Dragon and Eagle Entangled: the U.S.- China Trade War

An Analysis of the Root Causes of the U.S.-China Trade War from a

Neoclassical Realistic Perspective

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Summary

The thesis explores the reasons why does the United States decide to wage a trade war against China? Among the literature on the U.S.- China trade war, few of them analyze the reasons of the trade war at all the three levels: systemic, national and individual levels and few of them correlate the three levels for the analysis. So the thesis tries to find out the answers of the question in a more thorough and comprehensive way. Based on this consideration, neoclassical realism is chosen as the tool of analysis as it is a multilevel approach, whose research framework crosses individual (first image), domestic (second image), and systemic (third image) levels of analysis, shedding more light on the question than a purely systemic theory or *Innenpolitik* theories of international politics. The method of the thesis is deductive and the data are qualitative with both first-hand and second-hand sources.

According to the theory, independent variables are the objective systemic stimuli, including the distribution of power, the clarity of the signals, and the permissiveness or restrictiveness of the strategic environment. The systemic incentives then must be translated through domestic intervening variables which consists of leader images, strategic culture, state-society relations and domestic institutions and the three processes of policy making: perception of the international system, decision-making and resource mobilization and policy implementation. The foreign policy response of a state is the dependent variable.

In the case of U.S. China relations, the systemic stimuli faced by the U.S. includes: **1**. China's growing economic strengths is predicted to surpass the U.S. in 15 years; China is a potent competitor for U.S. in science and technology, which could be reflected in China's leading role in the field of Artificial Intelligence; the Made in China 2025 is supposed to control around 90% of the world's most advanced industries; the ongoing Internationalization of the RMB threatening the dominance of

the U.S. dollar; **2.** China's improving political influence weakens that from the U.S.; The Beijing Consensus is considered to be an alternative to the Washington Consensus and has grown increasingly popular around the world, especially among the developing countries; the Belt and Road Initiative helps improve China's political influence by generating ties and dependencies with states along the route; China has built or anticipated international institutions without the U.S. participation, such as the Shanghai Cooperation Organization, and the Regional Comprehensive Economic Partnership; China is in maritime territorial disputes with some of the allies of the U.S.; **3.** spends more than three times as much on defense as Russia and its enormous gap with the U.S. is closing.

The domestic reasons consists of: **1**. the United States perceived the growing capacities of China in economic, political, and military fields as a threat. This perception leads to the shift of its China strategy from engagement to containment, which is reflect clearly in the political and military reports and documents on the websites of the White House, the U.S. Trade Representative Office, the Office of the Director of National Intelligence, and the U.S. Department of Defense, such as *the 2018 Report to Congress on China's WTO Compliance*, t*he 2019 Special 301 Report,* Vice President Pence's speech at the Hudson Institute, *the National Security Strategy* released in December 2017, t*he Annual Report to Congress-Military and Security Developments involving the People's Republic of China 2018*, and *the National Security Strategy of the United States of America*; **2**. the short-term political needs of the Republican party and President Trump including the mid-term election on November 2018 and the presidential election in 2020; Trump has to satisfy various domestic interest groups for their political support, and the interest groups include the U.S. grass-roots, the U.S. capitalists, the Wall Street elites, and the Congress; **3.** the image of Donald Trump, a bold, ambitious, assertive, and aggressive president with populist and protectionist political ideology and abundant experience and ideas of a sophisticated businessman. The thesis argues that all these reasons including the systemic ones and domestic ones lead to the initiation of the trade conflict.

Abstract

The thesis studies the reasons why the U.S. launches a trade war against China from a neoclassical realist standpoint. By analyzing the systemic and the domestic variables in this case, the thesis argues that the trade war is part of U.S.'s response to the perceived threats posed by a rising China when the dominant power enjoys a permissive environment and the clarity of the international system. To the United States, China's actions and its growing capacities in the economic, political, and military fields are the systemic stimuli, which are perceived by the current U.S. top decision-makers as challenges potentially threatening the U.S.'s dominant position in the international system. This kind of perception leads to the changes of the U.S. policy toward China. The trade war is just a reflection of the strategic shift. Based on the analysis from a neoclassical realistic perspective, the thesis proposes three systemic reasons and three domestic reasons why the U.S. starts the trade war. The three systemic reasons include the economic challenges, the political challenges, and the military challenges presented by China. The three domestic reasons are: the U.S.'s long-term strategic shift, the short-term political needs of the Republican party and President Trump, and the unique personality of the incumbent president.

Key Words: the U.S.-China relations, the trade war, neoclassical realism, foreign pol

Contents

1. Introduction

U.S.-China economic ties have increased substantially since China began its reform and opening up in 1979. Total U.S.-China trade, with an annual growth rate of 16.7%, rose from $2 billion in 1970s to $636 billion in 2017, making China the United States' largest trading partner, the largest importer of U.S. products, and the third-largest export market of the United States. Besides, total imports in the United States from China accounts for around 50% of the total U.S. import from the whole of Asia. (Frost, 2018)

However, such close economic ties cannot stop the explosion of the U.S.-China trade war, which brings about costs and pain to the two economies and even to the global economy. Then why does the United States still choose to start the trade war? The thesis attempts to answer this question from a perspective of neoclassical realism. Before discussing the factors resulting in the trade war, the background to the conflict is given in 1.1 and then comes the problem formulation in 1.2.

1.1 The Background of the U.S.-China Trade War

The trade conflict between the United States and China can be traced back to 1990s, when the annual renewal of China's most-favoured-nation (MFN) status was still a debate in the U.S. Congress. In U.S. at that time, legislation was put forward to end China's MFN status or to impose additional conditions on trade issues with China. However, the renewal of China's MFN status might undermine the U.S. agricultural exports to China as the latter might take measures as retaliation. (Dumbaugh, 2001) Then President Bill Clinton signed the Permanent Normal Trade Relations Act passed by the Congress in the year of 2000, giving China the most-favoured-nation treatment. The treatment brings about advantages to China and low tariffs is included as one of them. This event paved the way for China to enter the WTO.

The admission of China's entry to WTO took a long period of negotiations and asked for changes of the Chinese economy. The accession engaged China in the global competition following the rules, liberalized its service sector, ended its restrictions on retail, wholesale and distributions, making China's banking, financial services and telecommunications more open to foreign investment (Branstetter, 2008). Meanwhile, China has to pay attention issues related to intellectual property and transparency.

However, the accession to WTO was not unconditional for China. In order to enter the organization, China made ten commitments: (1) China shall allow prices in every sector to be determined by market forces; (2) China shall notify all subsidies granted or maintained in its territory to WTO and prohibited subsidies must be eliminated; (3) Chinese government shall not influence commercial decisions of state-owned and state-invested enterprises; (4) China shall accord foreign individuals and enterprises treatment no less favourable than other individuals and enterprises; (5) China shall revise all laws, regulations and measures that are inconsistent with the General Agreement on Tariffs and Trade (GATT), Most Favoured Nation (MFN) and National Treatment rules and follow the MFN rules to all WTO members; (6) China shall comply with the Technical Barriers to Trade (TBT) Agreement; (7) China shall comply with international norms which protect and enforce intellectual property rights of foreign individuals and companies; (8) China shall remove trade barriers and open up the domestic market to foreign enterprises in every sector; (9) China shall stop enforcing trade and foreign exchange balancing requirement and ensure that the distribution of import licence and any other approval for importation is not conditioned on any performance requirements, such as the transfer of technology, and on whether domestic competitors of such products exist; (10) China shall establish impartial and independent tribunals which will not have any substantial interest in the outcome of the matter. (AEGIS Europe)

However, the United States complains that China fails to comply with most of

these commitments, contending that China keeps stealing U.S. intellectual property and goes further away from a market economy. The U.S. does not recognize China as a market economy and alleges that China maintains market distortions. U.S. President Trump once declared in his campaign to fix China's longtime abuse of the broken international system and unfair practices. Aaron Friedberg, the former White House national security officer said that China has expanded its adoption of state-led, market-distorting, and mercantilist policies especially since the year of 2008 (Friedberg, 2018). The U.S. claimed that the structural problem of the China's opposition to free-market capitalism and fair competition is the root of the economic tension between the two countries (Broadman, 2018). Steve Bannon, the former White House chief strategist also called China a totalitarian mercantilist regime in an economic war with the West (ABC News, 2018). Mike Pompeo, the Secretary of State said that the trade war by China against the United States has been on for a long time (Re. 2018).

Based on all these complaints, the U.S. filed a request to the WTO for consultation because of its concerns about China's violation of the intellectual property rights (Hess, 2018). However, the United States proposal against China at the WTO was rejected by 70 UN members and the U.S. argues that the WTO sanction mechanism is slow and ineffective.

On January 22, 2018, Trump placed a 30% tariff on foreign solar panes and 20% tariffs on washing machines while China is the world largest solar panel producer and exported over four hundred million dollars annually to the United States (USTR, 2018).

After that, on March 22, 2018, U.S. President Trump asked the United States Trade Representative (USTR) to investigate applying tariffs on U.S.$50–60 billion worth of Chinese goods according to Section 301 of the Trade Act of 1974, stating that the proposed tariffs were "a response to the unfair trade practices of China over

the years" (Diamond, 2018). China then responded in a month by imposing tariffs on 128 products imported from the U.S., including aluminium, airplanes, cars, pork, soybeans fruit, nuts, and steel piping (Biesheuvel, 2018).

On May 20, 2018, after several trade talks between the two sides, Chinese officials agreed to "substantially reduce" America's trade deficit with China by committing to "significantly increase" its purchases of American goods. However, on May 29, 2018, the White House announced that it would impose a 25% tariff on $50 billion of Chinese goods with "industrially significant technology;" the full list of products affected to be announced by June 15, 2018 (Wang, 2018).

