



TRADE WARS & PROTECTIONISM: EROSION OF SOFT POWER AND DIPLOMATIC RELATIONS BETWEEN USA AND CHINA

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ABSTRACT

The trade war over the 'unfair economic policies' of China is now a cold war. In 2018, USA raised tariffs on Chinese goods. The focus of the US economy is to renourish the American manufacturing industries by distancing them from China. America has put forward the policy of 'America First' leading to trade wars. It has also been observed that the neo-protectionist policies of USA and proliferation of smart automation technologies will not let the USA to sufficiently consolidate its superiority over China. This paper aims towards the cultural implications of trade tensions between these countries. It will provide analysis of how export industries of the countries have affected the Automobile industry, Cinema and the Chinese diaspora. This research is aimed towards providing prospective long-term effects of erosion of soft power on the two countries and the global geo-political economy.

KEYWORDS: America First, Geopolitical Economy, Neo-Protectionism, Soft Power, Trade War

BIOGRAPHICAL NOTES: The authors Anusha Gupta and Mimansa Joshi are second year students of Rajiv Gandhi National University of Law, pursuing their BA.LL.B(Hons.) degree. They have an active interest in Geopolitics and International Relations. They have authored certain legal articles and are now entering into the vibrant academic field of Political Science.

CHAPTER 1: TRADE BARRIERS INTO COLD WAR

The plausible case of the trade war between US and China started when China was seen as a threat to the security of the US. China's economic growth was faster than that of the US. The foreign policy analysts have always seen the US and China as potential rivals. Various factors have contributed to the initiation of this trade war.

Firstly, U.S. policymakers were increasingly worried about Chinese efforts to acquire sensitive American technology to achieve Beijing's industrial policy goals and bolster China's military. U.S. officials have repeatedly accused Beijing of stealing sensitive Intellectual Property and requiring American companies to share their technologies as a condition of doing business in China, known as forced technology transfer. Wary of espionage, Washington has also raised

concerns that U.S. companies that use Chinese technology could put U.S. national security at risk¹

Additionally, the United States has long been critical of China on human rights issues, and U.S. labor groups have persistently complained about poor working conditions in China. These concerns have resurfaced on the trade agenda in recent years with reports of forced labor in Xinjiang, where China is repressing millions of Uyghurs. The reasons why such trade barriers turned into a cold war are:-

- 1.1 Geopolitical Competition: Both nations are vying with one another for supremacy and influence in the international arena. Beyond commerce, this rivalry also exists in fields like technology, military prowess, and strategic partnerships.
- 1.2 Technology Race: In particular, in fields like artificial intelligence, 5G telecommunications, and quantum computing, the USA and China are engaged in a race for technical supremacy. Concerns about cyber espionage, intellectual property theft, and national security have been heightened by this technical rivalry.
- 1.3 Security Concerns: The United States of America see China as a threat to its strategic interests due to its fast military development, assertiveness in territorial conflicts (such as the South China Sea), and initiatives like the Belt and Road Initiative (BRI). As a result, there is now more rivalry for influence in strategic areas and military tensions.
- 1.4 Ideological Clash: Mistrust between the two nations has grown as a result of their divergent ideologies, which are mostly focused on democracy, human rights, and governance. Due to this ideological conflict, there is now more scrutiny of one another's national policies and attempts to shape international norms.
- 1.5 Economic Interdependence and Decoupling: In spite of their mutual need, decoupling is becoming more and more demanded in key industries like supply chains and technology. The rivalry has grown more intense and bilateral ties have been strained as a result of efforts to lessen reliance on one another's markets and technologies.

CHAPTER 2: AMERICA FIRST POLICY

The former American President Woodrow Wilson during the beginning of World War One used the phrase 'America First' to show the nation's position of neutrality in the warⁱⁱ. Many decades later, the same phrase was revived by Donald Trump in his presidential election speech. Although compared to his predecessor, this policy was not just reserved for the security front but was rather multifaceted. Trump through this advocated for the ratification or termination of international agreements that he felt were unjust to the United States. On the front of foreign policy, he pushed for lowering immigration, especially illegal immigration, in addition to following trade protectionist policies for America.

