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INTRODUCTION

The US–China Trade War: Economic Statecraft, Multinational Corporations, and Public Opinion

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The United States and China have been embroiled in what Beijing has called the "biggest trade war in economic history" since early 2018, when Washington imposed punitive tariffs on Chinese products to challenge perceived unfair Chinese practices, prompting Beijing to retaliate with its own tariffs on US exports to China. The trade war was not an independent event, but part of a broader effort initiated by the Trump administration to confront serious challenges from China in not only the economic but also the political and security realms.

The trade war has had a tremendous impact on global economic activities and geopolitical relations. Although the two sides reached a partial truce in January 2020 with the signing of the Phase One trade agreement, the conflict is far from over. The enormous political and economic differences between the two countries have impacted and will likely continue to impact how the trade war will play out in the future. This special issue explores the politics of the US–China trade war, focusing on economic statecraft, the role of multinational corporations in the dispute, and public opinion toward the trade war. The introduction to the special issue first provides an overview of the origins of the US–China trade war and surveys existing literature on this topic. It then proceeds to highlight the key themes and contributions of the issue and concludes by identifying questions for future research.

The Road to the Trade War

The origins of the US–China trade war are complex. While China's unfair trade practices have often been cited as a major factor contributing to the trade war, such an account cannot explain why the trade war did not start until 2018 even though the country's behavior in international trade has been subject to criticism during the last four decades.[1] For much of this period, the United States has sought to integrate China into the global economy through engagement and has tolerated some of China's malpractices in international trade for the strategic reason of encouraging China to move in the direction that the United States desired.[2] This strategy was not dissimilar to the US approach of dealing with its trade relations with Japan following the end of World War II in the 1950s and 1960s. Despite the lack of reciprocal access to the Japanese market, Washington largely refrained from resorting to aggressively unilateral trade tactics against the Japanese until the 1970s and early 1980s in an effort to keep Japan on the side of the Western bloc during the Cold War. The utilization of a similar approach toward China was premised on the fact that, similar to Japan, whose economy was relatively small compared to that of the United States in the 1950s, the size of the Chinese economy has paled in comparison to that of the United States during much of the reform era.[3]

[1]The US government accused Beijing of having "reinforced a zero-sum dynamic in the world economy where China's growth and prosperity come at the expense of workers and economic opportunity here in the US and other market-based democratic economies." https://ustr.gov/about-us/policy-offices/press-office/speeches-and-remarks/2021/october/remarks-prepared-delivery-ambassador-katherine-tai-outlining-biden-harris-administrations-new, accessed 7 September 2022.

[2]For how the United States tried to shape the policy choices of China during the reform era, see Christensen (2015).

[3]Forsberg (2000); Shimizu (2001).

However, the strategic and economic environment of US–China relations has undergone significant changes during the past three decades. Economically, China has continued to narrow the gap in its economic power with the United States as its economy has doubled every seven years. While China's gross domestic product was about 10 percent of that of the United States in 2000, that number increased to 78 percent by 2021. Measured in terms of purchasing power parity, China's economy is even 15 percent larger than that of the United States.[4] China's rapid rise in economic power contrasts with the much slower economic growth of the United States, whose share of the global economy has declined from about half in the ten years after the end of World War II to just one-sixth today.[5] Taking into consideration inflation, the standard of living of the average American has remained stagnant in the last three decades. As China's rapid economic ascent has increasingly threatened US global dominance, it has generated a heated debate about whether the two powers can avoid the so-called Thucydides's Trap, which predicts that a deadly clash will inevitably ensue as a rising power threatens the predominance of a reigning one.[6] Importantly, heightened US–China strategic rivalry coincided with the resurgence of authoritarianism under President Xi Jinping, whose more repressive domestic policies, aggressive and nationalistic foreign policy, and mercantilist economic policy have reinforced the perception among many US policy makers that the past policies of integrating China into the liberal international economic order have failed to generate the intended results and need to be replaced by a policy that disengages the two countries.[7]

Politically, the United States has become increasingly disillusioned with the possibility that China will become more like the West through its integration into the global system. Since the beginning of China's market-oriented reform in the early 1980s, the United States has sought to shape the direction of China's change so that it may become less authoritarian, more pluralistic, and even quasidemocratic. The US policy orientation was predicated on the modernization theory, which posits that as a country becomes wealthier, it will produce a well-educated middle class that desires more freedom and democracy,[8] a theory that has found some empirical support in the cases of South Korea and Taiwan.[9] Under the influence of such liberal thinking, China was admitted into the World Trade Organization (WTO) in 2001, a milestone event that greatly promoted China's economic development in the following two decades.