On July 6, 2018, the U.S.'s tariffs on $34 billion of Chinese goods were put into effect. China, in return, imposed tariffs on U.S. goods of a similar value. The tariffs equals 0.1% of the global GDP. August 8, 2018. The U.S. published a list of 279 Chinese goods, worth $16 Billion, to be subject to a 25% tariff while China decided to impose 25% tariffs on imported goods worth $16 billion from the U.S. (Zhang, 2018).

On August 22, 2018, David Malpass, the U.S. Treasury Undersecretary, and Wang Shouwen, Chinese Commerce Vice-Minister, had a meeting in Washington, D.C. for negotiations. At the same time, the U.S. and China's tariffs on goods worth $16 billion were put into effect (Donnan, 2018).

The U.S. then announced a 10% tariff on $200 billion of Chinese goods would start from September 24, 2018, increasing to 25% by the end of 2018. The U.S. also threatened that tariffs on an additional $267 billion of imports would be placed if China retaliates. (Kim, 2018).

The planned increases in tariffs were then postponed and the two parties are negotiating with one another in trade talks to hammer out a deal to ease their tit-for-tat tariffs dispute (Reuters, 2019). Then China announced the removal of additional 25% tariffs on U.S. autos and 5% on certain U.S. auto parts for three months. Meanwhile,

China also promised to buy 1.5 million tons of beans from the U.S.. (Wong, 2019)

On January 7, 2019, official delegations from U.S. and China met in Beijing for trade talks. In the discussions, China pledged to buy a substantial amount of products and services from the U.S. while several outstanding issues still remain unresolved. (USTR, 2019)

On February 15, 2019, President Xi met with the top negotiators from the U.S. and at the end of the discussions. Differences remained but the two sides agreed to keep talking in Washington in the next weeks. Then on 21, trade talks were resumed in Washington and on 24, Trump announced that he would extend the trade deal truce deadline but did not give a concrete new deadline. On March 28 and 29, U.S. and China held another round of trade talks, where the two sides agreed to establish an enforcement mechanism to monitor China's commitment to trade concessions. On March 31, 2019, China extends the suspension of additional tariffs on American autos and auto parts. (Wong, 2019)

However on April 1, 2019, China announced to ban all types of fentanyl and its attitude to fentanyl production and distribution had caused, to some extent, tension in the bilateral relations. (Myers, 2019)

On April 3, 4, and 5, Trump met with Liu He and trade talks would continue in the next four weeks. On April 10, the two sides agreed to establish enforcement offices which would monitor the implementation of the trade deals between the U.S. and China although many issues remained yet to be agreed upon. (Wong, 2019)

After trade talks between April 30 to May 1, on May 10, 2019, U.S. increases tariff from 10% to 25% as the two states fail to reach a consensus in the recent conversations. The tariff increase will become effective on May 10. China then released a statement declaring that China will take necessary countermeasures in response. (Wong, 2019)

U.S. demands on China include: (1) China must cut its trade surplus with the United States by $200 billion by 2020; (2) China must immediately end subsidies and support to industries in the plan of Made in China 2025, stop policies promoting technology transfer and halt theft of intellectual property; (3) China must further open its economy to foreign imports and lower its tariffs in all noncritical sectors and remove non-tariff barriers in key sectors; (4) China cannot retaliate even if U.S. imposes investment restrictions on Chinese enterprises; (5) China must provide a more open and easier investment environment for U.S. companies and remove foreign investment restriction and ownership requirements; (6) China must admit that it has a non-market economy and drop the vital case at the WTO challenging U.S. treatment of China as a non-market economy. (Bey, 2018) Trade talks between the two states stumbles as neither side is willing to compromise.

1.2 Problem Formulation

According to the business news on the website of Reuters, the trade war caused billions of dollars of losses for both China and the United States and it hit industries and agriculture (Hirtzer, 2018). The U.S. government has allocated around 11 billion dollars to direct payments and to agricultural goods for government food programs in order to compensate the suffering farmers (Hirtzer, 2018).

A study by the Consumer Technology Association showed that U.S. tariffs on Chinese products cost the technology industry an additional $1 billion per month. The trade conflict also squeezed U.S. retail, manufacturing and construction companies that had to pay more for metal and other goods. The Big Three Detroit automakers - General Motors Co (GM.N), Ford Motor Co (F.N) and Fiat Chrysler Automobiles (FCHA.MI) – have each said that higher tariffs will result in a hit to profits of about $1 billion this year (Hirtzer, 2018).If the trade war continues, the industries will expect a similar hit in 2019.

What could be seen from the background depicted above is that the trade conflict, launched by the United States, has cost the world's two largest economies billions of dollars, roiled markets and disrupted manufacturing and supply chains.

So, the problem formulated in this thesis is:

Why did the United States decide to wage a trade war against China?

The problem can be discussed through answering the three sub-questions:

(1) What is the background of the trade war?

(2) What are the systemic factors in the shape of the U.S. foreign policy toward China?

(3) What are the domestic factors leading to the trade war?

2. Literature Review

In this subsection, brief literature reviews on the study of the U.S.-China trade war issue and on the theory of neoclassical realism will be given respectively, which aims to add some value to the thesis.

The trade war has been analyzed from various perspectives by scholars around the world and the literature review include studies in both English and Chinese. The literature could be divided into three categories: (1) the ones focusing on the reasons or the causes of the trade war; (2) the ones evaluating the effect or the impact of the trade war; (3) and those forecasting the future of the trade war or giving suggestions on how to deal with the conflict.

For the first category of literature, both the economic reasons and the political ones of the trade war have been discussed. Scholars have analyzed the economic reasons with various methods (Wang, 2019; Ciuriak, 2019; Liu, 2018). Some of them analyzed the trade structure between China and the U.S. by calculating the Comparative Advantage Index and then they concluded that the export-import policies of the two countries, their differences in statistic methods, the shift of the trade relations between the two from complementarity to competition and their different market demand structures lead to the trade conflict (Wang, 2019). Some of them contends that the trade deficit with China and its negative impacts made the U.S. start the trade war (Liu, 2018). Some scholars also argue that the emergence of the data-driven economy explains the trade war (Ciuriak, 2019).

Some scholars analyze the reasons from a political perspective and argue that the competition for global hegemony between the two causes the conflict. They explain the conflict with Graham Allison's "Thucydides' Trap" and power transition theory and conclude that economic success often encourages a rising power to display ambition, confidence and enhanced sense of self, which leads to loosened restraint

and over-extension, sparking a ruling power's fear and then its preventive actions in response to the rising power's assertiveness (Zhang, 2019).

Others study the reasons of the trade war from a historical standpoint by comparing the ongoing trade war with similar ones in history and then reveal the causes from both economic and political perspectives. They conclude that the trade war can principally be attributed to trade imbalances, the U.S. midterm elections and rivalry for global economic dominance (Chong, 2019).

For the second category of literature which talks about the effects of the trade war, some scholars use a global macro model to assess the potential economic consequences of the trade war under clear-cut assumptions about monetary and fiscal policy (Tyers, 2019); Some analyze the effects of the trade war on a specific region (Abiad, 2018; Garia-Herrero, 2019; Zhang, 2018) or on a individual country (Maurya, 2018; Garia-Herrero, 2019; Amiti, 2019) or on a specific industry or agriculture of a specific country (Marchant, 2018; Fuchs, 2019) while some others discuss the impact of the trade war on the world economic and political system (Elryah, 2019; Hopewell, 2019). There are also works focusing on the environmental costs of China's demand for soybean caused by the U.S.-China trade war (He, 2019).

The third category of literature emphasizes the future of the trade war and the constructive suggestions on how to deal with the conflict (Ciuriak, 2018; Lee, 2018; Lukin, 2019; Yu, 2019). There are works discussing the practical options available for China or the U.S. to de-escalate the conflict (Ciuriak, 2018; Lukin, 2019; Yu, 2019)and how other countries or world organizations can help (Ciuriak, 2018) . Some scholars argue that the trade war will lead to or be finally dealt with by a more open Chinese market and fairer practices of China (Lee, 2018). Some others discussed the question as to who will finally win the trade war (Felbermayr, 2019; Chong, 2019).

However, among the literature talking about reasons why the U.S. started the trade war, most of them focus on the systemic reasons and analyze the reasons with

systemic IR theory, ignoring the facts that the leaders' perceptions of the international threats and opportunities also matter for the making of the state's foreign policy. This thesis argues that analysis at both systemic and domestic levels can give a full picture of the factors leading to the start of the trade war prompted by Trump. As a matter of fact, the domestic level in the thesis also include personal level or the ideology and character of the leaders. So the thesis discusses the root caused of the trade war from the systemic, state, and individual levels, or to put it another way, the thesis tries to analyze the reasons of the trade war given all the three images: the first image (individuals), the second image (states), and the third image (the international system). This type of analysis is inspired by the framework of neoclassical realism. According to the theory, foreign policy and international politics are conducted between the the two polar opposites: systemic determinism and domestic determinism, without either domestic or international pressures deciding the course of events on their own. Meanwhile, neoclassical realists believe that the bulk of international politics is primarily systemic but moderated by domestic level intervening variables.

Since the thesis uses the theory of neoclassical realism, a literature review of the theory will also be given in this chapter.

Criticizing structural realism and neorealism, some neoclassical realist scholars, argues that states do not always perceive systemic stimuli correctly (Blainey 1973; Jervis, 1976; Lebow 1981; Wohiforth, 1993; Stoessinger 2005). William Wohlforth (1993) contends that power influences the course of international politics through perceptions of the decision makers; some other scholars argues that states' leaders are human and they frequently make mistakes in calculations of relative distribution of power, identification of the best options, and assessments of the consequence of policies (Blainey 1973; Jervis, 1976; Lebow 1981;Stoessinger 2005). Some scholars thus tries to analyze the relations between powers, such as relations between U.S. and Western states, between U.S. and the Soviet Union, and between U.S. and Japan and South Korea, from the perspective of leaders' perception, which is believed as a root

cause of the foreign (McAllister, 2002; Wohlforth 1993; Cha, 2000).

