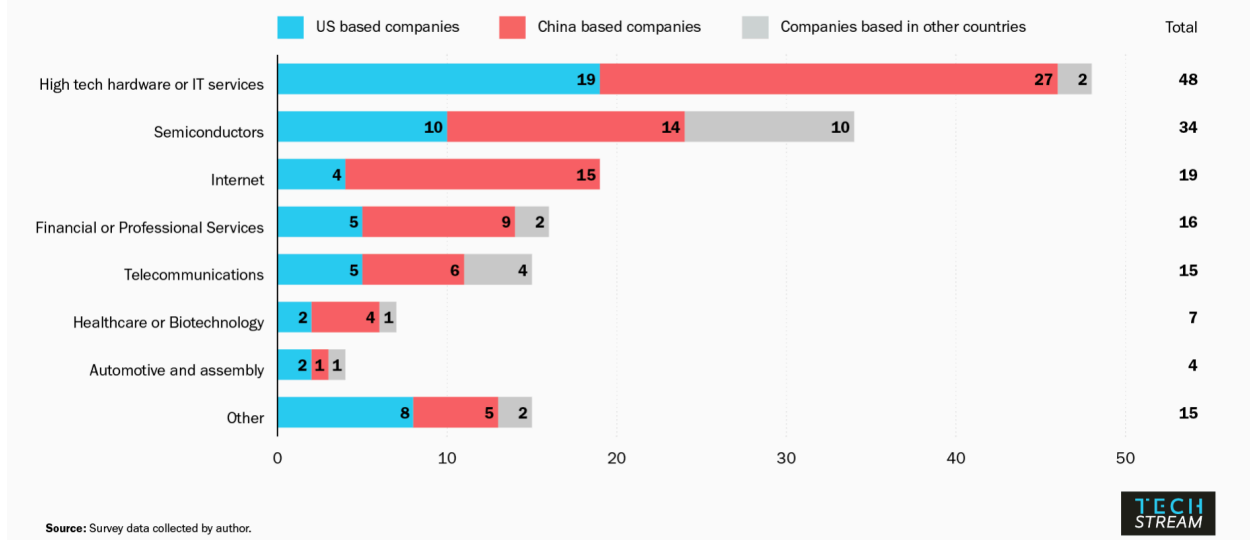
China's tech-driven "new economy," according to some estimates, has grown at twice the rate of the broader economy over the last decade, creating 20 times the number of jobs as traditional sectors.⁸ Chinese companies have improved their products to the point where they can now be integrated into technology supply chains. It does, however, continue to rely largely on foreign technologies. The embargo imposed by the Trump administration on Chinese telecoms corporations like ZTE in 2018 revealed Beijing's reliance on American-made semiconductors. China, on the other hand, excels in the integration of many technologies and complex systems, particularly in sectors where the scale of its operations is critical. This means that they are the world's leader in online payments technology, good in manufacturing solar cells, in AI, in image recognition and of course in 5G.

Many of the high-tech commodities at the focus of US-China tensions are created by multinational corporations in both the US and Chinese markets, which presents a dilemma in this US-China tech race. This means that the private sector will have a substantial impact on authorities in Washington and Beijing's policy alternatives. According to the Brookings study, China will seize the lead in some new high-tech systems and solutions areas, closing the gap in total technological competence. While the United States will continue to lead in fundamental technology areas such as semiconductors and operating systems, it will lose ground in other areas.

⁷ The Strategic Competition Act of 2021 Report. United States Senate Committee on Foreign Relations.

⁸ Report by The China Senior Analyst Group. "A New Great Game-China, the U.S. and Technology." *S&P Global*.

Figure 1: Breakdown of respondents by industry and the location of their headquarters



Source: Figure collected from authors Christopher A. Thomas and Xue Wu from Brookings.

Figure 1 presents companies as the crossroads of cross-border commerce, investment, and product development in the United States, China, and other advanced manufacturing countries.⁹ IT, semiconductors, internet, and telecommunications companies are all part of this business. According to the data, half of the enterprises are headquartered in China, with the rest in the United States, Japan, Taiwan, Korea, the United Kingdom, or Germany.

4.2 Huawei + Technology Advancement

As China's economy grows and becomes more technologically proficient while becoming increasingly intertwined with the economies of the United States and other countries, the United States may perceive this as a national security danger.¹⁰ For a variety of reasons, the United States is concerned about China's advanced technology. Some feel that this cutting-edge technology can be applied to both commercial and military applications. Second, the technology race would determine not only whether China or the US would control the global economy in the future, but

⁹ Christopher A. Thomas and Xander Wu. (2021). "How Global Tech Executives View U.S.-China Tech Competition." *Brookings Institution*.

¹⁰ *National Security Strategy of the United States* (Washington, DC: The White House, 2017).

also which country's armed forces would be the most powerful. Since 2017, as economic frictions and technical competition between the two great powers have intensified, relations between the US and China have become increasingly tense. Technology limitations, such as tariff rises and bans on ICT exports, were already in place as part of the trade war.¹¹ In May 2019, part of Trump's tariffs on Chinese goods targeted semiconductors, but Huawei became the focus of the trade war. Huawei and its subsidiaries have been added to the US Entity list, which includes people, organizations, and businesses who are considered a danger to US national security.¹² While in 2020, the US tightened restrictions on Huawei and other large Chinese tech companies like ZTE purchasing US technology. It's debatable if the US approach to Huawei is a viable policy. Some say that Huawei will remain competitive and provide global markets with low-cost yet adequate technologies. Other people claim that Huawei is up against two significant challenges: the Android operating system (which is a Google operating system) and semiconductor manufacturing.

Cisco Systems Inc., Qualcomm Inc., and InterDigital Inc., all prominent intellectual-property businesses for cellular technology patents, are among the 5G players in the United States.¹³ Huawei, on the other hand, continues to be the industry leader in 5G capital expenditures and a prospective testing ground for 5G-dependent technology like self-driving cars. Restrictions imposed by the Trump administration on Huawei have impacted Chinese tech companies such as Taiwan Semiconductor Manufacturing Company (TSMC). The US has used penalties to limit Huawei's capacity to do business, and during Trump's administration, it was able to force TSMC to consider opening a manufacturing in the United States. To continue working with Huawei after 2020, TSMC will need to obtain a licensing waiver from the US. This has had a significant impact on Huawei, as one report estimates that TSMC supplies 98 percent of Huawei smartphone chips. To stay in business, Huawei requires Taiwan and peace across the Taiwan Strait. The US-China trade conflict has intensified as a result of the restrictions imposed on Huawei. In terms of telecommunications equipment, the United States should invest more in research and development to try to build viable alternatives to Huawei.

