

The Development of the United States – China Trade War in 2018 – 2023: An Analysis Through the Theory of Neo-Mercantilism

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Abstract

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–2023: Analsis Through Neo-Mercantilism Theory, aims to analyze the extent to which the trade war between the United States and China has an impact on the two countries. This research focuses in the form of a question How neo-mercantilism theory analyzes the development of the trade war by the United States and China in 2018-2023? Then, this research uses a literature study with a descriptive method with a qualitative approach. The selection of a qualitative approach is based on the presentation of data in the form of writing and images as a description of the trade war between the United States and China. The descriptive method used in this study is used to identify and analyze the extent to which the trade war between China and the United States has a major war for the economic competition of the two countries and its subsequent effects. Research on the trade war between China and the United States provides a repertoire in international trade in particular and international relations in general. With this study, a further understanding will be obtained and how other countries anticipate and produce solutions to the trade war between the United States and China.

Keywords: Trade war, China, United States, Protectionism

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INTRODUCTION

The liberalization of international trade promotes economic progress and the international division of labor and specialization among countries. The superpowers of the United States and China have recently competed over trade liberalization. The historical factor of tyrannical glory that drove China's leaders currently led by Xi Jinping has pushed China to become a superpower that began to displace the United States (Shambaugh, 2013). International trade itself has its advantages and disadvantages. In terms of advantages, it can obtain goods that cannot be produced by itself, expand the market, increase economic growth, help in obtaining benefits internally and externally, and establish friendship between countries (Atillah & Gischa, 2023). Then in terms of the lack of international trade, there is injustice in the distribution of benefits, dependence on exports, declining sales of local products, tendency to monopoly, and increasingly tight global competition (Putri, 2022).

Donald Trump took advantage of China's efforts to shift the United States as a superpower as his campaign promise. Trump implemented a policy of US protectionism during his campaign and managed to win the US presidential election defeating Hillary Clinton. With his protectionist policy, Trump imposes

high import tariffs on Chinese products, while China also imposes high import tariffs on U.S. products (Saifulloh, 2020). Protectionism is an economic policy that protects companies and domestic workers from imported goods that have the potential to rival domestic products. Protectionism tries to protect domestic industries from import competition by using methods such as tariffs on imported goods, quota restrictions, and subsidies. This policy aims to help the domestic industry to develop and improve the welfare of the domestic population (Berita Bisnis, 2023). Until recently, the two countries competed in terms of technology, not just economy and security, as happened between Google and Huawei.

In early 2017, the election of Donald Trump, an entrepreneur as US president, continued Barack Obama's position, opening a new chapter in US history. Trump's economic and political policies have caused a lot of controversy in the United States and in the world. In his efforts to restore the glory of the United States. Especially in relation to China, Trump wants to implement economic policies similar to mercantilist policies. Trump has announced the implementation of tariffs on imports from China worth \$60 billion and will limit investment in China's technology industry on March 22, 2018. The official trade war began by raising high tariffs on a number of Chinese imported products, especially steel and aluminum since early March 2018, which had an impact on the world economy, especially China (Aprilianti, 2019).

Donald Trump seems to see the resurgence of China's economy as a threat to the power of the US economy. The economy of each country has a great influence on the global economy. With a GDP of 20.54 trillion USD, the United States is the country with the largest GDP in the world, followed by China with a GDP of 13.61 trillion USD in 2018 according to World Bank data. The level of Chinese exports to the United States has increased, although the United States still holds the top position in the Gross Domestic Income (GDP) level. In 2018, China's exports to the United States reached Rp. 4,600 trillion, reaching the highest level since the past seven years, with an increase of 9.9% of China's total exports (Tempo.co, 2019). The number of Chinese exports to the US has increased since 2017. The production of Chinese goods entering the US increased by 21.6%, with total Chinese imports worth US\$505.5 billion that year (Farrassati, 2019).

President Donald Trump is trying to maintain the domestic economy and improve the trade balance deficit, where imports are greater than exports, by imposing import tariffs on Chinese goods of \$50 to \$60 billion and issuing a list of 1,300 Chinese exports that will be subject to tariff increases. The tariff hike is in response to a growing number of Chinese exports that could threaten domestic products (Bariah, Anam, Mubarak, & Rohman, 2020).

