



## **Economic Nationalism and the Us-China Trade War: Deploying the Thucydides Trap Analysis**

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### **Abstract**

*The world is being inundated by the weaponization of tariffs in cross-border trade, leading to a trade war between the United States (US) and China, with a few other states such of Canada, South Korea and Mexico, already affected. This war makes nonsense of the ideal of globalization, a concept formulated by the Liberals to describe global interconnectivity, socio-cultural exchanges and removal of trade barriers in international trade. This distortion to global trade by these most developed economies of the world requires the attention of students of political economy, hence this study. This study seeks to examine the reasons for the imposition of high tariffs by the US and the retaliatory actions taken by receiving states. The theory of the Thucydides trap was deployed to analyze the work. Thucydides traced the cause of the Peloponnesian war of old Greek empire between Sparta and Athens and locate it on the rivalry between a dominant and rising state, respectively. Among others, the study found that for the US to maintain her dominance in global politics, the adventurism of China, a rising state must be clipped; hence the trade war. The study recommends that states involved in cross-border trade should have a comprehensive trade agreement in place to regulate their trade relationships.*

**Keywords:** Globalization, Trade-war, Thucydides trap, Tariffs and Protectionism.

### **Introduction**

The global economic relation, particularly under Donald Trump presidency in US, has been under intense challenge. It has been a rehash of rivalry between the economically strong and the weak or the rising states desirous of closing the gap of economic development. Political economy from the perspective of Ricardo (1817) affirms that politics and the economy at the global level are intertwined so much so that the success, or otherwise, of one determines the other. Indeed, economic activities at international level are largely dictated by the political class, with regard to their roles to formulate and implement economic policies (Ricardo, 1817).

Economic nationalism is a concept in international relations that prioritizes state intervention in the economy. It also advocates for high level protectionism such as introduction of government policies like tariffs, restrictions on labor (quota) and capital movement, duties and taxes to support domestic industries. Further, Foreign Direct Investment (FDI) occupies a central position in fostering economic development among trading partners of the international community (Mill, 1848).

Economic nationalism is usually characterized by the followings;

- i. Protectionism, which refers to state policies meant to protect domestic industries through tariffs, quota, taxes and levies, which in globalization, constitute trade barriers.
- ii. State intervention, which refers state's major role of subsidizing domestic industries.
- iii. Domestic control, this refers to economic policy to facilitate domestic control of the economy, reduce dependence on foreign goods and capital; and
- iv. Self-sufficiency, this refers the goal to drastically reduce reliance on foreign capital and investments (Hymer, 1976).

However, critique is of the view that the concept of 'economic nationalism' can lead to trade war. The unnecessary introduction of Tariffs and other trade barriers imposed to promote internal economic efficiency and to generate higher prices from importation of consumer goods, are for political reasons.

This paper shall interrogate what constitutes trade harmony in international relations with special focus on the US-China trade relation. Trade harmony has been described as the presence of cooperation among trade partners on the level of reciprocity (Bloomenthal, 2019). This refers to a cordial business environment where trade partners receive mutual benefits without excessive resort to protectionism. Other key elements of trade harmony include free trade that involves removal of tariffs, restrictions, quota and other unfair trade practices. The overall benefits trade harmony, among other things, are to promote economic growth among trade partners and prompt response to resolving trade disputes where they occur. This article will be charitable to the promotion of free trade which has been a major challenge in the US-China trade relations.

## Objectives

The main objectives of this paper are as follows:

- i. To examine what constitutes the component and impact of the US-China trade war.
- ii. To engage Donald Trump stated reasons for the imposition of high tariffs on imports from China-regarded as the trade war.
- iii. To examine the place of Protectionism in compliance to the global call for Globalization.
- iv. To outline the major consequences of the US-China trade war on global economic activities.

## The US-China Trade Relations under Donald Trump Presidency

United States (US) and China are both super- powers as well as top two global economic giants with military capabilities. From the International Monetary Funds (IMF) Reports, both states impact the world in many respects; US is the largest global economy, while China is ranked second; The US is a dominant state, while China is described as a rising state, in a race to level up with the US. Both states belong to opposing ideologies of Capitalism and Communism (Slightz, 2002). At the close of the cold war, capitalism took a heavy toll on communism, leading to the collapse of communism and disintegration of Soviet Union, the leader of the communist world. Since then, global economic relations have been defined largely under the new-found concept of globalization, a capitalist oriented economic framework (Sachs, 2008).