¹¹ Claudia Canals and Jordi Singla. (2020). "The US-China technology conflict: an initial insight." *Caixa Bank Research*.

¹² "Addition of Entities to the Entity list." (2019). Federal Register.

¹³ Asa Fitch and Stu Wu. (2020). "The U.S. vs. China: Who is winning the key technology battles?" *The Wall Street Journal*.

The technology conflict between the United States and China has centered on three key issues: pressures on US firms operating on Chinese soil to hand over their technology, government assistance to Chinese tech firms in acquiring US firms, and the theft of sensitive business information via computer networks.¹⁴ Huawei is just one example of China's technical advancement, which the United States sees as a challenge to its dominance. With 55 million devices sold in Q2 2020, Huawei has gone from a local company to the world leader in ICT equipment sales (such as their smartphones).¹⁵ In the past three years, Chinese smartphone firms like Oppo, Vivo, and Xiaomi have grown their operations in European and Latin American markets. In terms of 5G, I believe China is well ahead of the United States. Following that, Beijing stated its ambition to become the world's AI leader by 2030.¹⁶ Alibaba Group Holding Ltd. and Baidu Inc., both of which have invested billions of dollars in AI research and established up labs in China and Silicon Valley, back their strategy.

China contributes a significant amount of AI research and is at the forefront in various key AI subsets, such as face recognition. However, the United States continues to dominate in AI research, such as humanlike reasoning abilities, and has significant corporations such as Microsoft Corp., Alphabet Inc.'s Google, and others. As a result of its mixture of premier universities and advanced technology firms, as well as an openness to new ideas and a varied set of individuals, the United States produces some of the world's top AI research and talent. This gives the United States a long-term competitive advantage. In the field of artificial intelligence, I believe the United States has a slight advantage over China, but China is close to catching up. In terms of autonomous vehicles, organizations in Silicon Valley such as Google's Waymo and General Motors have gotten a head start on testing the technology. This provides American companies a head start in sensor hardware development.

¹⁴ Claudia Canals and Jordi Singla. (2020). "The US-China technology conflict: an initial insight."
CaixaBank Research.

¹⁵ Claudia Canals and Jordi Singla. (2020). "The US-China technology conflict: an initial insight."
CaixaBank Research.

¹⁶ Asa Fitch and Stu Wu. (2020). "The U.S. vs. China: Who is winning the key technology battles?"
The Wall Street Journal.

On the other hand, China has emerged as the world's largest automotive market, with a governmental framework that restricts access to maps for national security reasons. Baidu, Didi Chuxing Technology, and Pony.ai, all based in China, are focused on gathering more data to improve autonomous vehicle technology. Furthermore, quantum computing is an essential technology. Quantum computers' complexity allows them to process more data more quickly, potentially far outperforming supercomputers. With businesses like Google, IBM, and Microsoft, the United States is the world leader in the development of quantum computers. Quantum technology is a top goal for China, as stated in The China Standard 2035. China's IT behemoths, such as Alibaba and Baidu, are actively developing their own quantum computing labs and have invested billions in AI, Fintech, and quantum research. In this situation, China has an advantage in terms of pushing the boundaries of quantum communications, sensors, and radar, all of which could have military implications. As a result, there is a split competition in quantum computing, with the United States leading, and China leading in quantum communications and encryption.

In terms of semiconductors, China has spent and invested billions of dollars in recent decades to improve their semiconductor game. China's neighbors, such as South Korea and Taiwan, have established themselves as major players in the global semiconductor supply chain. Samsung Electronics Co. of South Korea has grown to become a leading smartphone and chip provider, while Taiwan Semiconductor Manufacturing (TSMC) has grown to become the world's largest contract chip producer. This means that China is still lagging behind the United States and Taiwan in chip technology, but it has also stunned the United States by replacing American chips in many of its electronic gadgets with a mix of domestic chips and non-US sources.

Both the National Security Strategy and the National Defense Strategy under President Trump's formal government list China as the United States' principal competitor.¹⁷ China's threat is measured by a mixture of capabilities and intentions, according to the United States. The increased anxiety about Chinese theft of technology from American corporations, and growing concern about Chinese penetration of US higher education in search of proprietary scientific and

¹⁷ Christopher Ford. (2019). "Bureaucracy and Counterstrategy: Meeting the China Challenge." *U.S. Department of Defense in Virginia*.

technological information are all signs that China is conducting influence operations inside the United States.¹⁸ The long-term strategy of the Chinese government China's Made in China 2025 and China Standards 2035 projects demonstrate the country's desire to lead in future technologies and industries.¹⁹ AI, robotics, a semiconductor industry development strategy, and more are among the new advancements. This raises concerns for future American and other foreign corporations doing business in China. Furthermore, it poses a serious threat to US interests while laying out the framework for US technology policy toward China in the near future. As a result of China's long-term development plan, I believe that even a new US administration will be unlikely to deviate from these principles.

China's response is that there is no evidence of security weaknesses or Chinese intelligence obtaining any information from a business-like Huawei, according to the Chinese. Even choices made by other countries are being challenged by the Chinese government. Following Sweden's statement that carriers using Chinese technology would be excluded, the Chinese Minister of Foreign Affairs said that Sweden was breaking the free, open, and fair market economy principle, as well as international economic and commercial law.²⁰ The Chinese also say that their own economy is strong enough to provide a thriving domestic market for their businesses, citing the fact that China has 80 percent of the world's 5G subscriptions. China's GDP has been constantly increasing even during COVID-19.