During the early years of Trump's government, the stringency of US trade laws restricting imports was increased. Tariffs have been used by the US more frequently under the Trump administration than at any other time in the post-World War II era, particularly on Chinese exports.ⁱⁱⁱThe reason cited for this was the protection of American industries and improvement of economy.

However, this move has attracted retaliation in the international arena. Some nations like Canada and Mexico have responded against Trump's tariffs by replicating the move. While China responded even more significantly by slamming over \$100 billion in US sales with additional penalties of almost 20 percent.^{iv}

CHAPTER 3: INTERCONNECTED POLICIES FROM PAST TO PRESENT

Since World War II, the principal objective of the liberal US trade policy has been to lower barriers to foreign investment and trade in order to promote economic growth and competitiveness in the United States. Due to the two world wars, U.S. foreign policy changed from neutrality and non-interventionism throughout most of the 19th and 20th centuries to increased involvement in European and global issues. The United States economy also grew increasingly interconnected and globalized during these last few decades, and industry has increased throughout the country. However, the recent COVID-19 pandemic, trade disputes with China, and global disputes like the Russia-Ukraine conflict have highlighted some vulnerabilities caused by this relationship of dependence.

Since gaining its independence from British rule, liberalism has been a crucial element of US foreign policy. The United States' rise to prominence in the world after World War II made it a necessary objective for the country to work toward establishing liberal democracy throughout the globe.

3.1 Truman

Following the end of the war in 1945, the United States continued to be involved in European matters by supporting the reconstruction of Europe with low-interest loans and other financial aid, a program popularly known as the Marshall Plan. This was its policy of Interventionism under President Truman. Afterwards, as communism rapidly spread throughout Eastern Europe, helping war-torn nations rebuild their economy and

promote capitalism and democracy became a top priority for US foreign policy. The European nations that benefited from the Marshall Plan were also referred to as client states, denoting their reliance on the US military, politics, and economy. The nation shifted toward foreign policy as hostilities between the US and the USSR increased. At this point, the main focus of the US was to curtail the growth of Communist systems. During this time, Chiang Kai-shek's Nationalist government was overthrown by Communists backed by peasants, and many of his soldiers were forced to flee to Taiwan. On the first October, Chinese Communist Party leader Mao Zedong forms the People's Republic of China in Beijing. After supporting the Nationalists against Japanese invasion troops in World War II, the United States now backs Chiang's exiled Republic of China government in Taipei, paving the way for decades of strained ties between the two countries.^v

3.2 Nixon

Distancing from the Truman policy, came the era of Richard Nixon. Relations with the People's Republic of China began to normalize after President Nixon visited Beijing. He visited the Soviet Union and signed papers that contained the outcomes of the first round of negotiations for the Strategic Arms Limitation Treaty (SALT I). To expand on arms control and disarmament measures, new talks have been started. Following the Vietnam War, which ended in 1975 with the complete withdrawal of American forces, there was a general American propensity to prefer a lower profile in international affairs. Soon after, the People's Republic of China is granted permanent membership in the Security Council by the UN, replacing the Republic of China, which had ruled over Taiwan since 1945. These developments signaled the start of a period of "détente" in keeping with this trend. Though they suggested a potential thaw in the Cold War, improvements in relations with the Soviet Union and the People's Republic of China did not result in a broad improvement in the global environment. A world in which the United States and its most potent allies shared responsibility for defending freedom was what Nixon and Henry Kissinger, his national security adviser, envisioned. Nixon envisaged a day when economic activity would be beneficial to all parties and peaceful coexistence would occur between the US, the USSR, China, Japan, and Western Europe.^{vi}