The rivalry between the United States and China began when both countries imposed high customs tariffs and hampered international economic growth. This has an impact on the global economy, especially on the United States and China itself, as both countries implement protectionist policies to reduce customs costs. This study describes the impact of instability on the national economies of two countries, namely the United States and China.

THEORETICAL STUDIES

The neo-Mercantilism theory is the latest Mercantilism strategy used by the majority of countries during the period of liberal international trade. Neo-Mercantilists consider the global economy as "zero-sum game" And they see it as an arena of competition to gain wealth from the cooperation of the country. Neo-Mercantilists also consider the gains gained by other countries to be a loss to their own countries (Jackson & Sorensen, 2013)

Neo-Mercantilism believes in free trade and believes that every country must conduct open financial transactions to improve its economy. However, Neo-Mercantilists argue that both methods are not enough. According to Neo-Mercantilists, the state must also use its political power to implement protectionist policies to safeguard domestic industries. In other words, the Neo-Mercantilists support government intervention in national economic policy. Applying barriers to international trade is one example of the intervention in question. More specific examples include the regulation of export-import of goods and services, such as reduction of import quotas, reduction of export quotas, and increase of tariffs, among others. However, the most common policies are tariff and non-tariff policies (Sukirno, 2013)

Neo-Mercantilism encourages the state to implement protectionism policies. Neo-Mercantilism protectionism usually focuses on the use of policy Tariff Barrier (TB) and Non-Tariff Barrier (NTB) to protect the domestic industry. Tariff Barrier Usually applied by using duties Countervailing tax, anti Dumping, and surcharge. In this case, the greater protection policy is usually used in the form of Non-Tariff Barrier (NTB), such as quota reductions, technical provisions, benchmark prices (customary prices), health regulations, or quarantines, etc (Lumbantoruan, 1992).

In addition, this theory states that a country tends to impose economic sanctions on other countries. The state does this to fulfill the interests of the state. Nonetheless, to do this, at least in Neo-Mercantilism, four essential components are needed. These four components are used by the state to achieve its interests. Protectionism, promotion, education, and infrastructure are the four components (Falkner, 2011)

RESEARCH METHODS

Researchers using qualitative research methods. Qualitative research is a type of research that collects data about people and their behavior in the form of written and oral. This means that the data combined results in words or sentences and pictures, not numbers. Interview transcripts, photographs, personal documents, or other official documents can be the source of this data. In addition, the understanding and interpretation of social events, such as interactions and also analyzed behaviors, can be obtained with the help of this technique (Moleong, 2018). The research in this method focuses on issues related to the trade war between the United States and China starting in early 2018.

In this study, the researcher used a descriptive method of analysis with qualitative data. In other words, research is carried out through an approach to the object being studied, so that the researcher gets accurate data. According to

Iskandar (2008), because qualitative research uses a naturalistic paradigm or descriptive phenomenology, researchers can usually obtain research data in the form of words, images, field notes, personal documents, photos, and cameras during data collection.

RESULTS AND DISCUSSION

Using the theory of neo-mercantilism, this research connects with the concept of protectionism and trade war. Through the use of the concept of protectionism, it explains how the governments of the United States and China through economic policies to prot

ect the country's economy from competition between the two countries by carrying out protection policies such as tariff restrictions and quotas that have the goal of reducing imports. So it can be seen how the dispute between the United States and China through protectionism policies has created a phenomenon called a trade war.

The United States-China Trade War

The trade war that occurred between the United States and China can be said to have started in early 2018 when the president of the United States, Donald Trump, imposed import tariffs on goods originating from China. Donald Trump as a politician has long criticized the US trade policy since the 1980s, he often voiced concerns about the US trade deficit and unfair trade practices by other countries.

After Donald Trump announced his candidacy for President of the United States, he in his announcement speech alluded to the trade competition between the United States and China and said that he would beat China in the trade sector. Donald Trump regularly criticizes China for trade practices it considers unfair, including a trade deficit with the United States. He also criticized a significant trade deficit in 2016 that reached about \$346 billion (Boylan, McBeath, & Wang, 2021). Donald Trump in his campaign emphasized "America First" and criticized the protectionist policies of the United States. He also emphasized the importance of reducing the United States' dependence on foreign natural resources and increasing employment in the manufacturing and agricultural sectors. Donald Trump also called for "Make America Great Again" as a slogan with a focus on returning manufacturing jobs to the United States, reducing the trade deficit, especially with China, and renegotiating unfair trade agreements.