The Chinese government has been accused of gaining critical technologies and intellectual property from other countries, particularly the United States, through the process of "introduce, digest, absorb, and re-innovate."²¹ According to the Office of the Director of National Intelligence stated, "Chinese's actors are the world's most active and persistent perpetrators of economic espionage."²² This has prompted Washington to advocate countermeasures such as safeguarding the United States' technological advantage by ensuring that competitors do not acquire US

¹⁸ William C. Hannas, James Mulvenon, and Anna B. Puglisi. (2013). *Chinese Industrial Espionage: Technological Acquisition and Military Modernization*. New York: Routledge.

¹⁹ Alex Capri. (2020). "Strategic US-China decoupling in the tech sector." *Hinrich Foundation*.

²⁰ "瑞典禁止华为中兴参与该国 5G 网络建设，中方是否会采取反制措施？赵立坚回应。" (2020). *Global Times*.

²¹ Notice on Issuing the National Medium- and Long-Term Science and Technology Development Plan Outline (2006-2020), State Council, Guo Fa, 2005 No. 44, issued Dec. 26, 2005).

²² Cited in U.S. Trade Representative, 2013 Special 301 Report, p. 13.

intellectual property, research, development, and technologies through illegal ways. SMIC has deep ties to the Chinese military, according to the Commerce Department, and American technology could be used by the Chinese military.²³ With the limits imposed on Huawei, the US administration is likely to expand on these new limitations in order to stifle SMIC's growth. The problem is that blocking SMIC from purchasing US technology in order to make more chips would have a significant impact on China's ability to manufacture chips locally.

The US had already made multiple attempts to restrict Chinese companies from investing in the US semiconductor business during the Obama administration. Thus, of the rise of China's high-tech sectors, the Trump administration views China as its most formidable adversary and challenge to US global hegemony.²⁴ Several actions have been taken against Chinese technology businesses under Trump's administration, including Huawei 5G technology, ICTs, Tik Tok, and WeChat, as well as increased efforts to persuade allies to ban Huawei because it poses a national security danger and commercial challenger.²⁵ It banned US companies from cooperating with Huawei in May 2019, citing fears that the company was stealing intellectual property and spying on businesses and the government.²⁶ The US then targeted five supercomputing businesses a month later, fearing that they were exploiting their technology for military objectives.²⁷ While Chinese enterprises are attempting to create a homegrown ecosystem to replace IBM, Intel, and Oracle goods. The escalating tech war is a watershed moment in US science and technology policy toward China. To improve its position, the United States will need to increase its technology manufacturing capabilities. The US-China technology rivalry is crucial because it is resulting in a rapid splintering of global supply chains and a major drop in international trade.

²³ Ana Swanson and Raymond Zhong. (2020). "U.S. Places Restrictions on China's Leading Chip Maker," *New York Times*.

²⁴ Sun Haiyong (2019). "U.S.-China Tech War – Impacts and Prospects."

²⁵ Cissy Zhou. (2020). "US-China tech war: can Washington take a leaf out of Beijing's plan on strategic technologies?"

²⁶ Paletta, Damian, Ellen Nakashima, and David J. Lynch. (2019). "Trump Administration Cracks Down on Giant Chinese Tech Firm, Escalating Clash with Beijing." *The Washington Post*.

²⁷ Leonard, Jenny, and Shawn Donnan. (2019). "Trump Blacklists More China Tech Companies Days before Xi Summit." *Bloomberg News*.

4.3 China Standard 2035 -Offensive Realism Approach

The China Standard 2035 plan lays forth a roadmap for China's government and leading technology firms to establish global standards for new technologies.²⁸ This project supports and expands on Made in China 2025, but with a technology improvement. Their goal is to have a greater impact on and influence over the setting of standards in the industries highlighted in Made in China 2025. The plan's goal is to turn China into a global leader in technological innovation and production. The rapid proliferation in Beijing of the virtual networks underlying and connecting such industries, including as the social credit system and the state-controlled National Transportation logistics platform, was one of the highlights. It's a national plan aimed at establishing worldwide standards across industries and influencing how the future generation of technology will function. This includes Chinese participation in multilateral organizations such as the World Trade Organization, the International Organization for Standardization, and the International Electrotechnical Commission, as well as the Belt and Road Initiative, which will help spread Chinese standards. On the other hand, as China's influence over global technology rises and Beijing defines technology standards, concerns about China's access to data are expected to intensify. This means that China's approach to standardization will be far more reliant on state actors' engagement in the process and strategic application of standards. Beijing will be given priority in emerging fields that will serve as the foundation for future global systems.

Will the China Standard 2035 usher in a new era of technological innovation, altering people's lives, economy, and political power? We cannot dispute that technology, industry, and innovation are fast evolving in today's globe, increasing competition between the two great nations. If China establishes worldwide standards, it will be able to achieve success in all global businesses and revolutionize the way financial markets operate in terms of access to information and innovation. China's standards strategy also appears to be the result of a clear, planned strategic evolution in which Beijing has spent time gaining influence in multilateral agencies and selected areas. As a result, the competitiveness over system design and rulemaking is the difficulty. Cyber security, autonomous and automated driving, e-commerce traceability, the Industrial Internet and Industry

²⁸ Marlous Spuijbroek. (2020). "China Standards 2035: A Global Standard for Emerging Technologies." Datenna.

4.0, new energy, and other topics are all included in the China Standard 2035. China has developed and implemented a key strategy for creating and implementing the next generation of standards in cyber-physical trade and military supply chains. This strategy can be related to the Silicon Valley Innovation Program (SVIP) in the United States, which aims to promote open APIs, the use of decentralized identification standards such as W3C DIDs, and the establishment of an E-commerce traceability language. Under the China Standard 2035 plan, 5G is emphasis as the new barometer for power where we can see how it actively shape global standards setting. While Huawei is the top filer of standard essential patents for 5G.

President Xi's desire to return China to the top of the global power structure displayed a signal toward an offensive realist approach in the China Standard 2035 strategy. The anarchic structure of international relations, according to John Mearsheimer, forces governments to endeavor to maximize their power.²⁹ To achieve a position of better security, states try to expand their power in respect to other states. From this perspective, Xi's goal of establishing a new phase in China's pursuit for global technological domination and exerting influence on the international system, as stated in the China Standard 2035 plan, could indicate an offensive realist objective. This indicates that security requires power, and that more power equals more security. According to Mearsheimer, China's ascent will result in a fierce security struggle between the US and China. It's predictable that offensive realists fear China would want to control Asia in the same way that the United States ruled the Western Hemisphere. This is supported by China's investment in both soft and hard power, indicating that they are consolidating their position in the race for hegemony against the United States. Made in China 2025 and the China Standard 2035 are examples of soft power, with President Xi indicating that he plans to quickly supplant the United States as the world's technological leader. If this plan succeeds in the future, the China Standard 2035 might be a game changer, and the United States' global dominance might be called into doubt.

