

The US-China Trade War: Weaponizing Interdependence to Enhance Economic Security

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Abstract:

This study aims to understand how trade war is used as a geo-economic tool to reshape the balances of power and impose hegemony and influence in the contemporary international system, by transforming economic tools into strategic pressure means that extends beyond customs duties to include technology, supply chains, and regulatory standards highlighting how trade policies, sanctions, and technological restrictions have become strategic pressure tools used by Great powers to reorder the global landscape.

The study seeks to explain global transformations through the US-China conflict. Its most significant finding is that the contemporary trade and technology war represents a structural shift in the structure of international relations, transforming economies from spaces for exchange into arenas for geopolitical conflict. We have moved from an international economy based on interdependence as a guarantor of stability to an international economy based on the weaponized interdependence, viewed as a source of power and a tool for conflict, which means that digital governance and supply chains have become arenas of national security and coercive conflict without direct war.

Keywords: Trade war; geo-economics; national economic security; protectionism; technology war; weaponized Interdependence.

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1. INTRODUCTION

Since the end of the Second World War, global trade has been based on liberal economic principles, multilateral institutions, and the assumption that economic interdependence would generate stability. Institutions such as the World Trade Organization, the International Monetary Fund, and the World Bank have sought to establish standards of free trade, non-discrimination, and dispute resolution within a rules-based framework.

As the hegemonic power in the post-war order, the United States played the role of architect and guarantor of these institutions, leveraging its technological leadership, tariff reductions, and the dominance of its currency (the US dollar) to sustain a stable global economy. For decades the system contributed to an unprecedented expansion of interdependence and the flourishing of global supply chains.

This globalization, which was supposed to increase convergence and harmony among states by deepening interdependence, has led to new tools of competition and coercion. These same ties have become instruments for imposing power and influence; this is what has come to be known as weaponized interdependence.

Trade and technology wars have emerged as key arenas of contemporary strategic competition among great powers. Trade relations are no longer confined to the economic domain; they have become a direct extension of struggles over influence and sovereignty. This marks a decisive shift from an era of geopolitics- where states primarily rely on military, security and strategic instruments- to an era of geo-economics, where economic tools -trade, sanctions, technology, and energy...- are used to achieve geopolitical objectives. This is clearly reflected in the escalating tensions between the United States and China since 2018, as well as in struggles for technological and technical influence over 5G networks, advanced microtechnologies, and artificial intelligence.

Therefore, this research paper focuses on the extent to which trade war can redefine the standards of power in the international system and, in turn, enhance national security. Accordingly, **the research problem is:**

How is trade war used as a geo-economic tool to reshape the balance of power in the contemporary international system?

Study hypotheses:

1. Trade war is used by great powers as a strategic tool to weaken rivals and reshape the balance of power, going beyond traditional economic objectives by employing the economy as an instrument of hegemony or as a means of containment.

2. Contemporary trade war contributes to redefining the concept of national security by pushing states to reconsider their economic policies and external openness.

On this basis, the article aims to analyze the geo-economic nature of modern trade war through a multi-theoretical approach combined with an applied case study of the US-China trade war, in order to unpack the increasing overlap between economics and national security within the structure of the contemporary international system.

Study methodology:

This study relies on a descriptive-analytical approach, collecting quantitative and qualitative data on the U.S.–China trade war and analyzing them in order to unpack the concept of the contemporary trade war in terms of its characteristics, instruments, and mechanisms of escalation, as well as its role in reshaping the geo-economic dynamics between the United States and China and its implications for the notion of national security for both parties and for the structure of the international economic system.

The study also draws on a range of empirical tools, including the analysis of official documents and data issued by governmental institutions and international bodies, in addition to academic studies and reports produced by research centers specializing in international trade and national security. It further relies on international statistical databases to trace the evolution of the trade and technology war between the two sides.

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To address the research problem, the study is divided into three main sections: First section: The theoretical frameworks for understanding trade war and weaponized interdependence. Second section: Trade war as a geo-economic tool for reshaping geopolitical balances. Third section: China's responses to remove chokepoints.

2. Theoretical frameworks for understanding trade wars and weaponized interdependence

To understand why states resort to coercive economic tools amid contemporary trade wars and renewed great-power competition, it is necessary to revisit key perspectives on how the economy can be transformed into a strategic instrument. These perspectives show how geo-economic goals can extend beyond profit or economic efficiency to the redistribution of power and sovereignty in an anarchic international system. Economic nationalism and institutional liberalism, alongside political economy theories, offer divergent but complementary explanations for understanding contemporary trade war, especially as the discourse on economic security has expanded and the weaponization of interdependence has intensified globally.

2.1 The perspective of economic nationalism

Economic nationalism has undergone many transformations over the past several centuries. Its labels have also changed, including mercantilism, the planned economy, protectionism, the German Historical School, and more recently, it has been described as neo-protectionism¹. Some international relations scholars attribute the spread of protectionism in the late nineteenth century to the influence of Friedrich List and Alexander Hamilton, viewing it as a starting point for economic nationalism at a time when free trade was the dominant ideology².

Economic nationalism also converges with realism in its core idea that economic activity is subordinate—or should be subordinate—to the objectives of state-building and the national interest. Economic nationalists generally link national security and military power in shaping and operating

the international order to the primacy of the state; however, the goals pursued and the policies adopted have varied across different times and places³. This orientation is consistent with Stephen D. Krasner's state power approach, which rests on the assumption that the structure of international trade is determined by states' interests and power as they seek to maximize national objectives⁴; it is therefore a state-centric approach⁵.

Economic nationalists emphasize the importance and role of economic factors in international relations, and they argue that interstate competition for economic resources is widespread and deeply rooted in the very nature of the international system. Since economic resources are essential to national power, every conflict is, at the same time, both economic and political. States therefore seek to acquire wealth and national power simultaneously, at least in the long run⁶.