3.3 Carter

President Jimmy Carter of the United States recognizes the One-China policy of mainland China, cuts off normal contacts with Taiwan, and accords China full diplomatic recognition. Shortly after, Chinese Vice Premier Deng Xiaoping, who oversees significant economic reforms in China, pays a visit to the United States. Congress does, however, approve the Taiwan Relations Act in April, allowing the United States and Taiwan to maintain their business and cultural ties. Although the act compels Washington to give Taipei defensive weapons, it does not formally go against US policy of One China. It is an official recognition of China's stance that there is just one Chinese government. Instead of the island of Taiwan, which China views as a breakaway province that would eventually be united with the mainland, the US recognizes and maintains diplomatic connections with China under the policy. One of the main pillars of Sino-US ties is the One China policy. It is also the cornerstone of Chinese diplomacy and policymaking. It is not, however, the same as the One China concept, which maintains that Taiwan is an integral part of One China and will eventually be united.^{vii}

3.4 Reagan

In another era of Ronald Reagan, the US president, cut taxes, declared that the government was the problem, and began the largest free trade negotiations in US history. President Reagan aimed to project American dominance in the international arena. The "Six Assurances" that the Ronald Reagan administration offers to Taiwan include promises to uphold the Taiwan Relations Act, refrain from mediating disputes between Taiwan and China, and give no deadline for ending arms deliveries to Taiwan. To restore relations^{viii}, the Reagan administration then signed a third joint communiqué with the People's Republic of China in August 1982. It restates American dedication to the One-China policy. Despite advocating for closer connections with Taiwan during his presidential campaign, President Reagan's administration strives to strengthen Beijing-Washington ties during the height of American anxieties over Soviet expansionism. Reagan travels to China in April 1984, and the US government approves Beijing's acquisition of US military hardware in June.

3.5 Clinton

"Constructive engagement" is the policy that President Bill Clinton initiates with China. In March 1996, Taiwan's first free presidential election is won by a wide margin by Lee Teng-hui of the Nationalist Party, despite Chinese missile tests intended to dissuade voters from supporting the pro-independence candidate. The elections take place a year after China called back its ambassador following President Clinton's approval of Lee's visit, reversing a fifteen-year-old American policy prohibiting visas for Taiwanese officials. Beijing and Washington decide to swap officials once more in 1996. The U.S.-China ties Act of 2000, which President Clinton signs into law in October, gives Beijing permanent normal trade ties with the United States and opens the door for China to join the WTO in 2001. U.S.-China commerce increased from \$five billion to \$231 billion between 1980 and 2004. China overtakes Mexico to become the second-largest trading partner of the United States, behind Canada, in 2006.

3.6 Obama

From \$273.1 billion in 2010 to an all-time high of \$295.5 billion in 2011, the U.S. trade imbalance with China increases. Three-quarters of the increase in the U.S. trade deficit for 2011 may be attributed to this increase. Regarding China's export limitations on rare earth metals, the US, the EU, and Japan submit a "request for consultations^{ix}" to the World Trade Organization in March. China's quota, according to the US and its allies, breaches international trade principles and forces global companies that use the metals to relocate to China. China vows to protect its rights in trade disputes and denounces the action as "rash and unfair."^x

3.7 Trump

In a conversation with President Xi, US President Donald Trump declares that he will uphold the One-China policy. Following his election victory, Trump deviates from the norm by calling Taiwanese President Tsai Ing-wen and casting doubt on the United States' adherence to the One-China policy. For forty years, Washington's policy has acknowledged that China is one country. In accordance with this policy, Taiwan has received defence assistance from the United States in addition to formal connections with the People's Republic of China. The U.S.-China relationship is "built on nonconfrontation, no conflict, mutual respect, and always searching for

win-win solutions,"^{xi} according to Secretary of State Rex Tillerson, who visited Beijing in March. The Trump administration claims that China is stealing American technology and intellectual property, so in reaction, it is imposing massive taxes on imports from China worth at least \$50 billion. Following taxes on imports of steel and aluminium, the new measures target electronics, apparel, and shoes and limit some Chinese investment in the US. Early in April, China retaliated against a number of American exports, raising fears of a trade war between the two biggest economies in the world. Following two high-profile encounters with President Xi in April and November of 2017, the action represents a hardening of President Trump's stance toward China.^{xii} China retaliates with its own sanctions. In addition, Chinese authorities denounce the US's decision to back Hong Kong, penalize a number of US-based groups, and stop US warships from visiting the city.