Besides, there are scholars who argue that even if leaders perceive the stimuli of the international system correctly, they may not respond rationally to the incentives (Holsti, 1979; Lebow, 1981; Tuchman, 1994; Byman and Pollack, 2001; Hermann et al, 2001; Murphy 2005;Kershaw, 2007). They note that the leaders do not always respond correctly to systemic incentives as the cognitive limits of human or the leaders' unique character, ideology and historical experiences especially when time is short and risks are high, so policy-makers sometimes fail to identify the best options or act in a rational and decisive manner.

Some neoclassical realist scholars also argue that the international system does not always shows clear signals and information and a state tend to perceive more correctly the threats or opportunities when it is faced with clear signals. For instance, Oren (2002) believes Israel decided to wage a pre-emptive strike as the system showed a clear danger when Egypt adopted a series of actions, such as blockading the Straits of Tiran, mobilizing the armed forces on the border of Israel, and asking the UN peacekeeping forces to evacuate the Sinai. Similarly, in the nineteenth century, it was unclear for the Great Britain that whether or not the rise of the Unite States threatened Britain's naval supremacy, so UK leaders decided to focus on issues of greater importance (Gilpin, 1981, Lobell, 2003); Some neoclassical realist scholars also argue that China's rise also gives unclear signals to the U.S., making the latter difficult to decide whether to contain China or tries to engage China (Friedberg, 2005).

Some neoclassical realists also argue that states sometimes cannot mobilize domestic resources to respond to the systemic stimuli (Dallek, 1979; Barnett, 1992; Casey, 2001; Ripsman, 2001; Tsebelis, 2002;). For instance, some argues that U.S. former president Roosevelt could only offer incremental resistance to Japan after the latter attacked Pearl Harbor due to the constraints from domestic factors (Casey,

2001).

Neoclassical realism aims to construct a framework for analysis of foreign policy and international politics. By now, there are three varieties of neoclassical realist theory. Type I neoclassical realism aims to explain anomalies, arguing that the international system sends states clear signals, which, however, must pass through an imperfect transmission belt of leaders' perception and domestic politics (Snyder, 1991; Rose, 1998; Taliaferro, 2004; Layne, 2006). Type II neoclassical realism tries to explain a broader range of foreign policy and even grand adjustment of strategy, contending that the international system often does not provide clear signals and in this circumstance, states decide on their foreign policy or strategy based on the worldviews of their leaders, their strategic cultures, their domestic coalitions and the domestic political constraints (Lobell, 1993; Jason, 2006; Dueck, 2009; Wohlforth, 2009). Type III neoclassical realism explains international politics and how the international system are affected by the interaction of the strategic choices of great powers (Ripsman, Taliaferro, and Lobell, 2016).

This thesis tries to explain the reasons why U.S. launched the trade war against China, and the problem is more about foreign policy and grand strategic shift. So the Type II neoclassical realism is more likely to be used in the thesis. However, as Ripsman et al gave a concrete and comprehensive framework of Type III neoclassical realist model, which can also be used to explain the strategic shift and foreign policy making of a state, the Type III model will also be used for the analysis in the thesis.

3. Methodology

In this chapter, the methodology of the thesis will be depicted in detail, including the choice of theory, the choice of method, the choice of data, the diagram, and the limitations of the thesis.

3.1 Choice of Theory

The research question of the thesis: why does the United States start the trade war against China, its largest trading partner? is answered with the framework of neoclassical realism and this subsection will give the reasons why the theory is chosen.

Neoclassical realism was firstly initiated by Gideon Rose who combines the theories together (Rose, 1998). It is not a single theory, but a research framework stemming from the realist tradition and focusing on foreign policy studies (He, 2017). Neoclassical realism includes various realist theories on foreign policy, for instance, the balance of threat theory (Walt, 1987), the political mobilization model (Christensen, 1996), the balance of interest argument (Schweller, 1998), and balance of risk theory (Taliaferro, 2004).

On the one hand, neoclassical realism is build on structural realism, admitting that the system's distribution of power is the major independent variable in shaping a state's foreign policy. On the other hand, neoclassical realists criticize structural realism for its neglect of the transmission belt between the international system and the behavior of a state. So neoclassical realists introduce domestic intervening variables to link the international system and state behavior, explaining that the systemic stimuli must be translated through the intervening variables at the unit level (Rose, 1998). So, to some extent, neoclassical realism explains the international politics and foreign policy making more flexibly and comprehensively.

As mentioned in the literature review, Neoclassical realists contend neither domestic or international pressures dictate a state's foreign policy on their own. Domestic factors and systemic factors combined to produce outcomes. Neoclassical realism identifies three types of variables needed to be analyzed to explain a state's foreign policies: the systemic independent variable, the domestic-level intervening variables, and the range of dependent variables.

Neoclassical realism identifies consequential variables at several levels of analysis and illustrates how they can produce a range of outcomes at the levels of foreign policy, grand strategic adjustment, international outcomes, and structural change, making it a powerful explanatory tool (Ripsman, 2016, P7). In the shorter term, neoclassical realism can explain the foreign policy choices made by a state to respond to challenges or opportunities presented by the international system and other states; over the short-to-medium term, the theory can illUSTRate a state's policy planning and grand strategic adjustment when the state is confronted with which immediate crises or threats and opportunities in the future; for the medium-to-longer term, international politics are also shaped by the interaction of great powers' strategic shifts (Ripsman, 2016, P82).

Neoclassical Realists criticize offensive realism, defensive realism, and innenpolitik theories. Offensive and power transition realists tend to explain the current trade conflict as an unavoidable conflict between the rising power and the existing international order or the current hegemon as they argue that the shifts of power distribution decide what will happen between the two powers, ignoring that perceptions of the policy makers also matter for the foreign policy making. Meanwhile, defensive realists seem to be more optimistic and they contend that security is often plentiful states generally respond to external threats in a timely manner, which will deter the threatener and remove the need for actual conflict, overlooking that one's perceptions of the threat are partly shaped by one's relative material power. *Innenpolitikers* emphasize domestic reasons and argue that internal

factors such as political and economic ideology, national character, and partisan politics determine a state's foreign policy, ignoring that the international environment limits the available choices of foreign policy. (Rose, 1998)

Therefore, the thesis argues that neoclassical realism can provide a more comprehensive model of research as it takes both systemic and domestic factors into consideration. In the case of U.S.-China trade conflict, the strategic choice by the United States are the products of not only the international structure, but also the domestic political arrangements within the state, so neoclassical realism can shed more light on the question than a purely systemic theory or *Innenpolitik* theories of international politics.

As what the neoclassical realists contend, the systemic stimuli is the independent variable and the reaction or response of the state is the dependent variable, so, between the two types of variables, there must be intervening variables, which decide in effect the state's decision makers' perception of the systemic stimuli.

The United States remains its dominant position in the international system, but China is narrowing the gap and will potentially surpass the U.S. from all aspects. This changing power comparison or the United States' changing perceptions of power comparison is a stimulus. presented by the international system faced with the United States. As a matter of fact, U.S. once tried to engage China into the world order dominated by the U.S., but China's pursuit of norms and orders with its own characteristics and its aggressiveness in many domains seemed to frustrate the U.S. decision makers and provoked threat perceptions among them. The United States, at least its current policy makers, no longer debate whether a rising China presents a threat to be contained or a rival to be engaged. They seem to be sure that China is a threat for the U.S. and the current world order and this could be seen in the reports published on the website of the White House, for instance, the Worldwide Threat Assessment of the U.S. Intelligence Community.

The thesis argues that the independent variable or the international stimuli is important for the trade policy making in the U.S., but what the U.S. decision makers think of the international stimuli or China's rise and of various changes resulting from China's rise also deserves to be discussed. That's why the thesis tries to see things from the perspective of the U.S. or discU.S.s what the U.S. or its decision makers think of the foreign policy toward China.

3.2 Choice of Method

According to the book *Neoclassical Realist Theory of International Politics* (Ripsman, 2016, P132), the best strategy for investigating causal chains in specific cases is the process-tracing method described by Alexander George and Andrew Bennett, who write that the method of process tracing is to generate and analyze data on the causal mechanisms or processes, events, actions, expectations and other intervening variables that link believedcauses to observed effects. This process requires the detailed study of a case to find out if the hypothesized causal variables were present and reached the theory being tested; if the hypothesized causal variables were linked with any independent, intervening and dependent variables; and if it can be proved that the hypothesized causal mechanism actually brought about the changes.

This type of method is actually deductive. The discussion begin with thinking up a theory, which is neoclassical realism in the thesis. Then more specific hypotheses are given based on the theory. After that, the discus.sion is narrowed down even further and observations or data are listed and analyzed to test or verify the hypotheses. (Rizwan, 2012)

3.3 Choice of Data

Then here comes the question as to how the process could be traced or how the

relevant events in the case analyzed in the thesis could be found out. According to Ripsman, Taliaferro and Lobell, the best way for a neoclassical realist to find out why decision makers took the policies would be to consult primary sources as the secondary sources sometimes might omit some useful information for reaching judgments or condense the findings into articles and books with only a small fraction of the evidence depending on the researcher's personal judgement. Therefore, neoclassical realists encourage researchers to go beyond secondary historical sources and get inside the black box of the state. Primary sources, such as government documents, memoirs, speeches, decision-maker interviews and oral histories, are of great value for a neoclassical realist analysis (Ripsman, 2016, P133).

