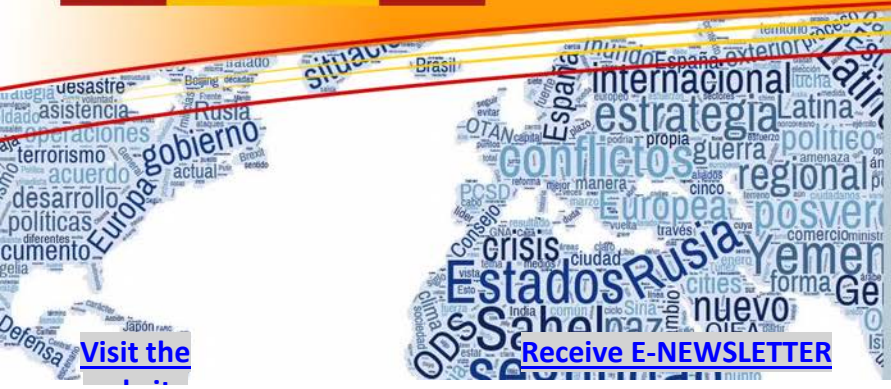
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Federico Aznar Fernández-Montesinos

Universal tariffs: A new phase in the confrontation between China and the United States



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Abstract:

The tariffs imposed by President Trump are a further step in an escalation that has occurred after four decades of Sino-American coevolution. This has become an intersystemic competition. The Asian country has profited the most, yet it encounters considerable challenges as it moves to occupy the position vacated by the United States. That is why it does not directly confront the former. The United States has also benefited from Chinese development, but it de facto requires its partners and allies to distance themselves from those who offer the resources it does not provide.

An orderly decoupling was in both countries' interest. That is why their confrontation, until 2025, was not primarily economic but fundamentally technological, since technology and innovation determine the future and enable a paradigm shift. This, in turn, preserves the present and supports bloc politics.

General tariff policies represent a new phase of the struggle that definitively moves into the economic sphere and continues its rise to extremes. Nevertheless, this adversarial relationship has left both nations economically weakened, leading them to aim for fiscal consolidation. Globalisation is a massive process that proves difficult to stop. The US's tariff push, in the context of competition with China, could relegate the country to the status of a regional power.

Keywords:

China, United States, geopolitics, tariffs, technology, debt geopolitics, proliferation, Israel, Syria, Saudi Arabia, Afghanistan, Pakistan, United States, China.

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"When China wakes up, the whole world will tremble."
Phrase wrongly attributed to Napoleon[1]

The second decade of the 21st century seems to be closing the era that Reagan and Thatcher opened in the 1980s. It is being replaced by a kind of "neomercantilism"[2] . These leaders gave a major boost to globalisation by deregulating markets and opening up economies. But, paradoxically, forty years later, multilateralism is losing ground and many of the international initiatives promoted by the West after the Second World War are being dismantled. In fact, it is precisely the United States and the United Kingdom that are resorting to protectionism (the former through arbitrary tariffs) or turning away from the great integrationist experience (the latter)[3] .

Liberalism and neo-mercantilism meet in globalisation, as do China and the United States. At any given moment, and even alternately, these countries can play the role of ideological powers and indistinct representatives of both movements, depending on their current interests. The logic of individual Pareto optimisation that has characterised the

[1] This phrase comes from the film 55 Days at Peking and seems to be simply the imagination of one of its screenwriters. It was popularized by French Foreign Minister Alain Peyrefitte when he used it as the title of a book recounting his trip to Mao's China.

[2] War is inherent in systems such as the mercantilist system of the 17th century, as in any system in which power is an end in itself and economic life is driven by political purposes. The progress of the United Kingdom was based on the *Navigation Acts;* its fleet not only protected but also opened the way for trade, allowing for the accumulation of capital that made free trade possible.
The search for precious metals that accompanied the commercial expansion inherent in 18th-century mercantilism determined the aggressive nature of foreign trade, as the quantity of these metals and the means of trade are limited. Exchange is not equally favourable to the buyer and the seller. Trade seen in this light is not so much war as its substitute.
As General Monck said when requesting the resumption of war with the Dutch in 1662, "What does this or that reason matter? What we want is an even greater share of trade with the Dutch." Another example was written by a newspaper columnist in 1745 about the war between the United Kingdom and Spain and France: 'it is more in the interest of the kingdoms... that we continue in a state of war... our trade, in general, flourishes more in a vigorous and well-conducted naval war than in a peace that would allow free trade with those two nations'.
The fact is that the free trade positions (which, once economically consolidated, evolved from mercantilism) of the United Kingdom, and all the conceptual development that they entailed, first clashed with Colbert's physiocracy and then with German protectionism. Obviously, these conflicts between economic philosophies were reflected in the peace agreements that settled the countless wars fought in Europe since the 18th century. Hamilton and List were key figures in the revitalisation of mercantilism in the modern world. Hamilton, disagreeing with the theories of the physiocrats, believed, in the words of Montesquieu, that 'the natural result of commerce is to promote peace'. He asked, 'Has commerce done anything more than exchange the objects of war? Have there not been numerous wars for commercial reasons since these became fundamental to nations?"

[3] ROSALES, Osvaldo. "The keys to the China-United States economic conflict." Flacso, August 2018. http://www.flacsochile.org/slider/las-claves-del-conflicto-economico-china-estados-unidos/

West is confronted with a culture – Chinese moral realism – in which the collective and individual sacrifice prevail.

The simplification process resulting from globalisation has generated a levelling logic and, with it, convergence between advanced and emerging economies. This process also includes the resurgence of China—a country with 1.47 billion inhabitants, 18.21% of the world's population, which, having reached its demographic zenith, will begin to decline to around 800 million by 2100—which is its most advanced exponent and promoter.

But also, and simultaneously, the rise of some middle powers and non-state actors. This is the result of changes in the political and technological context, lack of leadership, the failure of institutions and, since 2001, misguided US interventionism in the Middle East and Central Asia. This has made it difficult to see such a significant geopolitical change, which has taken place in its shadow[4] .

This is Fareed Zakaria's 'rise of the rest'[5] , which warns that we cannot make enemies of every commercial or geopolitical rival that emerges, as this is in the nature of things. The rise is a method, a path. The problem with the West is its loss of relative power.

A key issue in the struggle is the importance of foreign trade for each country. The relationship between trade and GDP measures a country's economic dependence on international trade, showing the degree of globalisation. Thus, the integration of the European economy allows the sum of imports and exports to reach 96% of its GDP and also means that the balance between the two is usually in deficit, so its level of exposure is high[6] .

This makes the EU very sensitive to tariffs and therefore forced to agree on them with the United States with virtually no possibility of resistance, given the strategic alliance that had served to expand trade between the two and the resulting or induced European dependence/vulnerability.

The case of China and the US is quite different. In the former, this balance represents 37% of its GDP, although in 2006 it reached 64%. However, by multiplying its economy

[4] SAHAGÚN, Felipe. In *Strategic Outlook 2019.* Spanish Institute for Strategic Studies.
[5] ZAKARIA, Fareed. *The world after the USA.* Espasa Publishing House, 2009.
[6] SEIJA, Nerea. "The countries most dependent on international trade." *The World Order* 20.04.2025 https://elordenmundial.com/mapas-y-graficos/paises-dependencia-comercio-interncional/

by nine and increasing its domestic demand from 2013 onwards, China reduced its level of dependence. The United States, for its part, is the world's largest importer and second largest exporter, but international trade accounts for only 25% of its GDP, even less than in China. However, unlike the Asian giant, US imports exceed exports, generating a negative trade balance, as is the case with the EU.[7] .

The trade dispute between China and the US is therefore detrimental to the US because of its level of dependence, but also because it calls into question the international regulatory framework and strains relations with its allies. However, it is even more detrimental to China because of its greater level of dependence and trade integration. Europe is the battleground, if not a weapon in this dispute.

Consequently, although the dispute is framed in commercial terms — albeit very relevant ones — it is essentially political. The issue is that, being political, it had been diverted to the technological arena to avoid economic costs for the parties involved. This is a different level, framed in terms of the future and a paradigm shift, but tariffs represent a step forward in the escalation that accompanies any conflict.

THE RETURN OF GEOPOLITICS. THE IDEA OF *SHARP POWER*

China's rise implies a structural change in the international system and can be seen as a further step towards "unbalanced multipolarity", i.e. a move towards an inherently unstable condition and, as a consequence, an intermediate stage towards a new bipolarity. In any case, China's return to the international community has disrupted the *status quo,* both globally and regionally, and has implications of all kinds due to the complexity of the environment.

Thus, Mexico initially saw its imports to the United States gradually decline, especially in labour-intensive sectors, but after the imposition of tariffs on China, it became the leading exporter to the United States and, as a result, was itself subject to President Trump's round of tariffs aimed at rebalancing local relations and preventing Chinese products from entering the country in this way.

[7] Ibid

Mexico's initial displacement was made possible by the low prices of Chinese products as a result of its aggressive trade policies; Chinese-US production and trade alliances; China's participation in international economic organisations; and the narrowing of trade margins[8] . Its return is the result of the correction of US foreign policy and *friendshoring or nearshoring,* as a preliminary step towards the definitive return of industry to the country *post-friendshoring.*

But China's conversion into the 'world's factory' has also had domestic geopolitical consequences. Thus, most Chinese factories are located in areas best suited to receiving imported raw materials and shipping manufactured products, i.e., in a coastal strip with some 400 million inhabitants, historically the poorest and most politically marginalised area inhabited by the Han ethnic group[9] .

The demographic and political weight of the interior – some 900 million people – is much greater than that of the periphery. Paradoxically, however, the current Chinese economic boom is centred on the peripheral regions, while the interior regions have become comparatively impoverished. The Chinese government transfers resources to compensate for this imbalance; therefore, a slowdown in growth would have an impact on national cohesion. Another additional consequence is that China needs to keep its sea routes open and, consequently, control the entrances access to the China Sea.[10]

In any case, globalisation has brought democracies and autocracies into direct contact. Countries with democratic standards below what is acceptable to the West and once located on different sides of the Wall now have direct economic and trade relations, with companies aligned with political power setting up in democratic states and benefiting from the regulatory framework for ordinary companies. These companies shape markets according to their national interests, while denying access to their own markets, particularly in the technology sector, which is the focus of their attention abroad. They take advantage of the rules in place.

[8] HERNÁNDEZ HERNÁNDEZ, Roberto. "Trade relations between China and the United States and trade in industrial and agricultural goods: implications for Mexico." *Mexico and the Pacific Basin,* vol. 9, no. 27, January-December 2006, pp. 25-39. University of Guadalajara, Guadalajara (Mexico).
[9] FRÍAS SÁNCHEZ, Carlos Javier. "China, a giant with feet of clay?" Spanish Institute for Strategic Studies, DIEEEA 108/2019.
[10] Ibid.

Thus, Anglo-Saxon literature points out how large corporations such as *Facebook*, *Google [Alphabet]* and *YouTube* have not penetrated the Chinese market, while, asymmetrically, large Chinese companies, whose existence has been condoned, encouraged or controlled by the regime — to whose strategy and instructions they respond — and which can count on members of the state apparatus in their structures, are proliferating throughout the world.

This has caused significant controversy, and not only because of the *Huawei* case*;* for example, there is controversy surrounding Chinese investments in artificial intelligence *start-ups* located in Silicon Valley. Germany itself has shielded access to its technology companies by subjecting purchases of more than 15% of share capital by investors from outside the European Union to prior authorisation, as is the case with both China and the United States[11] . Another negative example is the European Commission's 2018 fine of $2.7 billion on Google for biasing its search engine in favour of its own services. [12]

However, progress has been made on issues such as intellectual property theft, which has been a recurring complaint about China's conduct. In this regard, Fareed Zakaria cites a 2019 survey of US companies that ranked technology theft as their sixth biggest concern in their relations with China, down from second in 2014. The reason is that in 2015, specialised courts were created in China and favourable rulings have been handed down[13] .

Nevertheless, the United States, for its part, believes that interdependence favours Asian countries. It has watched helplessly as its relative power has declined: 38 per cent of global GDP at constant prices in 1970, 32 per cent in 2000, 28 per cent in 2008 and 26 per cent in 2025.