3.8 Biden

Under the administration of President Joe Biden, it has undertaken a variety of innovative trade initiatives during the last two years to redefine the nature and goals of U.S. trade relations in various ways. These initiatives are unlike the standard free trade agreements (FTAs) in terms of both structure and substance. Most notably, they prioritize worker empowerment and climate goals over tariff reductions.^{xiii} However, a diplomatic boycott of the Beijing Winter Olympics was enforced by the US, which bases its decision on the Chinese government's violations of human rights in Xinjiang and other regions.^{xiv} The Biden administration's policy is based on three main pillars: competing with China internationally; uniting with allies and partners to confront China's growing aggression; and investing in domestic industry, technology, and infrastructure. After this, Biden and Xi had their first face-to-face meeting in Indonesia. Both leaders pledged to reduce bilateral hostilities and resume lines of communication, including the months-old climate discussions that had been put on hold. Although nuclear weapons are not mentioned in the Chinese readout, the leaders voiced their opposition to their use in Ukraine. While stressing that American policy toward the island remains unchanged, Biden expressed concerns about human rights violations in Xinjiang and Chinese aggressiveness toward Taiwan.

CHAPTER 4: SOFT POWER EFFECTS

Soft power is defined as the ability to get 'others to want the outcomes that you want' and more particularly 'the ability to achieve goals through attraction rather than coercion..soft power enables a change of behavior in others, without competition or conflict, by using persuasion and attraction.^{xv} Other than the harsh methods of hard power, soft power follows the approach of 'co-opt' rather than coerce. The ability of a country to influence others without resorting to coercion or force is known as soft power. It depends on philosophy, political principles, diplomatic skills, and cultural appeal to sway opinions and forge connections across borders.

4.1 Cultural Implications

- 4.1.1 Cultural Exchange Restrictions:** Governments frequently impose limitations on cultural exchange initiatives, such as collaborative art projects, educational alliances, and people-to-people interactions, as a result of trade conflicts. These limitations reduce the amount of time and opportunity that inhabitants of the two nations have to engage, discover cultural differences, and grow in knowledge of one another.
- 4.1.2 Impact on Cultural Industries:** The flow of cultural goods and services between China and the United States can be disrupted by trade disputes. Cultural goods including music, films, books, and digital information are more expensive to export or import between the two nations due to higher tariffs and trade obstacles. The income and expansion of the cultural industries in both countries may be impacted by a fall in cross-cultural consumption.
- 4.1.3 Nationalist Narratives and Cultural Stereotypes :-** Heightened trade tensions often fuel nationalist narratives and reinforce cultural stereotypes. In both the USA and China, political rhetoric may portray the other country as a cultural and economic threat. This can lead to the demonization of each other's cultural practices, values, and identities, exacerbating tensions and hindering efforts to promote mutual respect and understanding.
- 4.1.4 Soft Power Competition and Diplomatic Fallout:** Trade battles exacerbate China and the United States' rivalry for soft power. Both nations may use cultural diplomacy techniques to increase their worldwide clout and mold opinions abroad. Trade disagreements, however, have the potential to sour diplomatic relations, making effective cultural diplomacy difficult. As a result, initiatives to enhance cooperation and understanding between people through cultural exchange may be hindered.
- 4.1.5 Innovation and Creativity:** Trade conflicts can also have an effect on creativity and innovation in both nations' cultural industries. Trade restrictions and impediments may make it more difficult for artists, producers, and innovators from the USA and China to collaborate and share ideas. This can impede the emergence of new artistic trends, styles, and technology as well as discourage cross-cultural pollination.