For a while, the reform seemed to have produced some desired results. China's former presidents Jiang Zemin and Hu Jintao have largely upheld the term limit for the presidency. Furthermore, although China's rule of law remained underdeveloped, some political scientists believed that the country had made progress to where its rule of law seemed to have become comparable to that of countries with a similar level of socioeconomic development.[10] These developments led political scientist Lynne White to comment that China had a thin constitutionalism, with many China observers believing that the trend would continue.[11]

However, President Xi Jinping's reversal of reformist policies has put a brake on these trends. In particular, the removal of the term limit on the Chinese presidency at the nineteenth National Party Congress in 2017 came as a shock for many China watchers in the West.[12] The National People's Congress ratified the removal of the term limit the following year. It also greatly strengthened the role of the party and ideology with the Fifth Constitutional Amendment.

Confronted with formidable socioeconomic challenges such as official corruption and income inequality, the Chinese Communist Party (CCP) under Xi has found it handy to resort to the familiar methods used prior to the reform—such as relying on the appeal of the CCP and personality cult—to tackle these challenges. For many, these developments represented a clear break from the reform

[4]Allison, Kiersznowski, and Fitzek (2022).

[5]Ibid.

[6]Allison (2017); Chan (2020).

[7]Bader (2018).

[8]Lipset (1959); Inglehart and Welzel (2009); Peerenboom (2008, 63).

[9]Huntington (1993).

[10]White (2010); https://databank.worldbank.org/reports.aspx?Report_Name=WGI-Table&Id=ceea4d8b, accessed 7 September 2022.

[11]White (2010); Backer (2006).

[12]Economy (2018).

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policies unleashed by Deng Xiaoping in 1978 and symbolized China's intention to depart from the path toward Westernization.[13]

In addition to tightening his grip on power, President Xi has also sought to strengthen the state's influence over the economy, calling for the CCP to assume a more active role in overseeing the activities of both state and nonstate enterprises; introducing the "Made in China 2025" program, a state-led industrial policy that would make China a global leader in high-technology manufacturing; and launching the ambitious Belt and Road Initiative designed to cement China's position as a center of trade and manufacturing activities and a major underwriter of infrastructure development in the Asia–Pacific region.[14]

Further reinforcing the sense of frustration of the US government and business actors was China's perceived poor record in complying with its WTO accession commitments to liberalize its economy. As outlined in the annual reports of the US Trade Representative (USTR) to Congress on China's WTO compliance, China has failed to live up to the expectations of member countries on issues such as market access, subsidies, protection of intellectual property rights, and forced technology transfer.[15] Instead, the expansion of China's state-led model of economic development, which continued to present formidable challenges to the WTO's key principles of nondiscrimination, transparency, and reciprocity, has led to a major power clash between the United States and China within the WTO and contributed to the paralysis of multilateral trade governance.[16] Beijing's pursuit of mercantilist practices and failure to comply with its WTO commitments have in turn come to be seen as one of the major contributors to the huge US–China trade deficit, which ballooned to reach $375 billion before the beginning of the trade war in 2017, a deficit which was more than three times larger than that in 2002, the year after China's entry into the WTO.[17]

Overall, the growing geostrategic competition arising from the rapidly diminishing gap in relative economic power between the two countries, reinforced by Beijing's embracement of illiberal policies, has eroded the confidence of many policy makers and business executives that the policy of engagement would gradually lead China to develop in a more open, liberal, and market-oriented direction.[18] It has also increased the credibility of the argument that the risks of staying the course would be too high in view of the size of the Chinese economy and set the stage for the initiation of the largest economic warfare in modern history by former US president Donald Trump. As Economy nicely puts it, "While Trump initiated the tariff war, Xi created the business environment in China that provided support in the US for Trump's change in approach."[19] While President Trump generally pursued diplomatic dialogues with Beijing to tackle bilateral trade issues early in his administration, the lack of major breakthroughs in such negotiations led him to quickly abandon bilateral and multilateral approaches in favor of unilateral negotiation tactics, leading to the imposition of the initial round of tariffs on Chinese products in early 2018.