However, Ripsman also admits that when it is hard to get access to the government documents especially when studying relatively closed societies, secondary documents are also necessary since researchers must lower their standards in this circumstances. Since both China and United States actually have "secrets" that are not allowed to be get access to, a student like the author of the thesis cannot reach all relevant primary sources, so secondary ones are still needed in order to open up the black box of the states in question.

So, here in the case of U.S.-China trade conflict, both primary sources and secondary ones will be U.S.ed although the former would weigh much more than the latter. The author mainly focuses on the government documents in the United States and China , for instance, for the data from the U.S., the relevant documents and reports on the website of the White House, Office of the United States Trade Representative (USTR), on, Office of the Director of National Intelligence, and National Security Archive and on the Presidential libraries while for the data from China, the documents on the Ministry of Foreign Affairs, on the State Council, and so on.

Besides, reports from news media in U.S., China and even in some third-party

countries will also be U.S.ed for the analysis as adoption of mere one state will lead to biased conclusion. News from BBC, Reuters, CNN, VOA, China daily and other public media will be referred to for the analysis. Data collected by scholars are also quoted when the sources are reliable.

3.4 Limitations

The trade war between the United States and China is still ongoing, yet the data collected here in this thesis are only those by now as it is hard to predict what will happen between the two states in the future. In addition, it is nearly impossible for a student like the author of the thesis to get all relevant information, especially the secrete one or intelligence. So the data collected in the thesis are quite limited. Therefore the data collected here are only part of the whole story.

3.5. Thesis Structure Overview

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                    ┌──────────────┐
                    │ Introduction │
                    └──────┬───────┘
        ┌──────────────────┴──────────────────┐
        ▼                                      ▼
┌─────────────┐                    ┌──────────────────────┐      ┌──────────────────────┐
│ Background  │                    │ Question Formulation │ ───▶ │ Why does the US      │
└─────────────┘                    └──────────────────────┘      │ wage the trade war   │
                                                                 │ against China?       │
                                                                 └──────────────────────┘

                    ┌──────────────────┐        ┌──────────────────────────────┐
                    │ Literature Review│        │ Choice of Theory             │
                    └──────────────────┘        │ Choice of Method             │
                                                │ Choice of Data               │
                    ┌──────────────────┐        │ Limititions                  │
                    │   Methodology    │ ─────▶ │ Thesis Structure Overview    │
                    └──────────────────┘        └──────────────────────────────┘
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The systemic independent variables
    Relative distribution of power
    The clarity of the international system
    Permissive or restrictive environment

The domestic intervening variables
    Leader images
    Strategic culture
    State-society relations
    Domestic institutions

Theory of Neoclassical Realism

Analysis

The systemic stimuli
    Economic factors
    Political factors
    Military factors

The domestic reasons
    The long-term strategic shift
    The short-term political need
    The personality of President Trump

Conclusion

4. Theory of Neoclassical Realism

Neoclassical Realists argue that a good theory of foreign policy should start by asking the question as to what effect the international system has on a state's behavior as a state's relative position in the international system is its most significant characteristic in international relations. That explains why the neoclassical realists make the international system the starting point of the theory. (Rose, 1998) Similar to structural realism and classical realism, neoclassical realism also regards international politics as a never-ending struggle among states for power in a world with finite resources and with uncertainty about intentions and capabilities of one and another. So neoclassical realism admit that systemic factors do play a significant role in a state's foreign policy making. (Buzan, 1993).

However, neoclassical realists also argue that the systemic factors are not the sole determinant of unit behavior as the systemic incentives or stimuli must be translated through intervening variables at the unit level. As Kenneth Waltz argues that the international system, which is characterized by anarchy and system-wide distribution of capabilities, provides simply a set of constraining conditions for national behavior and can only indicate what pressures and possibilities are presented by the system. However, it cannot decide how effectively a state will respond to the pressures and possibilities. A state makes its foreign policy based on its own internal processes, explaining why states act differently despite their similar placement in the system. (Waltz, 1986, P329)

So neoclassical realism is neither constructivism or domestic determinism nor structural or systemic determinism. It is in a middle ground between the two opposites, which could be illustrated in figure 4.1.

Bulk of International Politics

Domestic
determinism(co
mplete agency)

Primarily systemic, but
moderated by domestic-level
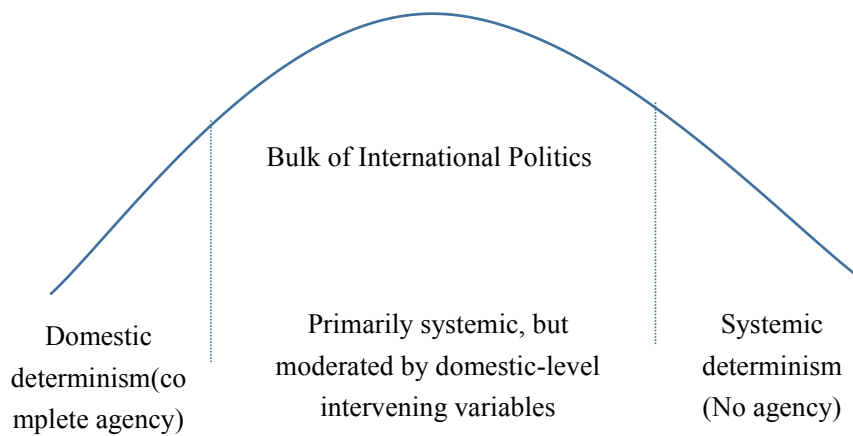intervening variables

Systemic
determinism
(No agency)

Figure 4.1 (Ripsman, 2016)

Therefore, on the one hand, neoclassical realists contends that there is actually objective reality, such as the relative distribution of power, unipolarity, and anarchy, which will substantially influence the interactions among states. On the other hand, they also stress the role played by domestic factors or the perception of the policy makers. So, as Rose says in his masterpiece, that Thucydides' *History of the Peloponnesian War* is a paradigm of neoclassical realist analysis. Thucydides argues that the real cause of the war was the "rise of Athens" (the systemic stimulus) and the "alarm inspired in Sparta" (the perception of the stimulus) and then explains how the systemic incentives were transmitted through domestic intervening variables into the foreign policy of the city-states (Rose, 1998).

Neoclassical realism is in effect a multilevel approach, whose research framework crosses individual (first image), domestic (second image), and systemic (third image) levels of analysis. (He, 2016)

Based on this argument, neoclassical realist build a model for the analysis of foreign policy making:
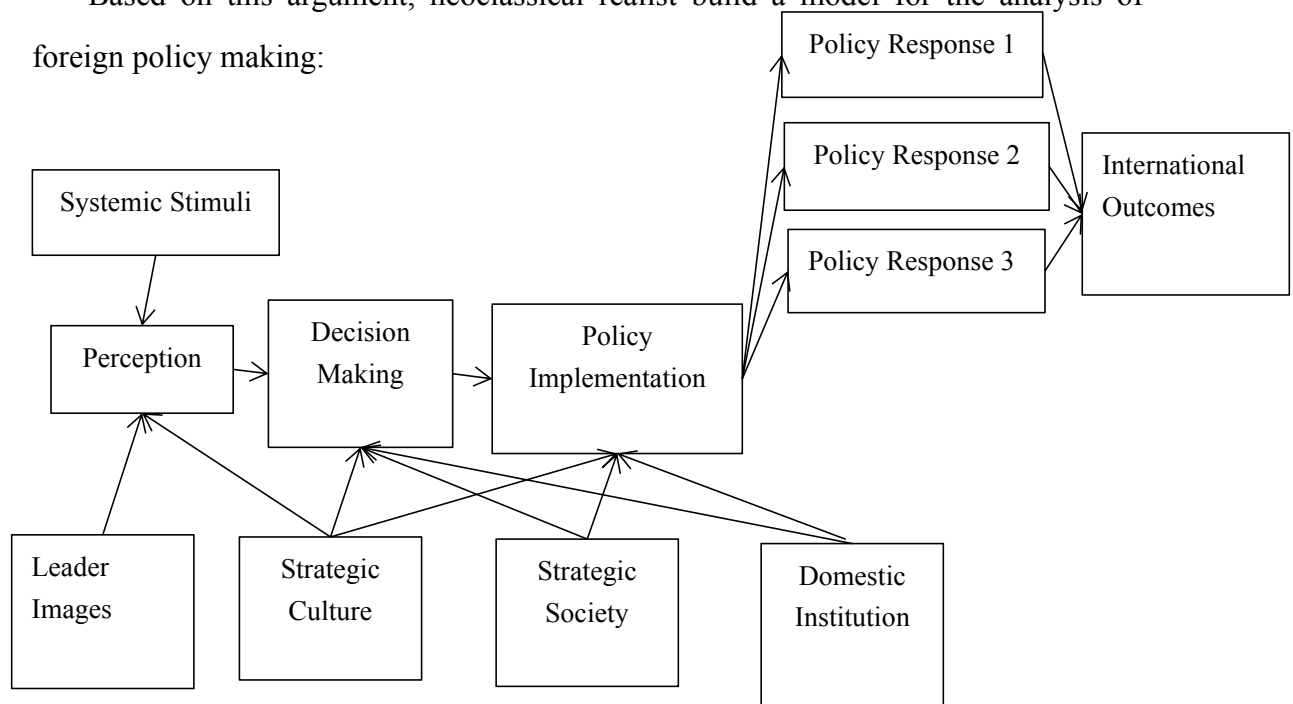

Figure 4.2   (Ripsman, 2016)

According to neoclassical realists, systemic stimuli is the independent variable, the three processes (perception, decision-making, and policy implementation) and the four aspects (leader images, strategic culture, strategic society, and domestic institution) are the intervening variables, and policy responses are the dependent variables, which will lead to some international outcomes.

In the following parts of this chapter, both the independent variables and the intervening variables are discussed.