4.2 How is the public perception shaping the trade war ?

4.2.1 Media Influence and National Narratives: The U.S. and China's recent trade conflict provides opportunities for both war and peace journalism framing by journalists. The US government made accusations of unfair trade practices against China on grounds of intellectual property theft, devaluing the currency to boost Chinese exports to the US, and government subsidy. As a punitive measure, the US government announced the imposition of tariffs on Chinese imports and pressured China to concede to US demands. Chinese journalists might arouse nationalist sentiments by megaphoning the government's stance in order to generate favorable public opinion for the government's decisions against the U.S. sanctions. They might also provide a different take on US–China relations by utilizing alternative sources

and reflecting on the country's economic and technological development.^{xvi} Both nations' media portrayals of the trade dispute frequently support national narratives and sway public opinion. Media sources in the United States may present China as a strategic rival that poses a danger to American industries and jobs by engaging in unfair trade practices including currency manipulation and intellectual property theft. On the other hand, the USA can be portrayed in Chinese media as a hegemonic force that wants to restrain China's development and preserve its hegemony in international trade. For instance, Chinese media criticises US tariffs as protectionist measures intended to stifle China's economic progress, while American media outlets highlight cases of Chinese corporations purportedly engaging in unfair trade practices or stealing intellectual property.

4.2.2 Social Media and Digital Discourse :- Social media platforms enable people to share news articles, have conversations, and voice their thoughts, which contributes to an increased public discourse on trade issues. Public opinions and government decision-making can be influenced by sentiment expressed on social media sites like Facebook, Weibo, and Twitter.

Example: People may support or oppose their government's trade policy on social media sites by using hashtags like #TradeWar or #Tariffs. Prominent figures, such as politicians, corporate moguls, and celebrities, can utilise their platforms to support particular trade policies or criticise government initiatives.

4.2.3 Consumer Attitudes and Boycott Movements:- Consumers in the US and China are unequivocally the losers from trade tensions. Research by Cavallo, Gopinath, Neiman and Tang, using price data from the Bureau of Labor Statistics on imports from China, finds that tariff revenue collected has been borne almost entirely by US importers. There was almost no change in the (ex-tariff) border prices of imports from China, and a sharp jump in the post-tariff import prices matching the magnitude of the tariff.^{xvii} Consumer behaviour can be influenced by public opinion, which can result in boycotts or support campaigns against goods linked to the rival nation. Customers may choose to boycott products if they believe they were produced unfairly or as a form of protest against trade regulations.

Example: In times of high trade tensions, American consumers have been known to boycott Chinese-owned companies or products, and Chinese consumers have also been known to boycott American goods in retaliation for US tariffs. For example, in response to trade concerns in 2019, Chinese shoppers boycotted products from US corporations like Apple and Nike.

4.2.4 Public Opinion Polls and Political Discourse :- Political leaders frequently use surveys and opinion polls to see how popular trade plans and policies are with the general population. Policymakers' judgements about whether to increase or de-escalate trade hostilities may be influenced by public opinion.

Example: Widespread public support for adopting a severe approach on China's trade practices may be shown by opinion polls conducted in the USA, prompting officials to enact tariffs or other punitive measures. On the other hand, surveys of the general population in China can show support for punitive actions against perceived US aggression in trade discussions.

4.2.5 Civil Society and Advocacy Groups :- By influencing the narrative surrounding trade issues and rallying support for particular policy stances, advocacy groups and civil society organisations can affect public perception. To promote their interests, these organisations might plan demonstrations, start media campaigns, or carry out lobbying activities.