A Brief Timeline

The US–China trade war started in June 2018, when the United States imposed tariffs of 25 percent on $34 billion worth of Chinese imports, prompting the Chinese to retaliate with their own tariffs of 25 percent on 545 goods originating from the United States. These initial tariff hikes were followed by two more rounds of tit-for-tat retaliation, in August and September of 2018, respectively. The two countries reached a temporary truce and signed the Phase One agreement in January 2020. Under the agreement, China agreed to "import various US goods and services over the next two years in a total amount that exceeds China's annual level of imports for those goods and services in 2017 by no less than $200

[13]Hua (2020).
[14]Economy (2019).
[15]See, e.g., USTR (2022).
[16]Hopewell (2021); Wu (2016).
[17]US Census Bureau data. See https://www.census.gov/foreign-trade/balance/c5700.html (accessed 8 May 2022).
[18]Aggarwal and Newland (2015).
[19]Economy (2019).

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billion."[20] However, the implementation of the agreement so far appears to have not produced the desired result by the US government. As of August 2021, China has only reached 62 percent of the targeted purchase of US goods, in part due to the disruptions caused by the COVID-19 pandemic.[21] In the meantime, the US trade deficit with China has grown from $344 billion 2019 to $355 billion in 2021.[22] China's exports to the United States in the first seven months of 2021 rose 36.9 percent compared to the same period in 2020, while imports climbed 50.4 percent year-on-year in the January to July period.[23]

Furthermore, it is unclear if the agreement, which was aimed at addressing those problems by China has served the interest of the United States well. According to a report from the Brookings Institution, "Numerous studies have found that US companies primarily paid for US tariffs that were imposed on China."[24] Therefore, the Biden administration's goal has changed from trying to change the trade behavior of China to protecting the interests of US workers. While the Biden administration did not abandon the Trump tariffs, it has decided to start a targeted tariff exclusion process as part of the correction.[25] Overall, the Biden administration's trade policy toward China has gradually shifted away from decoupling from the Chinese economy to focus on "a more strategic approach to trade" that seeks "realignment in the global economy" to increase the resilience of global supply chains and the revitalization of the US industrial manufacturing base to increase the competitiveness of the US economy vis-à-vis China. As of this writing, the Biden administration is also considering lifting the Trump-era China tariffs to ease inflationary pressures in the United States.[26]

Literature Review

Trade wars have been a recurrent feature of the global economy. In a thorough analysis of trade wars throughout history, Conybeare draws on game theory to develop an argument that emphasizes the importance of a country's size for the outbreak of trade wars. Specifically, he argues that states have incentives to impose unilateral tariffs on trading partners to improve their terms of trade and maximize national income. This is especially the case for large states with sufficient market power because their higher price elasticity of demand for the products of a small country should reduce their vulnerability to the effects of foreign retaliation.[27] Studies have also examined state incentives to engage in retaliation or the factors that influence the prospect of trade dispute resolution in specific sectors such as high technology or agriculture. For example, in an analysis of state support for high-technology firms and sectors, Busch suggests that governments are more likely to intervene or retaliate in such industries when retaliation generates significant externalities for domestic industries or when the benefits of such measures are confined within the domestic economy.[28] Davis analyzes US agricultural trade negotiations with Japan and the European Union, emphasizing the importance of issue linkage in shaping the negotiation structure and hence the bargaining outcome.[29] Scholars have additionally probed the domestic politics of trade wars or assess the extent and costs of optimal tariffs.[30] Grossman and Helpmann, for example, show how the interests of politicians in improving the standards of living of the electorate or special interest group pressure may influence the "structure of protection in noncooperative and cooperative policy equilibria."[31]

Specific episodes of trade wars in the contemporary economy have been the subject of scholarly interests as well. Irwin provides a comprehensive historical account of the causes and consequences of the