[11] GÓMEZ DEL BARRIO, Rubén. "Germany to limit foreign investment to prevent China from 'stealing' technology." *El Economista.* 18 August 2018. https://www.eleconomista.es/internacional/noticias/9322918/08/18/Alemania-limitara-la-inversion-extranjera-para-evitar-que-China-robe-tecnologia.html

[12] PANDYA, Jayshree. "The geopolitics of Artificial intelligence." *Forbes.* 28 January 2019. https://www.forbes.com/sites/cognitiveworld/2019/01/28/the-geopolitics-of-artificial-intelligence/#6fe55c6879e1

[13] ZAKARIA, Fareed. "The New China Scare: Why America Shouldn't Panic About Its Latest Challenger." *Foreign Affairs* magazine. January/February 2020. https://www.foreignaffairs.com/articles/china/2019-12-06/new-china-scare

This is why the United States is trying to rebalance the framework of relations through the redistribution of profits and the replacement of global rules. For example, it considers that it competes with companies linked to the Chinese central government. And it wants access to its domestic market on terms equivalent to those enjoyed by Chinese companies in the United States and not, as has been the case, subject to the draconian conditions that the Chinese government allows itself to impose, taking advantage of the size of its own domestic market and the control it exercises over it.

In its view, China benefits from the free market without complying with its rules. The Americans complain that their companies in China are *de facto* forced into *joint ventures* with local companies and pressured to transfer their *know-how* to the detriment of their intellectual property rights[14] .

Added to this are other issues, such as caps on government purchases and the fixed parity of the yuan against the dollar, which China maintained for two decades[15] . It therefore considers that the rules of the game need to be renewed and refined in order to effectively integrate China into the multilateral trade governance framework with new rules that are considered legitimate by all, ensuring that Chinese companies do not have an unfair advantage and benefit from government support[16] . Added to this are other factors such as the control they exercise over certain resources while protecting their domestic market.

China is also accused of trying to dictate the rules and principles governing the digital economy through its new platforms and technologies[17] . Even a whole geopolitical concept has been coined to conceptualise and explain its actions: *Sharp Power*, an asymmetry in relations and the implementation of Western rules, values and moral principles for its own benefit. The role of Confucius Institutes in spreading Chinese culture, but also its position, is not insignificant in this context.

[14] ROSALES, Osvaldo. "The keys to the China-United States economic conflict." Flacso, August 2018. http://www.flacsochile.org/slider/las-claves-del-conflicto-economico-china-estados-unidos/
[15] HERNÁNDEZ HERNÁNDEZ, Roberto. Op. cit.
[16] FRÍAS SÁNCHEZ, Carlos Javier. Op. Cit.
[17] SOROS, George. "China and the AI threat to open societies." *Boston Globe* 02.04.2019 https://www.bostonglobe.com/opinion/2019/02/04/china-and-threat-open-societies/RgCjeZlVHeH8od28Njk1EO/story.html

The hybrid and composite nature of its political system—a mixture of indigenous socialism and capitalism—gives its foreign policy a dual and ambivalent character. Thus, with the help of the market economy abroad and economic dirigisme at home, technology becomes the cornerstone of other infrastructures, establishing a long-term relationship, but also one of dependence on the countries that accept them. Such a relationship becomes a matter of national security.

The conceptual adventure of turning a communist party into the ruler of a country whose foreign policy is staunchly capitalist—or pseudo-capitalist—is not without contradictions and consequences. This is achieved by subjecting all economic activity to the authorisation of public officials and forcing companies to partner with authorised local entities. This legal obligation, which existed initially, had to be abolished when the country joined the World Trade Organisation, but it remains in place *de facto*, as does an implicit obligation to transfer technology.

This convergence of the public and private, the official and the private, the law and its practice, has led to systemic and far-reaching corruption, the consequences of which have been felt[18] . China fell from 40th place in 1995 to 87th in 2018 in the Corruption Perceptions Index.[19] However, President Xi's corrective measures meant that by 2023, it had risen to 65th place and to 70th in 2024.

As Xulio Ríos points out, the results of Xi's policies are ambivalent because, while they have allowed him to consolidate his civic leadership, clean up institutions and moralise public life, it is also true that the structural causes persist, generating an ambiguity that is reflected in international indices.

The existence of elites and inequality generate visible problems; there have been communist leaders and people in contact with political power who have become ostensibly wealthy, with the resulting negative effects. The corruption of these elites—or the perception of such corruption—triggers downward corruption and contributes to its normalisation in the social context, undermining the system for both those who are integrated into it and those who are not.

[18] FRÍAS SÁNCHEZ, Carlos Javier. Op. Cit.
[19] https://datosmacro.expansion.com/estado/indice-percepcion-corrupcion/china

Inequality is a factor that fuels corruption, insofar as great inequality ultimately calls into question the legitimacy of the ruling regime and weakens its institutions. This necessitates high growth rates that lend credibility to the system and legitimise it. The legitimacy of an authoritarian regime, as in this case, lies in results. Its only option is a general *win-win situation*.

CHINA AND THE UNITED STATES: INTEGRATION AND INTERDEPENDENCE VERSUS COMPETITION

China and the United States maintain a relationship of interdependence, complementarity and mutual benefit that has enabled their progressive coupling and integration since 1972. Nial Ferguson christened the resulting entity *'Chimerica'*, representing the interpenetration between the two countries and the synergistic benefit of this sum of unequal powers, all of which is in the purest Chinese tradition of *yin* and *yang.* That is why we analyse the whole as a geopolitical region.

The United States, for its part, has been trying for years to reduce foreign policy spending to avoid what Paul Kennedy called "*Imperial* overstretch". Overstretch could lead to its collapse, as in other historical moments. This trend did not begin with Trump's first term, with his *"America First"* policy, nor does it seem likely to be reversed in the future[20] . The shift towards Asia-Pacific is a geopolitical necessity stemming from a lack of resources for an effective global policy, but President Trump's policies seem more like a retreat than anything else. The eventual and ambiguous Chinese economic *overtaking*, however, has not yet translated into diplomatic, political or military terms. We are, at most, in a transition phase. The United States remains the indispensable power.

Certainly, the country that has benefited most from this partnership has been China, for the simple reason that it was the least developed and therefore most susceptible to improvement in terms of impact and comparative performance. Measured in terms of purchasing power parity, and according to World Bank data for 2023, China was already the world's largest economy (18.76% of global GDP), followed by the United States (14.8%) and the eurozone (14.68%). This is not the case in terms of GDP at constant prices. This tells us that we are starting from a situation of *deadlock.*

[20] SAHAGÚN, Felipe. Op. Cit.

At this point, it is worth remembering that three decades ago, the US economy accounted for 28% of the world economy and China's only 2%. In 1988, per capita income in the US was twenty-five times that of China, whereas today it is only four times higher; in other words, the Chinese economy was more than thirteen times smaller than the US economy. Consider that the Spanish economy surpassed the Chinese economy in terms of global GDP until at least 1994.

This increase, which was preceded by that of the so-called four Asian tigers or dragons (Taiwan, South Korea, Singapore and Hong Kong), now almost forgotten and which can even be considered a pilot experience for a large-scale model, took place in very dramatic terms.

China increased its share of world exports from 3.6% in 2000 to 12.4% in 2014, multiplying its foreign sales by 9.4 times over that period. Imports increased from 3.3 per cent in 2000 to 10.3 per cent in 2014, an increase of 8.7 percentage points[21] . The United States now criticises the fact that such an increase was allowed without anything in return. In 2023, China exported $3.41 trillion and imported $2.13 trillion, making it the world's largest exporter and second largest importer, according to the OEC.

It should be noted that China and India, the main economic players in Asia Pacific, have characteristics of world powers as well as the weaknesses inherent in underdevelopment. But this is not unusual. The United Kingdom, for example, became an empire while great famines ravaged the country.

Conversely, strong Chinese growth has allowed inequality to decline. According to a 2019 World Bank report, relative poverty fell by nearly 66% to 0.7% in three decades, lifting 880 million people out of poverty. GDP per capita adjusted for purchasing power parity stands at £18,000. This undoubtedly makes the Chinese market much more attractive. In addition, inequality has grown. The richest 1% in China went from accounting for 6% of income to 14%[22] , and in 2020, per capita income in cities was 2,617 euros, while in rural areas it was only 1,358 euros. [23]This is particularly relevant when one considers that

[21] Various authors. "The Chinese contribution to the remodelling of the Latin American economic model." *Special report by Llorente & Cuenca,* March 2016.
[22]BBC. "China: 9 charts to understand the extraordinary transformation of the Asian giant forty years after its economic reforms." https://www.bbc.com/mundo/noticias-internacional-46595825
[23] ZAKARIA, Fareed. "The New China Scare: Why America Shouldn't Panic About Its Latest Challenger." Op. Cit.

communist ideology incorporates an egalitarian bias. But more importantly, a powerful domestic market has been created.

The problem lies in the fact that the country may be caught in what is known as the "middle-income trap", the common fate of many states that escape poverty only to hit a wall at around 10,000-12,000 dollars per capita GDP[24]. This happens when the necessary modernisation of the economy and other regulatory and legal systems is not pursued; with growth, incentives are lost due to the lower proportionality of profits. The key to overcoming this lies in education and investment in high-tech companies, but also in avoiding excessive devaluation of the currency, even if this benefits exports.

In any case, the relationship between these two economic giants has led to China's "peaceful rise", i.e. an increase in its relative power. This has been achieved largely without questioning the established order and with discretion, which has meant a passive attitude on the international stage. This is known as the "24-character strategy". In the words of Deng Xiaoping, "Observe calmly, secure your position, deal with matters calmly, hide your capabilities and bide your time, keep a low profile, and never claim leadership."

The idea of 'peaceful rise' or 'peaceful development' that this strategy has received is the translation of the term *heping jueqi* — the verb *qi* has multiple uses and meanings in Chinese, which gives the concept an intentionally vague character — and seeks to express the desire to become a central power in a harmonious way, that is, without endangering the established system of balances. This process is carried out by trying to avoid any appearance of aggression, with humility and without ostentation, following Deng Xiaoping's maxim of hiding power and waiting for the moment.

This contradicts, for example, national defence, whose improvement was postponed—at least until 2015—out of discretion, i.e. so as not to highlight the change in power relations. China has postponed meeting its defence needs so as not to generate mistrust and make the alteration of *the status quo* visible. This has been done at the cost of maintaining a military force that does not correspond to its increased political power and clearly does not reflect it. At the same time, the resources obtained were invested in reducing the internal contradictions caused by the growth model and gaining even more legitimacy.

[24] Ibid.

The Belt and Road Initiative or OBOR (acronym for *One Belt, One Road*) is an ambitious project launched in 2013 and sponsored by China as a kind of reissue of the Marshall Plan which, let us remember, shaped US relations with its allies and made the creation of the EU possible. It is a strategy of influence and embodies a challenge to the current geopolitical order. It has been described as "the project of the century" and serves to underpin Chinese foreign policy. Its objective is to build a community of shared destiny for humanity, in which connectivity (in its various dimensions) plays a key role. But its development also places China at the geopolitical centre of the world.

The projects to which they are linked involve political concessions, and the difficulties involved in repaying them have led to them being described as a "debt trap". This allows China, through loans that are difficult to repay, to acquire infrastructure and resources while creating political dependence on the states concerned.

The original design included six land corridors (linking China with Central Asia, Southeast Asia, Pakistan, Mongolia-Russia and Western Europe) and a Maritime Route connecting more than 25 ports around the world. The project has evolved geographically and conceptually to become a Health Silk Road, a Digital Silk Road, a Polar Silk Road, a Space Silk Road and a Green Silk Road. Their convergence means focusing the global order on China and also addressing the consequences of its decoupling from the United States and, with it, the exclusion of some key technologies[25] .

The Health Silk Road focuses on public health and international cooperation in healthcare. The Digital Silk Road refers mainly to digital technologies that increase connectivity, set standards or support digital economies, thereby seeking to dominate or reduce dependence on the international digital ecosystem. The Polar Silk Road aims to make China an almost Arctic country, with a permanent presence in the region and access to its routes and, collaterally, to the Antarctic. The Space Silk Road is a set of political alliances and interconnected terrestrial and space infrastructures. And the Green Silk Road aims for more environmentally friendly and sustainable projects.

The aim is to bring the two ends of the Eurasian landmass closer together by sea and land. The project could affect 75% of energy reserves, 70% of the world's population and

[25] HUANG Yiyi "Ten years on, the Belt and Road objectives change with China's ambitions." Radio Free China. 26.09.2023 https://www.rfa.org/english/news/china/china-belt-and-road-09262023124204.html

also link 55% of global GDP. Around 83% of China's diplomatic allies and almost 80% of the 193 UN member states are involved. In 2023, these included 29 European, 42 Asian, 45 African, 10 Oceanian and 20 Latin American and Caribbean countries.