In his book *The Political Economy of International Relations*, Robert Gilpin identified three key factors that contribute to the intensification of mercantilist trade competition:

1. The growing role of the state and economic power in international economic relations. States—especially major ones—have increasingly used their political and economic influence to maximize their relative gains from international economic activities. The tension between economic interdependence and national autonomy is increasingly resolved in favor of autonomy rather than interdependence.

2. Intensifying competition over global markets, as nearly all states pursue export-oriented development strategies and offensive policies aimed at expanding their exports⁷.

3. The challenge posed by rising and newly industrializing states⁸, which fuels mercantilist tendencies. As these countries move up the technological ladder and transform the structure of their foreign trade, they impose significant adjustment costs on other economies, prompting strong resistance and calls for protectionism⁹.

For this reason, Robert Gilpin argues that the mercantilism that emerged in the 1980s differs in its aims and style from the mercantilism of the eighteenth and nineteenth centuries¹⁰.

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With the growing importance of advanced technology, the desire to control leadership of the modern economy, and the changing relationship between the state and the economy, a new form of mercantilist trade competition has gained prominence—what the German economist Herbert Giersch called « competition of policies », whereby governments maneuver and manipulate economic policies to serve their economic and political interests and related objectives. This is one of the defining features of contemporary economic nationalism¹¹.

2.2 Liberal Perspective

Liberals place a high value on private property rights and view them as closely linked to other individual freedoms. They also support the broad foundations of market capitalism, arguing that private profit and a certain degree of inequality in the distribution of wealth are both normal and acceptable. In addition, they endorse the principle of free markets in trade and business¹².

Classical liberals, in particular, stressed the doctrine of *laissez-faire* and called for limited government intervention in economic life. Adam Smith is often seen as a leading figure in this tradition; in *The Wealth of Nations* (1776), he defended free markets and introduced the idea of the “invisible hand” of market forces. For Smith and other advocates of free trade such as David Ricardo, wealth tends to spread from the most affluent groups to the rest of society over time; accordingly, governments should avoid interfering in trade—for example, by imposing tariffs and customs duties on imports.

Classical liberals also attached great importance to self-reliance and self-help. Writers such as Samuel Smiles (author of *Self-Help*, 1859) argued that replacing individual effort with state provision of support could have counterproductive effects, as it may encourage what is now often described as “dependency” on the state¹³.

Neoliberalism is a strand of liberal theory in international relations that highlights the role of international institutions in achieving collective

outcomes at the global level; for this reason, it is often referred to as **neoliberal institutionalism**. It also shares with structural realism the view that states are unitary and rational actors that seek to maximize their interests and remain the central players in world politics¹⁴.

In contrast to realist explanations, institutional liberalism offers a different account of international relations by emphasizing the role of international economic institutions in organizing state interaction and reducing the likelihood of conflict through stronger economic cooperation. This perspective starts from the assumption that economic interdependence raises the costs of conflict and reinforces the logic of commercial peace¹⁵. It also argues that gains can be achieved by designing more effective institutional arrangements. Accordingly, compared to realism, neoliberalism expresses relatively greater confidence in the gradual capacity of human beings to produce improved collective outcomes that promote freedom, peace, prosperity, and justice on a global scale¹⁶.

Neoliberalism acknowledges that international cooperation can be difficult in an anarchic environment, but it argues that the structure of international institutions—or their design—plays an important role in determining how far collective goals can be achieved¹⁷.

States may enter cooperative relationships even when another state is likely to gain more from the interaction. In other words, **absolute gains** are more important to neoliberalism than relative gains (which neo-realists emphasize)¹⁸. From a neoliberal perspective, even under competition, states seek absolute gains rather than necessarily trying to undermine others.

However, this argument has been challenged by the inability of international institutions to regulate modern trade wars—for example, the United States' withdrawal from certain multilateral agreements, or the World Trade Organization's failure to contain the trade war with China¹⁹.

In this sense, trade war—within a liberal perspective—can be seen as a departure from the logic of cooperation, driven by the rise of economic protectionist tendencies within nation-states. The current conflict among great powers also reflects weaknesses in the global institutional framework

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in restraining economic disputes and transforming them into mutual cooperation.

2.3 Weaponized Interdependence Theory: From Interdependence to Hegemony

Critical approaches in international political economy combine economic analysis with a structural analysis of power. Rather than viewing economic exchange as a technical or neutral process, they treat it as an instrument of structural struggle over control and the reproduction of dependency. This trend is associated with critiques advanced by neo-Marxist approaches and dependency theory, which view cross-border economic activity as a direct reflection of hegemony²⁰.

In a related vein, Henry Farrell and Abraham Newman developed the concept of **weaponized interdependence** to describe how dominant states within networks of finance and technology can use their central positions to exert strategic control—either by cutting connections or by turning interdependence itself into a tool of coercion²¹.

Farrell and Newman's theory of weaponized interdependence offers a structural account of interdependence grounded in the topology of global networks. It argues that asymmetric network structures generate enduring power imbalances among states, and that globalization has produced global networks with unequal topologies—contrary to liberal arguments that focus on cooperative gains. The theory shows how complex systems create more highly connected “hubs,” enabling states such as the United States—given its political authority over key nodes like SWIFT and the internet—to exploit these structures to impose costs, either through information collection (the panopticon effect) or by choking off economic and informational flows, provided that it has suitable domestic institutions such as the National Security Agency and post-9/11 legal authorities²².

This means that asymmetric networks inherently create a situation in which certain actors, by occupying privileged positions within them, can use their location to exercise power over less well-positioned actors through

the very interdependent ties that connect them. This is the simplest definition of what “weaponized interdependence” entails²³.

2.3.1 Mechanisms of control: The Panopticon effect and the Chokepoint effect

1) The Panopticon effect

The first mechanism is the « Panopticon effect », a metaphor drawn from the prison design associated with Jeremy Bentham and later discussed by Michel Foucault, in which a single guard can observe all prisoners without the prisoners being able to know whether they are being watched²⁴.