In his campaign, Donald Trump also announced a strategy to reform the U.S.- China trade relationship, strategies such as treating China as a currency manipulator, fighting China on copyright and forced technology transfers, ending export subsidies and lax labor and environmental standards in China, using tariffs as a negotiating tool for a better deal with China, and lowering U.S. corporate tariffs to make U.S. manufacturing more competitive (Hass & Denmark, 2020). By discussing the issue that occurred between the United States and China, Donald Trump received a lot of support and was elected President of the United States in early 2017.

After Donald Trump was inaugurated as president of the United States, trade between the United States and China became increasingly detrimental to the United States, where in the previous year, 2016, the United States' trade deficit

with China amounted to US\$ 346.825 billion to US\$ 375.167 billion in Donald Trump's first year in office i.e. 2017 (United States Census Bureau, 2024). The United States conducted an investigation into China's trade practices related to the transfer of technology, intellectual property and innovation formally began in 2017 under President Donald Trump's administration. In August 2017, the U.S. Trade Representative (USTR) began an investigation under Section 301 of the Trade Act of 1974. The investigation is focused on China's policies and practices related to technology transfer, intellectual property, and innovation (Candrawijaya, 2022).

This investigation resulted in a series of trade actions by the United States against China, precisely after 1 year in office and the deficit that occurred was increasing, President Donald Trump started a protectionist policy which became the beginning of the trade war occurred, precisely on January 22, 2018 by imposing import tariffs on solar panels and washing machines from China. On the same date, the United States announced a 10% tariff on \$200 billion worth of Chinese imports, which is planned to increase to 25% by the end of the same year (Bagaskoro, 2020).

On March 8, 2018, Donald Trump announced import tariffs of 25% for steel and 10% for aluminum. The signing of this policy was carried out at the White House and was attended by workers from the steel and aluminum industries. The tariffs apply to all countries, except Canada and Mexico, which are currently negotiating the North American Free Trade Agreement (NAFTA). This policy came into effect on March 23, 2018 (Hanung, 2018). On April 2, 2018, China imposed tariffs on 128 products from the United States in retaliation for tariffs imposed by the United States on steel and aluminum products. Of the 128 products, 120 products are subject to a tariff of 15%, while 8 products, including pork, are subject to a tariff of 25% (Wirayani, 2018).

On April 16, 2018, the United States prohibited U.S. companies from selling components to Zhongxing Telecommunication Equipment (ZTE). This ban was imposed after ZTE was accused of violating a trade embargo between the US and Iran. ZTE must pay a \$1 billion fine and keep \$400 million worth of guarantees in a U.S.-approved bank to lift the ban. This ban will later lead to a trade war between the United States and China (Christine, 2018).

On July 6, 2018, the United States imposed a 25% tariff on \$34 billion worth of Chinese goods. The imposition of these tariffs is part of a broader policy to respond to China's perceived unfair trade practices and intellectual property theft. In response, China also imposed retaliatory tariffs on U.S. products of the same value. This further exacerbates tensions in trade relations between the two countries (CNN Indonesia, 2018).

On August 23, 2018, the United States imposed an additional 25% tariff on \$16 billion worth of Chinese goods. The imposition of these tariffs is part of the U.S. response to trade practices deemed unfair by China. The goods affected by the tariffs include about 279 products, including chemical goods and diesel fuel. This was done as a step to pressure China to change economic policies that are detrimental to the United States (Triyono, 2018).

On September 24, 2018, the United States imposed a 10% tariff on US\$200 billion worth of Chinese goods. Then in response, China retaliated by imposing

tariffs on goods from the United States worth US\$60 billion. The imposition of this retaliatory tariff was announced on September 24, 2018, in conjunction with the implementation of the United States tariff. China is applying additional tariffs ranging from 5% to 10% on various U.S. products as a form of retaliation to the recently implemented U.S. tariff policy (Sari, Ismira, & Khaldun, 2023). After the imposition of import tariffs carried out by the United States, data shows that the trade deficit that occurred on the trade carried out by the United States with China actually increased to US\$ 418,232 billion (United States Census Bureau, 2024).