²⁹ Snyder, G. (2002). Mearsheimer's World-Offensive Realism and the Struggle for Security: A Review Essay. *International Security*.

4.4 Chapter Summary

Technology has emerged as one of the most complex, important, and visible challenges in today's strategic confrontation between the United States and China. Due to various their disparities in political beliefs and geopolitical objectives, as well as their rivalry on regional and global levels, the Trump administration has waged a technology war against China. The Trump administration has barred major Chinese enterprises from entering the US market and limited American companies' exports to China. Companies expect billions of dollars in total expenditures as a result of lost revenue and the need to replace Chinese telecom equipment. The conflict between the United States and China focuses on major high-tech fields such as artificial intelligence (AI), quantum supremacy, misinformation, deepfakes, and the race for innovation.

China's advancement in science and technology, according to the Trump administration, is a significant detriment to US commercial interests with China. Trade penalties, investment controls, export controls, and limits on the flow of technological personnel are all part of the technology battle with China. The US government are concerned about Huawei's technology's security. For starters, its goods are said to be riddled with security flaws. It makes no difference who deploys and sells 5G technology; it will not work without the aforementioned rare earth elements, which are currently processed entirely in China. In these other 21st-century technologies, the 5G battle takes on its big power competitor.

Made in China 2025, the China Standard 2035, and Internet + are all Chinese development plans that prioritize the development of smart and internet-based technology. China aspires to be the world leader in innovation and to change its economy into one that is more inventive, competitive, and technology driven. According to Beijing, the world is on the edge of transformation, with significant advancements in industry, technology, and innovation, implying that global technological standards are still being developed. This implies that the benefits of a global information network are understood. The United States believes that if China improves its technological innovation, it will lose any competitive advantage in bilateral commerce with China. The United States is likewise concerned about China's industrial plan, which is motivated by nationalist considerations. As a result, it poses a serious threat to US interests. To retain

competitiveness in advanced technology domains and avoid vacuums in international standards where China could take the lead, the US should focus on increasing and reinforcing its technological competence. This means that the US government should invest in and prioritize strategic technologies and growth-promoting activities. Furthermore, the US should work with international allies to expand multilateral standards cooperation.

China's Chief Information Officer has stated that the country's IT operations will be broadened to include digital strategy. This will necessitate traditional technical abilities as well as an understanding of the policy context. Given China's objectives, the Trump administration is concerned, which is why it regards China as a "strategic competitor" or a "revisionist power." Restriction on Chinese telecommunications vendors by the US could be one strategy to protect the country's national security. However, there are significant costs associated with this strategy. In order for the program to be sustainable, the US and its allies must identify alternatives to Chinese sellers that are both affordable and available. The US is also concerned that China may use these technologies for military purposes. The greatest method for big nations to ensure their survival, according to offensive realism, is to increase their power and achieve hegemony. As a global hegemon, the United States will do all in its ability to maintain its technological leadership, which it has held for decades. Given this, the United States' decision to impose sanctions on Chinese tech businesses is an example of sensible behavior in restricting China's progress in developing technology industries. China, on the other hand, is dedicated to the quest for technological superiority, as seen by the China Standard 2035 strategy. In the case of the United States, the focus should be on improving US advantages while also maintaining the present model. The openness of standardization is both its strength and its weakness and ensuring that it remains open is a must. The rising technological rivalry between the United States and China does not rule out cooperation. In fact, it is in the best interests of both countries to work and cooperate on emerging technology development and governance. The technologies that will fuel the global economy will be developed through economic cooperation and collaborative innovation on both sides working toward a common objective. When possible, the US should endeavor to collaborate with China, which means that in some circumstances, Beijing may be willing to achieve mutually beneficial technical compromises.

Chapter 5: Growing Chinese Military Advancement

Central Question: What implications does the Chinese military advancement have on the United States National Security?

5.1 China's Military Expansion

China's national strategy and approach to security and military matters have evolved and grown in recent years. According to the 2020 China Military Power Report, the People's Republic of China boosted its yearly military expenditure in 2019, maintaining its position as the world's second highest military spender. The People's Republic of China has acknowledged that its military forces should play a bigger role in furthering its foreign policy. China's ambition of developing the PLA into a "world-class" military by the year 2049 puts the US national interest at danger. This ambition can be categorized into two sections: military modernization and military reform. Military reform can be defined as institutional changes such as reorganizing the PLA hierarchy and reprioritizing realistic training in integrated joint operations. The creation of exquisite weapon systems and advancements in warfare materiel to suit military objectives define China's technological advancement, also known as "military modernization." In practically every regard, the PRC has mobilized the resources, technology, and political will to enhance and modernize the PLA, according to the 2020 China Military Power Report. China's goal of developing the People's Liberation Army into a world-class force will pose problems to the US and its allies and partners.

As China continues to strive toward its strategic end goal, if accomplished and the accompanying military modernization is ignored, it will have grave implications for US national interests and the international rules-based order's security. The concern regarding Taiwan arises when China gains additional military capability as a result of years of military building. It has become more confrontational in sovereignty conflicts in the South China Sea and increasingly belligerent with Taiwan. Beijing has also been increasingly vocal with the United States. A military strike against Taiwan, on the other hand, would put the United States' backing for the island, which Beijing regards as a renegade province, to the test. The US has always promised to assist Taiwan in defending itself, but it has purposefully made it unclear how far it would go in the event of a Chinese invasion.