[20]USTR (2020).
[21]Lawder and Shalal (2021).
[22]US Census Bureau Data, https://www.census.gov/foreign-trade/balance/c5700.html (accessed 20 May 2022).
[23]Cheng (2021); US Census Bureau Data, https://www.census.gov/foreign-trade/balance/c5700.html (accessed 20 May 2022).
[24]Haas and Denmark (2020).
[25]Judd (2021).
[26]Heijmans, Martin, and Amin (2022).
[27]Conybeare (1987).
[28]Busch (1999).
[29]Davis (2004).
[30]Grossman and Helpman (1995); Ossa (2014).
[31]Grossman and Helpman (1995, 675).

infamous Smoot–Hawley tariff of 1930, which increased US import tariffs on a large number of products in the interests of protecting American agriculture and industry. Before China emerged as the country with the largest trade surplus against the United States and became the country that has captured the most attention of US trade policy makers, considerable scholarly interests had also been directed to the dynamics of trade disputes between the United States and its major trading partners such as Japan or the European Union, with special attention being directed to both the domestic and the international factors that influence the evolution and the resolution of these highly contentious trade disputes.[32]

Rising trade tensions between the United States and China, the two largest economies in the world, have generated growing scholarly interests in their underlying causes, processes, outcomes, and consequences. In an earlier study comparing the dynamics of the US–China trade disputes with those between the United States and Japan or Europe in the 1980s and 1990s, Zeng develops an argument about how the bilateral structure of trade may influence bargaining outcomes by shaping the level of domestic support for aggressive negotiation tactics. Threats of trade sanctions are more likely to enjoy unified support from domestic interest groups when two countries have competitive, rather than complementary, trade relations. This explains why America's threats of trade retaliation are not only more likely to be more credible and effective against its competitive trading partners but are also more likely to generate stronger pressure for brinkmanship and tit-for-tat retaliation in relations with such countries, which also happen to be democracies.[33]

The outbreak of the US–China trade war in 2018 has more recently given impetus to an increasingly large body of literature examining its sources, dynamics, and repercussions. The edited volume by Crowley mainly analyzes the impact of the US–China trade war and the challenges posed by the trade war to the global trading system from an economic perspective.[34] The contributors to the edited volume by Hua in turn emphasize the political logic of the trade war, focusing in particular on how changes in domestic politics in both countries have affected the onset and evolution of this large-scale commercial conflict.[35] Compared to this special issue, the chapters in Hua's book are less theoretical and less data driven. None of the chapters in the book develops a typology for understanding the origins of the trade war similar to the one developed by James Lee in this issue. Still another recent edited volume by Zeng and Liang provides theoretical and empirical analyses of the global and domestic origins of trade wars and their scope, processes, and dynamics.[36] However, while the volume offers extensive coverage of the US–China trade war, it also goes beyond it to engage in a comprehensive examination of trade conflicts in the contemporary era.

Besides the previously mentioned edited volumes, a growing number of articles in both economics and political science have analyzed the US–China trade war from various perspectives. Studies by economists tend to focus on the rationale and economic impacts of the trade war. For example, Mattoo and Staiger offer an interpretation of the trade war that emphasizes how the growing symmetry in the economic size of countries and asymmetry in protection may have eroded the US commitment to the multilateral trading system and enhanced its incentive to thwart China's economic rise through the use of bargaining tariffs.[37] Recent studies have analyzed the impact of the US–China trade war on US investment, importers, and consumers,[38] global or regional trade and economic growth,[39] global value chains,[40] or Chinese firms.[41] While there is some evidence that the US–China trade war did not lead to a slowdown in global growth and that there exists considerable

[32]Destler, Fukui, and Sato (1979); Destler and Sato (1982); Josling and Tangermann (2015); Naka (1995); Schoppa (1997).
[33]Zeng (2004).
[34]Crowley (2019).
[35]Hua (2022).
[36]Zeng and Liang (2022).
[37]Mattoo and Staiger (2020).
[38]Amiti, Kong, and Weinstein (2020); Amiti, Redding, and Weinstein (2019, 2020).
[39]Fajgelbaum, Pinelopi, Kenndy, Khandelwal, and Taglioni (2021); Fajgelbaum and Khandelwal (2022); Goulard (2020); Li, He, and Lin (2018).
[40]Bellora and Fontagne (2020); Mao and Görg (2020); Wu, Wood, and Jang (2021).
[41]Benguria, Choi, Swenson, and Xu (2022); Jiang, Lai, and Li (2022).

