

US-CHINA TRADE AND TECHNOLOGY COMPETITION

Summary

KEY POINTS

1. The goal of the **US-China competition** is to gain supremacy in world trade.
2. A **Trade Agreement** was signed between the US and China in 2020
3. China describes the US practices as steps that prevent its own **economic** growth.

The trade and technological struggle between the United States and China is one of the most important issues of today's global economy. While economic exchanges between these two great powers were shaped around issues such as trade differences, additional taxes, state-supported industrial strategies and intellectual property rights, semiconductors also jumped to key areas such as artificial intelligence and advanced technology production over time. The US imposes various export restrictions and trade barriers in order to ensure its own national security and reduce its dependence on China in strategic technologies. On the other hand, China aims to reduce its need for external resources and increase its capacity in the field of technology by multiplying domestic technology production. This contention not only shapes the economic interactions of the two countries in question, but also the supply networks around the world, international capital movements and the economic plans of other nations. This policy assessment deals with the development of competition between the USA and China from the past to the present, the problems arising in the context of economic policies and their effects on global trade. In addition, it offers policy proposals to ensure economic security and continue the benefits of international trade.

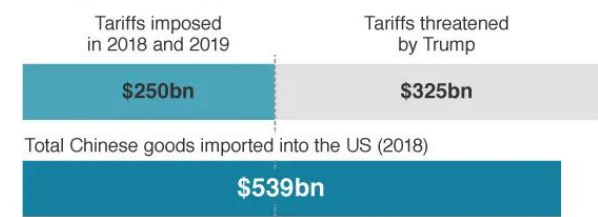
Historical Background of the US-China Trade and Technology Competition

The economic interaction between the USA and China gained significant momentum with China's economic reforms in 1978. China has become one of the leading production centers worldwide thanks to its practices aimed at attracting foreign investment, opening up to foreign trade and increasing its production capacity. The growth of trade between the two countries has helped the development of global production networks and increased economic dependence. However, this dependence has led to conflicts over trade policies, industrial incentives and strategic technologies over time. The US has criticized China's state-sponsored industrial policies, intellectual property rights practices, and the barriers of American firms in the Chinese market. These conflicts became more prominent, especially during Donald Trump's first presidency. In 2018, the trade war heated up when the USA introduced additional tariffs on products of Chinese origin, and China responded to American products with additional tariffs. Thus, the economic competition between the two countries has turned into a more comprehensive economic and political struggle than just the trade balance issue. The First Stage Trade Agreement, which was signed in 2020, aimed to reduce some trade disputes between the two countries. However, the agreement did not eliminate all structural problems between the parties.

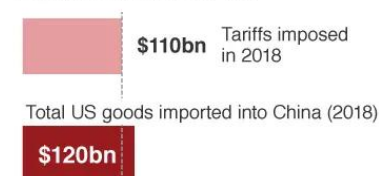
In the following years, competition spread to areas such as semiconductors, artificial intelligence, advanced computing technologies and equipment used in technology production. The Bureau of Industry and Security of the US Department of Commerce implemented export controls that limited China's access to advanced computing chips and semiconductor manufacturing technologies since 2022, and updated these controls in the following years (Bureau of Industry and Security [BIS], 2022, 2024). The new tensions over tariffs in 2025 also showed how sensitive the economic relations between the two countries are to policy changes. According to the assessment of the International Monetary Fund, high tariffs can lead to the reorganization of bilateral trade and supply chains over time; however, this process creates compliance costs for manufacturers (International Monetary Fund [IMF], 2026a). Therefore, the US-China competition has become a multidimensional problem today, covering both trade policies and technological development and economic security strategies.

How the trade war has played out

US tariffs on China



Chinese tariffs on US



Source: US Census Bureau, BBC research. Note: Data as of 8 May 2019

BBC

Figure 1. US-China trade tension and international goods transportation.
Resource: BBC News.

What is US-China Trade and Technology Competition?

The US-China competition is the effort of these two countries to gain superiority in world trade, production and technological progress. The first dimension of this competition is customs tariffs and trade restrictions. While the USA suggests that China's certain trade and industrial policies create unfair competition for American businesses, China describes the US practices as steps that prevent its own economic growth.