China has signed more than 200 cooperation agreements with 152 countries and 32 international organisations under the plan. It thus facilitates the relocation of production capacity, offers a powerful diplomatic tool and is also key to Beijing's geostrategic framework[26] . However, this initiative is not without resistance and rejection. In fact, seven of the world's ten largest economies (the United States, Japan, India, Germany, Great Britain, France, Italy – which joined OBOR in 2019 and left in 2023 – and Canada) refuse to join.

China has also launched three global initiatives: the Global Development Initiative, the Global Security Initiative and the Global Civilisation Initiative, which are linked to its goal of becoming a global power and represent a further step in political coordination to this end, raising the stakes in this regard. The support of the international community is noteworthy.

In any case, the visibility of a project of this magnitude clashes with US policy and breaks with the practice of what has until now been the silent nature of the so-called 'peaceful rise', and with it the passive attitude in the field of international relations advocated until Xi's arrival. This is at the very root of the Sino-US conflict, with whose interests in the region it also openly clashes.

Such an undertaking raises economic and political questions. It is unclear whether China will be able to develop the monetary diplomacy and resources necessary for an initiative whose cost over the next ten years, in infrastructure alone, is estimated at around $5 trillion, equivalent to Japan's GDP. What's more, in 2018, the Asian Development Bank estimated that by 2030, Asia alone could need $26 trillion in infrastructure. The initiative also generates political uncertainty due to its strategic and geopolitical implications[27] .

The ultimate goal of this project is to free the country from its dependence on foreign markets once an adequate level of development has been achieved. Therefore, with

[26] Ibid.

[27] OTERO-IGLESIAS, Miguel; STEINBERG, Federico. "International economic scenario: growth, uncertainty and risks." *Strategic Outlook 2019.* Spanish Institute for Strategic Studies.

foreign materials and resources guaranteed, the key is to stimulate domestic consumption to generate self-sustained growth. This explains the (public and private) debt, which is the regime's Achilles heel.

In this regard, it should be noted that in 2024, China's public debt stood at 15,303,837 million euros, 88.33% of its GDP, representing an increase of 6.32 points compared to 2023. And that was in 2014, when the OBOR was launched, it stood at €3,165,533 million, 39.31% of GDP. As a result, per capita debt has risen from €2,300 in 2014 to €10,856 in 2024[28] .

But the fact is that China's total debt reached a record high in 2023, rising to 287.8% of GDP, 13.5 percentage points higher than in 2022. It also has a hidden debt problem (unrecorded liabilities, as a result of practices condoned by the central government) in local administrations that could amount to around €9 trillion, i.e. twice Germany's GDP. This has led to a downgrade of its debt rating by agencies such as *Moody's* and *Fitch*, as it poses a threat to the country's fiscal and financial stability and sustainability and forces it to consolidate its finances[29] .

This debt problem is similar to that of the United States. US public debt has risen from 40% of GDP in the 1980s to 122% in 2024, which has also caused the country to lose its top credit rating. Meanwhile, the federal deficit in 2024 stands at $1.8 trillion, representing 6.4% of GDP, and interest payments on the debt have risen to more than $1 trillion per year, which explains President Trump's pressure on the Fed to lower interest rates and obtain better refinancing terms.

Furthermore, we can and must point out that the core of President Trump's controversial policy is directly related to the country's financing. This ranges from tariffs to demands on NATO member countries for higher levels of military spending, materialised in the purchase of US equipment; investment commitments in the US negotiated in parallel with tariffs; the restructuring of the US military deployment...

Returning to our binomial, we can see in this the Clausewitzian model of war logic applied to trade, that is, the isomorphism of strategies – the tendency of the parties to develop

[28] https://datosmacro.expansion.com/deuda/china
[29] ASENSIO, Carlos. "China's total debt hits record high, reaching 300% of GDP." *El Economista newspaper.* 08.04.2024.h ttps://www.eleconomista.es/economia/noticias/12766538/04/24/la-deuda-total-china-marca-record-historico-al-llegar-al-300-del-pib.html

similar strategies – and the escalation of extremes, the tendency to use all available force in the struggle.

In this context, the US universal tariff has a double contradictory effect. It diverts trade and causes certain countries to bet more decisively on China, while others break definitively with it. But it also provides the resources necessary for the United States to continue exercising global leadership.

Finally, Ding Ke, except in the case of high technology, emphasised that China has complete supply chains and a huge consumer market. Phrases such as 'local production for local consumption' or 'in China for China' underline that a production and distribution system separate from overseas markets can be created.

That is why, once the aforementioned launch of domestic consumption was confirmed – Chinese GDP closed 2017 confirming the trend towards a consumer economy (62.19% of GDP) – China has sought military power parity, escalating the technological conflict. This moment, not by chance, has coincided with the removal of the two-term limit on presidents, which strengthens President Xi's authority and gives continuity to his political action. This strengthens the regime and prepares it for the turbulence of the change in status that comes with becoming a global power. And this is happening in the context of an emerging domestic market that was expected to be fully consolidated by 2025 through strategies designed specifically for this purpose.

The Chinese economic model has been based on abundant, low-skilled and cheap labour. Added to this is its ability to develop 'economies of scale'. However, its greatest advantage also lies in its size, both in terms of production and consumption. Data, for example, is a source of power in the information society.

But it also gives the country a significant capacity to respond to short-term market demands and fluctuations in a range of sectors, from textiles (with industrial responsiveness to fashion demands) to construction (as demonstrated, for example, by the speed with which hospitals were built in response to the challenges posed by the coronavirus). In this regard, Fareed Zakaria pointed out that "one way to think about China

and India is as two global deflationary machines that pump out goods (China) or services (India) for a fraction of what it would cost to produce them in the West..."[30] .

However, both factors have limited scope. On the one hand, economic growth necessarily translates into improved working conditions, which reduce this advantage; on the other hand, the increase in energy and raw material prices caused by the launch of such a large economy reduces the benefits of cheap labour, without any subsidies for either factor being able to go beyond a transitional period. As for economies of scale, rivals with sufficient capacity to act in a similar way are gradually emerging. This is the case in India, Indonesia, Malaysia and Vietnam, among others[31] .

In addition, the coronavirus crisis and other factors have highlighted the need for countries to have a certain level of industrialisation that gives them autonomy in their decisions and guarantees the security of their societies; the war in Ukraine has reiterated this in military terms. The West needs to rebuild its industry and not base its economy solely on services.

In other words, efficiency parameters are not enough, creating a space for effectiveness and compartmentalisation. In the case of COVID, due to the scale of the crisis, China was unable to meet its supply commitments. As a result, countries such as Japan granted subsidies to support the return of supply chains and diversification in third countries. We thus return to the levelling function of globalisation and domestic consumption as the new engine of progress, a new stage of projection which, in the case of China, would gradually free it from its dependence on the outside world, the previous phase of projection. It would also strengthen it against tariff policies. It would return to its original status as an immobile empire and the Middle Kingdom.

Technology became a key factor in decoupling insofar as it altered the balance and allowed countries to escape the prevailing dynamics, which were otherwise mutually beneficial and firmly consolidated. China now has the advantage of having already developed its domestic market, which gives it greater strategic autonomy, even with its external dependence. Therefore, the real confrontation was not economic or commercial but technological. This arose when China began to challenge leadership in productive and technological innovation. Not surprisingly, technology determines the future.

[30] ZAKARIA, Fareed. *The World After America.* Espasa Publishing House, 2009.
[31] FRÍAS SÁNCHEZ, Carlos Javier, Op. Cit.

The added value that China contributed to the final product was low as a result of the low levels of technology required. The point is that manufacturing — associated at the same time with a vast effort in industrial intelligence — not only provides greater access to technology, but also serves as a school where learning and innovation are fostered.

The result of this exponential process is that China, after a long cycle of growth, has made its position visible and is challenging the United States not only economically but also militarily (with its rearmament and territorial claims), diplomatically (with its Silk Road proposal) and technologically (it has been able to create its own cyberspace and promote related industries that can compete in critical areas such as artificial intelligence, semiconductors and *big data)*.

THE PROCESS OF INTEGRATION BETWEEN CHINA AND THE UNITED STATES

China's relationship with the West has undergone major ups and downs over the last two centuries. The idea of the Silk Road is a concept defined in the 19th century by German geographer Ferdinand von *Richthofen* to describe the trade and caravan network that linked China with the Mediterranean. Hugh Thomas considers China to be "the benign empire" because it does not appear to be interested in dominating other territories not contiguous to its own, nor does it seek to impose its institutions, values and proposals on the rest of the world. This ideology serves its policy of "non-interference in internal affairs", which allows it to do business anywhere in the world.

Trade with the West until the 19th century was limited in scope, with only the port of Canton being open. The Manila Galleon route, which linked the two coasts of the Pacific under Spanish rule and closed off the world from the 16th century onwards, followed this logic.

China never wanted a relationship of parity with the West; in fact, it did not even want to trade. At most, it would pay the barbarian temporarily—as a bribe or ransom—to avoid even greater problems, but never establish a relationship based on continuity and trust, as required in normal trade. There is a clear sense of cultural superiority. It was not for nothing that the 'Middle Kingdom' was a centralised monarchy that viewed the periphery as barbarians and the kings of the earth as its natural tributaries. In this regard, the response of Emperor Qian Long to an embassy from King George III at the end of the 18th century is interesting:

> "You, King, live beyond the confines of many seas, yet, driven by your humble desire to share in the benefits of our civilisation, you have dispatched a mission to respectfully bring your memorial... Our Celestial Dynasty possesses vast territories, and tribute missions from its dependencies are overseen by the Department of Tributary States, which attends to their requests and exercises strict control over their movements. It would be impossible to leave them to their own devices. Suppose your envoy came to our court, his language and dress would differ from those of our people, and there would be no place to receive him. It might be suggested that he could imitate the Europeans who reside permanently in Beijing and adopt the dress and customs of China, but it has never been the desire of our Dynasty to force people to do things that are inconvenient and unusual. Furthermore, supposing that I were to send an ambassador to reside in your country, how could you make the necessary arrangements for him? Europe consists of many other nations besides yours: if each of them demanded to be represented at our court, how could we possibly consent? The question is completely impracticable. How could our dynasty alter its entire course of action and system of etiquette, established for more than a century, in order to coincide with your individual opinions? You maintain that your reverence for our Celestial Dynasty fills you with a desire to acquire our civilisation, but our ceremonies and legal code differ so completely from yours that, even if your envoy were able to acquire the rudiments of our civilisation, you could not transplant our manners and customs to your foreign soil. Therefore, even if your envoy were to come, nothing would be gained by it. Knowing the vast world, I have only one specific goal in mind: to maintain a perfect government and fulfil the tasks of the state. Strange and costly objects do not interest me. If I have ordered that the tribute sent by you, O King, be accepted, it was only in consideration of the spirit that prompted you to dispatch it from so far away. The majestic virtue of our dynasty has penetrated all the countries under Heaven, and the kings of all nations have offered their valuable tributes, transporting them by land and sea. As your ambassador can see for himself, we have everything. I do not value strange or ingenious objects, and I have no use for the products of your country. This, then, is my response to your request to install a representative at my court, a request contrary to our dynastic customs, which can only result in inconvenience for you. I have stated my views in detail and ordered your tribute embassy to depart in peace and return to your country. If you wish, King, to respect my feelings and show even greater devotion and loyalty in the future, do so by means of perpetual submission to our Throne, and from then on you will be able to ensure peace and prosperity for your country... Receive these gifts reverently and take note of my benevolence towards you. A special mandate.

In the 19th century, the country had oriented its entire defensive system towards the north when it suffered harassment from the United Kingdom in the south. Until the Opium Wars—the first between 1839 and 1842 and the second between 1856 and 1860, which ended with the signing of the Unequal Treaties and the opening of the country to the outside world—it boasted the world's highest GDP, close to and even exceeding that of the United States. These wars were motivated by the British desire to achieve — as now

— a rebalancing of the trade balance with China, for which it did not hesitate to open up the country's markets to a product whose trade, to make matters worse, was also prohibited in the metropolis.

British intervention in Asia caused a sharp fall in Chinese GDP. This was followed by multiple rebellions (the most significant being the Taiping and Boxer rebellions) in the final throes of the Qing dynasty, defeat in the Sino-Japanese War in 1895, the proclamation of the Republic in 1912, and a civil war that began in 1927 and resumed after the end of the Japanese occupation in 1945. As the beautiful verses of the poet Du Fu remind us: "beautiful landscape, country in ruins".