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variation in countries' export performance,[42] other studies suggest that the trade war has negatively affected US firms' growth rates, consumer welfare, consumption growth, and the real income of other countries.[43] It has also been suggested that the increases in trade policy uncertainty accompanying the trade war have dampened Chinese firms' investment, R&D expenditures, and profits and that Chinese localities impacted by the US tariffs have seen a larger decline in per capita income than those with less extensive tariff exposure.[44]

While economists tend to highlight the economic impact of the US–China trade war, political scientists have paid more attention to its political contexts, business preferences toward the trade conflict, or the impact of the trade war on electoral politics in the United States. In terms of the global sources of the trade war, scholars have called attention to how the rising US–China competition against the background of a hegemonic power transition and the relative decline in the effectiveness of global trade governance have led Washington to revitalize the use of unilateral negotiation approaches in dealing with China's trade challenges.[45] With respect to domestic sources, it has been suggested that President Xi Jinping's authoritarian rise in China and his embracement of a more independent and assertive foreign policy have eroded hopes that China might evolve in a liberal direction, contributing to growing frustrations among policy makers in both branches of the US government, policy elites, and business leaders that, despite decades of engagement, China has failed to live up to its WTO accession commitments, liberalize the domestic market, and strengthen the rule of law in its trade governance.[46] An emerging bipartisan consensus in Congress about the need to adopt a tougher stance on China, fueled by the rise of President Trump's America First vision characterized by commercial mercantilism and conservative nationalism, thus contributed to Washington's turn toward an aggressively unilateral trade policy against China.[47]

The role of interest groups, in particular that of American multinational corporations (MNCs) in the US–China trade war, has also captured growing scholarly interests. Zhang focuses on the puzzle of why, in spite of their strong support for free trade with China in the past, business actors in the United States have failed to prevent the onset and escalation of a costly trade war. He finds answers to this question in the collective action problem faced by American MNCs. Specifically, he suggests that the divergent preferences of MNCs, with some seeking to leverage the tariffs to address their market access concerns in China and others focusing mainly on individual tariff exclusions, undermined the potential that they will be able to engage in coordinated action to preserve the benefits of open commerce.[48] Lee and Osgood in turn assess the extent of business opposition to the China trade war through an analysis of the lobbying patterns of firms and business associations. Their study finds substantial evidence that American producers have put up a strong fight against the Trump tariffs and that such opposition was driven mainly by firms concerned about the impact of the trade restrictions on their supply chain linkages with China.[49] Another study by Zhu, Waddick, Feng, and Villegas-Cruz echoes this view, showing that larger and more productive firms and firms with multinational operations or those that are more heavily embedded in global production networks are more likely to voice their concerns about the punitive tariffs. At the same time, the study also yielded some evidence that firms located in Republican districts are less likely to oppose Trump's trade policies, thus potentially dampening the impact of firms' public opposition.[50]

Still another stream of research focuses on the political targeting of the tariffs or the impact of the trade war on electoral politics in the United States. For example, Kim and Margalit examine the impact of China's tariffs on the 2018 mid-term elections, suggesting that Chinese tariffs were primarily

[42]Fajgelbaum et al. (2021).
[43]Amiti, Kong, and Weinstein (2020); Amiti, Redding, and Weinstein (2019, 2020); Waugh (2019).
[44]Benguria et al. (2022); Chor and Li (2021).
[45]Fowler (2022); Ismail (2022); Moore (2022).
[46]Economy (2019); Hess (2022); Sutter (2022).
[47]Chen (2022); Zhang (2022a).
[48]Zhang (2022b).
[49]Lee and Osgood (2021).
[50]Zhu, Waddick, Feng, and Villegas-Cruz (2021).