In this context, the concept refers to the ability of a state that controls a central node to see what is happening inside the network. When most financial or communications flows pass through a limited number of platforms, cables, or data centers, the state that has jurisdiction over—or technical control of—these nodes can collect a vast amount of information about the interactions of other actors (states, firms, and individuals) without this being clearly visible to them. This informational advantage can translate into strategic superiority in negotiations, in tracking adversaries, and in anticipating their moves²⁵.

2) The Chokepoint effect

The « Chokepoint effect » refers to a state’s ability to cut off other actors’ access to critical nodes within a given network. It involves using these nodes as sites for constricting flows and controlling them. The chokepoint effect also includes cases in which actors are excluded entirely from a network, not merely blocked from specific nodes within it. When used offensively, this mechanism can be highly disruptive for a targeted state: it may suddenly lose access to international markets or to information within the global system. It can also trigger domestic disruption when links among actors inside the state itself are interrupted. This is because a small number of nodes, firms, and bodies (such as SWIFT and ICANN) function as the governing infrastructure for the flows of money and data, creating chokepoints, surveillance opportunities, and forms of sovereign leverage for those who control them²⁶. This dynamic is reinforced by the fact that many

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domestic actors often depend, in their communications or transactions, on nodes controlled by foreign entities.

To use a simplified hypothetical example, a citizen in a given country may need to buy a product from a national company online, yet the transaction may still have to pass through a digital platform (an intermediary) headquartered on another continent. In such a case, if the foreign actor controlling that intermediary decides to stop operating in that market, the national economy may be affected because a crucial link between sellers and buyers would disappear²⁷.

These effects challenge a common assumption in the globalization literature that growing economic exchange leads to the fragmentation and decentralization of power²⁸. On the contrary, such economic interactions can concentrate power in dominant nodes, such as digital platforms (e.g., Facebook and Amazon) or financial centers (e.g., New York). In this way, globalization has provided powerful states—especially those that dominate these nodes—with new and unprecedented instruments of influence, thereby widening the gap between them and the rest of the world²⁹.

This means that the governance of financial and digital networks, dollar clearing, and supply chains has become an arena of national security and coercive contestation, even in the absence of direct war.

3. Trade war as a geo-economic tool for reshaping geopolitical balances

Governments use their countries' economic power—derived from existing financial and trade relationships—to pursue geopolitical and economic objectives, a practice commonly described as “geoeconomics”³⁰. In this sense, geoeconomics refers to the conduct of politics through the use of economic instruments³¹. The U.S.–China trade war has made geoeconomics part of the daily news cycle and an active policy option in both democratic and authoritarian systems³².

3.1 The concept of trade war

A trade war is a compound term made up of two words: *war* and *trade*. War is the opposite of peace and is associated with destruction and ruin. Trade, in turn, refers to buying and selling; in a technical sense, it denotes the circulation of goods for the purpose of making profit³³.

Accordingly, a trade war can be defined as an economic dispute between two countries that occurs when one state responds to what it considers unfair trade practices by another state by imposing restrictions on imports, such as tariffs³⁴.

Trade wars are also defined as "a costly, reciprocity-based dynamic in which one country imposes or increases tariffs and adds non-tariff barriers, prompting its trading partners to take similar retaliatory measures"³⁵.

A trade war can be defined as "a dispute that often arises when one state or several states adopt a protectionist policy (Protectionism) for certain economic and commercial sectors. It typically takes the form of trade-related measures and countermeasures between two or more states across several dimensions, most notably reciprocal tariffs between the parties concerned. It is sometimes referred to as "customs wars," "tariff wars," or "duties wars." As a retaliatory response, the other state may raise tariffs on its imports, creating tension in relations between the two sides as a result of one state imposing additional customs duties on goods imported from another state or other states"³⁶.

Tariffs are considered a legitimate instrument recognized by international law; however, the World Trade Organization has set certain upper limits that member states may impose, and exceeding these limits is considered a violation of the Organization's rules³⁷.

3.2 Economic Coercion:

Economic coercion is defined as « the use, or threat of use, of measures of an economic nature—as opposed to diplomatic or military tools—to compel the targeted state to change a policy, a particular practice, or even its governmental structure.³⁸ »

This concept has become an integral part of modern international relations, as states such as China and the United States have resorted to it to

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achieve geopolitical objectives. It employs a range of instruments, including financial dominance, technological strangulation, and supply chains³⁹.

From this, it can be inferred that every trade war can be analyzed as an instrument of economic coercion, but not every act of economic coercion is a trade war; the concept of economic coercion is broader and encompasses an entire arsenal of commercial, financial, and technological tools⁴⁰.

In extreme cases, trade wars may lead to military responses, as many economists argue that the Smoot–Hawley Tariff Act worsened the Great Depression and contributed to conditions that led to the outbreak of World War II⁴¹.

Trade wars are deployed selectively and in line with clear geopolitical objectives, turning the economy into a strategic arena of conflict no less important than military or diplomatic power.

The rise of China as a global power, the increasing use by the United States of sanctions and economic coercion, and major technological shifts are pushing governments to reassess their policies on economic security and global openness. The European Commission has issued a European economic security strategy that includes an “anti-coercion” instrument to address the risks arising from the weaponization of economic interdependence and its use as a means of pressure. Conversely, China, Russia, and BRICS countries are working to develop an alternative financial architecture outside the Western financial system based on the dominance of the US dollar⁴².

The post–Cold War transformations and the intensification of globalization have contributed to redefining economic security as a systematic management of vulnerabilities through economic instruments placed at the service of broader geopolitical objectives⁴³.

This will form the core basis of the following elements, which explain how these trade wars are no longer just protectionist measures to safeguard national industry but have transformed into a studied geopolitical tool

through which countries seek to weaken the adversary or enhance their long-term security and strategic position.