4.1 The Systemic Independent Variable

In neoclassical realist theory, the relative distribution of power and power trends are the independent variables in the international politics, conditioned by structural modifiers, such as geography, the rates of technological diffusion, and the offense-defense balance in military power. Similar to classical realism and structural realism, neoclassical realism also regards international politics as a never-ending

struggle for power and influence among states in a world with limited resources. Various indicators, such as GDP, level of annual defense spending, the size and the composition of the armed forces, and military research and development, are used by neoclassical realists to measure states' material capabilities. Polarity is also used in the theory to denote the the number of great powers in the current system. (Sørensen , 2013)

Neoclassical realists introduce the more descriptive and concrete term "structural modifiers" to refer to the factors which modify the effects of the more basic structural elements during the interaction process. Stephen Van Evera contends that the fined grained structure of power has a great impact on the possibility of conflict among states, encompassing the offense-defense balance, the size and frequency of power fluctuations, the magnitude of first-move advantages, and the cumulativity of resources. All these can then affect the intensity of the security dilemma, and consequently, the likelihood of interstate conflicts (Evera, 1999).

Neoclassical realists tend to regard the structural modifiers as conditions instead of variables. There are two key systemic variables identified by the neoclassical realists: (1) clarity of signals the international system presents to states; and (2) the nature of a state's strategic environment, either permissive or restrictive. (Ripsman, 2016)

4.1.1 The Relative Distribution of Power and Polarity

Neoclassical realists also believe that international politics is a never-ending struggle for power and influence among states striving for finite resources in a world of uncertainty (Frankel, 1996).

Like other schools of realists, neoclassical realists also use the concept of polarity. Unipolarity occurs when one state dominates the globe in fields of military, economy, and culture. A unipolar system is believed by some to be unstable as many want to

challenge and even usurp the dominant position of the pole while the pole strives to defeat the challengers for a prolonged hegemony. Bipolarity refers to a system where two great powers dominate the globe and other states are in line behind one or the other of the two great powers for their own interests and security. Bipolarity is believed to be more secure and stable. Multipolarity occurs when more than two states have a relatively equal distribution of resources and they give economic, military and cultural pressures on each other. In a multipolar system, hostility and friction exists between powerful states, competing for power and influence with one and another. (Tizzard, 2017)

Meanwhile, neoclassical realists argue that the three types of polarity are only "ideal types" of power distribution and the international system is only similar to one of the three ideal types (Wohlforth, 2011).

4.1.2 Permissiveness or Restrictiveness of the Strategic Environment

Neoclassical realists argues that the strategic environment has two types: permissive and restrictive. According to neoclassical realism, the distinction between permissive and restrictive strategic environments is all about the imminence and the magnitude of threats and opportunities the state faces. The more imminent and dangerous the threat is or the more enticing the opportunity is, the more restrictive the state strategic environment is. On the contrary, the more remote and less intense the threat or opportunity is, the more permissive strategic environment the state has. (Ripsman, 2016, P52)

After the Cold War, the United States is facing a permissive environment as it was by far the dominant global power, possesses the world's most advanced arsenal of atomic weapons, and no power had the capacity to inflict harm on its homeland. However, even in a permissive strategic environment, the U.S. can still receive a clear signal that China, the rising power which cannot be engaged or co-opted, is a growing

challenge that has to be contained.

4.1.3 The Clarity of the International System

Different from structural realism, neoclassical realism identifies the clarity of signals and information the international system presents to states a key variable. Clarity mainly has three components: 1. the degree to which threats and opportunities are distinguishable; 2. whether the system provides information on the time horizons of threats and opportunities; and 3. whether the best policy options appear. (Ripsman, 2016)

For the first component, the clarity of threats is measured in the three aspects: (1) whether other states possess revisionism or expressed hostility to harm the state's territorial integrity or core interests; (2) whether other states have the economic, military and technological capabilities and geographic conditions to make harm on the state; and (3) whether or not there is a sense of imminence or of expectations that other states will make harm. (Gaddis, 1982; Walt, 1987)

Clear opportunities involve three aspects: (1) evidences that relative power favors the state in question; (2) evidences that other consequential parties do not have the political resolution to resist the rival states' moves; and (3) evidences that a favorable balance of power will not remain indefinitely, making it urgent to respond. (Evera, 2001)

4.2 The Domestic Intervening Variables

In the framework of neoclassical realism, all challenges and opportunities are measured through a lens of perception working as a transmission belt to link the systemic stimuli and policy responses. Challenges and opportunities do not automatically derive from the international system, but are constructed by people's ideas and values. (He, 2016)

In other words, neoclassical realism differs from structural realism because of its incorporation of domestic intervening variables conditioning whether and how states respond to the international stimuli underlying foreign policy, grand strategy and international politics (Rose, 1998).

According to Figure 4.2, the four categories of intervening variables are: 1. the personality and perceptions of state leaders; 2. strategic culture of the state; 3. state-society relations; and 4. domestic institutional arrangements. All these variables reflect the constraints on the policy-makers and the interactions between the top leaders and society as a whole. It also constrains the processes and mechanisms by which foreign policy is formulated. The four categories of intervening variables are linked directly to the three domestic processes: perception, decision making, and policy implementation. The relations among the variables and processes could be seen in Figure 3.2. In the following four sub-sections, each of the four intervening variables will be discussed respectively in detail. (Ripsman, 2016)

4.2.1 Leader Images

Leaders' images include a leader's values, personalities, and ideologies that guide their interaction with the outside world. Leaders' images can also influence a state's foreign policy and grand strategy making. There are three types of cognitions playing a significant role in shaping a leader's "operational codes": philosophical beliefs about politics, instrumental beliefs in strategies that are the best to achieve one's goals and interests; and impressions of one's enemy and oneself. (Levy, 2013)

4.2.2 Strategic Culture

The second sort of intervening variables is a country's strategic culture, such as a set of values, beliefs, norms, and assumptions. Besides, strategic culture also includes ideology and the degree of nationalism, which shapes the strategic understanding of

political leaders, elites, and even the general public. On the other hand, strategic culture also places constraints on the decision-making elites, preventing them from reorienting grand strategy to meet international imperatives and avoid self-defeating behavior. Besides, policy makers will choose to frame, adjust, and modify strategic choices to reflect culturally acceptable preferences in order to win domestic support. (Ripsman, 2016)

4.2.3 State-Society Relations

The third cluster of intervening variables is the state-society relations, which is defined as the character of interactions between the central institutions of state and various economic and societal groups. The state-society relations are reflected in the degree of harmony between the state and society, the degree of consensus or fragmentation at the elite and the societal levels on a foreign policy, distributional competition among societal coalitions , the level of political and social cohesion in the state, and public support for the foreign policy and national security strategy. The interactions among the interest groups affect whether the decision makers have the power to implement a foreign policy. Besides, the nature of state-society interactions, the mechanisms to deal with differences between the state and the society, and the impact of the interactions and mechanisms on formulation and implementation of the policy are quite significant. (Zakaria, 1998)

4.2.4 Domestic Institutions

The last set of intervening variables is state structure and domestic political institutions. Neoclassical realists believe all these factors play a significant role in a state's foreign policy making and implementation. For a democratic state, domestic separation and balance of power, party system, voting rules and quality of the government are important institutional variables influencing the state's foreign policy. This type of variables are likely to impact how states process and respond to the

systemic stimuli. (Ripsman, 2016)

5. Analysis

The thesis, inspired by the neoclassical realism, argues that the U.S. foreign policy toward China is determined by U.S. leaders' perceptions of a rising China's acts in economic, political and military aspects in a unipolar international system with the United States as the only dominant power. The current trade war is part of America's response to the perceived threat from China and the trade war is also a reflection of the U.S.'s grand strategic shift.

At the systemic level, the thesis argues that unipolarity of the international system and the permissive strategic environment for the United States are conditions of U.S.'s current foreign policy toward China, and clarity of China's challenges in military, economic, and political aspects is the systemic reason why the U.S. changed its grand strategy toward China and waged the trade war. To put it another way, China's rise and its acts in economic, political and military aspects are the systemic stimuli here faced with by the United States in the case of U.S.- China relations.

At the domestic level, the thesis contends that U.S. leaders' perception of China's rise led to the shift of America's long-term strategy toward China, which is the background of the trade war and here in this thesis it is also described as one of the three domestic reasons of the start of the conflict. Based on neoclassical realism, the perception of the leaders, as the first of the three intervening-level processes, matters a lot for the state's foreign policy making. In the U.S.-China case, the U.S. increasingly regards China as a threat, which could be proved by many reports on the official websites. Meanwhile, the question as to why the U.S. leaders identify China as a threat also needs to be answered.

Besides, the U.S. leaders' short-term political need, which is related to the domestic institutions and state-society relations of the U.S. is the second domestic

reason of the launch of the trade war. Trade war, as a foreign policy of the U.S., relates to the country's political structure and institutions. The trade war is a bargaining chip created by Trump, who attempts to make China compromise and give more conditions that are or at least seem to be advantageous to the U.S. interest groups, which will, in return, support Trump's presidency.

Personality and ideology of President Trump is also a factor in the case, which is discussed as the third domestic-level reason of the trade war. Trump is known as a very ambitious, assertive, and even aggressive person, who is in general populist, and protectionist. This partly explains why President Trump chose to wage a trade war against China.

5.1 The Systemic Stimuli in the U.S.-China Relations

In Chapter two, the three main independent variables, the distribution of power, permissiveness or restrictiveness of a state's strategic environment, and the clarity of the international system have been introduced as the three independent variables in the theory of neoclassical realism. The thesis argues that in the unipolar international system with the United States as the only superpower in the dominant position, the strategic environment faced by the U.S. is permissive and the systemic stimuli here in the case of the U.S.- China relations are actually China's rise and its acts in economic, political and military aspects.