With the intensification of industrial revolution in developed economies, the mass production of goods and services far beyond local consumption necessitates export the surplus beyond state borders. As a result of subsequent economic reforms and the mass production of goods and services courtesy of improvements in technology, China and other communist states embraced capitalist attributes by joining the fray of cross-border trade between capitalist and communist states. In the other hand, the concept of free trade promoted under Liberalism engenders the participation of both state and non-state actors, thus expanding the frontiers of cross-border trade.

US-China trade relations has a rich history that spans several decades, but became intensified after Chinese economic reforms in the post-cold war era. The pace of trade between them

quickened at China's entry into the World Trade Organization (WTO) in 2001. The US and China have become most important trade partners since 2018 when China's economy improved tremendously under the leadership of Xi Jinping, to the extent that China has been acclaimed as the second largest economy in the world (Investopedia, 2019).

The United States on the other hand has been described as the world's largest economy with an average GDP of approximately \$20.513 trillion, notably for the reasons of:

- i. high average income
- ii. large population;
- iii. huge capital investment;
- iv. relatively high employment capacity;
- v. high consumer spending - big market;
- vi. a relatively young population; and
- vii. Technological innovations (Vo Lam Thy, 2014).

### **US allegations against China**

President Donald Trump in his first tenure and reinforced in the current second tenure, redirects US foreign and economic policies away from the dictum of '**America for all**' to '**America first**', a policy change that keeps US hitherto global friends and economic partners at bay. Under the policy, all trade relationships the US is involved to which America could not derive maximum benefits were reviewed by Donald Trump. Among other things, the US accused China of unfair trade practices that ends in trade deficit against the US; forced technology transfer intellectual property theft; and a claim by the US of consistently importing more from China than China imports from her, leading to a significant trade deficit. To address this anomaly of unfair trade deals by China, the US imposed astronomical tariffs on Chinese goods. China, in retaliation, imposed its own skyrocketed tariffs on variety of US imports into China. This scenario of weaponisation of tariffs as a reason to correct trade deficit, with corresponding punitive retaliatory actions, is now referred to as trade war. The US has even expanded the trade war beyond China, more trading partners of the US namely Canada, Mexico and South Korea have been dragged into the Web; thus gradually turning the trade war into a global economic war.

A table showing the World's top Economies and ten years of growth: 2015- 2025.

<b>Rank</b>	<b>Country</b>	<b>2015 (\$)</b>	<b>2025(\$)</b>	<b>%Change</b>
1.	USA	\$23.7trillion	\$30.3trillion	28%
2.	China	\$11.2trillion	\$19.5trillion	74%
3.	Germany	\$4.5trillion	\$4.9 trillion	10%
4.	Japan	\$4.1trillion	\$4.4trillion	6%
5.	India	\$2.4trillion	\$4.3trillion	77%
6.	UK	\$3.3trillion	\$3.7trillion	14%
7.	France	\$2.9trillion	\$3.3trillion	12%
8.	Italy	\$2.2trillion	\$2.5trillion	11%
9.	Canada	\$2.0trillion	\$2.3trillion	17%
10.	Brazil	\$2.1trillion	\$2.3trillion	8%
11.	Russia	\$1.9trillion	\$2.2trillion	15%
12.	South Korea	\$1.5trillion	\$2.0trillion	29%
13.	Australia	\$1.5trillion	\$1.9trillion	25%
14.	Spain	\$1.5trillion	\$1.8trillion	23%
15.	Mexico	\$1.6trillion	\$1.8trillion	14%
16.	Indonesia	\$990billion	\$1.5trillion	51%
17.	Turkey	\$918billion	\$1.5trillion	59%
18.	Netherlands	\$1.1trillion	\$1.3trillion	21%
19.	Saudi Arabia	\$925billion	\$1.1trillion	23%
20.	Switzerland	\$841billion	\$1.0trillion	28%
	<b>World</b>	<b>\$85.2trillion</b>	<b>\$115trillion</b>	<b>35%</b>

**Source:** *International Monetary Fund (IMF): February, 2025*

### **Literature Review**

A few of the plethora of literature on the raging US-China trade war are reviewed here under to spotlight some of the main issues at play. The trade war is a complex and multifaceted conflict that exemplifies the struggle for economic dominance with an underlying push both to maintain the hegemonic status and to close the gap of economic disparity. In other words, the central focus of the trade war is one driven by competition over global economic leadership between two superpowers; one a dominant state, the other, a rising state.

Fajgelbaum & Khandelwal (2021) spotlight the economic impacts of the US-China trade war that began in 2018 as a phenomenon that requires global attention. They identified the significant effects of the trade war to include;

The claim to correct trade imbalance between the US and China as the reason for US imposition of Tariff approximating \$350 billion worth of Chinese imports has been on the public space. China's retaliation in imposing tariffs on about \$100 billion US imports has occurred in consequence.