3.3 The American strategy towards China: Containment through trade

Graham Allison, former director of the Belfer Center at Harvard University, warns in his book **“Destined for War: Can America and China Escape Thucydides Trap?”** that "On the current trajectory, war between the United States and China in the coming decades is not only possible but more probable than is currently believed." However, he emphasizes that it is not inevitable; China is now seen as the most important competitor to the United States, threatening its supremacy and global role.

Allison focuses on the idea that China is now more capable of translating its sense of entitlement and its ambitious potential to lead the international system in the development of the relationship between the two great powers. He builds his main idea around what he calls the "Thucydides Trap" which is the concept based on the Greek historian's interpretation of the Peloponnesian War in the fifth century BC: "The rise of Athens and what provoked from fear in Sparta made war inevitable."⁴⁴

Based on this idea, the trade war between Washington and Beijing can be considered as part of a comprehensive containment strategy, according to the logic of the "Thucydides Trap," where China derives most of its coercive power from its control over manufacturing inputs, while the United States has a much larger share of power resulting from financial services⁴⁵ as well as technological superiority.

Donald Trump's victory in the 2016 presidential election marked a crucial turning point in US trade policy, as the United States shifted from a multilateral approach to a hardline protectionist strategy that directly led to a full-blown trade war.

On his inauguration day, Trump announced the United States withdrawal from the Trans-Pacific Partnership (TPP)—Obama's legacy—and pledged to renegotiate the North American Free Trade Agreement (NAFTA)—Clinton's legacy—to prepare for confronting China.

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Based on serious threat perceptions in the United States policy discussions, the Trump administration launched retaliatory trade policies known as the US-China trade war in 2018.

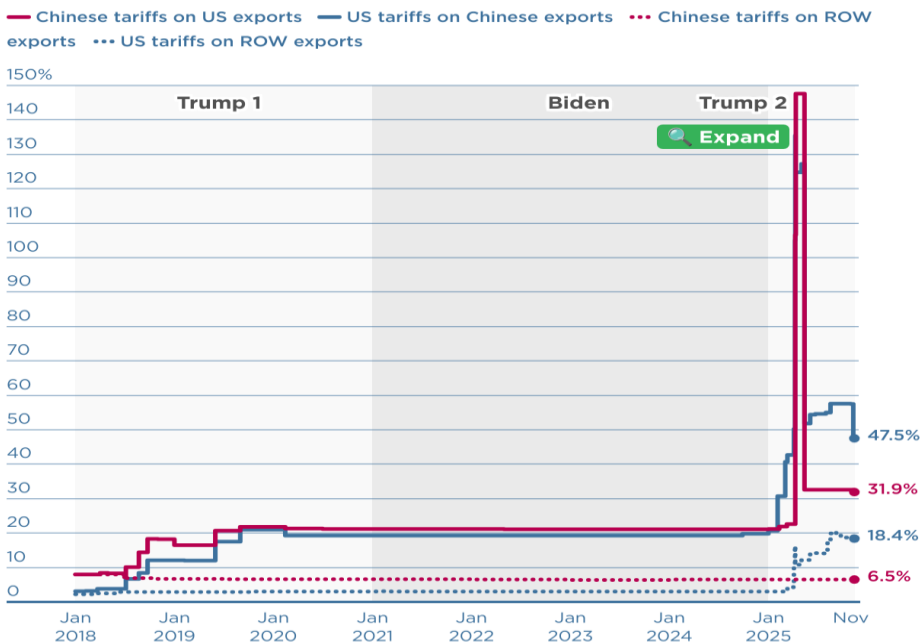
Donald Trump had declared immediately after his 2016 election victory that the United States was shifting from a liberal multilateral approach to a hardline protectionist strategy under the banner of "America First"⁴⁶. This war was explicit in its aim of decoupling from China.

Figure 01: a US-China tariff rates toward each other and rest of world (ROW)

US-China trade war tariffs: An up-to-date chart

Last updated November 14, 2025

a. US-China tariff rates toward each other and rest of world (ROW)



Source: Chad P. Bown, « US-China Trade War Tariffs: An Up-to-Date Chart, » Peterson Institute for International Economics, November 14, 2025.

Figure 1 illustrates the evolution of average reciprocal tariffs between the United States and China from the start of the trade war in 2018 to late 2025. It shows a sharp jump in US tariffs on Chinese exports at the onset of the war (2018–2019), followed by a period of relative stability during the Biden administration, albeit at a high level. A new and steep escalation appears in 2025, as US and Chinese tariffs alike climb to unprecedented levels, while tariffs on the rest of the world remain far lower, underscoring the essentially bilateral nature of the conflict. The chart also indicates that Chinese tariffs on US exports have risen roughly in parallel with US tariffs, but at a slightly lower average level, reflecting a strategy of "tit-for-tat" retaliation with greater room for maneuver on the US side.

The United States adopted stringent measures to curb the flow of technology and goods from the United States to China. These included hefty customs duties, dissuading Chinese students in American universities, imposing sanctions on Chinese technology giants through the Department of Commerce's Entity List, and isolating China through diplomatic channels, especially with the addition of the Chinese companies Huawei and ZTE to the Bureau of Industry and Security (BIS) Entity List in 2018 and 2019 respectively⁴⁷.

This trade war encompassed two main areas: the first, sectors in which China holds a comparative advantage in exports, such as medical industries and light manufacturing; and the second, sectors in which China does not have an advantage in imports and technological know-how, such as chips and semiconductors (See Table 1, which presents the average tariffs between the United States and China, the volume of bilateral trade, and the main national security-related measures.)

The first is inherently competitive, while the second area is where the market does not play a full role and has different implications for the economic welfare and long-term development of both countries⁴⁸ (see Table 01, which outlines the chronology of US policies toward China).