After the trade deficit increased by around 11.4% from the previous year, the United States under the leadership of Donald Trump continues to implement import tariffs on China. At the beginning of 2019, trade negotiations between the two countries were stalled, so on May 10, 2019 the United States increased tariffs from 10% to 25% on \$200 billion worth of Chinese imports. The move is part of growing tensions in the trade war between the United States and China. In addition, the United States also plans to impose tariffs on other imported products from China worth \$300 billion, further exacerbating trade frictions between the two countries (Arisanto & Wibawa, 2021).

On May 15, 2019, the United States entered Huawei into the United States *Entity List*. This decision was taken by the US Department of Commerce and came into effect on May 16, 2019. Huawei's inclusion in this list means that the company must obtain permission from the U.S. government to purchase components and technology from U.S. companies, which has a significant impact on Huawei's ability to operate globally, especially in terms of access to advanced technology required for their products (Frandya, 2019).

On June 1, 2019, China increased tariffs on goods from the United States worth \$60 billion. This is a retaliation for President Donald Trump's decision to increase tariffs from 10% to 25% on 5,000 Chinese imports worth \$200 billion on June 1, 2019 (Sinintya, 2019). On August 5, 2019, China stopped purchasing U.S. agricultural products in retaliation for U.S. tariff policies applied to Chinese products. On the same date, U.S. Treasury Secretary Steven Mnuchin called China a currency manipulator after China retaliated against the United States by devaluing the value of the Yuan. The United States threatens to crack down on China's actions through International Monetary Fund (CNBC Indonesia TV, 2019).

On September 1, 2019, the United States imposed additional tariffs on \$125 billion worth of Chinese goods. The tariffs are part of broader measures in the trade war between the U.S. and China, where the U.S. seeks to pressure China to meet trade demands and change practices it deems unfair. In response, China also applied retaliatory tariffs on U.S. products worth \$75 billion (Sari, Ismira, & Khaldun, 2023). On December 13, 2019, the United States and China announced the "Phase One Agreement" to reduce some tariffs. China agreed to increase purchases of U.S. goods and services by \$200 billion over two years, the United States agreed to partially reduce tariffs on Chinese goods and China pledged to protect intellectual property and open up its financial sector. The deal is the first step to reduce tensions in a trade war that has been going on for nearly two years (Sullivan, 2020). After the United States became more aggressive towards China by continuing to increase tariffs and the announcement of the "Phase One

Agreement", the United States' trade balance deficit with China began to decline to US\$ 342,629 billion or around 22.2% from the previous US\$ 418,232 billion (United States Census Bureau, 2024).

Following the announcement of the "Phase One Agreement" in December 2019, this agreement was officially signed by the United States and China on January 15, 2020 at the White House, Washington, D.C. this signing has an impact on the tariffs in place, such as the United States canceling additional tariffs scheduled to begin December 15, 2019, the United States reducing tariffs on US\$ 120 billion worth of Chinese goods from 15% to 7.5%, however, the 25% tariff on Chinese goods worth US\$ 250 billion remains in effect. (Eka , 2020)

On February 14, 2020, China cut tariffs on some United States goods. The tariff cuts are part of the implementation of the "Phase One Agreement" between the United States and China. The scope of these tariff cuts includes China cutting tariffs on U.S. goods worth US\$ 75 billion, tariffs on some U.S. goods reduced from 10% to 5%, and tariffs on other goods reduced from 5% to 2.5% (Sullivan, 2020). In March 2019, the emergence of the COVID-19 pandemic led to a temporary decrease in tensions between the United States and China as both countries faced pressing health and economic challenges. China quickly took steps to suppress the spread of the virus and focused on its economic recovery, therefore China managed to show positive economic growth in the midst of the crisis. Meanwhile, the United States is experiencing difficulties in handling the pandemic (Hasibuan, Nurain, Putra, Fitriani, & Sudrajat, 2023).

On August 6, 2020, President Donald Trump issued an executive order to prohibit transactions with ByteDance (TikTok owner) and Tencent (owner of WeChat). In the order, Donald Trump emphasized concerns related to national security, stating that such apps could collect personal data of users in the United States and could potentially be misused by the Chinese government for espionage purposes. The order gives U.S. companies 45 days to stop all transactions with the two companies (Gertz, 2020).