Brown (2021) provides an in-depth evaluation of the US-China trade war, focusing on the global reallocation of trade and economic activities arising from the conflict. His main arguments are summarized as follows:

- i. That the US-China trade war has led to significant global reallocation of trade and economic activities
- ii. That the trade war and the resultant economic stand-off between US and China has led to trade diversion, with states like Vietnam, Taiwan and Mexico, benefiting from the shift in trade patterned along the US-China stand-off; Finally,
- iii. He argues that the trade war has resulted in supply chain disruptions to global supply chain and highlighting the challenges faced by multinational corporations.

Liu & Chai (eds) (2022) in their edited volume provide a comprehensive analysis of the US-China trade war, focusing on the globalization of technology. The implication is the facilitation of international trade and economic relations. They explore the intersection of technology and globalization, examining how the US-China trade war reflects a broader struggle for technological supremacy. Further, from the book, the trade war brought to the fore the rise of China's technological contributions to global trade upon her revolutionizing massive production of goods, services, machineries and expertise put on the cross-border trade. Of much attention is the attendant push into global emerging technologies such as AI and 5G. Within the period of the trade war, Artificial Intelligence(AI) and 5G global discoveries that greatly facilitate cross-border trade as they add value in the area of doing business, particularly in global networking and development (Liu & Chai, (eds) (2022).

## **Globalization**

This refers to an increase interdependence and interconnectivity of states, non-state actors, investments, technologies, ideas, knowledge, goods, services, military and other security exchanges across the national borders. Main drivers of globalization are trade liberalization, technological advancements, foreign investment, migration and cultural exchanges (Sachs, 2008).

Slightz (2002) identifies Foreign Direct investment (FDI) where state and non-state actors such as multinational corporations get involved in trade promotion and economic integration, as another component of globalization (Slightz, 2002).

Finally, Keohane (1984) defines globalization in relation to migration and free movement of persons and goods across the borders, not only to promote trade but for cultural exchanges, all geared to unite the world and sustains its connectivity (Keohane, 1984).

## **The Trade War**

Krugman (2018) describes trade war as one of the side effects of protectionism. It occurs when country A increases tariffs on country B's imports, and in retaliation, country B raises tariffs and other restrictions on country A's imports. This circle of tariffs weaponization leads to injuries suffered by businesses and consumers in the belligerent states (Krugman, 2018).

## **Impacts of the Trade War and the Consequent Retaliations**

It is regrettable that what started as a trade dispute between US and China has assumed a full-scale trade war; earning the description of Iran's Foreign Minister, Javif Muhammad, as 'economic terrorism' (New York Times, 2019). On the global scale, the trade war not only shows both countries as political rivals, but deep-rooted economic enemies.

The US-China trade war is variously linked to the new policy of 'America first' introduced by President Donald Trump in his first term, in replacement of the policy of 'America for all' hitherto US guiding policy in international relations. On May 10 2019, Donald Trump announced the imposition of tariffs on a wide range of Chinese goods worth billions of dollars, in a manner that appears to distort global trade. Further, the US imposed 10% tariffs on \$250 billion worth of imports from China, according to Trump, to redress the huge trade deficit and redress the economic challenges inflicted on US economy. Tariffs imposed on

toys from China takes a heavy toll on her. Close to 85% of the toys sold in the US, prior the trade war, come from China. Again, on September 1 2019, Trump imposed another tariff regime of up to 25% on \$300 billion worth of goods imported from China; targeting industrial materials and their components, claiming that the tariffs have cost China more than the American consumers, indicative of a punitive action by the US (Liu & Chai, 2022). The trade war of high tariff regime put the world's two largest economies at daggers-drawn.

A debate now arose over the one that suffers the tariffs war most; the US or China, or anyone else? While the US claimed the tariffs have exerted tremendous pressure on China's economy, occasioning a downturn. China Foreign Minister, General Shuang, regarded the US claim as misleading, that not only both states are equally yoked, they urgently need a workable Trade Agreement to regulate trade between them (Wu,2021).

Further, Trump's reason for the trade war is that the tariffs will bring companies and factories back in United States and create more jobs. The huge tariffs imposed on imported China goods and technology are designed to stimulate local production in the US and thereafter promote job creations. Trump's tariffs have been expanded beyond China to include other US major partners like South Korea, Canada and Mexico (Silas, 2025).