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Table 1: Evolution of U.S.–China Tariffs, and Trade Flows

Years	The average U.S. tariffs on Chinese imports.	The volume of bilateral trade (merchandise trade).
2017 (before the war)	around only 3% on most Chinese imports (low tariffs under WTO rules).	around 635 billion dollars (about 505 billion in Chinese exports to the U.S., and about 130 billion in U.S. exports to China)
2018 (the start of the escalation)	Imposing tariffs of 10–25% on tranches of Chinese goods worth first 50 and then 200 billion dollars; the average tariff gradually begins to rise to around 8–10%	2018 witnessed the highest level of bilateral merchandise trade between the United States and China, exceeding 658 billion dollars ; however, the growth rate of this trade slowed compared with previous years, amid the onset of tariff imposition.
2019 (the peak of the tariff war)	The average U.S. tariff on Chinese imports rises to between 15–20% , with a 25% tariff applied to most targeted goods; specialized studies estimate the average at around 19% by the end of the year.	A decline in bilateral trade; U.S. imports from China fall to around 450 billion dollars , and U.S. exports to China also decrease due to retaliatory tariffs about 106 billion dollars .
2020–2021 (the continuation of tariffs with a relative “truce”)	The average U.S. tariff on China remained at around 19–20% ; the “Phase One” agreement did not remove the tariffs but merely froze further escalation.	The decline in trade compared to pre-war levels continues, with a relative rebound after Covid-19; U.S. imports from China remain below their previous peak despite the recovery in demand.
2022–2023 (focus on advanced technology)	The tariffs remain high, with no substantial reductions; the focus shifts increasingly toward export controls rather than tariffs alone.	Overall trade stabilizes at a level below the pre-war peak; there is growing “re-routing” of supply chains toward third countries (Vietnam, Mexico, etc.).
2024–2025 (partial decoupling and broader targeting of the technology sector)	The tariffs remain at a high level (around 19–20% on major Chinese imports on average), with a large portion of the duties imposed since 2018 still in place.	Estimates indicate that U.S. imports from China fell to about 308 billion dollars in 2025 , the lowest level since 2009, with rising substitute imports from other countries; overall bilateral trade is far below its pre-war peak.

Source : U.S. Census Bureau, *Trade in Goods with China*, <https://www.census.gov/foreign-trade/balance/c5700.html>, accessed 22/03/2026, Chad P. Bown, “US-China Trade War Tariffs: An Up-to-Date Chart,” Peterson Institute for International Economics (PIIE), updated November 14, 2025.

The table 1 shows that the volume of bilateral merchandise trade between the United States and China reached its peak in 2018, exceeding 658 billion dollars after having been around 635 billion in 2017⁴⁹, before gradually declining in subsequent years as tariffs were tightened. In 2019, U.S. imports from, and exports to, China fell significantly as the average tariff rose to levels of around 19–20 percent, and the trade war turned into a quasi-permanent state during 2020–2021 with tariffs maintained under a relative “truce.” After 2022, the volume of trade stabilized at a level lower than before the war, while the rerouting of supply chains toward other countries increased, at a time when the United States kept most of the high tariffs in place and expanded its focus to the field of advanced technology, which led in 2024–2025 to U.S. imports from China falling to levels considered the lowest since the global financial crisis.

3.4 From trade war to technology war (technological choke)

In the context of the growing reliance on advanced technology, dominance in biotechnologies has become an arena for strategic conflict⁵⁰. Amid the trade war between the United States and China and the use of economic coercion, the world is currently witnessing a “partial separation” between the U.S. and Chinese technology systems—technological decoupling— a process that has effectively begun and is accelerating significantly, with Beijing actively participating in this process⁵¹.

In his address to Chinese scientists in September 2020, President Xi Jinping warned that China was at the mercy of foreign countries supplying it with “chokepoint technologies”.

He stated, “We rely on imports for some equipment, components, and critical raw materials.” The Chinese leadership’s concerns about strategic technologies are not new. Many Chinese policy documents issued in recent years refer to categories of technology that are of particular importance to China’s national security and economic competitiveness. Other documents, notably the 2016 “Innovation-Driven Development Strategy,” also

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expressed concern that “key and core technologies are controlled by others,” a phrase that Xi Jinping often repeats⁵² (see table2).

However, the US government has played the most prominent role in promoting technological decoupling in recent decades by imposing increasing restrictions on technology such as export controls, divestment orders, license refusals, the ban on obtaining visas, sanctions, custom tariffs, and more⁵³.

American thinking and policies regarding "technological decoupling" have evolved since the mid-2010s, as China's growing power and its domestic and foreign behavior have led Washington to reassess its relationship with China and consider it the primary international threat to the United States' standing.

At the same time, "techno-nationalist" ideas escalated, which see technology as an arena for geopolitical competition, not just a global market. Together, these two trends have created a new form of American "technological nationalism" primarily directed against China. The features of this trend emerged in Barack Obama's second mandate, expanded and were implemented during Donald Trump's mandate, and were largely adopted by Joe Biden⁵⁴.

The first US economic security measures began with a "defensive" character aimed at containing Chinese risks⁵⁵ in the field of Critical and emerging technologies (CETs)⁵⁶, through the use of tools such as export and import controls⁵⁷, inward and outward investment restrictions, communications and electronics licensing systems, visa bans, financial sanctions, and technology transaction rules, federal spending limits, and law enforcement procedures⁵⁸. These efforts aim to choke China's access to key core technologies, particularly advanced semiconductors that underpin dual-use applications, thereby limiting China's ability to develop military and dual-use technologies such as advanced artificial intelligence systems and maintaining American technological leadership⁵⁹.

In contrast to Trump's aggressive rhetoric, Biden has resorted to striking China at its weak point, which is the semiconductor value chain. It is also considered the key to the Chinese military modernization program⁶⁰.