China's rise in all these aspects put pressures on the United States. As what has been discussed in 4.1.1, in a unipolar system, some states want to challenge and even usurp the dominant position of the dominant power, who strives to defeat the challengers for a prolonged hegemony. It might not be objective enough to say that China is challenging the United States as China refuses to admit that and declares that it has no plan to challenge anybody and pursues a peaceful rise while the Unite States regards China as a challenger or even a threatener. However, It is clear that China

competes with U.S. in many aspects, and the competition by now dictates that China has the potential and the ambition to surpass the United States and change the current distribution of power. Therefore, this type of competition and its influence on the potential change of power distribution is the systemic stimuli or incentives from the system that the U.S. is confronted with.

Before analyzing the systemic stimuli, the two conditions for U.S. to start the trade war, unipolarity and permissive strategic environment, are discussed in this section firstly.

The thesis argues that the current international system is in general unipolar although it might be under a transition from unipolar to multipolar or nonpolar. Firstly, the United States remains the largest economy of the world and its nominal GDP is predicted to exceed $21 trillion in 2019. It represents around 20% of the total global output and still larger than China. The U.S. boasts a service sector, which is highly developed and technologically advanced and accounts for around 80% of its output. The U.S. economy is characterized by the domination of service-oriented companies in technology, finance, healthcare and retail. Besides, more than 20% of the large corporations on the Fortune Global 500 come from the United States. (Focus Economics, 2018).

Secondly, American President Donald Trump signed a $1.3 trillion spending bill on March 23, 2018 which includes a $160 billion increase in defense spending in the past two years. Such Besides, President Trump also signs the Fiscal Year 2019 National Defense Authorization Act, which promises to increase funding for the military. (DoD, 2019) The 2019 Department of Defense budget is $686.1 billion (OUSD, 2018), accounting for around one third of the entire globe's total expenditure, which could be seen from Figure 5.1. Such a large amount of military expenditure indicates the military supremacy of the United States.

Military Expenditures by Country
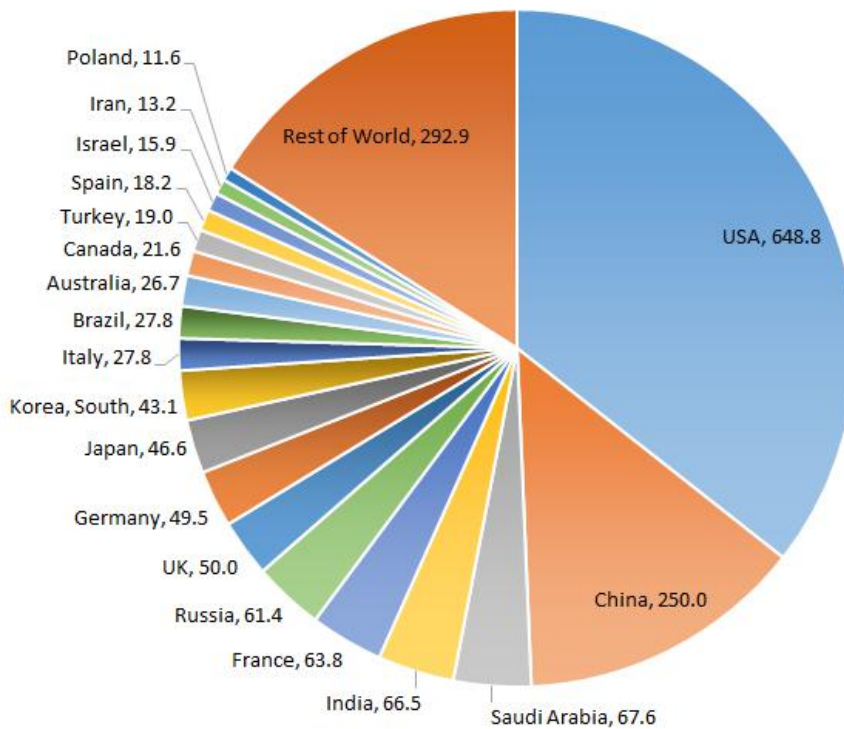(in US$ billions) 2018

Figure 5.1 (Stockholm International Research Institute)

Thirdly, the Unite States is the world's most influential state. U.S. plays a huge role in nearly all international issues, remaining a powerhouse in the international community. U.S. and its allies have led in building various international institutions that promote trade, security and diplomacy, including the United Nations, the World Trade Organization and NATO. To put it another way, U.S. is the rule-maker of the current "liberal rules-based international order. " As President Barack Obama declared in his 2016 State of the Union Address, "When it comes to every important international issue, people of the world do not look to Beijing or Moscow—they call us." (the White House, 2016)

The unipolar system is the foundation or the background of the trade war as the rising power competes with the dominant pole in many aspects while the latter strives to defeat the competitors or challengers to prolong its dominant position in the

international system. Another condition of the trade war is the permissive strategic environment faced by U.S. as it is obvious that there is no imminent external threats or opportunities for the U.S as the dominant power (Ripsman, 2016).

From 5.1.1 to 5.1.3, the systemic stimuli faced by the United States will be talked about. According to Neoclassical Realism, the distribution of particular types of power can affect the intensity of the security dilemma and thus has a great impact on the likelihood of interstate conflict. In this thesis, the distribution of power in economic, political, and military fields will be discussed respectively as the systemic reasons why the U.S. changed its policy toward China.

5.1.1 Economic Factors in Shaping the U.S. Policy toward China

Firstly, China is an economic superpower that is predicted to surpass the U.S. in only 15 years. According to the reports released by the IMF and the World Bank, China overtook the United States and actually became the world's largest economy at the end of 2014 when measured by purchasing power parity or PPP. The gap is likely to narrow further, given that China has far more people making and purchasing things. Standard Charter Plc predicts that by 2030, China will become the world's NO. 1 economy with a nominal GDP of 64.2 trillion dollars, following India with 46.3 trillion and the U.S. with 31.0 trillion. (Scipioni, 2019)

Besides, China is making remarkable progress in industrialization and advancement of technologies which are of huge significance for the economic development.

China leads the world in **the field of Artificial Intelligence (AI)**. According to the *China AI Development Report 2018* published by China Institute for Science and Technology Policy at Technology Policy at Tsinghua University (2018), China's AI papers accounts for 27.68% of the global total, far ahead other states. Besides, China is the largest owner or AI patents in the world, followed by U.S. and Japan. The three

states combined have 74% of the world's total AI patents. Besides, China boasts the world's second largest AI talent pool and by the end of 2017, Chinese AI specialists reached 18232, accounting for 8.9% of the world's total, following U.S. whose number is 13.9%. China has 1011 AI companies by 2018, ranking second in the number of the AI companies and Beijing has the highest concentration of AI enterprises over the globe. China has received 60% of the world's total venture capital investment in AI, the highest in the world, while U.S. remains the most active investors in this field.

The "Made in China 2025" (MIC) is predicted to have the ambition of controlling 90% of the world's most advanced industries, including robotics, biotechnology, and artificial intelligence. Pence once said in a speech at the Hudson Institute that China, in order to surpass the U.S. as the world largest economy, tries to obtain American intellectual property by any means and such behavior challenge the foundation of the U.S.'s economic leadership. (the White House, 2018)

According to a report, *Made in China 2025*, released by China's Institute for Security & Development Policy in June 2018, China aims to upgrade its industrial capability and smart manufacturing, especially in ten key industries. Its industry aims goes like this:

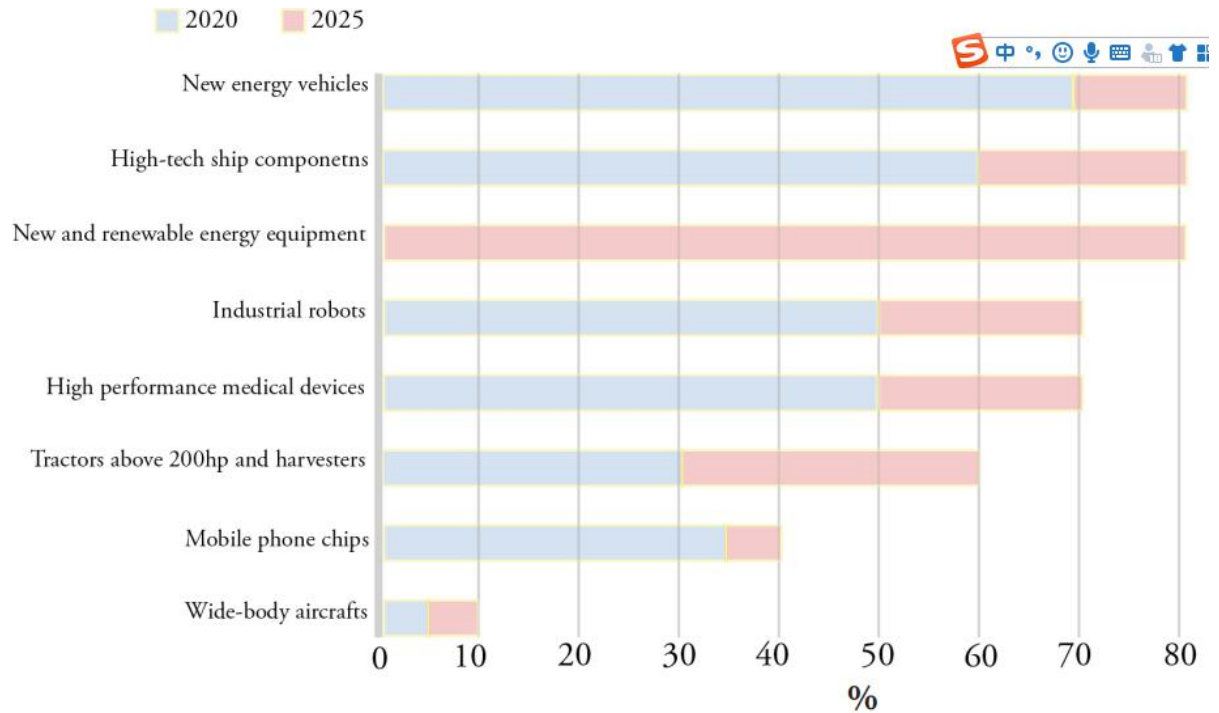## Made in China 2025 Industry Aims

Figure 5.2: Semi-official targets for the domestic market share of Chinese products
(Source: Institute for Security & Development Policy)

However, as the report says, such targets violate WTO rules. The increasing percentage of Chinese products to domestic products indicates not only the self-sufficiency for China, but also less share of foreign goods in the Chinese market. Besides, as China never promises to refuse export of these high-end products, it is likely that China will become more competitive in the global market when the targets of MIC are reached.