The Chinese call this period 'the century of humiliation' and consider that it only ended in 1949, with the triumph of the Revolution and the establishment of the People's Republic of China. Admittedly, it was an agrarian society with a literacy rate of less than 20%, but it lies at the roots of its current prosperity. Henry Kissinger marvelled at the naturalness with which the country had always overcome chaos: "After each collapse, the Chinese state reconstituted itself as if following an immutable law of nature." This uniqueness stems from the fact that "it does not seem to have a beginning. In history, it appears more as a permanent natural phenomenon than as a conventional nation-state"[32] .

The relationship between China and the United States is long-standing and had, for what it was, a hopeful beginning. The Americans, with the compensation they received from the Chinese government for the damage caused by the Boxer Rebellion, founded a university in China, contributing to the modernisation of the country. Mao himself stated as early as 1948 that "only the United States can help us industrialise China".

Kissinger was the champion of maintaining relations with China to encourage its separation from Russia. In 1972, he facilitated a visit by President Nixon in what came to be known as ping-pong diplomacy. This visit laid the ideological foundations for the later expansion of relations between the two countries. And he personally became the main defender of the model, intervening to moderate relations even in times of crisis, such as the Tiananmen Square massacre in 1989.

[32] HIGUERAS Y RUMBAO, Georgina. China. Everything Under the Sky. Strategy Notebooks No. 200. *Globalisation and Identities. Dilemmas of the 20th Century.* Ministry of Defence, 2018.

Finally, after Mao's death and, above all, from 1978 onwards, a period of reforms began that brought foreign investment, agricultural collectivisation and allowed companies to operate. This denationalisation of services, together with the end of the Cold War and the boom in international trade, enabled rapid growth, which was complemented by China's entry into the World Trade Organisation (WTO) in 2001, after fifteen years of negotiations.

China's entry into the multilateralism of the WTO created the conditions for an increase in its exports to the United States and the expansion of the framework of relations. Since then, it has strengthened its position in the international division of production in Asia-Pacific. China had not been proactive in international relations.

The operating rules of this organisation, as well as previous agreements signed between the two countries, opened up the US market on favourable terms. China's success is not only due to the presence of cheap labour, but also to the complete change in the regulatory model necessary to implement reforms. This has resulted in a centralised, long-term and pragmatic policy. Added to this is a high savings rate, which makes large capital investments and increased productivity possible.

The country also opened up substantially to foreign investment, in fact more than many other large emerging markets. China is one of only two developing countries that has consistently ranked among the top 25 markets for foreign direct investment since 1998. In fact, it has consistently been ranked as the most open and competitive economy in the BRICS countries[33] .

Throughout the second decade, the overall increase in the US trade deficit declined, from 24.5 per cent in 2005 to 8.1 per cent in 2017, although this does not detract from the fact that there has been a nominal increase[34] . Its exports to the United States had increased by 414 per cent between 2001 and 2020, but the *friendshoring* initiated by the first Trump administration managed to slow this growth to the benefit of countries such as Mexico.

Since then, the US trade deficit has increased from $411 billion to $891 billion in 2018 and to $945 billion in 2022, although, as can be seen, its rate of increase has slowed significantly since 2018. Of this imbalance, $355.3 billion is with China, the lowest figure

[33] ZAKARIA, Fareed. "The New China Scare: Why America Shouldn't Panic About Its Latest Challenger." Op. Cit.
[34] Ibid

in the last 10 years, at $310.3 billion in 2020, following President Trump's efforts in this regard. It reached $383 billion in 2022.

In 2023, both US sales to China and purchases from China fell. Imports fell by $6.2 billion to $147.8 billion. However, purchases from China fell by $109.1 billion to $427.2 billion. The deficit with China thus stood at $279.4 billion, a reduction of $102.9 billion that year. The effect of the trade war during his second term remains to be seen.

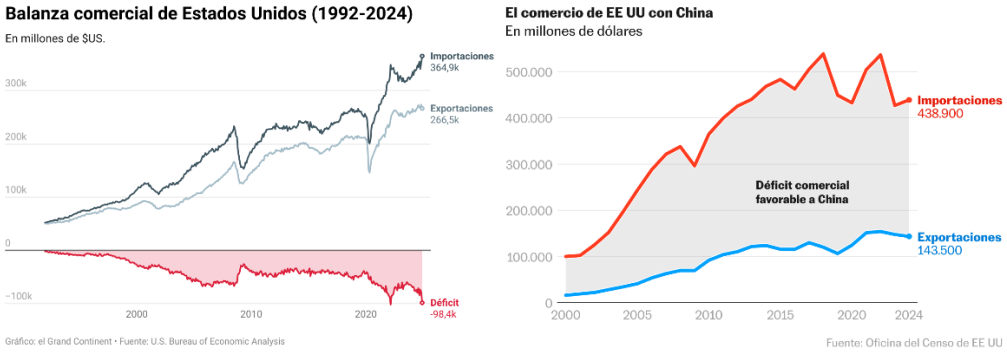


Image. 1. US trade deficit. 2. US trade deficit with China.
Source. 1. "US goods trade deficit hits record high in 2024".*Le Grant Continent* 06.02.2025 https://legrandcontinent.eu/es/2025/02/06/el-deficit-comercial-de-bienes-de-estados-unidos-alcanzo-un-record-en-2024/ 2. LÓPEZ, Denisse; GALÁN, Javier. "Five graphs that explain the trade relationship between China and the US." *El País newspaper,* 11.04.2025 https://elpais.com/economia/2025-04-11/cuatro-graficos-que-explican-la-relacion-comercial-entre-china-y-ee-uu.html

At the same time, the socialist economic system imposed by Mao has gradually transformed into a kind of "state capitalism", i.e. a capitalist economic system within a single-party political system, with an economic fabric that is heavily controlled —and protected— by the state. This has also gradually transformed, mutating from an essentially agricultural economy to a decidedly industrial, export-oriented one, without changing the sources of its legitimacy, which remain rooted in its efficiency.[35]

Thus, Professor Zhang Weiwei points out that "the current one-party regime may seem illegitimate in the eyes of many Westerners, yet for most Chinese it is nothing extraordinary, since for the last two millennia China has been ruled by a kind of single

[35] FRÍAS SÁNCHEZ, Carlos Javier. Op. cit.

party or a unified Confucian elite selected through public examinations, which claimed to represent—or genuinely represented—the majority under heaven"[36] . This is Chinese moral realism.

If Mao had opted for a traditional foreign policy, that is, as we have seen, for a China isolated from the world, with a quasi-autarkic economy, and had re-established the dominance of the central regions over the peripheral ones—albeit at the price of widespread poverty— Deng Xiaoping changed the political-economic model and opened China to world trade, assuming the risk of enriching the peripheral regions. To control this risk, Deng relied on a power structure based on a communist system supported by the armed forces[37] .

Thus, in 1997, the summit declaration between Bill Clinton and Jiang Zemin made it clear that "while China and the United States have areas of agreement and disagreement, they have significant common interests and a firm common will to seize opportunities and face challenges in a cooperative manner, with sincerity and a determination to achieve concrete progress," and that "the two presidents are determined to build a constructive strategic partnership between China and the United States through greater cooperation to face international challenges and promote peace and development in the world." Along the same lines, at a joint press conference in 2001 with Jiang Zemin, George W. Bush said that "today's meetings have convinced me that we can build on our common interests." "We seek a relationship that is sincere, constructive and cooperative"[38] .

This process of opening up conveyed a positive international image and expanded the regime's international capacity, generating expectations of convergence with that order. Hu Jintao's rise to power in 2002 brought with it the gradual abandonment of the '24-character strategy' and China became a presence on the international stage. In 2008, the Beijing Olympics were held successfully, serving as an international showcase. In 2010, China's GDP surpassed that of Japan, transforming the Asian hierarchy of the last hundred years and placing the People's Republic as the world's second largest economy.

[36] HIGUERAS Y RUMBAO, Georgina. "China. Everything under the sky." Op. cit.
[37] FRÍAS SÁNCHEZ, Carlos Javier. Op. cit.
[38] BLACKWILL, Robert D. "Trump's Foreign Policies Are Better Than They Seem?" *Council Special Report* No. 84, April 2019.

As a result, by 2011 China already had the world's second largest military budget and was positioned to begin the next phase.

However, as Ding Ke points out, even then, the labour market in China had passed Lewis's turning point, i.e. the point at which the surplus rural labour force had been absorbed by the manufacturing sector, leading to wage increases both in China and in the countries of the East Asian production network.

At this stage of development, the historical trend has been for economies to shift towards services, which does not seem to be the case in China. Added to this were a declining workforce due to low birth rates and an ageing population, labour disputes, electricity shortages, a real estate crisis that has damaged consumer confidence, and serious environmental problems. However, there have been improvements; between 2013 and 2020, the amount of harmful particles in the air fell by 40% and inequality, which peaked around 2000, has also declined.

In 2012, Xi Jinping came to power. He staged a new change in geopolitical attitude, which materialised in the launch of the "Belt and Road Initiative", as it represented a visible alteration of *the status quo*. In practical terms, this meant that the period of development and low profile, with its focus on the economy, was coming to an end. This was logical, as a GDP equivalent to 15% of global GDP is very difficult to hide. China's growth accounts for between 30% and 35% of the annual increase in global GDP in recent years. It also had the domestic market as a driving force.

This, in turn, translated into a commitment to technology and innovation as a way of bringing about a definitive paradigm shift. It was also accompanied by redoubled efforts to control the population and the media. The national strategic objective was called the 'Chinese dream of rejuvenating the Chinese nation'[39] .

This resulted in a gradual cooling of relations with the West and also brought China closer to Russia in a bid to gain strategic depth and avoid being surrounded. Events such as the crisis in Ukraine would bring the two countries, which did not have strong trade relations, closer together. China feels it needs a buffer with the West. As a famous Chinese proverb says, "without lips, teeth get cold."[40] .

[39]FRÍAS SÁNCHEZ, Carlos Javier. *Op. cit.*
[40] ZORRILLA, José Antonio (2006). *China la primavera que llega.* Editorial Gestión 2000.

China and Russia are also revisionist powers that are committed to a multipolar world that is conducive to their interests and precedes their natural primacy. Henry Kissinger argued that the United States should engage with both states and prevent them from joining forces. And this relationship should be better than the one they had with each other, which meant that their mutual disagreements should be encouraged. The fact is that the two countries share 4,195 kilometres of borders, a troubled past and divergent geopolitical interests, which gives their current partnership a temporary and forced perspective. Siberia is China's natural hinterland and its power asymmetry is growing strongly.

In this logic, President Trump wants a good relationship with Russia to separate it from China. This would allow him to cut it off from raw materials while putting political and economic pressure on it through tariffs. But he is hampered in this by the divisive policy he has pursued with his allies: tariffs on the EU, his support for Brexit itself, and his commitment to bilateral negotiations between countries, bypassing organisations. And this is despite the fact that his strategy has prioritised withdrawal over a shift towards Asia-Pacific.

The transformation of the cooperative relationship between the United States and China into a trade confrontation has its roots in highly globalised economic activities. After China joined the WTO, a division of labour structure was formed in East Asia, with intermediate goods being exported from this region to China, which assembles and sells the final products. The US deficit is thus due to the joint efforts of East Asian companies participating in this division of production labour[41] . As a result, China controls around one-third of global GDP.

To understand the degree of economic and industrial interdependence between China and the United States, in 2020, although 65 per cent of personal computers and tablets and 85 per cent of mobile phones are manufactured in China, they are also based on semiconductor chips designed in the United States, manufactured in Taiwan or Korea and equipped with software from American companies, to the extent that some studies estimate that only 2% of the total cost of a mobile phone is contributed by this country.

[41] DING, Ke. "China against the United States: The Eastern Front of the War. Part One: Trade." *Le Grand Continent.* 27 September 2023. https://legrandcontinent.eu/es/2023/09/27/china-contra-estados-unidos-el-frente-oriental-de-la-guerra-primera-parte-el-comercio/

Furthermore, up to 29.4% of the value of its total gross exports corresponded to foreign added value, making China a global technology *hub*. In other words, its foreign sales depend on its foreign suppliers, which represents an unthinkable degree of integration into world trade, especially considering that, as already mentioned, it did not join the World Trade Organisation (WTO) until 2001, which is a testament to the country's efforts to adapt[42] .

Asia Pacific has benefited from being at a different stage of economic development than the West. In fact, this is what allowed it to enjoy significant comparative advantages. However, these ceased to have an effect after 2010. In any case, the result of these policies is that Asia Pacific managed to realise the dream aspired to by the North American Free Trade Agreement: to form a regional manufacturing hub that would take advantage of the productive advantages of each of the economies that form part of it[43] .

This explains why China has maintained growth rates of 15%, even though they have fallen in recent years to 5% (5.4% in 2025). And why this has also ended up benefiting its neighbours through spillover effects. Malaysia and Bangladesh have thus become centres of clothing production that were once in Chinese hands.