On August 17, 2020, the United States tightened restrictions on Huawei and prohibited global suppliers from using United States technology to produce chips for Huawei. The U.S. Department of Commerce announced new measures expanding the previous ban with the aim of preventing Huawei from acquiring semiconductors without a special license. The measure includes a ban on foreign companies that use U.S. software or technology in their chip production processes to sell semiconductors to Huawei (CNBC Indonesia, 2024).

On September 15, 2020, the World Trade Organization (WTO) Panel ruled that the United States tariffs violated global trade rules. The three-member panel stated that the tariffs imposed by the U.S. only apply to China and exceed the agreed maximum limit. The tariffs in question are tariffs on Chinese goods worth more than \$200 billion imposed by the Trump administration since 2018. This decision was made because the panel judged that the United States tariffs were discriminatory against China, that the tariffs exceeded the maximum tariff limit that the United States had agreed upon, and that the United States failed to provide sufficient justification for such actions under WTO rules (Barus, Suhaidi, Sutiarnoto, & Leviza, 2022). With the signing of the "Phase One Agreement", the United States' trade balance deficit with China decreased again, which was

previously US\$ 342,629 billion to US\$ 307,966 billion, or decreased by around 11.4% in 2020. This decline is quite significant even though it is experiencing a global pandemic, namely COVID-19 (United States Cencus Bureau, 2024).

In 2021, the United States government began to be led by a new President-elect, Joe Biden. After his inauguration as president of the United States, Joe Biden began reviewing Donald Trump's trade policy toward China immediately, but a formal and comprehensive review was announced a few months later on October 5, 2021 to be precise. In an announcement delivered by Katherine Tai as the United States Trade Representative, the Joe Biden administration will conduct a thorough review of Donald Trump's trade policy with China, the United States will also maintain existing tariffs while opening the possibility for certain exceptions, and the United States will work to enforce the "Phase One Agreement" signed in January 2020 (Wang S. , 2024).

The purpose of this review is to evaluate the effectiveness of Donald Trump's trade policies, develop new strategies to address China's perceived unfair trade practices, and protect the economic interests of the United States while maintaining relations with allies. Although a formal review was announced in October 2021, the process of evaluation and policy adjustment has actually begun since the beginning of Joe Biden's administration. The review marks a shift in approach in U.S.-China trade relations, although many elements of Trump's policies have been retained (Davis, 2024). In June 2021, there were various diplomatic meetings between high-ranking officials of the United States and China. Despite efforts to discuss trade issues, tensions remain high, especially related to China's foreign policy in the Asia-Pacific region and human rights. China has responded to U.S. policy by increasing support for domestic companies in the technology sector and seeking to strengthen their position in the global market. This includes efforts to build a more independent innovation ecosystem and reduce dependence on foreign technology (Shroff, 2020).

On June 8, 2021, the United States Senate approved "*CHIPS for America Act*". The bill is part of a larger effort to increase domestic semiconductor production in response to China's dominance in global supply chains. The bill aims to provide incentives and support for semiconductor research, development, and manufacturing in the United States with a focus on strengthening economic resilience and national security (Arcuri, 2022). In the first year of President Joe Biden's presidency, the US trade balance deficit with China rose again from US\$ 307.966 billion to US\$ 352.806 billion (United States Cencus Bureau, 2024). This is due to the increasing demand for consumer goods and manufactured products, especially after the post-COVID-19 pandemic economic recovery. Many U.S. companies are turning to China to meet their supply chain needs (Shroff, 2020).

The US trade deficit remains a problem during the leadership of Donald Trump and Joe Biden. In 2021, the United States' foreign trade deficit with China rose again by around 14.6%. Therefore, in February 2022, the United States announced a new Indo-Pacific strategy. The strategy aims to advance a free and open, connected, prosperous, secure, and resilient Indo-Pacific region. In addition, the United States is also improving economic ties with allies in the region to offset China's influence. Examples of strengthening economic ties include the launch of

cooperation agreements Millennium Challenge Corporation (MCC) United States-Indonesia in November 2022 with assistance of 698 million US dollars to support Indonesia's goals in the field of infrastructure and development (Yulianingsih, 2023).