Example: Environmental organisations may oppose trade policies they believe are harmful to global sustainability, whereas trade unions in the USA may support protectionist measures to preserve American jobs and industries. Comparably, business associations and industry associations in China can press the government to take a strong stand against what they see as US bullying in trade talks.

The US-China trade dispute is shaped by a variety of factors, including public opinion, which also affects diplomatic ties, economic policy, and governmental initiatives. A number of factors, including consumer attitudes, political rhetoric, media narratives, social media discourse, cultural stereotypes, and advocacy work, influence public opinion and determine how trade conflicts between the two nations develop.

CHAPTER 5: THE EFFECT ON EXPORT INDUSTRIES OWING TO THE TRADE TENSIONS

5.1 Automobile Industries: In both the US and China, the automotive sector is crucial. The industry has a direct and significant impact on the United States economy, employing more than 1.7 million individuals. Furthermore, the sector is a major consumer of a variety of other industries, resulting in a net employment impact of approximately eight million jobs. Furthermore, the automotive industry contributes approximately 4.5% to the total U.S. employment. These jobs collectively yield \$500 billion-plus in annual wages and generate more than \$70 billion in tax revenues. The automotive sector is even more influential in China, which has been the world's largest automotive market since 2008.^{xviii} Several studies have examined the effects of the US-China trade war on automotive firms in both countries. Since the beginning of the trade war in 2018, the automotive industry has been the focus of a series of tariffs imposed by both sides, with tariffs of up to 25 per cent on automobiles and their parts. At the beginning of 2019, tensions eased, with the majority of automotive tariffs being reduced. However, the trade war has since been reignited, with a further 25 per cent tariff being threatened. This has had a negative effect on overall automotive and parts trade between the US and China, resulting in a 27 per cent decrease in total trade in the first half of 2019.^{xix} The car industries in China and the United States have been greatly influenced by trade tensions. Automakers in the United States mainly depend on exports to maintain growth and profitability. However, American auto shipments to China have decreased as a result of

China's retaliatory tariffs in response to US tariffs. It has been difficult for big American automakers like Ford, Tesla, and General Motors to enter the Chinese market and stay profitable. Similar to this, trade restrictions and tariffs have created obstacles for Chinese automakers like Geely that export to the USA, hurting their supply chains and income.

5.2 Cinema: American independent films have become collateral damage of the trade war, as Chinese regulators are keeping them mired in bureaucratic procedures much longer than normal, significantly slowing down the import process. 'Things have just ground to a halt', Kirk D'Amico, Chief Executive of the independent Los Angeles production and distribution company Myriad Pictures, told The Wall Street Journal in December 2018.

Though less susceptible to the trade war because their big-budget releases are crucial to China's box-office growth, major Hollywood studios nonetheless face their own uncertainty in China. They fear retaliation, particularly because Hollywood films are one of the few U.S. products where imports greatly exceed exports. There is also the worry that China could renege on past agreements, for instance, by approving fewer U.S. films for import, or limiting the runs of Hollywood films to low-season periods.

With Trump in the White House, liberal-leaning Hollywood has lost its key ally in its international expansion. Hollywood is equally worried about China's strongman Xi Jinping, who in March 2018 moved China's film division from the State Administration of Press, Publication, Radio, Film and Television to the Central Propaganda Department, which means that all imported and co-produced films now need that ministry's approval.^{xx} In the realm of cinema, trade tensions have disrupted access to foreign markets and distribution opportunities for both American and Chinese films. Hollywood studios rely on the lucrative Chinese market for significant box office revenues, but restrictions imposed by China on the importation of foreign films have limited their earning potential. Chinese film companies, on the other hand, have invested in Hollywood to gain access to American talent and distribution networks, but trade tensions may impact the success of these ventures and limit their influence in the global film market.