China and the United States have developed a whole process of strategic interdependence starting practically from scratch. As a result, in the second decade of the millennium, the United States was China's largest export market, until it was replaced by Mexico in 2022, while China is the largest import market for the United States. The United States, for its part, is China's largest market, accounting for 19% of Chinese goods exports[44] .

The deficit can be presented as the inevitable result of the international industrial division of labour and the optimal allocation of resources as part of globalisation[45] . China's purchase of US debt makes up for the lack of private savings in the United States and

[42] SANCHEZ, Carlos. "The geopolitics of 5G debuts with Huawei: the war of the 21st century." *El Confidencial* newspaper. 21 May 2019. https://www.elconfidencial.com/economia/2019-05-21/geopolitica-5g-huawei-veto-google_2012074/

[43] HERNÁNDEZ HERNÁNDEZ, RobertoOp. Cit.

[44] WANG, Wen. "Co-evolution, the future of China-US relations." *La Vanguardia.* 7 May 2019. https://www.lavanguardia.com/vanguardia-dossier/20190705/463285426599/coevolucion-futuro-relacion-china-eeuu.html

[45] Ibid

balances the system. In this way, the United States becomes China's trading partner and closes the loop.

All in all, we are faced with an open loop. China, in turn, is the main market for exports from the EU, Japan, South Korea, Brazil and the G20 as a whole. Therefore, slower growth in China directly affects these economies. Similarly, it buys 60% of US soybean exports and is the world's largest market for cars, PCs and mobile phones — the Chinese market for *iPhones* is worth $40 billion, the largest in the world — and China has the highest demand for aircraft on the planet[46] .

The world's top 500 companies — the so-called *Fortune* list, which logically includes the leading European and US companies — are based in China. For example, the iconic General Motors sold 3 million vehicles in the US and 4 million in China each year[47] .

The decoupling between China and the United States that began in the first Trump era materialised with *friendshoring*. This term summarises the practice of diversifying US supply chains, preferably among allies and partners. The second Trump administration is trying to bring them back from those markets to the mother country in a new phase of this development. Hence, something as antithetical as tariffs on allies.

Thus, as a result of the rise, large firms are shifting much of their activities from China to even lower-cost countries such as Mexico – despite the rhetoric about the border wall, President López Obrador publicly thanked President Trump for this – India and Vietnam; and after electronic products come textiles. This has, in turn, led China to try to make its products cheaper by promoting robotics and automation in manufacturing. It is also making a successful effort in the manufacture and design of semiconductors[48] . And it is directing its trade to *friendshoring* countries in order to reach markets through them. However, these countries are subject to *post-friendshoring* tariffs. This is why Trump's tariffs, in order to be effective, must be global and, moreover, evolutionary.

At the same time, Mexico was its main trading partner in 2022, and Vietnam was among the top ten exporters to the US. In the same year, the US goods deficit with Mexico increased to $152.4 billion. Imports from Mexico increased by $20.8 billion to $475.6

[46] ROSALES, Osvaldo. Op. cit.
[47] Ibid
[48] ALLEN, Gregory C. "Understanding China's AI Strategy: Clues to Chinese Strategic Thinking on Artificial Intelligence and National Security." *Center for a New American Security,* February 2019.

billion. Consider that 83% of the country's exports were destined for its northern neighbour.

And these are not the only considerations. There are others, such as the accumulation of the capital necessary for these activities. The US savings rate in relation to disposable income was between 10% and 13% between 1960 and 1980. In the first decade of the 2000s, it was less than half that, at only 5.5%, and in 2017 it was barely 3% to 4% of disposable income. If we add to this a fiscal deficit of close to 4% in 2018, which grew to 7.07% in 2023, then it is clear that a Achilles heel of the US economy is its low savings rate, which is why it needs to resort to external savings to finance itself[49] .

On this basis and following this logic, China has also been its natural partner. In 2019, it was the main holder of US debt, with $1.17 trillion in US bonds, around 17% of total US debt — 55% was held domestically — thus covering the country's savings needs and becoming the main financier of its fiscal and external imbalances.

But in 2025, this amount fell to 784 billion dollars, causing China to drop to third place as the largest holder of US debt. The reason is not so much retaliation as fear of possible US sanctions – sanctions against Russia remind China of US hegemony in the financial system. A punishment involving a massive sale of Chinese-held debt would have also hurt China and, in addition, would have depreciated the dollar, making US products more competitive. And let's not forget that Chinese technology companies are listed on international markets, which means they would also bear the losses[50] .

What we can infer from this move is that the tariff dispute and attempts to intervene in the Federal Reserve's monetary policy are causing markets to begin to doubt the US bond's status as a safe haven. More importantly, it is part of the process of decoupling between the Chinese and US economies. The progress is structural.

[49] ROSALES, Osvaldo. Op. Cit.
[50] BLANCO MORO, Victor. *Op. cit.*



Image. US debt held by China.
Source. BLANCO MORO, Víctor. "The graph that shows how China is silently killing its US debt portfolio". *El Economista 09.05.2025 https://www.eleconomista.es/mercados-cotizaciones/noticias/13356919/05/25/el-grafico-que-muestra-como-china-mata-en-silencio-su-cartera-de-deuda-americana.html*

The same process of interdependence and connectivity that characterises globalisation is what hinders any retaliatory measures, since these, in the short term, reverberate back to the market in a quasi-speculative manner. The system is in equilibrium, in homeostasis.

This asymmetry is also replicated in North America. Thus, those regions of North America that imported more Chinese products during the first Trump administration have seen their industries particularly hard hit. This has resulted in the creation of pockets of unemployed people who, far from redirecting their activity to other sectors, have been permanently excluded from the labour market, which has generated significant social unrest. This explains why these areas tend to vote for more radical politicians with more protectionist proposals[51] .

The Chinese market is also a major challenge for the United States and an opportunity to rebalance relations. A greater US presence in this market — whether forced or not —

[51] OTERO-IGLESIAS, Miguel; STEINBERG, Federico. "International economic scenario: growth, uncertainty and risks." Op. cit.

would undoubtedly serve to strengthen and rebalance the system, although it would mean postponing a conflict that some consider inevitable.

In addition, the United States derives additional benefits from this relationship. The large quantity of quality goods imported at low prices from China not only helps to keep inflation down, but also increases the real purchasing power of US citizens, especially in the middle and low income segments.

In fact, according to a study by the US-China Business Council, US trade with China resulted in average savings of £850 per household per year in 2020, while US exports are responsible for the creation of a large number of jobs. A report by the Chinese Ministry of Commerce indicated that US exports to China led to the creation of 1.8 million new jobs in the United States in 2015. Combined with two-way investment in China and the United States, this led to the creation of some 2.6 million jobs that year[52] .

The geopolitical risk embodied by the New Silk Road brings India closer to the United States and Japan in a similar way. In this regard, some authors consider the US withdrawal in 2017 from the Trans-Pacific Partnership (TPP) to be inappropriate and counterproductive, insofar as this agreement, which at the time comprised twelve nations — Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam and the United States — was geopolitically and geoeconomically beneficial to the US administration. Following the US withdrawal, the remaining countries ratified the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or TPP-11, which, in terms of GDP, accounts for $13.5 trillion.

By reducing tariff and non-tariff barriers to US exports to Asian markets, the failed agreement offered Asian nations trade alternatives to their dependence on China, which in the past often brought geopolitical pressure from that country[53] . In fact, China's exclusion from this agreement is one of the reasons behind the New Silk Road Initiative.

[52] WANG, Wen. "Coevolution, the future of the China-US relationship." Op. cit.
[53] BLACKWILL, Robert D. Op. cit.

THE TRADE WAR

Henry Kissinger refers to the Crowe Memorandum in his book *China*. Drafted in 1907 by a British diplomat, it considered confrontation between Germany and the United Kingdom inevitable, thus prejudging the intentions of the former after a period of financial, industrial and commercial competition. In 1896, Ernest E. Williams' book *Made in Germany* was published in the United Kingdom. Williams, an early warning sign—and which went on to become a colonial-style clash between protectionism and free trade, an arms race...

This was a rehash of what Graham Allison, reusing an idea of Sir Michael Howard, called 'the Thucydides Trap' — the rise of one country (Sparta) fostered mistrust of the then dominant power (Athens) and thus conflict (the Peloponnesian War) — that is, it was a self-fulfilling prophecy. As Thomas's well-known theorem reminds us: "if people define situations as real, they are real in their consequences".

Kissinger, transcending and overcoming this fateful model, went further and advocated that relations between the two countries should go beyond a zero-sum game or a mere association, going so far as to speak of co-evolution and calling for a kind of complementarity in the pure application of a win-win logic. His work as an apostle and facilitator of this strategic partnership is widely recognised and can be considered his political legacy.

Today, similar to what happened with the Anglo-German rivalry, there is a consensus among the American elites to view China not as a competitor or rival but as a kind of enemy, which translates into populist public rhetoric with a notable radicalism that also comes from the main political leaders. This is effectively a call to action worthy of Machiavelli. He wrote on the subject, "Never allow problems to continue in order to avoid war, because this does not prevent war, but only delays it to your disadvantage" [54], summarising in this sentence one of the main political factors in conflicts: the perception of them.

In this sense, and as a result of this speech, 60% of Americans had an unfavourable view of that country in 2020, a percentage that rose to 83% in 2023. They also considered that US policy had been ineffective in allowing such a situation to arise. From this perspective,

[54] MACHIAVELLI. *The Prince.* Unidad Editorial, Madrid 1999, p. 69.

it is necessary to resort to the containment policies of the Cold War, which serve to isolate the threat[55].

Such a policy would come at a very high cost for both sides. Paradoxically, President Obama did more than President Trump in his first term by pivoting towards Asia-Pacific. The point is that this is no ordinary conflict, as it involves different parameters and unusual contradictions. Thus, analogies are difficult, given the nature of the conflict, which is sometimes characteristic of List's mercantilism but exceeds the complexity of globalisation. Old formulas no longer apply, and there are also well-established international rules and institutions.

This is new because it is part of a close relationship of interdependence forged over thirty years. This translates into dense links between the two actors in the conflict, which, as if that were not enough, have hybrid and even contradictory interests, particularly in the United States, which is typical of a complex scenario. In any case, the pragmatism with which both sides conduct themselves means that ideology is not a relevant issue and does not add further asymmetry to the confrontation.

What is more, it goes beyond the bilateral framework to affect the entire world, allowing China to strengthen its presence in regions such as Africa. But it also particularly affects the Asia-Pacific region, as it seeks to use tariffs to force the transformation of a regional production model that had the United States and China as its production centres. This is compounded by the rise of the Chinese market. In fact, it could be inferred from the tariffs imposed on Asia-Pacific countries that the United States has deemed a shift or greater positioning in the region unfeasible in favour of withdrawal or pure hemispheric retreat.

In this context, China has staunchly defended the rules-based multilateral order, even though it has not always complied with those rules, although it is true that it has not openly broken them either. In fact, it seeks protection in those rules, as well as a way for the current international order to emerge and be legitimately replaced, 'from law to law'.

In the United States, the Chinese question is not solely or even primarily a foreign policy issue, since, to begin with, it affects domestic policy while simultaneously seeking to

[55] ZAKARIA, Fareed. "The New China Scare: Why America Shouldn't Panic About Its Latest Challenger." Op. cit.

change the international order on the grounds that certain countries have abused the existing rules to the detriment of the United States.

Zakaria reminds us that the Americans' criticism of China is not dissimilar to the reasons that led to the trade war with Japan in the 1980s: forced technology transfers, unfair trade practices, limited access for foreign companies, regulatory favouritism for locals[56].

It is worth remembering the film *The Sun Also Rises*, starring Sean Connery, which served as a backdrop for this scenario. However, unlike the Japanese model, the confrontation with China incorporates an element of inter-systemic competition. In 1985, in the context of the G-5 (United States, West Germany, France, United Kingdom and Japan), they signed the so-called "Plaza Accord", a "voluntary" commitment to devalue the US dollar against the Japanese yen and the German mark; By the end of 1987, the dollar had been devalued by between 50 and 55 per cent. This boosted US exports but did not help to reduce its deficit with Japan. As a result, in 1987, Washington imposed 100 per cent tariffs on Japanese imports, closing the doors to the US market.

In short, the trade war that had been brewing for some time was "formally" declared in March 2018, after the US president announced his intention to impose tariffs of $50 billion on Chinese products under Section 301 of the 1974 Trade Act, citing "unfair trade practices" and intellectual property theft. China responded with sanctions on more than 128 US products, as well as the devaluation of the yuan, partly offsetting the effects of the tariffs imposed. These rounds of sanctions were followed by others, involving goods worth $500 billion.