As a continuation of the trade war, Trump, in his second term has ordered a review of the Foreign Direct investment (FDI) promoted under its USAID all over the globe. Under this new policy thrust, many developing states that have been direct beneficiaries of the USAID will have serious challenge in meeting up with their economic development (Atungwu, 2025).

Please capture the Table Showing the trade level of the US, China and other US trade partners before the trade war.

### **Other Countries to Which the US Trade War is extended**

On March 4 2025, the US imposed 25% tariffs on all goods imported from Canada, except for oil and energy, which attract 10% tariffs. Canada retaliated by imposing 25% tariffs on \$30 billion worth of American goods. Canada's next Prime Minister, who will take over from Justin Trudeau, Mark Carney has informed President Trump that his country will win the trade war, amid tariff war imposed on both sides (Silas, 2025).

In the same manner, the acting President of South Korea, Choi Sang-Mok has expressed worries over the misunderstanding over US imposed tariffs on her, and asked for a meeting to resolve it. Tariffs of average of four times higher than that imposed by the US are now





imposed on US goods by South Korea. This will in the short-run compromise the military and other assistance provided by Washington to its Asian ally. Prior to the trade war, South Korea's effective tax rate on US imports as of 2024 stood at 0.79% (Atungwu, 2025).

On Mexico, the US imposed 25% tariffs on all goods from Mexico, such as automotive and aerospace. Mexico responded with tariffs and non-tariff retaliatory measures against the US.

The trade war and its extension beyond China, resulted in significant global reallocation of trade and economic activity, disrupting supply chains and increasing consumer prices across the globe.

### **Countries that Maintain Trade Agreements with the US**

The US has trade agreements with twenty countries listed as follows:

1. Australia
2. Bahrain
3. Canada
4. Chile
5. Colombia
6. Costa Rica
7. Dominican Republic
8. El-Salvador
9. Guatemala
10. Honduras
11. Israel
12. Jordan
13. South Korea
14. Mexico
15. Morocco
16. Nicaragua
17. Oman
18. Panama
19. Peru, and
20. Singapore (Sachs, 2018).

These trade agreements aim to promote free trade, reduce tariffs and increase economic cooperation between the US and listed partners. It's remarkable that the US has no formal and comprehensive trade agreement with China; only trade related initiatives and deals exist between them.

## **Theoretical Framework**

### **Applying Thucydides Trap Analysis**

Thucydides trap is a concept that describes a scenario where a rising power challenges a dominant power, such challenge often leads to war. This concept is formulated by an ancient Greek historian named, Thucydides. Thucydides (C. 460 - C. 400 BCE) was an Athenian historian who recounts the Peloponnesian war of 5th century BC between Sparta and Athens, from 431 - 404 BCE. Thucydides was variously described as the father of 'Scientific history' by those who accept his claims of applying his standard of objectivity in evidence gathering to analyze cause and effect of the Peloponnesian war. He saw politics as involving morality questions but refused to accept that morality is dominant in politics. Thucydides lean towards realism as egoism, anarchy, power and self-interest that define realist school are present in his postulations.

Thucydides observed the Peloponnesian war in old Greek empire between Athens, a rising state and Sparta, a dominant state. The key components of the Thucydides trap analysis include; a rising power who rapidly increases her economic, military and political influence to be at par or suppress that with hegemonic power. The one with hegemonic status (dominant power) increases his pace to avoid being overtaken, creating a scenario where the adventurism of the rising power faces high level insecurity leading to a circle of tension escalating (Cochrane, 1929).

Thucydides locates the cause of the Peloponnesian war on the change in distribution of power between the two blocs of Greek city-states: the Dalian league under the leadership of Athens, the rising power; and the Peloponnesian league, under the leadership of Sparta; the dominant power. Thucydides holds that the rise in power by Athens caused tremendous security threat to the Spartans, thus propelling them to war (Korab-Karpo et al, 2013). Thus, Thucydides wrote: 'what made the war inevitable was the growth of Athenian power and the fear it caused Sparta (Cochrane, 1929). Thucydides is fastidious in exploring the phenomenon by focusing

on the cause and effect of the war, coupled with a paradigm that draws closer to the 20th century positivism.