5.3 Chinese diaspora :- Trade and cultural exchange between China and the rest of the globe are greatly aided by the Chinese diaspora in the USA and other nations. But in the context of trade tensions, worries about discrimination and retaliation have surfaced. Chinese American companies that trade with China would come under more scrutiny or criticism, which would hinder their capacity to operate profitably and support economic expansion. Similar difficulties, such antagonism and visa limitations, may face Chinese groups living overseas and limit their ability to take advantage of international educational and professional possibilities. The disruption of trade relations between China and the USA may provide issues for Chinese-owned firms and enterprises operating in the diaspora. Trade restrictions and tariffs can raise the price of imported goods, which can have an impact on competitiveness and profit margins.

Example: Because of tariffs placed by the United States on Chinese imports, Chinese American businesses that depend on imports from China may face increased costs. This could have a negative effect on their bottom line and perhaps result in layoffs or business closures. Those of Chinese heritage may face more scrutiny and prejudice as a result of heightened tensions between China and the USA. Due to the possibility that they are unfairly profiting from trade links with China or acting as proxies for the Chinese government, Chinese Americans may encounter mistrust or hostility.

For instance, during times of trade tensions, there may be a rise in incidents of racial profiling, discrimination, or harassment directed against Chinese Americans, which could negatively impact their sense of safety and community. Due to tense diplomatic relations, Chinese students pursuing studies in the USA may have trouble acquiring visas or face limitations on academic exchanges and research collaborations. Professionals from China who operate in sectors impacted by trade disputes may also be concerned about their career prospects and job security. Example: Restrictions on Chinese academics' and students' visas may interfere with research initiatives and academic programmes at US universities and research centres, reducing the chances of cross-cultural cooperation and exchange. Cultural and social bonds among the Chinese expatriate community might be strained by trade difficulties. Differing views on trade policy or impressions of allegiance to the USA or China may cause divisions. Furthermore, disparaging media representations and political discourse have the potential to intensify preconceptions and strains within the diaspora. For instance, in the face of conflicting opinions on economic matters and geopolitical concerns, Chinese diaspora organisations and community leaders may find it difficult to remain cohesive and united. Political polarisation and mistrust may impede efforts to foster cultural discussion and exchange among diasporans. Amidst trade tensions, Chinese Americans could experience pressure to prove their allegiance to their ancestral homeland or to their host nation. Questions of loyalty and patriotism may arise as a result of political rhetoric and government acts that heighten suspicions about the allegiances of individuals within the Chinese diaspora. For instance, community leaders or Chinese American activists who support improved US-China relations or the peaceful settlement of trade issues may come under fire for allegedly supporting the Chinese government or working against the interests of their host nation.

CHAPTER 6: PROSPECTIVE LONG TERM EFFECTS ON THE GEO-POLITICAL ECONOMY AS A WHOLE

A protracted period of strain and mistrust in bilateral ties could result from the USA and China's diminishing soft power. Diplomatic efforts to settle conflicts and address common issues may become more challenging when mistrust and antagonism grow. Tensions might be further heightened if both nations take provocative measures, like as military exercises or economic sanctions. A hazardous cycle of escalation could result from the lack of efficient channels for communication and conflict resolution procedures, increasing the likelihood

of errors in judgment and unintentional conflict. A decline in bilateral ties of this kind would not only affect the security and stability of the United States and China, but it would also have repercussions throughout the geopolitical landscape of the world, causing uncertainty and vulnerabilities for other countries.

There are serious threats to the global economy from the USA and China's eroding soft power, which can have a big impact on trade, investment, and economic growth. Protectionist policies and rising trade tensions could destabilize global supply networks, raising prices, decreasing productivity, and lowering a company's ability to compete globally. Trade policy and geopolitical uncertainty may cause investor trepidation and market volatility, which would impact capital flows and financial markets. Prolonged trade disputes between the two biggest economies in the world might also jeopardize efforts to achieve sustainable growth and development and threaten global economic stability, especially in emerging markets and developing economies that heavily rely on international trade.