In January 2020, a preliminary agreement was reached and tariffs were partially reduced. However, the situation worsened as a result of COVID and in November 2021, imports from the United States remained at around 60% of their target. As a result, the Biden administration announced a new trade strategy for China and did not further reduce tariffs, penalising and forcing the relocation of companies based in China.

Also in 2024, the EU imposed tariffs on electric cars, joining the US, and in response, China imposed selective retaliatory measures in other areas.

[56] ZAKARIA, Fareed. "The New China Scare: Why America Shouldn't Panic About Its Latest Challenger." Op. cit.

It is worth noting that *Fitch* has estimated US tariffs in 2024 at an average of 10.8%, rising to 31.8% in the first half of 2025. It should be noted that reciprocal tariffs between China and the United States created a dynamic that led to levels that impeded trade. Finally, China agreed to reduce tariffs on US products from 125% to 10%, while the United States reduced them from 145% to 30%, albeit with multiple nuances. And to continue negotiating.

The US attitude towards the WTO — already during the first Trump era — questions the regulatory framework by forcing rules, using issues such as "national security" when addressing trade issues related to steel and aluminium. The WTO itself, whose functioning requires consensus, was even blocked by President Trump's opposition to the appointment and renewal of appeal judges, thereby blocking the dispute resolution mechanism and threatening its ability to police trade[57] . And he had not even taken office after his re-election when he threatened to renege on the agreement he himself had signed with Mexico and Canada. Visa policy and drug trafficking have also been used to legitimise and punish.

This type of unilateral and extraterritorial attitude, which was accentuated in the case of the sanctions against Iran and the reactivation of the Helms-Burton Act — which allows sanctions to be imposed on those who do business with Cuba and intend to do business in the United States, emphasised in the Iranian case — further strains the United States' relationship with its allies.

Furthermore, the trade war also negatively affects trade in general insofar as it creates an artificially induced imbalance in the allocation of resources, while undermining trust between countries, replacing the existing regulatory framework—international cooperation based on rules and the WTO—with the law of the strongest. This undermines the legitimacy of the system by forcing rules through exceptional circumstances. And by removing stability from the system, uncertainty is created, which is bad for business.

That is why the greatest damage caused by the trade war—initiated by President Trump and continued by President Biden, albeit in a different manner and with less intensity, only to be resumed in all its harshness by a re-elected President Trump—is, in the short and medium term, to the multilateral trading system.

[57] MONIER, Stéphane. "The Art of Trade Warfare." Diario *Expansión,* 08.02.2020, p. 43.

The latter loses credibility due to a lack of legal certainty. We are dealing with tangible, high-value goods that will take years to regenerate, which has a very significant economic impact in terms of opportunity cost. In fact, the countries most affected have been those most integrated into the regulatory framework. It is an exercise in deconstruction.

However, the actual consequences of this confrontation will take time to become apparent. According to estimates, such as those of Paul Krugman, tariffs could rise by between 30% and 60% worldwide, which could reduce international trade by 70% and lower global GDP by between 2% and 3%.

Untangling the knot has its costs. Consider, for example, that the policies pursued have generated mistrust among his own allies. Germany – Europe's largest exporter and one of the countries most affected by the sanctions on aluminium, steel and vehicles – even considered returning its gold reserves deposited in New York, which constitute one-third of Germany's 3,352 tonnes of gold—the world's second-largest national reserve—and which, as a result of an agreement during the Cold War, are stored at the Federal Reserve Bank of New York. This threat signals the possibility of a tectonic geopolitical shift.

Of the $300 billion in tariffs that the United States had imposed on imports during Trump's first term until the end of 2019 — $800 million in the case of Spain — the vast majority were on Chinese products. China responded with equivalent tariffs. These were focused on agricultural products from counties that had most favoured Trump in the elections. In China's initial response to US tariffs, 2,783 counties were affected, of which 2,279 (82%) were counties where the US president won the election. These included Wisconsin, the state of Paul Ryan, then *Speaker* of the House, and Kentucky, the state of McConnell, then Republican leader of the Senate[58] .

However, tariffs do not automatically increase demand for US products. Rather, in accordance with market rationality, they divert demand to other countries in line with their competitiveness. But US companies that use steel or aluminium also lost competitiveness as a result of higher costs, which also ended up being passed on to employment. And in 2019, there were 385,000 jobs in the steel and aluminium industries, compared to 6.5 million jobs that use steel or aluminium as inputs[59] .

[58] ROSALES, Osvaldo. Op. cit.
[59] Ibid.

As a result, China had become the largest export destination for all Asia-Pacific countries except Vietnam, which has also moved closer to the United States. In fact, in 2023, it signed a comprehensive strategic partnership and received a visit from President Biden, followed by a visit from President Putin in 2024, after he signed a comprehensive strategic partnership with North Korea. In 2025, it reached a trade agreement accepting tariffs of 20%.

The tariffs also affect Taiwan, Japan, Korea, Hong Kong and Singapore, economies that supply China with a large part of its most sophisticated goods, inputs and services. As we have seen, these products are sent to China, where the less complex and low-cost parts are purchased, and then the final goods are assembled and sent to the international market. In 2018, Huawei purchased components worth $70 billion from 13,000 suppliers, of which $11 billion went to the United States.

According to the United Nations (UNCTDA), in 2019, with the tariffs in place at the time, some $21 billion, or 63% of the $35 billion in Chinese export losses, was diverted to third countries, while the remaining $14 billion simply disappeared or was picked up by US producers. Among the third countries that have supplied part of the demand for the 35 billion in Chinese export losses, Taiwan stands out in the opposite direction, contributing some 4.2 billion in the first half of 2019. Mexico obtained 3.5 billion, the European Union 2.7 billion and Vietnam 2.6 billion[60] .

The case of Vietnam is significant given its participation in high-level trade agreements, improvements in its infrastructure and political stability. These, which took place before the trade war, equipped the country with the capacity to respond quickly to changes in the procurement and production locations of multinationals[61] .

As a result, there are contradictory situations and outcomes. This is due to the high degree of productive integration. On the one hand, the punishment of Chinese exports is a punishment for Asian countries that supply parts, components and services that are ultimately assembled into products and shipped abroad. On the other hand, they benefit from new direct access to the US market, although this may be temporary as their integration with a developing Chinese domestic market grows.

[60] UN News. "In the trade war between the United States and China, both lose and Mexico wins." UN News. 05.11.2019. https://news.un.org/es/story/2019/11/1464941
[61] DING, Ke. Op. cit.

One business strategy adopted to diversify supply sources and reduce dependence on China is known as "China Plus One," whereby companies expand outside China by moving some activities to other Southeast Asian countries while maintaining a presence there. This is due to labour cost and risk management considerations. As a result, according to *the Review of Maritime Transport 2023,* container imports to the United States from Vietnam increased from 4% in 2017 to 8% in 2022, while India's increased from 3% to 5%. China, as a result, fell from 40% in 2017 to 31% in 2022.

As can be seen, we are facing a situation that is highly dynamic and paradoxical, which is why an evolving and evanescent scenario is emerging. Therefore, and following this logic, the trade war with China is causing fragmentation, economic disintegration and uncertainty in the markets, with serious damage to the global system. Furthermore, given its limited nature, if it is not to be carried out without causing harm, it must be transferred to other areas such as technology, finance or monetary policy.

In addition, as Enrique Díaz-Álvarez points out, a process of de-dollarisation is taking place, which is logical considering that the United States accounts for 14.8% of world GDP in price parity and 13% of trade. Thus, the weight of the dollar in global reserves has fallen from 71% in 1999 to 59% in 2024. Another fact is that in 2023, only 58% of Chinese exports were invoiced in dollars, compared to 85% a decade ago. At the same time, the CIPS (China's alternative system to SWIFT) is very active.

This privilege represents a direct contribution to US GDP of between 0.3% and 0.5%, coming from lower borrowing costs and the ability to finance its deficit at lower interest rates. If it loses this status, the interest rate on its debt would increase, affecting the country's ability to finance itself. This loss would be a consequence of erratic policies and a progressive loss of economic relevance. The 2025 tariffs have strengthened the yen and the Swiss franc by acting as safe havens in the face of turmoil.

In any case, the ultimate battle should be over the reference currency. Barry Eichengreen, in his work *Exorbitant Privilege. The Rise and Fall of the Dollar*, states that for a currency to become a reserve currency, the country that issues it must be large enough, have a free and well-developed financial market, a central bank willing to provide liquidity in emergency situations, and the backing of a country and a state whose currency inspires

international confidence. Today, it is clear that no one can meet such conditions except the United States[62] .

However, in order to escape what Greek economist Yanis Varoufakis once called "the Minotaur's labyrinth", at the BRICS summit in Kazan in October 2024, President Putin recalled that almost 95% of Russia's transactions with China are already conducted in rubles and yuan, while asserting that "the dollar is being used as a weapon", which he considered a mistake as it forced a reaction to its use.

GEOPOLITICS OF TECHNOLOGY

A war is a clash of powers; it is not necessarily bloody, but it is inherently political. It embodies a dialectic of overcoming that can even be fought virtually — in terms of power — and even symbolically rather than materially. It is clear that the degree of integration and complementarity achieved between China and the United States makes it very difficult for them to confront each other on the economic front without hurting themselves, hence the reluctance.

That is why they are diverting their efforts to other areas such as technology, seeking to alter the framework of the confrontation in terms of the future. Technology is becoming a source of power, hence the geopolitical interpretation of its effects. To begin with, it can alter the balance of power, not only economically—through greater efficiency—but also militarily.

The aim is to change geopolitical relations and bring about a multipolar international order more in line with their interests. We have a precedent for this in the rise of the United States and Japan at the end of the 19th century, which marked the transition from a 'European concert' to a 'world concert' of powers, with the consequent transformation of the scenario.

In this regard, it is worth reminding the Chinese Foreign Minister that in the 1990s he already argued: "The world is still in transition, and a new model has not yet been fully formed, but the contours of the structure of international relations can already be seen. In

[62] https://www.bbvaopenmind.com/economia/finanzas/recomendamos-exorbitant-privilege/

it, there is one superpower and several major powers in a state of interdependence and struggle... this is the initial period in the evolution of the system towards multipolarity"[63] .

Any new technology has the potential to be highly disruptive. It is a high-impact factor for change. Added to this is the fact that, in terms of science, technology and innovation, China's perception is that the country's decline began when, at the end of the 18th century, it turned its back on the Industrial Revolution. This is, conversely, the opposite of the progressive success of the West and is therefore the key to explaining its superiority. Following this historical lesson and in the presence of what has come to be called the Fourth Industrial Revolution, China aims to lead this process by 2049, that is, when a century has passed since the establishment of the new Republic[64] .

These circumstances are consistent with Spengler's organic and cyclical conception of cultures (a life cycle consisting of youth, growth, flowering and decline), which he attributed to the West. That is, clear decline, as he titled his famous work. This thinking echoes the Chinese view that the decline of the West and the rise of China are the product of history. China believes that the West has run its course and is preparing for a return. It is also steeped in mistrust.

Its commitment to technology is clear. It was demonstrated in 2019 with the landing of the Chinese robot *Chang'e* 4 on the dark side of the moon. For this reason, "it is inseparable from China's rise as a superpower and its enthusiasm for its space programme" and "has great geopolitical and astropolitical value; it is not just a scientific mission"[65] .

It is worth remembering that the confrontations during the Cold War were already taking place in the form of technological manoeuvres and developments. The staging of the conquest of the Moon was one such moment. This project, which is now back on the political agenda in practical terms, was postponed with the gradual thawing of relations. This rivalry has been taken to the cinema, where it is projected in national films (not only Chinese or American, of course) featuring super soldiers such as *Rambo* or J*. I. Joe*,

[63] KORTUNOV, Andrey V. "Between Polycentrism and Bipolarity On Russia's World Order Evolution Narratives." IEEE working paper.
[64] ROSALES, Osvaldo. Op. cit.
[65] SAHAGÚN, Felipe. Op. cit.

which symbolically stage the rise of the producing countries or their international relevance and strength, simultaneously expressing their vocation for leadership.

The race for technological leadership is taking place, *willy-nilly*, between the United States and China, with the EU as a powerless witness. It is a question of controlling global value chains by supplying the technology on which they are based. In this field, China is ahead of the West, which does not yet offer comparable technology. It is a question of gaining time.