In several sectors, like as shipbuilding, land-based conventional ballistic and cruise missiles, and integrated air defense systems, China's People's Liberation Army (PLA) has already overtaken the United States.¹ “The PRC possesses the world's largest navy, with an overall fighting force of roughly 350 ships and submarines, including over 130 major surface combatants,” according to the Department of Defense's 2020 Military and Security Developments Involving the PRC annual report.² This is only one example of China's military might; the country also leads the world in integrated air defense systems, has one of the largest armies of modern long-range surface-to-air missiles, and is the world's second-biggest armaments producer. Despite China's military's improvement over the last two decades, severe gaps and shortfalls in preparedness and operational capabilities still exist. Having an understanding of China's capacity, on the other hand, demonstrates that the CCP has a strategy and resources in place to achieve their objectives. Even Pentagon strategists can imagine a battle with China in a variety of scenarios. For instance, the deployment of Chinese military units along Taiwan's shoreline, the attack on the East and South China Seas, and so on.³ The PLA strategists anticipate stronger joint operations in the future, as well as a movement toward “intelligent warfare” and other modern technology. Both countries are extensively investing in surface, subsurface, and naval air power (naval intelligence), surveillance, and reconnaissance (ISR) platforms to improve attack capabilities in the modern period.⁴ As a result, both US and Chinese military philosophies tend to engender competition while also fostering some collaboration.

Both the US and China are well aware of the defensive, offensive, and deterrent value of their respective military doctrines, as well as the ramifications of a potential confrontation, as rational actors who obey military engagement rules. In 2017, the two countries created the Military Maritime Consultative Agreement (MMCA) and signed a Memorandum of Understanding (MoU) on Rules of Behavior for Air and Maritime Encounters Safety (RBSAME). The MMCA was

¹ Military and Security Developments Involving the People's Republic of China. (2020). Annual Report to Congress.

² United States Department of Defense. (2020). “Military and Security Developments Involving the People's Republic of China 2020.” Annual Report to Congress.

³ “What a War with China Could Look Like.” (2020). *Military Times*.

⁴ Muhammad Ali Baig. (2019). “Conventional Military Doctrines and U.S.-China Military Engagement in the West Pacific.” *China Quarterly of international Strategic Studies*.

created in part to investigate any potentially dangerous military situations involving US and PLA soldiers (South China Sea as an example). The MMCA's utility, on the other hand, has been questioned virtually since its start. The US military has referred to China's no-notice cancellation in 2020 as "another example of China not honoring its agreement."⁵ The Chinese side, on the other hand, claims that the US "insisted on pressing its unilateral agenda" and even tried to compel "China to participate in meetings before the two sides established an agreement on the themes." Whether the lack of participation was due to China's or the United States' mistake, it underscores the significance of future maritime military security discussions and conversation between the two countries. Both the US and China, as rational players, will undoubtedly try to avoid any direct military engagements through the lens of military doctrines and strategic history.

China has already converted contentious regions such as islands and reefs into military checkpoints, according to the US, by putting troops, radars, and monitoring technology. Given the enormous costs in life, I concur with many experts that immediate confrontation is improbable. Furthermore, the presence of nuclear weapons on both sides makes both leaders more wary. However, I believe there is a chance of miscalculation, which might lead to localized confrontations, but if this occurs, both countries will respond promptly to de-escalate the situation. The United States and China can compete strategically, but they will manage risks to avoid military conflict.

War in the twenty-first century may occur not on land or sea, but in space. China's military theories have also stated that space is crucial to modern warfare, and that the employment of counterspace capabilities may be used to both reduce US military effectiveness and win future battles. Anti-satellite (ASAT) technologies, which both China and Russia have been developing and testing, are among the 'counterspace capabilities.' The United States just established a new military branch, the Space Force. The purpose of the Space Force is to organize, train, and equip space forces in order to safeguard US and partner space interests and to provide space capabilities to the joint force.⁶ China, on the other hand, has been significantly growing its space program in recent years. China has 363 operational satellites in orbit as of March 31, 2020, second only to the United States.

⁵ Phil Steward. (2020). "U.S. navy says China unreliable after meeting no-show; Beijing says U.S. twisting facts." *Reuters*.

⁶ "China VS United States (USA)-Who would win? 2020 Military/Army Comparison. (2020)." Video from *The Infographics Show*.

⁷ China's recent development of various anti-satellite systems could put international space at risk. In the midst of the present pandemic, China's launch capabilities into space are raising questions and making it increasingly difficult for the US to match. The Covid-19 has caused various delays, including NASA's Artemis program's initial launch. In great power conflict, space represents a new high ground, which means the US must secure and retain its space superiority. Failure to deploy essential capabilities in space, I suggest, will allow China to undercut US strategic advantages. Conflicts emanating from the space, cyber, and electromagnetic spectrum, on the other hand, are difficult to predict but have a lot of strength in terms of breaking down and paralyzing radars and command-and-control platforms.

5.2 Impacts for the US National Security

The United States is very interested in China's national strategy approach to security, military affairs, and developments in the People's Liberation Army (PLA) armed forces during the next 20 years. The United States has long been the world's unchallenged military superpower; nevertheless, China could overtake the US military within five years. This raises the question of how the US will keep up with an authoritarian adversary who can use business and espionage to leapfrog decades of military technology. China has been ranked as the top security danger to the United States under the Trump administration. For instance, China's military modernization aims to create a PLA capable of performing global military activities to promote Chinese power and protect Chinese citizens living abroad. Beijing's rise in satellites, ballistic missiles, bombers, fighter aircraft, submarines, and naval vessels has raised concerns.⁸ Military-civil integration has driven China's defense reform. This enables the government to profit from private-sector advancements with ease. The use of espionage by China to seize military technology is a problem. Former US intelligence agents have pleaded guilty to espionage-related charges involving China, according to reports.⁹ Some are apprehended for exchanging information, while many espionage instances are kept secret due to the danger involved. For a long time, espionage and counterespionage have been important elements of statecraft, and the US and Chinese intelligence agencies have been at

⁷ Maj. Liane Zivitski. (2020). "China wants to dominate space, and the US must take countermeasures." *DefenseNews*.

⁸ Missy Ryan. (2021). "The U.S. system created the world's most advanced military. Can it maintain an edge?" *The Washington Post*.