In March 2022, China filed an official complaint at the World Trade Organization (WTO) regarding the United States' policies that were considered detrimental. The move is part of China's efforts to respond to the tariffs imposed by the United States and to champion their trade interests in international forums. Then the United States announced that it would expand the list of goods subject to additional tariffs, especially on high-tech products from China. These include measures to limit China's access to advanced semiconductor technologies that are considered crucial for the technology and defense industries. China responded to the new tariff policy of the United States by threatening to take countermeasures. China's Ministry of Commerce stated that it will consider all options to protect the interests of their domestic economy and enterprises (Revo, 2024).

In April 2022, China began litigation proceedings at the World Trade Organization (WTO) regarding discriminatory treatment from the United States. This lawsuit is related to subsidies to electric cars under the United States' 2022 Inflation Reduction Act. The lawsuit shows that China feels that the United States has engaged in unfair protectionist practices such as limiting tax credits for car buyers who use battery components from Chinese, Russian, North Korean, or Iranian manufacturers (Arbar, 2024). China warned Japan not to support restrictions on semiconductor exports by the United States. Chinese Foreign Minister Qin Gang said that the United States has used intimidation tactics against Japan's semiconductor industry and is now using the same tactics against China. China urged Japan not to help the United States in pressuring China's semiconductor industry (CNBC Indonesia, 2023).

Then the effort *Decoupling* between the West and China continues. Delegates from 14 countries led by the United States gathered in Los Angeles on September 8, 2022 to form a *Indo-Pacific Economic Framework for Prosperity* (IPEF). The main goal of the IPEF is to break economic ties with China in order to establish economic leadership under the command of the United States. This effort shows that the United States continues to seek to distance itself from China economically (Saragih, 2023). In June 2022, China filed a formal complaint at the World Trade Organization (WTO) regarding the tariff policy implemented by the United States. This action is part of China's efforts to respond to the United States' trade policies that are considered detrimental. The United States government announced that it will tighten export controls on semiconductor technology to China. The move aims to prevent China from accessing technology that could be used for military purposes and improve the capabilities of its technology industry. *ByteDance* (TikTok owner) under pressure from the United States government began routing all of its user data in the United States to infrastructure *Oracle cloud* as part of "*Project Texas*". The US\$1.5 billion project aims to ensure the security of user data and alleviate concerns about the Chinese government's influence on the platform (Rakhmayanti, 2024).

Tensions between the United States and China have risen as the United States announced that it would conduct further investigations into technology

companies operating in China to ensure that there are no violations of national security policies. In August 2022, China announced that it would strengthen investment in semiconductor technology in response to United States policies restricting China's access to advanced technologies. This is part of China's efforts to reduce dependence on foreign technology and increase domestic production capabilities. The United States issued a statement reaffirming its commitment to protecting national security through tighter export controls on high-tech products, including semiconductors and hardware that could be used for military purposes. The move aims to prevent the transfer of sensitive technology to China. In the context of technology competition, the United States announced plans to increase investment in domestic technology research and development, especially in the semiconductor and artificial intelligence (AI) sectors. This is part of a strategy to maintain a competitive advantage in the global market. China responded by warning that the United States' actions could lead to a "technological cold war" that would be detrimental to both sides. China stressed the importance of international collaboration in the field of technology and called for dialogue to reduce tensions (Khusniani, 2023).

During 2022, the United States experienced a surge in imports from China, especially in the consumer and manufacturing product categories. This is due to the increasing demand for these goods in the United States which cannot be fully met by domestic production. Although high tariffs are imposed on Chinese products as part of the trade war, the impact on deficit reduction is not significant. In fact, the US trade balance deficit with China has not decreased but has increased from US\$ 352.806 billion in 2021 to US\$ 382.133 billion in 2022 (United States Census Bureau, 2024).