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Table 2: Chronology of U.S. policies against China

Month/ year	Policy type	Nature of restriction
2016	Sanction	Added ZTE to the entity list that imposes a license regime on American companies to trade with Chinese vendors
2018	Trade tariffs	The U.S. imposed 25% tariffs on \$50 billion of Chinese goods, followed by an additional 10% on \$200 billion worth of goods, which directly affected the semiconductor industry.
2019	Sanction	Added Huawei to the Entity List
2020	Sanction	Foreign Direct Product rule restricted Huawei and ZTE from accessing US-originated technology from US allies
November 2020	US Presidential executive order	Addressing the threat from securities investments that finance communist Chinese military companies
December 2020	US executive order	Banned American investments in China's SMIC
October 2022	Export control	BIS's Export Control measures
December 2022	Sanction	Banned 35 Chinese chip companies including YMTC
January 2023	Alliance	Agreement with Japan and Netherlands
August 2023	US Presidential executive order	Mandatory screening of the US' outbound investments to China, including the microelectronics sector
October 2023	Export control	Revised October 2022 export control measures including GPUs
October 2023	Evolving policy posture	Debating on banning the open software set architecture RISC-V*
January 2024	US Presidential executive order	Proposed rules to restrict American cloud companies from allowing Chinese AI developers to use their platforms*
January 2025	US Presidential executive order	Imposed New AI diffusion Rule, restricting the supply of model weights and GPUs, allowing a three-tier categorization of the world#

Source : Megha Shrivastava and Amrita Jash (2025) China's semiconductor conundrum: understanding US export controls and their efficacy, Cogent Social Sciences, 11:1, 2528450, DOI: 10.1080/23311886.2025.2528450, <https://doi.org/10.1080/23311886.2025.2528450>, p.4.

In recent years, a new “offensive” approach has emerged, which is investing in research, development, and education to enhance the United States’ self-abilities. In this context, President Joe Biden signed the Chips and Science Act in 2022, which aims to strengthen the American industrial sector, supply chains, and national security, along with investing in research and development, science and technology, and training the future workforce to maintain the United States’ leadership in industries of the future, including nanotechnology, clean energy, quantum computing, and artificial intelligence⁶¹, this law also supports American companies with a budget of nearly \$53 billion, and those American companies are prohibited from expanding within China⁶², just ten days after the new policies were activated, US Secretary of State Antony Blinken said in a speech, "We are at an inflection point"... "The post-Cold War world has come to an end, and there is an intense competition underway to shape what comes next. And at the heart of that competition is technology⁶³."

Economic coercion measures also included placing Chinese companies, most notably Huawei (in 2019), on the US Department of Commerce’s restricted “Entity List.” The U.S. administration periodically adds entities to the “Entity List,” including chip manufacturers, equipment companies, and investment firms operating at Beijing’s direction to advance China’s goals in advanced chips, which the U.S. administration considers a threat to the national security of the United States and its allies⁶⁴

The United States holds approximately 50% of the global semiconductor market, while China's share is less than 5%. This reflects the significant technological gap between the two states and underscores the leading role of the United States of America in research and development related to high-tech chips.

Many Chinese companies, for their part, rely on importing American chips to maintain their industrial production in the electronics, telecommunications, and artificial intelligence sectors. Despite being a huge market and one of the most important industrial assembly centers, China has for decades depended on core American technologies.

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The Chinese market represents more than a third of total US semiconductor sales. This relationship based on interdependence has enabled the United States to achieve huge financial returns, amounting to about \$70.5 billion in 2019, equivalent to 36% of its total global sales, which in turn provided the necessary capital to fuel its research system and invest in advanced innovation⁶⁵.

What was once considered a form of economic cooperation between two leading nations in the technology industry has now transformed into the weaponization of interdependence through a "chokepoint strategy" as part of national deterrence strategies aimed at protecting vital interests and enhancing strategic superiority.

The chokepoint strategy includes four main objectives: a) Restricting China's access to American artificial intelligence chips through export controls; b) Preventing China's access to American design software; this ultimately limits its ability to develop and design advanced semiconductor chips; c) Halting China's domestic chip-making capacity by imposing restrictions on exports of irreplaceable production equipment; d- Restricting China's access to US and other technologies that support the public infrastructure for the development of advanced artificial intelligence⁶⁶.

Washington has now begun to exert her control over vital supply chains and advanced technology as a geopolitical pressure tool to restrict Beijing's technological ambitions and undermine its ability to achieve self-sufficiency in high-tech industries.

The semiconductor industry is no longer just a commercial matter; it has become a key axis in the struggle for leadership of the global technological system, reshaping the balance of power in the international economy and enhancing national security. This is why Washington expresses significant concerns about Chinese technological equipment widely used in digital infrastructure around the world, such as Huawei's 5G networks, which could be used for intelligence or espionage purposes. These concerns have prompted Washington to exert significant diplomatic

pressure on its allies (Japan, the Netherlands, South Korea, and Taiwan) to ban the use of Huawei equipment in their networks⁶⁷.

4. China's reactions to remove chokepoints

In contrast to the strategy pursued by the United States and its allies (Japan, the Netherlands, South Korea, and Taiwan)⁶⁸, China has adopted policies known as the "Made in China 2025" initiative, which aims to reduce reliance on Western supply chains and achieve greater technological self-sufficiency. From a Chinese perspective, current US policies represent an extension of a Western containment approach that seeks to slow China's legitimate technological rise.

Within Chinese academic circles, these policies are viewed as attempts to restructure the global value added of the chip industry, accompanied by geopolitical provocations regarding Taiwan⁶⁹, which are perceived as inherently aggressive.

Despite its growing technological achievements, China still lags several generations behind the United States and its allies in advanced technologies.

Cutting off sensitive technology supplies, such as intellectual property designs and lithography equipment, poses a fundamental challenge to its efforts to foster independent innovation and support its strategy of military- civil integration and broader large economic growth.

However, China's aspirations for technological independence extend beyond economic and military matters, also embodied in its nationalist project of unifying Taiwan, which the Chinese Communist Party considers an indispensable element of the "renewing of the Chinese nation".

The party believes that excessive reliance on foreign sources in the chip industry could limit its ability to do so, as Taiwan's TSMC constitutes what is known as a "silicon shield," providing Taiwan with a strategic deterrent against a potential invasion. Therefore, China's efforts to build self-reliance in its value chain could undermine this shield in the long term⁷⁰.