U.S. companies may lose their competitiveness in the global market if MIC is successfully promoted as the plan will support Chinese industrial upgrades in various sectors through political backing and billions of funding. This is probably a very strong signal reminding U.S. to take some measures to stop Chinese economic development in order to maintain its vested interests, especially when U.S. trade deficit with China maintains high. the U.S. trade deficit with China is high and it becomes higher. According to the data on the website of United States Census Bureau

(2019), the U.S. trade deficit with China was $34.69965 billion in total in 2016. This figure increased to $37.55764 billion in 2017 and to $41.91620 in 2018.

Another case is the ongoing **industrialization of RMB**. RMB joined the Special Drawing Rights reserve currency basket on October 1, 2016. This event is considered to be a significant milestone toward RMB industrialization, illustrating China's expanding role in global trade. China's Belt and Road Initiative provides a platform for promoting RMB as a global currency through trades with countries along the route. Besides, China and Pakistan have made consensus on using their own currencies for bilateral trade. Before that, trade between the two countries was conducted in US dollars. Bangladesh allows its banks to recognizing yuan as an international currency used in exports, imports and financial exchanges with China. (Yesmin, 2019)

The Asian Infrastructure Investment Bank (AIIB) also challenges the United States. The China-led international financial institution is poised to undermine the influence of the U.S.-led World Bank and International Monetary Fund while institutionalizing China's geoeconomic coercion in the Asia-Pacific. Italy, France, Britain, Germany, South Korea, Denmark, and Australia have signed on as members of the AIIB, with Thailand and even Taiwan eyeing imminent entry. Meanwhile, the U.S. remains on the outside looking in as its influence is directly challenged by China's rise.

5.1.2 Political Factors in Shaping the U.S. Policy toward China

China is extending its global political influence. **The Beijing Consensus** or the China model is thought to have contributed to China's economic miracle. The model is considered by some developing countries to be an alternative to the Washington Consensus and has grown increasingly popular around the world. The China model has gained ground in Southeast Asia where many countries have shifted their development strategy from the one based on free markets and democracy to the one

that is based on semi-free markets and a political system similar with that of China. (Kurlantzick, 2014)

China has embarked on **the Belt and Road Initiative**, which extends from China to Europe and other parts of the world by land and sea. It performs as a public good and aims to help the countries along the route build up or advance their infrastructure. But the initiative, at the same time, will also create longer term revenue for China, generating ties and dependencies and increasing China's influence among those countries as China needs to promote and protect the investments. Besides, China is now the largest troop contributor for the United Nations peacekeeping missions by far. It pays more than 10% pf the UN's total budget, making it the NO. 2 contributor following the U.S., which pays 28.5%. (Champion, 2018)

China has tried to build **regional security institutions without the U.S. participation.** The Shanghai Cooperation Organization is the first regional organization launched by China without the participation of the U.S.. In this organization, China played a leadership role with the goal of balancing the U.S. influence in the region. President Xi also declared that Asian security is to be maintained by Asians at the 2014 Shanghai summit of the Conference of Interaction and confidence-building in Asia, implying his dissatisfaction with the interference of the U.S. in the issues of the region.

The Regional Comprehensive Economic Partnership (RCEP) agreement is has also improved China's influence in the international politics. As a free trade agreement, RCEP is viewed as an alternative to the Trans-Pacific Partnership (TPP). RCEP is the world's largest economic bloc and covers around half of the global economy. The sixteen members of the agreement are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam, Australia, China, India, Japan, South Korea and New Zealand, without United States. (Terada, 2018)

Besides, China also demands capital share and **voting power rights in the global institutions** at its weight level, criticizing that the global economy's dependence upon a dollar-based single currency system was a maincause of the 2009 global financial crisis. Based on this, China proposed China's RMB to be included in the basket of key international currencies, where the value of the IMF's Special Drawing Rights is based. China has been aiming at breaking the dominance of the U.S. dollar, which is the stronghold of American power. As an effort for the internationalization of the RMB, AIIB works as an alternative to the World Bank and other international development institutions. China also asked to re-balance voting shares of the IMF according to the growing economic strength of emerging economies at the 2010 G20 meeting. The requirement was ratified by all other members but stuck in the U.S. Congress until 2015. What could be seen here is that China wants to reform the Bretton Woods system led by the U.S. and participates in international rule-making while the U.S. attempts to delay the reforms to protect its vested interests.

5.1.3 Military and Security Factors in Shaping the U.S. Policy toward China

China's increasing **military strength** is another stimulus the international system presents to the U.S. China, as a military power, by now spends more than three times as much on defense as Russia and its enormous gap with the U.S. is closing although it lacks the carrier fleets and the technologies to produce a top flight jet engine. China's defense spending has increased from about $19 billion in 1989 to $228 billion in 2016 dollars, but the cost as a percentage of GDP has barely changed, remaining below 2 percent. In some areas, such as the number of heavy unmanned aerial vehicles, China has already overtaken the U.S.. Chinese navy is developing fast too, focusing in areas such as attack submarines and missile technology. Moreover, Chinese weapons' capabilities close to home have changed U.S. calculations in the South China Sea dispute and the potential conflict over Taiwan. (Champion, 2018)

Furthermore, China is in **maritime territorial disputes** with its neighbors, including the allies of the Unite States. China has refused to attend the international court case brought by the Philippines under the UN Convention on the Law of the Sea and submitted the "Nine-Dash Line" maritime boundary based on historical claims to the UN, declaring that the court has no jurisdiction. (Fontaine, Richard, Rapp-Hooper, Mira, 2016). China rejects settlement of maritime and territorial disputes through international arbitration, adjudication and other third-party procedures, expressing its dissatisfaction with the rules and laws protecting the U.S. and its allies.

Based on the analysis, we could see that China is closing the gap with the U.S. and has become a potent competitor of the latter in the economy, political and military fields. Such a change in relative capabilities, which are widely acknowledged as a key factor of conflictual situation, is the systemic stimulus faced by the United States, impacting on the making of its policy toward China. However, as neoclassical realists contend, the systemic pressures must be translated by intervening decision-making processes at the unit level. To put it another way, perception also matters in a state's foreign policy making.

5.2 The Domestic Reasons in Shaping U.S. Policy toward China

In 3.1, the systemic reasons why the U.S. initiate the trade war are discussed. However, the systemic stimuli are only part of the story while the domestic reasons are also needed to be considered. As what neoclassical realism argues that what matters is the perception of the decision makers or their understanding of the systemic stimuli. So in this sub-section, the domestic reasons will be illustrated with evidence. Based on the analysis in Chapter 2, after screwing the four intervening variables: the leader images, the strategic culture, the state-society relation and the domestic institutions in the United States, I summarized the domestic reasons of the trade war as: 1. the long-term strategic shift of the U.S., which is decided not only by the

President, but also by the Congress, and influenced by U.S.'s strategic culture; 2. the short-term political need, which means the trade war also works for the re-election of Trump and the interest of the Republican Party; 3. the character of President Trump is also a factor explaining why it is during his incumbency, not during the Obama's, the trade war exploded.

5.2.1 The Long-Term Strategic Shift

After an analysis of the systemic stimuli faced by the Unite States, U.S. leader's **perception of the stimuli,** as part of the "transmission belt" and one of the intervening-level processes of American policy making, will be discussed in this section. Such a perception is believed to be the root cause of the shift of America's strategy toward China, and the strategic shift is one of the domestic-level reasons leading to the trade war.

The United States' complaints on China are reflected in official reports released on the websites of the U.S. Trade Representative Office (USTR), the White House, the Office of the Director of National Intelligence (DNI), and the U.S. Department of Defense (DoD).

In *the 2018 Report to Congress on China's WTO Compliance*, USTR complains that: (1) China continues to force U.S. companies to transfer technology through market access restrictions, the abuse of administrative processes, licensing regulations, asset purchases, and cyber and physical theft; (2) China has not yet opened the electronic payment services market although it promised to do so; (3) China remains its import substitution subsidies in various sectors, such as automobiles, advanced materials and medical products; (5) China neglects its promise that it shall review its applications of agricultural biotechnology products and continue to develop its capacity in this area; (6) China has continuously deployed illegal export restraints, such as export quotos, export licensing, export duties and other restrictions, on raw

material inputs to provide huge cost advantages to various domestic downstream producers at the expense of the foreign counterparts, creating pressure on the foreign producers to move their technologies, operations, and work opportunities to China. (USTR, 2019)

USTR, based on its findings above, believes that China's regulatory system is opaque and it is difficult for the U.S. government and U.S. companies to understand China's legal requirements in the economy when the latter fails to adhere to the transparency obligations as a WTO member. Besides, it says that China has moved further away from open, market-oriented policies and has more tendencies to adopt a state-led, mercantilist approach to the economy and trade. USTR then conclude that these shortcomings create trade barriers, undermine the competitiveness of China's trading partners, and harm other WTO members, helping China reap huge benefits form its WTO membership. (USTR, 2019)

The report clearly states that the United States now adopts a more aggressive approach to China than in the past. The U.S. is using all available tools including domestic trade remedies, bilateral negotiations, WTO litigation and strategic engagement to confront the challenges presented by China.