The term 'Thucydides trapping an advert in the New York Times of April 6 2017, the day President Trump met with Xi-Jinping over the trade war between Washington and Beijing. The rapid rise of China in global politics particularly in military and economic spheres, results in great concern to the US and a potential threat to its dominant position in global politics. The Thucydides trap suggests that conflict is more likely to occur when a rising state challenges a dominant power. The trade war is reminiscent of the Peloponnesian war in Greek city-state of old, although now fought on economic plain, but with a quasi-political component. The war was launched by the US under President Donald Trump; a dominant power, to clip the adventurism of China, a rising power. Donald Trump's allegations of trade deficit and intellectual property theft against China as part of the reasons for waging the trade war against China is only a smokescreen. Drawing from the outcomes of Thucydides trap analysis given above, the imposition of high tariff regime on China imports by the US is propelled by political reasons to keep down China, a rising state and not necessarily to correct trade imbalance against the US.

## Findings

The findings of the study derived from the objective are summered as followed:

- 1. To examine what constitutes the component and impact of the US China trade war**
  - i. The study has shown that as a result of the trade war, Foreign Direct investment (FDI) has suffered a great deal in US economic policies. The operations of USAID is being conscripted under the presidency of Donald Trump as the economic assistance extended by the US to needy or developing states in form of grants, Aids, infrastructural and refugee support assistance have drastically reduced, while in some areas, suspended altogether.
  - ii. It has been revealed that economic nationalism is a by-product of state intervention, which collectively lead to the concept of 'protectionism'. Protectionism is a concept that limits globalization.
  - iii. Finally, while it is true that the US-China trade has recorded imbalance in favour of China before tariffs introduction, it is however found that the trade war was an extension of the US and China political rivalry in international politics.

**2. To engage Donald trump stated reason for the imposition of high tariffs on imports from China- regarded as the trade war.**

- i. The US-China trade war is weaponized by high tariffs imposition.
- ii. Donald Trump has expanded the trade war beyond China, to countries such as Canada, Mexico and South Korea, who are known US trade partners.
- iii. Apart from the reallocation of supply routes, both the US and China involved in the trade war suffer various negative outcomes in their respective economies.

**3. To examine the place of protectionism in compliance to the global call for globalization**

- i. Economic nationalism is a by-product of state intervention, which collectively lead to the concept of 'protectionism'. The study found that Protectionism is a concept that limits globalization.
- ii. The US-China trade war poses great challenge to the principle of globalization which advocates the elimination of trade barriers such as tariffs, taxes, levies and other forms of economic stand-offs.

**4. The consequences of the trade war on global economic activities.**

- i. The trade war has led to global supply chain disruptions, with the promotion of US trade with lesser-known states such as Vietnam, Taiwan and Mexico.
- ii. As a result of the trade war, Foreign Direct investment (FDI) has suffered a great deal in US economic policies. The operations of USAID are being conscripted under the presidency of Donald Trump as the economic assistance extended by the US to needy or developing states in form of grants, Aids, infrastructural and refugee support assistance have drastically reduced, while in some areas, suspended altogether.
- iii. The trade war re-emphasizes the prevailing rivalry between rising states, who rise in challenge to and receive the resistance of dominant states, so as to perpetuate their dominance. The Peloponnesian war that created this scenario of rivalry between rising and dominant state, is made manifest in the Thucydides trap concept deployed to analyze this work.

## Conclusion

This study has engaged the topical issue of the on-going US-China trade war that is gradually putting the world on the edge, redefining the course of cross-border trade and the eventual stress-up of global interdependence and free trade in general. The global promotion of the concept of Globalization and the shift of China from communist principles to capitalist tenets, have propelled her to open a wide channel of trade wide the US, her major adversary in global politics.

Finally, the imposition of high tariffs on China imports claimed by Trump to be designed to resolve the trade imbalance between them, have been discovered in this paper to be in furtherance of political motive. The US, a dominant state, deploys the trade war as an instrument to reduce the capacity of China, a rising state to pose a credible threat to the US.

## Recommendations

The following are some of our recommendations:

1. Adherents of free trade should do all that is possible to avoid imposition of high tariffs on imported goods from trading partners so as to de-escalate economic tensions such as the present case with US-China trade war.
2. It is expected that cross-border trade be regulated under a comprehensive trade agreement between trade partners, and each participant should live within the ambit of that agreement.
3. All concerned should strive to deliver a world of economic prosperity, free movement of goods, services and other forms of socio-cultural exchanges. Trade agreements should not be politicised; global trade should be detached from the precinct of politics.
4. Both the US and China, as two most developed economies of the globe should diffuse the present the present economic stand-off between them, occasioned by what is now described as US-China 'trade war '.
5. For the US to extend her trade war With China to states such as Canada, South Korea and Mexico, her erstwhile trade partners, with a likelihood of adding more states to the Web of the trade war, is to spread economic underdevelopment round the world. The US should consider the overall benefit trade without barriers will add to the global economy and act appropriately.

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