China's response to the expanded US restrictions can be seen as more defensive and constructive than aggressive. Despite the relative decline in

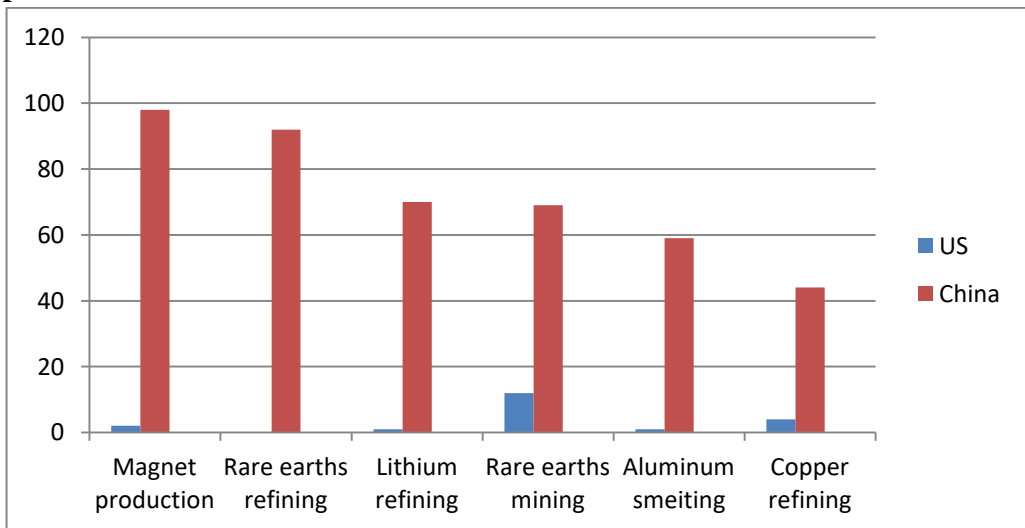
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revenues of Chinese companies following the imposition of sanctions—SMIC's 2023 revenues fell by 13.1% to \$6.32 billion compared to \$7.27 billion the previous year- the crisis simultaneously spurred the emergence of huge demand within the domestic market, prompting the government to implement major investment programs through financing mechanisms such as Big Fund III to compensate for the shortfall caused by US suppliers⁷¹.

In contrast, China has a strategic position in the supply chains of rare earth minerals essential for the chip industry.

From the 1960s until around 1998, the United States was the world's leading producer of rare earth elements (REEs), when US production declined sharply and China became the dominant global supplier. The US imports over 74% of its rare earth oxides (REOs) directly from China, while the remainder is obtained indirectly through other countries⁷². This gives China an additional strength margin, as its export bans on sensitive

Figure (01): China dominates critical minerals refining and magnet production. China vs. US market shares, %



Source: Goldman Sachs, Top of Mind: The US-China Tech Race, issue 144, December 4, 2025, p.20.

materials such as germanium, gallium, and ultra-steel minerals—crucial for semiconductor manufacturing and many types of munitions—including, for the first time, a ban on exports to third countries if the intended destination is the US⁷³, were seen as a strategic response to US actions, along with the blacklisting of the US company Micron.

As illustrated in Figure (01) China dominates the value chains of rare earth and critical minerals, as it controls the overwhelming majority of mining, refining, and magnet-manufacturing capacities, while the United States has only a limited presence in most of these stages⁷⁴. This concentration of manufacturing capabilities gives Beijing substantial leverage over global supply security and the policies of industrialized countries that depend on these materials for defense industries and the energy transition.

Since 2022, a new phase of coordinated interaction between the state and Chinese companies has emerged, aimed at de-Americanizing domestic supply chains within a national framework based on industrial pride, national security, and a national priority to consolidate the industry self-sufficiency model.

Huawei's 2020 project to design 45 nm and 28 nm chips without relying on American technology reflects this orientation.

The second phase of the Big Fund (National Integrated Circuit Industry Investment Fund Co.) has also invested heavily in Chinese semiconductor manufacturing, related equipment and materials, and software development⁷⁵.

The continuation of these projects is due to widespread government support. This has resulted in a doubling of investments in the semiconductor sector. The third big fund was launched in 2024, allocating 344 billion yuan (approximately US\$48 billion) over 15 years until 2039—double the amount allocated in the previous phase. This reflects Beijing's desire to solidify its industrial competitiveness with the United States by developing its capabilities to produce the advanced chip.

The Chinese government has also provided extensive support to domestic manufacturers capable of producing materials internally, leading to increased collaboration between local manufacturers, designers, and

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suppliers. SMIC has spearheaded this trend by prioritizing Chinese suppliers, while Empyrean Technology saw its revenue increase by 50% in 2023 compared to 2022. However, excessive financial support from local governments has also resulted in some failures, including the bankruptcy of startups and administrative corruption cases⁷⁶.

In addition, the state has strengthened cooperation between the public and private sectors, taking advantage of the investment arms of major companies such as Huawei's "Hubble" which has invested in about 107 technology start-ups.

This momentum has enabled the Chinese technology system to build a solid base for local innovation and gradually reduce dependence on foreign suppliers such as Nvidia.

Despite the continuation of US sanctions, industry forecasts indicate improved prospects for the Chinese chip industry over the next decade while companies like Huawei and Tencent continue to achieve significant technological gains. TrendForce predicts that Nvidia's revenue from China will fall below 50% by 2030.

Most importantly, Nvidia itself now considers Huawei Technologies its most prominent strategic competitor.

Huawei's Ascend 910B chips also present themselves as a direct competitor to Nvidia's latest graphics processing units, such as the H100 GPU, in an indication of China's transformation from a consumer of technology to an innovative producer and a central player in the global technology system⁷⁷, contrary to expectations of giant Huawei's collapse in 2019.

After the first Trump administration cut off Huawei's access to American technology, including semiconductors, Huawei launched an effort to get rid of dependence on American technology, making rapid progress:

- By 2024, Huawei had launched new products powered by advanced chips and developed 5G network infrastructure.