During Joe Biden's 2-year administration, the trade balance problem with China was still something that had not been good for the United States, with an increase in the trade balance deficit of around 8.5%. Therefore, in January 2023, the United States continued its policy to strengthen export controls on advanced technologies, including semiconductors, to prevent China's access to technologies that could be used for military purposes. The move is part of the United States' efforts to reduce dependence on China and enhance economic resilience and national security (Fadhilla, 2024). In February 2023, the Joe Biden Administration continued the protectionist policies implemented by the previous administration with a focus on protecting domestic industries and reducing dependence on Chinese supply chains. This includes efforts to strengthen semiconductor production domestically through legislation such as "CHIPS for America Act". In March 2023, China responded to the United States' protectionist policy by increasing support for domestic companies and seeking to strengthen their position in the global market. This includes efforts to increase production in the technology sector and displace foreign competitors in the process. At the same time, the United States continues its policy of strengthening export controls on advanced technologies, including semiconductors, to prevent China's access to technology that could be used for military purposes. The move is part of the United States' efforts to reduce dependence on China and enhance economic resilience and national security (Shroff, 2020).

In June 2023, a technology blockade between the two countries took place. The United States continues to launch attacks by throwing the narrative that Chinese technology is dangerous for its country. The U.S. government has also tightened China's technological growth by blocking a number of companies doing business in the United States and its allies. China has also blocked products from the United States for similar reasons, endangering its national security (Bestari, 2023). The blocking action includes:

- Huawei and ZTE;
These two companies are victims of the US-China technology war. Huawei was blacklisted by the United States in 2019, when the United States accused Huawei of infringing intellectual property rights and potentially endangering national security.
- Tiktok;
TikTok also has to feel the bitterness of the technology war. The United States banned the use of TikTok on government devices and ordinary citizens after the United States foreign affairs committee proposed a bill for a nationwide ban on the platform.
- Google, Facebook, and Twitter;
Major platforms such as Google, Facebook, and Twitter are not available in China due to strong censorship on technology in the country. People use local services such as Baidu, Weibo, and Youku Toutiao.
- Micron.

China blocked US chip company Micron because the technology brought by Micron is considered to endanger China's national security.

During 2023, imports of goods from China to the United States experienced a significant decline. The data showed that imports from China fell by 7.41% from \$67.156 million to \$62.182 million. This decline is due to a decrease in demand for certain goods and a change in consumer spending patterns in the United States. Then to control inflation, Federal Reserve the United States has raised interest rates aggressively. This interest rate hike has an impact on reducing consumer purchasing power and slowing down the demand for goods which contributes to a decline in imports from China (Bratadharma, 2023).

Several companies in the United States have begun to look for alternatives to reduce their dependence on products imported from China. This includes moving production bases to other countries or increasing domestic production which reduces the need to import goods from China. The economic slowdown in China and other trading partner countries has also affected China's exports to the United States. Global economic uncertainty could lead to a decline in demand for goods exported by China. As well as high tariffs still in effect, the impact on trade volumes is starting to be seen. Stricter trade policies from the United States may have prompted companies to adjust their strategies, thereby reducing the volume of goods imported from China (Revo, 2024).

With these things happening during 2023, the United States' trade balance deficit with China has decreased drastically to US\$ 279.107 billion. Where the trade balance deficit in the previous year was US\$ 382.133 billion. Of course, this can be said to be a good start of achievement because during the trade war that

occurred, the deficit of the United States' trade balance with China was always penetrated at more than US\$ 300 billion. Even if it is pulled back further, this is the best trade balance for 1 decade (United States Census Bureau, 2024).

Toeri Neo-Mercantilism Analysis of the Trade War

Looking at the definition of the neo-mercantilism theory, the trade war between the United States and China is very much in line with this neo-mercantilism theory. With the protectionism policy of the two countries which is an economic intervention of the governments of each country with a focus on trade surplus through support for domestic industry and an emphasis on national competitiveness. In the trade war between the United States and China, protectionism policy is the main key in the trade war that occurs.

Protectionist policies such as tightening export-import regulations, reducing import quotas, reducing export quotas, increasing tariffs, and non-tariff policies were carried out by the two countries starting in 2018. The main goal of the United States in implementing a protectionist policy based on neo-mercantilism theory is to maintain the power and economic wealth of the United States, reduce China's growing power, and protect national security. However, China has also responded by increasing import tariffs on U.S. products to protect domestic industries and boost exports. This is a response to the protectionist policies of the United States and aims to reduce the impact of China's economic pace on the United States. The two countries carry out protectionism because they see economic competition between countries as a "zero-sum game" where the advantage of one country is considered a loss for another country, which is the definition of the theory of neo-mercantilism itself.