The United States is unable to impose its criteria because it offers no alternative and does not offer sufficient rewards. In fact, according to Zakaria, the first Trump administration asked 61 countries to ban the company. During his first term, only three agreed, and all three are close allies of the US[66]. Washington also remembers that European powers, including the UK, joined the Asian Infrastructure Investment Bank despite its opposition. But this competition risks fracturing Europe, both technologically and politically, as the game is being played on its turf. This rivalry in this area is preventing basic and mutually beneficial agreements, and this lack is causing this space to be highly unregulated.

KNOWLEDGE AND TECHNOLOGY AS A BATTLEGROUND

In a world in transition, full of uncertainty and vertigo due to the rapid changes brought about by technology, China wants to position itself at the forefront of the technological revolution by declaring that it will promote "fairer and more inclusive" development, with which to create a "community of shared destiny for humanity"[67]. The axis of the conflict between China and the United States is therefore located in this area. As a result, there has been a significant concentration of companies, fulfilling Berners-Lee's warning that, from the outset, the vast virtual space could be fenced off and segmented by an oligopoly of digital companies. [68]

The acronym GAFA refers to Google [*Alphabet*], Amazon, Facebook and Apple, the dominant empires of the digital age. Eighty per cent of searches are made through Google. Amazon controls 40 per cent of online shopping. A third of humanity is on

[66] ZAKARIA, Fareed. "The New China Scare: Why America Shouldn't Panic About Its Latest Challenger." Op. cit.
[67] HIGUERAS Y RUMBAO, Georgina. "China. Everything Under the Sky." Op. cit.
[68] MERCHAN GABALDON; Faustino. "Truth versus post-truth." *La Tribuna del País Vasco.* 02.12.2017.

Facebook. These companies, in addition to selling products, control the platforms on which others sell theirs. Microsoft, Amazon and Google are the world's largest companies by market value. [69]

On the Chinese side is the BAT conglomerate (Baidu, Alibaba and Tencent). Thus, for every American technology company, there is a replica in the Chinese market, in the form of entities that have grown exponentially in the last five years under the protection of the national ecosystem. Apple is faced with Huawei; Uber with Didi; Amazon with Alibaba; and Google with Baidu.[70]

However, Europe does not currently have any large technology conglomerates that could serve as a reference point, except for the Dutch company ASML. This is a consequence of Darwinism in the field of technology, which leaves no room for second-tier companies, thus acting as a disincentive to investment in innovation and perpetuating situations of dependency, forcing political protection and, at the very least, niches of specialisation. Thus, Europe had large ICT companies (Ericsson, Nokia, etc.) in the 1990s that were displaced.

The inclusion of Huawei on a so-called "blacklist" by the US Department of Commerce on national security grounds in 2018 forced companies that do business with it and participate in the US market to obtain a specific licence, which led to a break with Google, a company that is essential to its business. This gave Western companies time to react in the field of 5G and 6G. It is therefore a continuation of US policies that already excluded Chinese technology companies from government contracts.

Another area of confrontation is quantum computers. These perform calculations at speeds inconceivable with current technology. This technological advance could have far-reaching consequences, ranging from national security, artificial intelligence and cryptography to opening the way for new medicines. In line with this plan, China has committed to a national quantum laboratory and, in recent years, has filed almost twice as many quantum patents as the United States[71] . The US administration, for its part,

[69] Ibid.
[70] Ruiz De Gauna, Clara "The United States and China: the battle is in technology." *Expansión.* 25.05.2019 http://www.expansion.com/economía-digital/companias/2019/05/25/5ce81135e5fdea8f308b4618.html
[71] YAFFE-BELLANY, David. "Quantum computing explained in a few minutes." *The New York Times.* 24 October 2019. https://www.nytimes.com/es/2019/10/24/espanol/ciencia-y-tecnologia/computacion-cuantica-google.html

responded to this challenge symmetrically, by launching a national quantum initiative and committing investments[72] .

Semiconductors also play a role in the clash between China and the US in economic, technological and geopolitical terms, insofar as chips – remember the 1980s film *The Chip* – are present in a large number of goods and represent a global industry; their development affects multiple suppliers around the world, from where the silicon is mined to where the chip is assembled. In other words, it poses a double technological and economic challenge, but it also affects national security, conditioning the alignment of other technological elements and favouring bloc politics. The very name Silicon Valley, which has been home to cutting-edge technology companies, is related to this product made from silicon.

A notable example is *ASML* (*Advanced Semiconductor Materials Lithography*), a company dedicated to photolithography, which manufactures machines for the production of integrated circuits. It has an 80% share of this market and is one of the few European technology companies among the top 50 in the world. This is a strategic company. In 2023, it sold 29% of its strategic production to China, 30% to Taiwan and 24% to South Korea. Its trade with China was subject to restrictions as a result of the 2024 agreements between the EU and the United States[73] , while its exports to the United States are not subject to such restrictions.

Semiconductors are key because they determine processing speed and, therefore, the power and efficiency of the system. Increasing power—known as Moore's Law, which states that processing speed doubles every year—makes innovation strategic. Neven's Law, which has replaced Moore's Law, states that quantum processor growth is "doubly exponential". In other words, it has infinite possibilities. That is why the chip embargo already ordered in 2022 by President Biden and extended to include artificial intelligence chips prevents semiconductors designed by US manufacturers from being sold to China. China has responded with heavy investment in this area.

Technology, and more specifically artificial intelligence, has thus become a battleground at the geopolitical level. In fact, China and the United States have taken up this challenge.

[72] Ibid.
[73] https://www.elobservador.com.uy/nota/asml-la-empresa-holandesa-clave-en-la-pelea-tecnologica-entre-estados-unidos-y-china-202422110170

And numerous countries, in line with this struggle, have launched a strategy for its implementation, given the centrality of these technological developments due to their combinability with other technologies. Fundamentally, it is not just a question of identifying the technologies of the future, but also of bringing them to fruition, of successfully translating them into programmes to promote their development.

To understand its significance, consider the success of the R1 model from Chinese *start-up DeepSeek.* It became the most downloaded free app in the United States, having been obtained much more cheaply than its rival *ChatGPT* and with comparable features. Chinese generative AI was obtained by extracting its learning from pre-existing models; this shortened its training, which was also cheaper as it did not require large amounts of data or many more state-of-the-art AI elements. We are looking at a *low-cost* AI that is capable of competing with *OpenAI's GPT* or *Meta's Llama.* This caused *Nvidia's* share price to fall by up to £600 billion, an amount similar to Argentina's GDP[74] .

However, the basis of the business lies in the cloud—a kind of *coworking* space or virtual factory for producing and consuming digital services—which is controlled by companies such as *Amazon, Microsoft*, and *Google*, which, paradoxically, benefit from this Chinese progress. This progress, while useful to individuals, is unlikely to be adopted by Western companies and governments, given the level of mistrust that exists, as it requires uploading their own data to the cloud[75] .

In fact, for this very reason, the virtual space in the West is crowded with these three large companies. They occupy a dominant position because they have created their own ecosystem of dependent companies and the various services they provide are interlocked. Thus, they are also the main venture capital investors in generative AI *start-ups* and account for a large part of their demand. This also prevents developments from taking place outside their sphere of influence[76] .

The US is likely to end up banning the sharing of its technology with China. But this will leave Chinese developments as the cheapest option for countries in the Global South, particularly in terms of AI requirements, fostering an alternative ecosystem.

[74]RIKAP, Cecilia. *"DeepSeek,* China and AI. A geopolitical challenge" Nueva Sociedad magazine, February 2025 https://nuso.org/articulo/deepseek-china-y-la-ia-un-desafio-geopolitico/
[75] Ibid.
[76] Ibid.

In 2021, when the Communist Party celebrated its centenary, it had achieved its goal of becoming a "moderately prosperous" society. The goal of China's technology strategy for 2025 also coincided with the *Made in China 2025* strategy. Its aim was to reduce the gap with the most advanced countries through a policy of heavy investment in R&D&I. This strategy strengthened ten high-tech sectors with private participation and published an industrialisation programme with a special emphasis on information technology, robotics, aerospace, electric vehicles, biotechnology and artificial intelligence.

These policies are part of a long-term project that aims to strengthen China's position and achieve parity with the United States by 2035, to lead global innovation by 2045[77] , so that by 2049, when the People's Republic celebrates its 100th anniversary, it will be a prosperous, strong, democratic, culturally advanced and harmonious modern socialist country. However, some governments believe that this project promotes unfair competition and discriminatory regulation and financing.[78]

Beijing is also making the necessary efforts to bring the percentage of GDP devoted to R&D&I, which stood at 2.07% in 2016 and reached 2.8% in 2020, into line with that of countries such as the United States, with 2.79%, and Germany, with 2.94%. It should be remembered that Spain's investment at that time stood at 1.19% of GDP[79] . From 2018 to 2023, China increased its spending on innovation by 70%, from $117 billion to $149 billion. The budget for science and technology in 2024 alone was increased by 10% to reach around €50 billion.

As a result, in 2023 it produced 921,000 patents, 15.3% more than the previous year, and 24 Chinese scientific and technological groups are among the top 100 in the world. And of the 64 critical technologies identified, China leads at least 11.

Meanwhile, a 2024 ECB report estimated that between €750 billion and €800 billion would be invested to shore up the European economy and reduce the gap with China, representing between 4.4% and 4.7% of its GDP. This is compared to the famous Marshall Plan, which stood at between 1% and 2%. China competes with 40% of EU exports, compared to 25% in 2002, and only four of the 50 leading technology companies

[77] SANCHEZ, Carlos. Op. cit.
[78] SAHAGÚN, Felipe. Op. cit.
[79] MARTÍN GONZÁLEZ, Carlos. "The Kingdom of Spain's national strategy with the People's Republic of China as seen from China." Spanish Institute for Strategic Studies. DIEEA 01/2019, 22 January 2019.

are based on the continent, which is why it is difficult for it to follow US policy and close itself off to Chinese technology.

It follows that the centre of gravity for technology and innovation has shifted to Asia Pacific. According to the World Intellectual Property Organisation[80] , of the 3.1 million patent applications received by the State Intellectual Property Office (SIPO) in China in 2016, the highest number of patent applications, 1.3 million, were received by the State Intellectual Property Office (SIPO). It was followed by the United States (605,571), Japan (318,381), South Korea (208,830) and the EU (159,358). In 2021, China held 47% of patents, the US 17%, South Korea 7% and Europe 5.6%. In both 2018 and 2021, the company with the highest number of registered patents was Huawei.

Furthermore, of the 11.8 million patents in force worldwide in 2016, 2.8 million were from the US, 2 million from Japan and 1.8 million from China, clearly threatening Western leadership in this field. And the issue has even become more pronounced: in the year to November 2024, more than 3.5 million patents were filed. The countries of origin were led by China with 1.64 million applications, followed by the United States with 518,364, Japan with 414,413, South Korea with 287,954 and Germany with 133,053.

Furthermore, in 2016, for the first time, China produced more academic articles than the EU as a whole. In fact, it produces 1.6 million science and technology graduates and had 730 million Internet users[81] . However, despite all this, the most important patents and studies are American. And in the 2022 university rankings, as Olier points out, among the top 100 universities there are 27 American, 26 Asian (11 in China) and 25 European (19 in the United Kingdom).

China has also opted to invest heavily in education. As a result, a third of places at American universities have been awarded to Chinese students; in fact, the number of these students has tripled in the period 2010-2020. They are known as "sea turtles", a name that refers to the fact that they return to their country to pass on what they have learned.

In the 2022-2023 academic year, China sent 289,526 students to the US, 27% of all international students, followed by India with 268,923 students, 25%. According to

[80] https://www.wipo.int/pressroom/es/articles/2017/article_0013.html
[81] ORTEGA, Andrés. "Global Cold War over artificial intelligence." Elcano Blog. 20/02/2018.

UNESCO, there are 128,500 in Australia, 89,300 in the UK and 76,500 in Japan. In Spain in 2024, there were around 13,000, making them the second largest national group. There are recurring accusations that they act in line with the Chinese government.

It should be noted that the group of Chinese Americans is the largest Chinese community outside Asia. It is also the third largest Chinese diaspora after Thailand and Malaysia, accounting for 25.9% of the Asian-American population. In 2010, it numbered 3.8 million, or 1.2% of the population.

The United States' strategy has been to create a kind of academic *task force*. It follows a fundamentally private model involving large companies, corrected by state action. Thus, the Pentagon, through the DARPA (Defense Advanced Research Projects Agency) and IARPA (Intelligence Advanced Research Projects Agency), is setting the tone.