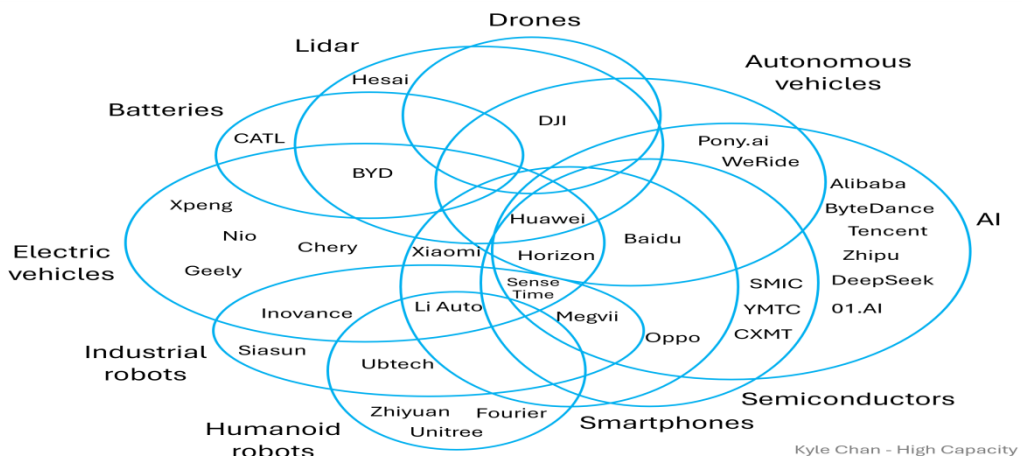
- China's largest chipmaker, Semiconductor Manufacturing International Corporation (SMIC), produces the Kirin 9000C 5G chips supporting 5G networks, designed by its subsidiary HiSilicon.

- Huawei is currently gradually phasing out American hardware and software in its personal computer applications, which until now relied on Qualcomm and Intel⁷⁸ hardware.

China's efforts to achieve self-sufficiency in the semiconductor industry have not been limited to major players such as Huawei and SMIC but have extended to smaller companies that were not previously known, such as Chang Xin Memory Technologies, which is making large investments in the production of dynamic random access memory (DRAM), raising China's global share from almost zero to 5% in just five years and under restrictions imposed by the United States and its allies.

The figure (02) illustrates that these companies operate within an overlapping tech-industrial ecosystem⁷⁹ that links chip design, manufacturing, data storage, and AI applications, reflecting China's shift from the role of a mere "assembler" to the construction of an integrated technological base.

Figure (2) :China's Overlapping Tech-Industrial Ecosystems



Source : KYLE CHAN (2025). China's Overlapping Tech-Industrial Ecosystems, High Capacity, January 22.

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China is also committing huge resources to boosting domestic research in semiconductors.

China has already made significant progress. It currently produces twice as many research papers as the United States on chip design and production, according to the Emerging Technology Observatory at Georgetown University⁸⁰.

Currently, Chinese engineers are employing innovative methods in chip design and production, which in some cases may lead to breakthroughs that surprise and threaten the American chip industries and their allies: In January 2025, an unknown Chinese startup, DeepSeek, unveiled an open-source search model, R1, which almost matches the capabilities of advanced models from Google, OpenAI, Meta Platforms, and Anthropic, raising concerns among investors about the billions of dollars invested in AI research and capital investments by American tech giants⁸¹.

The network map shown in Figure (02) illustrates how new actors, such as memory companies (like ChangXin) and emerging artificial intelligence firms (such as DeepSeek), have become part of the broader semiconductor ecosystem in China, where research and development activities intersect with production chains and end-use applications, thereby enhancing China's ability to achieve unexpected breakthroughs despite U.S. restrictions.

5. CONCLUSION

The current conflict between the United States and China reflects a structural shift in the nature of the competition between the two states from mere commercial competition to a strategic conflict over the architecture of the global technological system. American policies based on the strategic chokepoints seek to remain two to three generations ahead in design and manufacturing and to restrict the Chinese military's access to advanced semiconductor technology, while China's policies to eliminate chokepoints in the semiconductor industry are not just an economic competition issue to unleash China's possibilities to dominate the global digital transformation;

they are a major strategic issue in China from the perspective of the historic shift in power between the United States and China.

In this context, the policies of both countries are not merely ad hoc responses but rather part of a redefinition of the conditions of power and dominance in the global digital economy. Each seeks to control the chokepoints in value chains, from advanced manufacturing equipment to artificial intelligence infrastructure and critical minerals used in chip manufacturing. This trajectory is likely to continue, deepening a partial technological decoupling, or at least a profound reorientation of supply chains, thereby reshaping the map of global economic interdependence.

We have moved from an international economy based on complex interdependence -as a guarantor of stability- to an international economy based on the weaponization of interdependence, a source of power and a tool for conflict, which means that digital governance and supply chains have become arenas of national security and coercive conflict without direct war.

The struggle for technological dominance between the great powers will not only determine the future of technology but will also shape the geopolitical landscape for decades to come, as technological decoupling creates strategic challenges for the entire international environment.

Based on the above, this study puts forward a set of policy recommendations : First, there is a need to develop multilateral frameworks to regulate the use of technological control tools and industrial sanctions, in order to prevent “chokepoints” from becoming systematic sources of vulnerability in the global economy. Second, to encourage Global South countries, particularly in Asia and Africa, to adopt diversification strategies in their technology partnerships and supply chains so as to reduce their exposure to U.S.–China polarization, thereby enabling them to lessen their vulnerability to the weaponization of interdependence and to shift their position from a mere arena of great-power competition to a negotiating actor with a wider margin for maneuver within the emerging global geo-economic order. Third, to call for the integration of supply chain security and digital flow issues into the agendas for reforming global economic governance, on the grounds that they are no longer purely

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technical matters but have become a critical factor in power balances and national security within the emerging international order.

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