⁹ Mike Giglio. (2019). "China's Spies are on the Offensive." *The Atlantic*.

odds for decades. However, recent incidents imply that the intelligence war is intensifying, with China broadening the scope and sophistication of its operations to steal secrets from the United States. *To Catch a Spy: The Art of Counterintelligence*, by James Olson, provides an overview of China's espionage agencies and how they work. The book describes how the Minister of State Security (MSS) and the People's Liberation Army (PLA) use "frequent use of diplomatic, commercial, journalistic, and student cover" to conceal their actions in the United States.¹⁰ This means that they collect intelligence from Chinese visitors to the United States, particularly students, professors, scientists, business people, and tourists. While US authorities worry about the potential of Chinese espionage, the overall strategic plans of America's intelligence agencies remain a concern.

Other digital domains are likewise tough for the military. The People's Liberation Army (PLA) and the United States have been in a long-running military-technical competition. The PRC's long-term goal is to develop a defense industrial sector that is completely self-sufficient, as well as a strong civilian industrial and technology sector. The PLA has made a number of well-coordinated steps to re-energize its foundational research, development, and acquisition operations.¹¹ This demonstrates that the PLA is not only open to change but is also actively looking for new ways to speed it. The S&T Commission of the Chinese Central Military Commission (CMC) and the Equipment Development Department (EDD) have already taken new steps to boost military innovation. Whether or not these new programs succeed, we can rest assured that the PLA's aims are clear: to expedite change. The US military should maintain a close eye on the PLA's new activities and communicate in a timely manner. PLA strategists are most likely to improve joint operations and transition toward "intelligent warfare," which is the application of artificial intelligence (AI) and other modern technologies to drive additional campaign development, based on their existing development and goals.

¹⁰ James M. Olson. (2019). *To Catch a Spy: The Art of Counterintelligence*. Georgetown University Press.

¹¹ Marcus Clay. (2020). "The PLA's New Push for Military Technology Innovation." *The Diplomat*.

The US has stepped up its game against China by using artificial intelligence in a huge domestic surveillance network, with the goal of achieving AI primacy by 2030. This may not be enough; the US may wish to concentrate on hardware and other means of powering substantial software or AI advancements. One of the difficulties the US has is the two-year planning and budgeting procedure required to integrate new armament or technology programs in the budget (also known as the Valley of Death).¹² This implies a corporation must first develop a new technology that necessitates specialized knowledge and resources, and then receive Pentagon approval to fully fund it. Furthermore, in March 2021, the National Security Commission on Artificial Intelligence released a report warning the US government about AI.¹³ The report underlines the possibility that China would soon overtake the United States as the world leader in artificial intelligence, with substantial implications for the US military both at home and abroad. AI supremacy has the potential to change the game and lead to battlefield dominance. In reality, whomever ascends to the top of this sphere will become the world's king. The issue is America's inability to defend or compete in the AI era due to a lack of preparations and experience. As a result, the report advises the US government to work with friends and partners to create a safer and a more free world for the AI future, while also investing in domestic business, academia, and civil society.

The offensive realism argument can be used to defend China's military doctrine of "active defense," a notion that combines strategic defensive concepts with aggressive action. As China continues to grow and gain relative status, it will use offensive realism to assert itself as a regional hegemon and threaten the US-led rules-based international order. According to offensive realism, states are more aggressive and seek to maximize their power. With its coercion in the South China Sea, the East China Sea, and along its border with India, Beijing is moving in this path. The PLA is working on the capabilities and operational concepts needed to execute offensive operations against the Pacific Island. Beyond missile defense, anti-surface, and anti-submarine operations, China is concentrating on information, cyber, and space and counterspace operations. This has a significant impact on China's ability to acquire maritime superiority within the first island chain and develop the capability to project limited combat power over extended ranges. It's up to you to

¹² Missy Ryan. (2021). "The U.S. system created the world's most advanced military. Can it maintain an edge?" *The Washington Post*.

¹³ National Security Commission. (2021). Final Report from National Security Commission on Artificial Intelligence.

decide if China's activities appear to indicate a desire to alter the global order and distribution of products. The Beijing consensus appears to be predicated on China's continued assertiveness and territorial expansion at the expense of other governments in order to weaken global democratic norms.¹⁴ Since the CCP wants the PLA to be a more practical instrument of its statecraft, playing a more active role in furthering the PRC's foreign policy, its goals appear to have an impact on the international order.

5.3 Chapter Summary

With bases in Guam, Japan, Australia, Singapore, and South Korea, the US military maintains a major presence in the Asia-Pacific area. The United States has moved resources such as troops, rotations, deployments, equipment, and infrastructure to the Pacific since the Asia pivot in 2012. However, when China's military catches up to that of the US, the US may confront a threat from the PLA. The Chinese military, as the US points out, is continuing to pursue an aggressive modernization strategy in order to achieve world-class military status by the middle of the century. This is for sure that China has a clear grand strategy with specific goals. Although China's People's Liberation Army (PLA) aspires to be a "world-class force," its advancement in modern weaponry systems has alarmed its neighbors and competitors. In reality, China's defense sector has been spending heavily in robots, swarming, and other AI and machine learning applications (ML).

As for Taiwan case, if China used a partial blockade, cyberattacks, and highly dangerous missile strikes against Taiwan in an attempt to drive it into surrendering and forcible reunification, I'm not sure the US would be able to endure that PLA approach. In such a scenario, geography plays a significant role in China's favor. To win, we may feel compelled to target Chinese submarines in port, missile launchers on mainland China, and Chinese management & control networks, all of which are also used to control China's nuclear weapons. Escalation is almost certain; China could simply respond by attacking US sites in Japan or elsewhere. Any such scenario would be extremely dangerous and unlikely to be won easily or confidently. China's greatest option is to unify Taiwan without resorting to force. If the objective of "peaceful unification" with Taiwan isn't within reach any time soon, Beijing may choose to frighten Taiwan without deploying huge numbers of troops.

¹⁴ Dong McLain Gill. (2020). "Beyond Offensive Realism: India's Rise, US Accommodation." *Asian Studies: Journal of Critical Perspective on Asia*.