Europe, for its part, has increased its investment. In 2017, it reached 11.2 billion euros, five times more than in 2011. However, in the period 2013-2023, Europe went from 2.08% of GDP to 2.23%, which is insufficient. And while it is true that it has thirty-two research institutions in the top 100 (compared to thirty in the United States and fifteen in China), it is also true that it does not have any large technology companies[82] . The European Commission has created a strategy for the development of artificial intelligence[83] . Achieving this requires large companies, but also education and research, as these feed into each other to form a virtuous circle.

Another issue concerns rare earth elements (REE). This is the name given to 17 chemical elements. They are classified as *rare* because they are very uncommon in their pure form, although there are deposits of some of them around the world[84] . To understand their importance, it should be noted that they are essential for the production of electronic devices such as catalysts, magnets, turbines and pumps, and their magnetic properties make it possible to reduce the weight of equipment. Rare earths are fundamental to renewable energies, which in turn are fundamental to the transformation of the energy and transport sectors and, ultimately, to the so-called 'green' economy.

[82] ORTEGA, Andrés. Op. cit.
[83] BLANCO, José María, and COHEN, Jessica. "Artificial intelligence and power." *Real Instituto Elcano,* ARI 93/2018.
[84] ELCACHO, Joaquim. "Crisis in Greenland over uranium and rare earth mining project," *La Vanguardia.* 16/2/2021. https://www.lavanguardia.com/natural/20210216/6250291/crisis-groenlandia-proyecto-minas-uranio-tierras-raras.html

These goods are growing exponentially. In fact, it is estimated that by 2040 they will account for more than half of vehicle sales. Each electric car uses around one kilo of REEs for the motor alone, while offshore wind turbines require around 200 kilos per megawatt. Furthermore, REEs are important from a military technology perspective. According to a NATO report, a US Virginia-class submarine requires around 400 tonnes of REEs, an *Arleigh* Burke-class destroyer more than two tonnes and an F-35 fighter jet 400 kilos[85] .

In 2019, the United States Geological Survey estimated global rare earth reserves at around 120 million tonnes and current demand at around 200,000 tonnes. Assuming that annual consumption doubles to 500,000 tonnes per year, reserves would be sufficient for the next 250 years. Therefore, the issue is not so much the reserves as China's dominance of the sector[86] .

Greenland has the largest untapped deposits of rare earths. They are estimated at 10% of the world total. It is estimated that this territory could provide around 30,000 tonnes per year, around 20% of global demand for rare earths[87] . Added to this is the million tonnes discovered in Sweden in 2023. And this brings China closer to the Arctic.

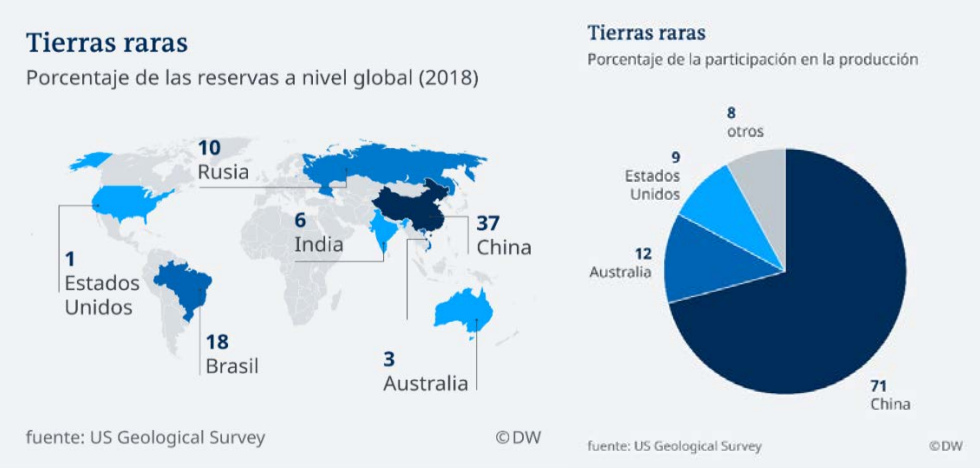


Figure. Rare earths in the world and Chinese control.
Source. "When rare earths become a weapon", *Dw.com.* https://www.dw.com/es/cuando-las-tierras-raras-se-convierten-en-un-arma/a-49109708

[85] VESTERGAARD, Cindy and BOURGOUIN, France. "New U.S. policies Towards Greenland Should Greenland Mine its Uranium?", *DIIS policy brief.* April 2012.
[86] KALVIG, Per and LUCHT, Hans. "No green future without China Greenland's minerals to consolidate China's rare earth dominance?" *DIIS Policy Brief.* February 2021.
[87] OLE, Bent and MORTENSEN, Gram. "The Quest for Resources – the Case of Greenland," *Journal of Military and Strategic Studies,* Volume 15, Issue 2. Centre of Military and Strategic Studies, 2013.

China's control of rare earths is worth mentioning; it possesses 36% of the known reserves in this sector, which is important for the global supply chain; these are critical materials in high demand. It should be noted that this control began in 1980, when the US Nuclear Regulatory Commission tightened restrictions on REE mining and production, causing the collapse of the US industry in this sector. China took advantage of the vacuum created, acquiring the technology and intellectual property rights and implementing a strategy to dominate production and the market. As a result, it created a de facto monopoly—controlling between 97% and 80%—by controlling global production chains[88] —establishing export quotas and price controls—which has not been broken by the West, giving it significant industrial and political advantages[89] .

The underlying rationale behind China's eagerness for these resources is that its percentage of the world's population corresponds to a similar percentage of the world's resources, as it has around 17% of the world's population, it is entitled to 17% of the world's resources. To demonstrate this power, it has not hesitated to threaten Germany with depriving it of germanium.

What's more, China[90] controls strategic raw materials such as those needed to manufacture batteries and, therefore, electric vehicles. Lithium and cobalt are bottlenecks that could affect the West's innovative development in the automotive sector, where it has always excelled, while allowing it to reap significant profits. China is also the world's refinery for these materials, controlling up to 40% and 80% of global lithium and cobalt refining, respectively. The Democratic Republic of Congo has 72% of the world's cobalt reserves, most of which is in the hands of Chinese corporations. The same is true for cobalt in Latin America[91] .

[88] WANG, Nils. "Arctic Security - An Equation with Multiple Unknowns," *Journal of Military and Strategic Studies,* Volume 15, Issue 2. Centre of Military and Strategic Studies, 2013.
[89] OLE, Bent and MORTENSEN, Gram. *Op. Cit.*
[90] LORIDO VILLALVA, Javier. "The electric vehicle. A new geopolitical scenario." IEEE Working Paper.
[91] Ibid.

CONCLUSIONS

Globalisation brought democratic states into direct contact with others from the former Iron Curtain. For a long time, they manipulated the existing rules to their advantage, engaging in practices that were incompatible with the regulatory framework and hindering access to their internal markets while, contradictorily, positioning themselves in strategic sectors of their trading partners' economies under the protection of their own rules.

In this context, there was a "shift in the global centre of gravity" from developed economies to emerging economies, particularly China. As a result of the levelling fragmentation driven by globalisation, the world is moving towards a multipolar form of equilibrium, probably preceding a new bipolarity.

In 2007, the size of the European economy exceeded that of the United States by 10%, but by 2022 it was 23% smaller. One of the keys is the co-evolutionary regime established with China. The GDP of the European Union (including the United Kingdom before Brexit) has grown by 21% (measured in dollars) during this period, compared to 72% in the US and 290% in China[92] .

According to the WTO, in 2024, world trade increased by 4% to reach $32.2 trillion after a 2% decline in 2023. Trade in goods increased by 2%, while trade in services increased by 10% compared to 2023. The share of services in world trade rose to 27.2%, the highest level since 2005. According to the World Bank, in 2024, the aggregate sum of imports and exports accounted for 57% of global GDP.

As can be seen, international society has achieved a high level of integration, so that any disruption generates uncertainty which, at least in the short term, is bad for everyone. Nothing is now alien to the established order, which reacts by seeking stability. The alteration of geopolitical balances thus has undeniable effects.

The ethnocentric nature of Western culture thus clashes with the equally ethnocentric Chinese conception of the world, which, as if that were not enough, is considered a reference point: the Middle Kingdom, the confluence of Heaven and Earth, *Tian Di,* with a mandate for all humanity like that of Emperor Qian Long's letter.

[92] https://www.politicaexterior.com/articulo/una-europa-vasalla-de-eeuu/

Furthermore, as Ding Ke points out, the US deficit with China is due to the joint efforts of Asia-Pacific companies that have divided up production. This has been favoured by differences in stages of economic development and the resulting comparative advantages, but also by the development of ICTs and trade agreements. And, above all, by a huge consumer centre, the United States.

China, despite having benefited from a liberal order, intends to change it. Its revisionist attitude is unequivocal. This situation can only be explained by four decades of Chinese-US co-evolution. The United States still maintains a cooperative relationship with China, which explains the rise of this country and the alteration of the international order. It has achieved this success by being proportionally the biggest beneficiary.

However, China faces immense challenges (political, social, human development, etc.) that could lead to the collapse of the current political regime and an unprecedented internal crisis. For example, it has only 7% of the world's arable land and 6% of its water resources to feed 17% of the world's population[93] . And by 2100, its population is expected to halve to 778 million, which, due to the loss of power that this entails, will hinder its rise, to the benefit of India. In any case, the contradictions that have accumulated will eventually manifest themselves.

The United States has also benefited from China's development. And now, paradoxically, partners and allies who were slow to establish such cooperative ties are being asked to distance themselves from a China that offers financial resources for basic infrastructure that the United States does not provide. Both countries are developing inter-systemic competition. But China is filling the gaps left by the United States in its retreat and, strictly speaking, is not clashing with it.

All in all, an economic partnership built up over many years could not be broken suddenly without major losses for all, even if China were the party most affected. An orderly decoupling was in the interests of both. That is why their confrontation has not been economic until 2025 — the United States surpasses China in terms of nominal GDP, but no longer in terms of economic parity — but fundamentally technological, since

[93] Various authors. "The Chinese contribution to the remodelling of the Latin American economic model." Op. cit.

technology and innovation determine the future and enable paradigm shifts. This, in turn, makes it possible to preserve the present.

As we said, until 2025, the struggle was mainly industrial and technological and over the supply of technologies: these determine common standards and foster large blocs. This is also leading to a return to the arms race—which was nothing more than technological competition—that gave rise to the Crowe Memorandum, in areas such as artificial intelligence. This is the key to the new Industrial Revolution and, therefore, a geopolitical factor of the first order.

The second Trump administration's emphasis on tariff policies is a new phase that has caused the struggle to shift definitively to the economic arena and continue its rise to extremes. The commitment to containment policies in the era of globalisation has made tariffs equally global. And China now has its own domestic market. The final battle would be fought with the replacement of the dollar by another reference currency, but that is not even on the horizon today.

All in all, this dynamic of confrontation has left both sides financially exhausted. The second Trump administration is trying to take advantage of the advantages it still has, through tariffs and other economic concessions that serve both to finance itself and to polarise the world in terms of alliances. To this end, it is forcing partners and allies to take sides. Furthermore, it is staging this demand in the form of a *diktat*, which is damaging its relations and turning international public opinion against it.

The tension that the new situation is putting on Europe is noticeable, as a significant part of the conflict is happening on its territory. This means that the EU and each country have to make decisions that are consistent in political terms, not just technological or industrial ones. This puts a lot of stress on the Union as a whole and on the countries that are part of it. The EU cannot survive against the US, as the latter was instrumental in its creation.

The rules and regulatory framework, which took so much time and effort to build and which have been fundamental to the development of the process, despite their inadequacy, are also suffering as a result of being called into question and subsequently delegitimised. They are also being replaced by stark power politics.

The result is technological and economic protectionism that can still be seen as a return movement in the process of globalisation, as it is not alien to the Hegelian logic with which it develops (antithesis) and with which it resolves its contradictions. Moreover, it could be seen not as the result of a US shift towards Asia-Pacific, but as part of a process of retreat into its own hemisphere and its renunciation of its role as leader of the West.

Consequently, and in conclusion, it cannot be inferred from this qualitative leap in the dynamics of confrontation that globalisation has come to a halt, let alone a process of deglobalisation, especially if we consider that US trade accounts for around 13% of world trade.

We are facing a tectonic process that transcends a possible new world trade order, with blocs built with a chisel and hammer around a forced and arbitrary logic of tariffs. The straight line, pure consistency, does not belong to human nature and, left to itself, is unsustainable. Adam Smith's old invisible hand, which has always guided globalisation, will reappear at some point to put things in order.

Besides, it is written that all rivers flow to the sea, but the sea is never full.

*Federico Aznar Fernández-Montesinos**

Analyst at IEEE