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directed at products originating from Republican-supporting jurisdictions, in particular the closely targeted ones. Such geographical targeting of the tariffs accentuated voters' vulnerability to the trade restrictions, increasing the likelihood that they will attribute the damage to Republican congressional members and therefore reducing political support for Republicans.[51] Blanchard, Bown, and Chor and Fetzer and Schwarz reached somewhat similar conclusions, finding that the Trump trade war contributed to Republican candidates' electoral losses in counties with greater exposure to Chinese trade retaliation.[52] However, there was no evidence that US tariffs led to similar electoral gains for these politicians. Brutger, Chaudoin, and Kagan argue that the politically targeted retaliation against swing states and Republican districts have accentuated concerns about election interference and that such concerns extend to both Republicans and Democrats.[53]

Compared to the growing body of research on the political consequences of the trade war in the United States, research on the political repercussions of the trade war in China has been somewhat thin. Fan, Hu, Tang, and Wei examine the implications of the trade war for American soft power. Using the viewership of American movies as a proxy, they show that regions more heavily hit by the Trump tariffs have seen more significant declines in revenue from US movies compared with non-US movies.[54] Overall, despite burgeoning scholarly interests in the politics of the US–China trade war, there remains considerable room for further empirical inquiry regarding its origins, impact, and the role of various political actors (such as interest groups, political institutions, and the public) in the trade war.

Themes of the Special Issue

This special issue addresses this gap in the literature by examining the strategic context of the US–China trade war, public attitudes toward protectionist trade policies and US–China economic cooperation, and the behavior of MNCs during the trade war.

Economic Statecraft

While the US–China trade war represents the largest economic conflict in the contemporary era, it is by no means the only one in recent history. How does the Trump trade war compare to earlier economic battles between rivals and economic competitors? Lee and Maher tackle this question, arguing that although the term the "new Cold War" has appeared from time to time in the academic literature and mass media in recent years, academics have not come up with a theoretical framework to explain the similarities and differences between the Cold War and the current "new Cold War." Based on whether the rival possesses an aggregate or specific geoeconomic capability *and* direct or indirect national security challenge, they developed a theoretical framework that links geoeconomic capability and national security challenges to the variation in US' strategies for dealing with its major rivals both in the Cold war and in the current era. This conceptual framework enabled the authors to identify four theoretical ideal types in US strategies, including national economic competition, economic containment, national technological competition, and technological containment. They further applied these ideal types to explain the US economic statecraft toward its rivals since the beginning of the Cold War, arguing that the current US strategy against China can be best described as one of national economic competition and technological containment. This is in contrast to the economic containment that the US has adopted toward the Soviet Union and China during the Cold War as well as the US approach to dealing with the Japanese challenge in the 1980s which can be characterized as national economic competition generally and national technological competition in high-technology sectors more specifically.[55]

[51]Kim and Margalit (2021).
[52]Blanchard, Bown, and Chor (2019); Fetzer and Schwarz (2021).
[53]Brutger, Chaudoin, and Kagan (2022).
[54]Fan, Hu, Tang, and Wei (2022).
[55]Lee and Maher (2022).

Multinational Corporations

The US–China trade war has also raised interesting questions about the behavior of corporate actors during the trade war as well as the impact of the trade war on the trade and investment activities conducted by multinational corporations and other economic players at both the bilateral and regional levels. The article by Liu, Zhang, and Vortherms in this special issue addresses the diverse responses of China-based subsidiaries of US firms to the trade war.[56] Drawing on the Exit, Voice, Loyalty framework, the authors hypothesize that the variation among MNC subsidiaries with respect to age, size, joint venture status, and trade activities should influence their ability to deal with the impact of the tariffs. This should in turn shape their propensity to engage in the following types of activities: political voice activities such as submitting public comments, requesting tariff exclusion, providing testimony to the USTR, or lobbying; exiting through subsidiary closure; or remaining in the Chinese market without undertaking either the voice or the exit strategy. Through a quantitative analysis of a representative random sample of 500 subsidiaries of American MNCs in China as well as focused case studies, the study finds that although the tariffs have impacted a majority of the firms, only 22 percent of them have chosen to voice their opposition and 7 percent have resorted to the exit option. Furthermore, both older and bigger firms are more likely to voice their opposition to the trade war and the former are less likely to exit the Chinese market. By showing how larger MNCs are better positioned to deal with the elevated uncertainties generated by the tariffs and the pressure to decouple from China, this article reveals how the heterogeneity in MNCs' existing ties to the Chinese market explains the variation in their political responses. It additionally helps to illuminate the complex factors that influence firms' reactions to protectionist trade policies following instead of prior to entry into a foreign market.