The People's Republic of China (PRC) has recognized that its armed forces should play a more active role in furthering its foreign policy in 2019, emphasizing the increasingly global character Beijing attributes to its military might. In the same year, the PLA made significant success in executing important institutional reforms, deploying new indigenous systems, increasing preparedness, and improving joint operations proficiency. While a direct military clash is always a possibility, many experts believe China would prefer to engage in political and economic warfare in order to destabilize the US and further its strategic goals. The South China Sea attack or the threat of a Taiwan invasion are the most likely conditions to trigger military confrontation or escalate Chinese military aggressiveness.



Chapter 6: Conclusion

Central Question: How will the US project and defend its political, economic, military, and technological interests in the looming strategic competition with China without reestablishing the Cold War? How will both countries seize and shape the global trend?

6.1 Research Findings

The study of the US-China relationship is vital because it will continue to be a major issue in diplomacy in the coming decade. To minimize unintentional provocations and allow transactional collaboration on common interests, the goals of US-China diplomacy should be agreeable at first. Enhancing strategic stability is a possibility as the US and China begin this new age of strategic competition. Managing emerging technologies such as those in space and cyberspace, as well as stopping a destabilizing arms race, are now more important than ever to ensuring that the US and China can compete without catastrophic outcomes. With Trump's foreign policy tilt toward China, Trump's administration has brought new dynamics to international relations in the twenty-first century. The geopolitical conflict between the United States and China appears to be intensifying by the week, with threats of new tariffs, military drills in the South China Sea, embassy closures, changes in Hong Kong's status, the Taiwan Strait issue, and US executive orders banning Chinese network equipment and social apps, among other things.

Realigning national and global interests has proven challenging, resulting in the failure to create a common ground for legal norms in a variety of domains. However, through technological innovation, both the US and China are maximizing their political and economic interests. Both the United States and China are expected to continue to create strategic alliances with other countries through trade and investment agreements. The US will continue to upgrade and develop its military capabilities, maintain close cooperation with regional security allies/partners, and promote its international economic and global interests. While China stepped up its attempts to enhance its total development, including economic growth, military might, and a more prominent involvement in international affairs. The country's technical innovation capability will determine if the economy can stand out from the competition. As a result, technology is a major driving force behind overall developments in global politics, the global economy, and the impact on the military-industrial

complex. Both the US and China recognize that improving their economic capabilities through constant technological innovation can offer them with formidable bargaining chips and tangible competitiveness. The rivalry between China, as a developing power, and the United States, as a status quo power, is not unavoidable. There is a way to avoid Thucydides' trap.

What factors are at play in this new era of strategic competition? China's aim to become a leader in key technologies with military potential, such as AI, autonomous systems, advanced computing, quantum information sciences, biotechnology, and advanced materials and manufacturing, is highlighted in each section of my thesis. Each section of this thesis demonstrates how China has increased its efforts to enhance its overall development, such as stabilizing economic growth, strengthening its armed forces, and taking a more active position in international affairs. Infrastructure investments under OBOR, industry and technological programs such as Made in China 2025 and The China Standard 2035, selective observance of trade obligations, and economic coercion against other countries are among China's economic statecraft tactics.

China is on its way to becoming the world's largest economy, competing with the US in technological platform innovation and military capability development to counterbalance the US. Over the last two decades, the PRC has marshaled resources, technology, and political will to strengthen and modernize the PLA in practically every aspect. The military advancement part emphasizes China's capability and potential to achieve its goal, despite the fact that China is already ahead of the US in some sectors. Will it result in greater cooperation, stability, or more open competition? In light of China's challenges, the Senate Foreign Relations Committee has already endorsed the Strategic Competition Act of 2021, which designates China as a strategic competitor in a number of areas, including economics, technology, and military security. Even in areas where cooperation is possible, such as trade and nuclear non-proliferation, their relationship is competitive rather than cooperative. On some subjects, the US can work or negotiate with China. The US should concentrate on revitalizing and mobilizing its economic and technical competitiveness.

China is continuing to develop its gross domestic product (GDP) while also ensuring a secure and controllable technological supply chain under Xi's leadership. The purpose of both Made in China 2025 and the China Standard 2035 is to reduce the country's dependency on overseas semiconductor, hardware, and software suppliers by having local alternatives. Although we cannot foresee what China's objectives and ambitions will be in a few decades, we can be confident that China will do what all great powers do: work to shape the environment in ways that are beneficial to its national interests. China takes a different viewpoint on the US interference in its internal affairs, accusing Washington of endangering China's security and development interests while also failing to respect its sovereignty. While the US has concentrated on solving some of these challenges by, for example, restricting Chinese technology businesses' access to the US market. As the US and China aim to limit each other's influence, isolated confrontations like these will become more common in the future.

The Trump administration's shift in US foreign policy has impacted the foundation of globalization: multilateralism. The United States' exit from current political and trade agreements under Trump has created a time of uncertainty in which protectionism and national security interests have taken precedence. President Trump's policies may have a good impact on US markets in terms of improving the manufacturing sector, encouraging American enterprises back to the country, and generating local jobs. On the other hand, the trade war has harmed US local manufacturers that rely on Chinese raw materials or enterprises that have had to transfer manufacturing, as well as US consumers who would have to pay higher costs. On a global scale, the United States will be called into question about its commitment to its allies and the common good. There is always a solution, but it will depend on Washington and Beijing's ability to discover common interests that will bring them together to reconcile differences and establish conflict boundaries. In the post-pandemic era, both countries must find a means to translate strategic competition into pragmatic cooperation with other members of the international community.

According to Mearsheimer's offensive realism, as China's economy grows, "great-power politics will resurface in full force," resulting in a "intense security competition with significant potential for war." States will constantly seek power in order to dominate the international system and survive in anarchic conditions. The article has selected some of China's important soft and hard

power displays to measure offensive realism. Soft power from China may be evident in Southeast Asia, as well as the expanding economic ties between China and Latin America and Africa. The ability of China's soft power to attract and appeal to states in the region indicates that China's neighbors are increasingly perceiving China as a regional influencer. Of course, this raises the question of whether the 'Beijing Consensus,' which advocates a blend of authoritarian governance and market economy, is gaining ground on the 'Washington Consensus,' which promotes market economies and democratic administration.