Neo-mercantilism, like its predecessors, classical mercantilism, emphasizes the importance of trade surpluses as an indicator of national economic strength. In this view, a country that exports more than it imports is considered a winner in international trade. Looking at the situation of the United States-China trade, the United States has experienced a significant trade deficit with China for many years. China, on the other hand, enjoys a large trade surplus with the United States. The United States considers the United States' trade deficit with China to be seen as a threat to the economic power of the United States. Meanwhile, China views its trade surplus as evidence of the success of its economic development strategy. Therefore, the imposition of tariffs by the United States on Chinese products can be seen as a neo-mercantilist effort to reduce the trade deficit. The goal is to boost domestic production and reduce dependence on imports from China. On the contrary, China responded with retaliatory tariffs that could be interpreted as an attempt to maintain its trade surplus. This approach reflects a key element of neo-mercantilism that sees trade surpluses as a key indicator of economic success and national strength. However, an excessive focus on bilateral trade surpluses can ignore the complex realities of the modern global economy and potentially lead to policies that are counterproductive in the long run.

The neo-mercantilism theory emphasizes the active role of the government in shaping the national industrial structure to improve the country's global competitiveness and economic strength. Therefore, China's industrial policy is in the form of a Made in China 2025 policy. Government subsidies and assistance, domestic technology development and special economic zones. Meanwhile, the

United States has industrial policies in the form of America First, technology initiatives, restrictions on access to technology, and support for strategic industries. The policies of the two countries led to technological competition, in which neo-mercantilism viewed technological superiority as the key to achieving economic and geopolitical dominance. In this context, technology is seen as a strategic resource that must be developed, protected, and controlled by the state. Industrial policy is also seen as a tool to project economic power in the global arena.

Neo-mercantilism theory emphasizes the active and interventionist role of the state in directing the economy to achieve national goals including economic strength and global competitive advantage. The role of the state in the economy in the context of the United States-China trade war through the perspective of neo-mercantilism shows that both countries are adopting an increasingly interventionist approach in managing their economies. It reflects neo-mercantilist principles that emphasize the active role of the state in shaping economic outcomes for the national good. However, the intensification of state intervention also poses a risk of global market distortions, increased international tensions, and potential long-term economic inefficiencies. Neo-mercantilism also views control over exchange rates and capital flows as an important instrument to achieve national economic goals including boosting exports and protecting domestic industries. Foreign exchange control in the context of the US-China trade war through neo-mercantilism theory shows that both countries view exchange rate policy as an important instrument in global economic competition. China's more interventionist approach reflects strong neo-mercantilist principles, while the United States uses its global influence to push for the liberalization of the exchange market. This conflict reflects the broader tension between the "state capitalism" and "free market" approaches in the global economy. The challenges ahead will involve finding a balance between national interests, the stability of the international monetary system, and the efficiency of global capital allocation.

Neo-mercantilism considers economic security to be a vital component of overall national security. This includes the protection of strategic industries, self-reliance in critical sectors, and the ability to maintain global competitiveness. In the context of neo-mercantilism, national economic security also involves national defense. Countries are trying to avoid dependence on foreign natural resources and technology that could jeopardize national security. For example, the United States is trying to reduce its dependence on Chinese semiconductors by increasing domestic production. In the context of neo-mercantilism, national economic security also involves national defense. Countries are trying to avoid dependence on foreign natural resources and technology that could jeopardize national security. The technological competition between the United States and China is very visible in the semiconductor sector. The two countries are seeking to lead the way in innovation and chip production, with the U.S. worried that China's dominance in chip production could provide strategic advantages in military and high-tech fields.

CONCLUSION

The trade war between the United States and China began with the implementation of tariffs from the United States against China with the aim of reducing China's dominance in the international arena in the field of economics. The protectionism carried out by the United States against China actually caused a trade war that made the United States even worse while not affecting China massively. The existence of a trade war makes the two countries have to adapt from the treatment between the two countries by seeking supplies from other countries or developing them domestically. This also makes people from both countries have to change their lifestyles because rising prices reduce the purchasing power of people in both countries. The existence of these restrictions makes people from each country support their domestic products. Then there are restrictions on the field of technology, changing the direction of the tension that occurred between the United States and China from a trade war to a technology war between the two countries. Both countries see technological excellence as the key to national security and future economic dominance

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