The US–China trade war additionally offers opportunities for analyzing the interest group politics around the tariff exclusion requests. The Lee and Osgood piece in this special issue takes up this question and focuses on the political cleavages between firms that have offshored final production and onshore firms. It shows that firm requests to be excluded from the tariffs on their products are influenced by characteristics of the firm such as size, owning a subsidiary in China, and the level of imports from China, in addition to tariff coverage. Through an analysis of data on firm requests for tariff exclusions, matched to a sample of US firms, the study yielded substantial evidence that the above factors strongly influenced firms' likelihood of filing for tariff exclusion even after controlling for other potentially confounding factors such as input sourcing or fear of retaliation.[57] These findings enrich our understanding of firm behavior during the trade war. In addition to highlighting the political conflicts between firms that have offshored production and those that lack such capabilities and the implications of such intraindustry division for trade politics, they also reinforce findings from recent studies[58] which show that globally engaged firms have been a key agent in the fight against protectionism and in defending openness in the global trading system. Overall, this piece nicely complements the one by Liu, Zhang, and Vortherms by illustrating how firms' global economic activities may affect their tendency to fight against protectionism in their own industry.

Besides illuminating firm behavior, this special issue also examines the impact of the US–China trade war on firms' trade activities. Zeng, Wells, Gu, and Wilkins assess how geopolitical and economic tensions in US–China relations, including those generated by the trade war, have affected bilateral trade relations. Using a measure of bilateral tensions derived from an analysis of the negative sentiment expressed in major US newspaper coverage of US–China relations, the authors illustrate that bilateral tensions negatively affected monthly US imports from China in the period between 2002 and 2019. They further disaggregate the impact of bilateral tensions for industries with different levels of supply chain linkages to China, finding that the negative impact of such tensions was particularly notable for industries closely integrated into China-centered global production networks through either backward

[56] Liu, Zhang, Vortherms (2022).

[57] Lee and Osgood (2022).

[58] For example, Anderer, Dür, and Lechner (2020); Kim, Milner, Bernauer, Osgood, Spilker, and Tingley (2019); Osgood (2018).

global value chain (GVC) linkages, forward GVC linkages, or related-party trade during the entire period under consideration. A more focused analysis of the trade war period suggests that not only have industries with high GVC linkages to China been subject to higher tariffs, but they have also experienced more sustained decline in trade volumes since the beginning of the trade war.[59] Taken together, these findings demonstrate that heightened tensions accompanying the trade war have dampened trade relations in spite of business actors' potential considerations for the so-called sunk costs in the Chinese market.

Public Opinion

How the public in both the United States and China views the trade war and the broader issue of US–China economic cooperation represents yet another fruitful avenue of research. David J. Bulman examines the attitudes of the American public toward the trade war, in particular how such attitudes have evolved as the trade conflict became increasingly securitized. In approaching this issue, Bulman first outlines the deficiencies of five existing theories, specifically those focusing on self-interests, sociotropism, partisanship, reciprocity, and xenophobia. He argues that while these existing theories generally do a good job predicting the support of the American public for the trade war during the initial stages, they have started to lose explanatory power as the trade war progressed. Instead, he emphasizes that the securitization of the bilateral relationship has led American citizens to increasingly prioritize security over fair trade concerns and come to see trade liberalization "as a means of reducing the likelihood of conflict" and promoting peace in a way that is consistent with the "commercial peace" theory. Using nationally representative original survey data (n = 1,016) and a nonrepresentative survey with an embedded experiment (n = 1,015), the author shows that as perceptions of the "new Cold War" deepened, Americans have come to demonstrate considerable "liberal" inclinations and become instinctive commercial peace theorists. This has moderated support for the tariffs and led to increased opposition to protectionist trade policies.[60]

While Bulman focuses on the nexus between trade and security issues, Tanja Schweinberger turns to a consideration of how promise-breaking in trade rhetoric influences individual attitudes toward US–China trade cooperation. Based on survey experiments from both the United States and China (n = 4,181), she points out that trade rhetoric highlighting noncompliant (i.e., promise-breaking) behavior is more likely to reduce support for bilateral trade cooperation than that highlighting compliant behavior, a pattern that holds regardless of the identity of the trading partner. She further arguest that it is not sufficient to consider economic rhetoric alone. Instead, rhetoric targeting issues such as military affairs and human rights needs to be taken into consideration. This explains, why, in spite of the Phase One agreement, the public's negative feelings toward trade with China did not decrease.[61] In showing that the public reacts more strongly to negative than positive rhetoric in the trade war, the author suggests that fairness concerns could potentially provide opportunities for elites to shape public opinion and galvanize opposition to trade liberalization.