The USA and China's declining soft power could hasten the disintegration of the world trade system and jeopardize decades of work to advance economic cooperation and integration. Growing nationalism, protectionism, and unilateralism may push nations to put their own needs ahead of those of the group, which would encourage the growth of regional economic blocs and bilateral trade agreements. The efficacy of multilateral organisations like the World Trade Organisation (WTO) and the rules-based international economic system may be weakened by this fragmentation, making it more challenging for nations to settle disputes and deal with shared issues. Because of trade obstacles and restrictions, firms may have to deal with more unpredictability and complexity when operating in the global economy, and consumers may pay more and have fewer options.

A burgeoning "technological cold war," marked by rivalry and competitiveness in cutting-edge technologies like artificial intelligence, 5G telecommunications, and quantum computing, has been exacerbated by the USA and China's erosion of soft power. Both nations are making significant investments in R&D in an effort to obtain a competitive advantage and create leadership in vital industries. The global digital ecosystem is becoming more divided and polarised as a result of initiatives to limit technology transfers, manage vital supply chains, and safeguard intellectual property. This competition in technology could threaten the stability and economy of the world by impeding innovation, preventing cooperation on common problems, and intensifying geopolitical conflicts.

A reassessment of current norms, regulations, and alliances is resulting from the decline of soft power between the United States and China, which is changing global governance structures and institutions. The fight for influence and control over international institutions and regimes is intensifying as new parties enter the scene and established power dynamics change. In order to handle global difficulties, countries may increasingly adopt unilateral strategies that undermine cooperation and collaborative action. A more unstable and fractured global order marked by power conflicts, competing spheres of influence, and geopolitical rivalries could result from this change. In order to handle new threats and maintain peace and stability in the coming years, it will be

essential to work towards strengthening multilateralism and advancing inclusive and equitable global governance.

In important strategic sectors, the USA and China's diminishing soft power has raised tensions and raised the possibility of regional instability. Concerns over the possibility of conflict and instability have been raised by competing territorial claims, military posturing, and geopolitical rivalry in areas including the Korean Peninsula, Taiwan, and the South China Sea. Increasing hostilities between the United States and China may intensify already-existing conflicts and lead to a regional weapons race, which would further destabilise already unstable areas. With ramifications for surrounding nations as well as the larger international community, the possibility of an unintentional military conflict or escalation presents serious obstacles to regional security and stability. The United States and China's eroding soft power is impeding international attempts to confront urgent issues including pandemics, climate change, terrorism, and nuclear proliferation. Given the escalating geopolitical tensions and strategic competitiveness, cooperation between the two nations—crucial players in tackling these issues—has grown more challenging. Mutual mistrust and mistrust are undermining efforts to create discussion, trust, and cooperation on common concerns. As a result, efforts to address global governance challenges come to a standstill, making it difficult for the international community to address serious and intricate threats to international security and stability. To effectively tackle these serious issues and ensure a more peaceful and prosperous future for all, immediate action is required to enhance global governance systems, foster cooperation, and bridge divides.

CONCLUSION

In summary, the USA and China's declining soft power has significant ramifications for both nations as well as the global geopolitical economy. What started out as trade disputes has developed into a complex rivalry marked by rivalry and conflict in a number of areas, such as global governance, technology, security, and ideology. Bilateral ties are deteriorating, which raises the possibility of increased tensions and instability and possible repercussions for international trade, economic expansion, and regional security. A technical cold war is a real possibility as trade restrictions and geopolitical tensions develop, which would hinder innovation, teamwork, and international stability. In addition, the disintegration of international commerce and governance frameworks impedes the pursuit of solutions for urgent problems like pandemics, terrorism, and climate change. To reduce risks, advance stability, and create a more robust and inclusive international order, stakeholders must place a high priority on communication, cooperation, and diplomacy in this increasingly unstable and uncertain environment. Rebuilding trust, bridging gaps, and cultivating understanding amongst people are crucial for navigating the intricate geopolitical dynamics and guaranteeing a peaceful and prosperous future for everybody.

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