The second dimension of competition is related to technology. In particular, semiconductors, artificial intelligence and advanced technology production are critical in terms of both economic development and national security. The US is trying to restrict the access to China of advanced chips and some technologies necessary for their production. China, on the other hand, aims to reduce its dependence on foreign suppliers by increasing its domestic technological capabilities.

Studies in the field of geoeconomics also show that states can use trade, investment and finance relations for strategic purposes as well as economic goals (Clayton et al., 2026). In this respect, the US-China competition can be considered as an example of economic vehicles intertwining with political and security goals. Trade policies are thus becoming a part of strategies to strengthen the international position of states, rather than just being tools that regulate market conditions.



Figure 2. Semiconductor and technology competition between the US and China.
Resource: Anadolu Agency (2023).

What is the Main Problem in Terms of Political Economy, Economic Cooperation or Geoeconomic Power?

The main issue of competition between the US and China is that the balance between the desire to protect the economic security of the countries and the advantages offered by international trade is becoming increasingly complicated. Countries believe that being dependent on other states in strategic areas can create both political and economic risks. For this reason, they turn to strategies such as shifting production to their own territory, looking for alternative suppliers and restricting technology exports. However, these measures may not always have the expected effect. Customs duties can increase the costs of imported products, and these additional costs can be incurred by importers, manufacturers or consumers. Likewise, extensive restrictions on technology exports can reduce the market reach of companies and negatively affect international

production chains. The IMF's 2026 report states that although tariffs have the potential to accelerate the restructuring of supply chains, they can create economic burdens and reduce the effectiveness of global trade (IMF, 2026). Another issue is that competition also affects other nations. Due to the tension between the USA and China, companies try to diversify their production centers, countries such as Vietnam can benefit from new investment and production activities. However, these opportunities are not equal for every country. The IMF's review reveals that some countries may benefit from production and trade changes, but in the long run, geoeconomic fragmentation can create costs for the global economy (Schulze & Xin, 2025). In addition, the impact of the technology race between the two countries on global trade rules is also remarkable. Restrictions imposed to protect national security may be mandatory in certain cases. However, excessive use of such justifications may lead to other countries turning to similar measures. According to the World Trade Organization, rising geopolitical tensions lead to countries to restrict their technological flows and restructure their supply chains, making rule-based trade cooperation difficult (WTO, 2026). Therefore, the main problem is more than the competitive advantage of the United States or China. The main issue is how to implement economic security strategies without completely dividing global trade. Permanent than short-term trade relationships. Therefore, the main issue is not whether a country withdraws investment from China; under what conditions the investment is carried out. The financing cost of the project, loan terms, repayment periods, the profit that the project will add to

the national economy and the benefits it will offer to the local economy should be taken into account together. The European Union's approach to China also shows that economic connections are considered in a broader strategic framework. The EU-China Connectivity Platform, which was established in 2015 between the European Union and China, aims to improve transportation connections between the two

Policy Recommendations

In order to alleviate the economic conflicts between the USA and China, it can be stated that trade problems should first be addressed through negotiation and global trade norms should be improved. Regular meetings of the two parties, especially in areas such as tariffs, property rights and technology transfers, can help prevent unexpected and mutual prohibitions (WTO, 2026).

Secondly, restrictions on technology export should focus on certain security threats and not be applied unnecessarily. Creating different supply sources in strategic products can strengthen economic security. However, instead of strategies to break all economic connections, reducing dependence on important areas would be a more balanced method (Clayton et al., 2026).

Finally, international cooperation should be encouraged in order to minimize the bad effects of the race between the two nations on third countries. It is extremely important that developing countries can benefit from new investments, increase their production capacity and be more effectively involved in global supply chains. In this way, it may be possible to provide a wider economic benefit instead of concentrating economic competition only between major powers.

FOOTNOTES

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This Policy Brief has been prepared as part of the Çağ Brief assignment within the framework of undergraduate studies at Çağ University.

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