The book *Destined for War: Can the US and China Escape Thucydides' Trap*, by Graham Allison, has already given us a glimpse into what can happen when a rising power seeks to depose a governing one. During an interview, he even indicated that one of the global challenges in the 2020s will be the conflict between a rising China and the governing US, and that China's ascent is not only eroding US power, but also endangering the international order of which the US has been the keeper. The struggle between the United States and China does not imply they are doomed to go to war; it may still happen, but the everyday competition will be conducted in areas where direct conflict is not a possibility. This implies competition in the four primary areas discussed in this paper: the Taiwan Strait issue, economic tension, technological advancement, and military advancement. In terms of the Biden government, they will not be soft on China, but rather savvy in resisting Chinese projects that it opposes, competing in some areas like technology while working in others like economics. As the US enters this new period of great power competition with China, the conflict will most likely be waged in the race for knowledge and technological growth, at least for the time being.

6.2 Implications for Future Studies

Between the US and China, there is mutual distrust of strategic goals and a deep lack of confidence, especially as both countries upgrade their nuclear forces and develop increasingly sophisticated weapons and technology that have an impact on strategic stability. The fact that the two countries do not diagnose the current situation in the same way poses a threat to strategic stability. Although Congress now views China as a geopolitical competitor, no strategy or objectives beyond punitive measures have evolved. In this part, I agree with Nadege Rolland, a senior fellow at the National Bureau of Asian Research, on her policy recommendation. Focus on new areas of competitiveness,

employ aggressive public diplomacy, increase knowledge, and plan ahead and be prepared are four policy implications she advocated for the US. First, she believes that, in light of China's vision for a new world order and a defined grand strategy, the US should shift its focus to new areas of competition. Both the economic and military domains are included in the new arenas of competition. The United States must employ cost-cutting methods and engage in a force-effort economy. Recognizing that the US and China are in a strategic struggle, the US must appropriately preserve its own interests. However, this implies that the US should continue to check in with its allies and partners in East Asia. In terms of the military domain, given China's continued rise in military use, the US must see this as a competitive domain. The US might also devise a strategy that involves competing for public goods and technological innovation while maintaining interdependence and cooperation in general.

The author then recommends using proactive public diplomacy. As a liberal democracy, the United States should be more systematic in exhibiting its leadership in both internal and foreign affairs. It must continue to demonstrate its commitment to liberal democracy around the world. This element, I say, is difficult because, as we have seen under Trump's administration, the Covid-19 situation has highlighted Trump's authoritarianism by asking the public to follow his lead in preserving Trump's political chances rather than the health of the American people. Trump thought that improving the economy, and hence his political fortunes, was more essential than preserving American lives. While President-elect Biden faces a difficult decision on whether or not to recognize Trumpism and restore faith in democracy's ability to serve all people, not just the powerful. President Biden will have to demonstrate that the government is capable of dealing with the problems that everyday people face. Third, the US government should bolster its expertise by encouraging and assisting organizations and individuals engaged in basic research on contemporary China. The author contends that expertise is required to comprehend China on its own terms, as this will allow for a thorough examination of the Chinese elites. Fourth, the United States should plan ahead and be ready. As China's ambition for a new international order grows, the US and other Western countries must consider possible countermeasures. In other words, strategic foresight is a critical component of readiness for the United States-China struggle in the twenty-first century. The US must continue to collaborate with its friends and partners in order to predict the security consequences and responses to China's ascent.

6.3 Closing Remarks

The Trump administration is concerned that China is changing to a different model and molding the world in ways that are incompatible with American principles and interests. Through industrial strategy, planning documents, leadership speeches, and military commands, the Chinese Communist Party (CCP) has made its intentions known. One of its current objectives is to gain dominance in the world's newest and most cutting-edge industries, such as semiconductors, biotechnology, artificial intelligence, and clean energy, while lessening reliance on global supply networks. The CCP is asserting its interests vigorously both nationally and worldwide under Xi Jinping. The CCP claims to be protecting the interests of the Chinese people, but in reality, it is primarily concerned with preserving its own existence and expanding its control. The relationship's framework is expected to remain strategic rivalry with collaboration in specific sectors in the future. I believe that the US should collaborate with partners to set new regulations and with China to establish new ways to negotiate. Conflict is something neither Washington nor Beijing wants. According to the issues and data presented in this paper, China will continue to keep America apart from its allies. One reason for this is that the US should enhance its ties with its allies. The United States should engage with its allies and partners to ensure a smooth transition and avert war. If Washington continues to prioritize conflict with China over efforts to deepen collaboration, I believe it will have an impact on its relationships with its allies. The United States may lose its allies. I believe that a war is unlikely at this time because both countries are currently recovering economically from the pandemic.

There is a saying from previous presidential that “American will always act, alone, if necessary, to protect our people and our allies.” In fact, over the past seven decades, the United States has maintained a strong security and economic presence in Asia. These connections, though, are eroding. Both Russia and China, as we can see, have created military tactics aimed at demonstrating to American allies that the US cannot protect them. For example, in the South China Sea, reefs are transformed into man-made islands with military outposts or new commercial ventures such as infrastructure development and economic leverage. All of this calls into question the US commitment to its allies and if the US can still guarantee security to them. Then, after being elected president of the United States of America, Trump made a strong declaration about putting America first and that many international agreements were essentially unfavorable to the US. In

response to his speech, he withdrew the US from several past agreements with allies. In one sense, it appears that he has a point about the US's unfair treatment, but in reality, this conduct has caused the US alliance to question the US's pledges even more. This can be seen in Japan, one of the closest Asian allies, which has become increasingly reliant on its connections with China. As the video “How the United States Could Lose Its Allies (Vox, 2020) suggests, we are beginning to witness this type of hedging behavior in the event that the United States does not keep its pledges to protect its allies.

Another motivation for the US to demonstrate its global leadership is the Covid-19 epidemic. Economic and political influence may tilt further in Beijing's favor if the US fails to manage international recovery efforts. In reality, I propose that, in light of the pandemic, Washington and Beijing should discuss and cooperate on security issues rather than blaming one other, and that the confrontation and economic position should be rebalanced. As a result, I'd like to emphasize that the United States has maintained a position of global leadership for generations as a result of actions that have benefited nations around the world and strengthened the international system, and that the United States should continue to shape policy that will allow it to act as a global hegemon in the future.

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