Conclusion

As of this writing, no swift ending to the US–China trade war is yet in sight. While the Biden administration is reportedly considering easing some of the Trump-era tariffs, there remain considerable divisions among administration officials about the need to reduce the tariffs.[62] The prospect of the US–China trade war depends on a host of highly uncertain economic and political factors. These factors include the rapidly changing global supply chains due to the current pandemic, the ongoing Russia–Ukraine war that will likely have a significant impact on the global geopolitical situation,

[59]Zeng et al. (2022).
[60]Bulman (2022).
[61]Schweinberger (2022).
[62]Cook and Nylen (2022).

the upcoming twentieth National Party Congress of the Chinese Communist Party in which the CCP will decide if Xi Jinping will continue to serve as the top leader, and the mid-term election in the United States in which Joe Biden may face serious challenges to his leadership.

The US–China trade war is a complex event that merits further analysis from multiple perspectives. The articles in this special issue have examined its strategic context as well as the role of MNCs and public opinion in the trade war. Future research could explore these issues in more detail. For example, in terms of the dynamics of the trade war, scholars may approach the escalation of the trade conflict from the perspective of psychology and analyze how the divergent narratives in China and the United States, accelerated by information cascades and social media, may have driven the crisis to higher levels.

With regard to the preferences and behavior of MNCs in the trade war, it remains a puzzle as to why, despite its long-standing strong support for maintaining open trade flows with China, the US business community has failed to constrain the Trump administration from launching a costly trade war with China. Recent studies[63] have sought to address this question, yielding some evidence that American companies, especially MNCs with affiliates in China and those heavily dependent on the import of inputs from China have put up a fierce fight against the tariffs and actively voiced their opposition during the USTR's Section 301 investigations against China. If an overwhelming majority of American businesses are opposed to the trade war, then the mechanisms leading to the escalation of long-standing trade disputes to a costly trade war, in particular the heterogeneity in MNC interests and the preferences of institutional actors[64] may merit closer scrutiny.

The trade war may additionally have long-lasting political and economic repercussions that deserve more in-depth analyses. As the trade war is likely to generate winners and losers at both the domestic and international levels, future studies could assess the impact of the trade war on workers, electoral support, or other political outcomes in both the United States and China. To the extent that the tariffs may lead to trade diversion and therefore significant restructuring of global trade, investment, and production networks, they could also probe in more detail the impact of the trade war on the trade and investment activities of Chinese and American firms as well as firms from third countries at the bilateral, regional, and global levels. In addition to examining the coping mechanisms of American and Chinese firms, such analyses could also direct attention to the adjustment strategies of firms based elsewhere such as in Japan or Europe. Scholars may also look at how the trade war has impacted the geopolitics and economics of some specific regions such as Europe, Latin America, or Asia or its implications for global economic governance.[65]

Last but not the least, public attitudes toward the trade war offer additional exciting opportunities for scholarly research. For example, because the trade war is more than a normal economic dispute and is often viewed through the lens of the US–China competition for global economic leadership, studies could address how this perceived rivalry affects the American public support for trade, especially trade with China. They could additionally explore how factors such identity, nationalism, or concerns about reciprocity shape public opinion toward the trade war.[66]

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[63]For example, Lee and Osgood (2021); Zhu et al. (2021).

[64]For recent studies that examine the Trump administration's motivations for launching the trade war, see, for example, Di, Luft, and Zhong (2019).

[65]Aggarwal and Reddie (2021), for example, discuss the challenges of effectively managing economic statecraft in global economic governance.

[66]For a recent study that examines how US protectionism influences support for trade among Chinese citizens, see, for example, Steinberg and Tan (2022).

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