The U.S. accuses China of theft of intellectual property, technology and trade secrets. According to another report published by USTR, *the 2019 Special 301 Report,* China is the No. 1 state on the priority watch list of the report. The report complains that China failed to make necessary structural changes to strengthen Intellectual Property right (IP) protection and enforcement, failed to open its market to foreign investment, and refused to allow the market to play a decisive role in resource allocation. The report says that the Chinese government still interfere in private sector technology transfer decisions. It is then concluded that Chinese business environment without enough IP protection severely challenges U.S. businesspersons. The report also lists China's unfair and harmful conducts, such as imposed technology transfer,

discriminatory licensing restrictions, and theft from computer networks of the U.S. companies. (USTR, 2019)

President of the AFL-CIO said that China had **stolen the U.S. intellectual property** and bullied its way into acquiring critical U.S. advances in technology. He stated that tariffs were not an end goal, but a tool to end China's trade practices which is believed steal American jobs and drive down American pay (AFL-CIO, 2018). The U.S. Trade Representative Robert Lighthizer completed a seven-month investigation into China and intellectual property at Trump's direction in early 2017. U.S. officials were said to find strong evidence that China U.S.es foreign-ownership restrictions to compel American companies to switch technology to local firms and that China supports and conducts cyberattacks on U.S. companies to access trade secrets. After that, Trump instructed Lighthizer to levy tariffs on at least $50 billion in Chinese imports -- a figure based on U.S. estimates of the lost corporate earnings caused by China's alleged Intellectual theft or forced technology transfers.

The former Director of the National Security Agency Keith B. Alexander said that Chinese cyber theft of intellectual property is the greatest transfer of wealth in history (Henney, 2018). The U.S. complains that China forces U.S. companies to enter into joint ventures with Chinese entities and forces the U.S. companies that want to do business in China to transfer their confidential technology and trade secretes before having access to their market. The U.S. says that kind of transfer is disallowed by the WTO and the negotiations between China and the U.S. firms are usually conducted in secret to avoid penalties from the WTO. In 2018 the American Chamber of Commerce in China learned that over 50% of its members deemed that "leakage of intellectual property" was an important concern when doing business there (Oh, 2018).

The U.S. policy makers perceive the China's model as a threat to the U.S. and this could be proved by what the U.S. **Vice President Pence complains in a speech at**

the Hudson Institute. In the speech, Pence says that Beijing is employing a whole-of government approach and using political, economic, and military tools, as well as propaganda, to advance its influence and benefit its interests in the U.S.. (the White House, 2018)

In this speech, Pence asserts that China is meddling in America's democracy, striving to influence public opinion in the U.S. and the environment leading into the 2020 presidential elections. According to Pence, the U.S. intelligence community has proved that China exploits divisions between the U.S. federal and local levels of governments on policy and U.S.es trade tariffs to improve China's political influence. He also contends that China is building relationship with America's allies and enemies, opposing the actions and goals of the United States. (the White House, 2018)

Besides, in *the National Security Strategy* released in December 2017, the President Trump described a new era of great power competition and the report dictates that China reasserts its influence on regions and on the globe while it contests America's geopolitical advantages and attempts to change the current international order in its own favour. (The White House, 2017)

China's increasing military budget and its pursuit of its anti-access/area-denial (A2/AD) capabilities is also perceived by the United States as a threat. According to *the Annual Report to Congress-Military and Security Developments involving the People's Republic of China 2018* released by the U.S. Department of Defense (DoD), China embraces a military strategy of "active defense", which is "strategically defensive but operationally offensive". The report also says that China adopts a coercive approach and strengthen its control over disputed areas and enhance its presence, which challenges other claimants to disputed territories. (DoD, 2018)

This stimulus is perceive by the United States as a challenge or even a threat. As Pence says in the speech in the Hudson Institute, China's security agencies have directed the theft of cutting-edge military blueprints from the U.S. and with these

technologies, China develops its military power on a massive scale. He also says that China has give priority to develop capabilities that can erode America's military advantages on land, at sea, in the air, and in space. He asserts that China wants to push the U.S. from the Western Pacific. (the White House, 2018)

In the case of U.S.-China trade war, the strategic culture of the United States plays a role or it is part of the reason why the U.S. initiates a trade war against China. The United States once managed to us.e high taxes to protect its economy and also waged a trade war against Japan,

The United States emphasizes the need to find an enemy, convincing in quality and scope. The enemies are identified by the U.S. government using terms like "Islamic terrorism", the "Empire of Evil", the "Axis of Evil" (Iran, North Korea, Syria and Venezuela) and other terms like "Islamic fascism" or "Chinese hegemony." So Unfortunately, China is one of the United State's rival and even enemy and actually becomes the NO. 1 threat of the U.S., surpassing the terrorism.

Moreover, the U.S. has been eager to transform the international system in the service of liberal ideals and this impulse runs throughout American history. So after failing to transform China into a liberally democratic country or engage China into the system led by the U.S., the latter resort to contain China from further development on an unpredictable path.

Besides, the two parties of the U.S., the Republicans and the Democrats, follow different approaches in International Relations. The Republicans promote realism, which contends that every country has its own national interests to defend and they must be respected. The interests of states may collide, and therefore conflicts appear. So, war is a natural and logical process. The Democrats support the liberal school of international relations and believe that universal consensus must be achieved and the opposition must be punished and re-educated. Therefore, the two parties do not deny the possibility of war, and even, on the contrary, consider it an essential tool in

international relations. Besides, this thesis argue that when it comes to the China strategy or policy, there is consensus between the two party. The U.S., as a whole, has making a long-term shift of its China policy.

The U.S. has changed its grand strategy toward China and the shift could be reflected from the political reports and military reports of the United States.

Firstly, the Worldwide Threat Assessment of the U.S. Intelligence Community published on January 29, 2019 by the Office of the Director of National Intelligence (DNI) lists the main threats which the United States is faced with. China is placed at the very beginning of the assessment report even before terrorism and Russia, reflecting U.S.'s highlighted China's role as its biggest threat.

Then in the following sections, China is also mentioned as a threat from many aspects, including acting as the biggest regional threat, posing cyber attacks, dangerous. intelligence services and online influence operations, developing weapons of mass destruction, and opposing religious freedom:

Besides, the State of the Union on February 5, 2019 also reflects the change of U.S.'s attitude to China:

"We are now making it clear to China that after years of targeting our industries, and stealing our intellectual property, the theft of American jobs and wealth has come to an end...But it must include real, structural change to end unfair trade practices, reduce our chronic trade deficit, and protect American jobs."(DNI, 2019)

Besides the political reports above, the military reports could also reflect the U.S.'s strategic change, which is a long-term shift. According to **the National Security Strategy of the United States of America** published in December 2017, China is a paramount threat for the U.S. leadership in the world and the engagement

and inclusion strategy before should be removed when the U.S. now pursuing the American First National Security Strategy. The report claims that China and Russia are challenging the U.S. and attempt to erode U.S. security and interests. Thus, U.S. must rethink the policies to China of the past twenty years:

"For decades, U.S. policy was rooted in the belief that support for China's rise and for its integration into the post-war international order would liberalize China. Contrary to our hopes, China expanded its power at the expense of the sovereignty of others." (the White House, 2017)

The trade war, to some extent, is a tool for the U.S. to contain China. This could be reflected in some of the conditions the U.S. listed in the first round of trade talks with China. The U.S. requires China to stop offering subsidies and favourable conditions to industries in the plan of Made in China 2015, which is a industrial upgrading program in China focusing on the development of high-end technologies; accept that U.S. may restrict the import of the products included in the Made in China 2025; accept the restrictions from the U.S. on the investment in the sensitive areas and take no revenge.

From these political and military reports, we could conclude that the U.S. has shifted its China strategy from engagement and inclusion to containment when it finds that it is hopeless to include the latter into the U.S.-led international order. So the trade war is just a part of the changed strategy and the conflict is not accidental or occasional. However, the strategic shift, although is a significant background, does not necessarily lead to the trade war so soon. The short-term need for politics of the Trump administration and the personality of President himself are also conducive to the initiation of the conflict.

5.2.2 The Short-Term Political Need

As we discussed in Chapter Two, neoclassical realism believes that the

state-society relations and domestic institutions are two of the four intervening variables that can influence a state's foreign policy. In the U.S, a liberal democratic country, **midterm elections** are held every four years, when voters elect members of the Congress. As they take place in middle of the four year presidential term of office, midterm election results are often viewed as voters' verdict on the president they elected two years ago. Over the course of U.S. election history, the party out of power has usually been able to make a comeback in midterm elections. Against this backdrop, the midterm elections held on November 2018 gave President Trump incentives to adopt radical policies that cater to his supports.**The President promised since he was a candidate that he would use his deal-making skills to strive for better deals with other nations**, including U.S. allies. (Lobosco, 2019)

As one of his main promises during the election campaign was to solve the trade deficit problem, the trade war against China appears to be a timely and logical move to secure votes for his political party in the midterm elections. Besides, the Presidential election in 2020 may also be a reason of the initiation of the trade war. The Congress members and the president was elected by the people who from different interest groups. So in order to get re-elected and gain the support from the voters, President Trump must try to satisfy the interests of those groups or at least bargain among them to make sure that the number of his supporters are enough to guarantee the continuity of his official career. Besides, the domestic political institutions, such as the Congress, also give a lot of pressure on Trump, who need to take their suggestions into consideration. All these factors affect the decision of the President as a motivation for him to wage a trade war against China.

Firstly, the voters who are **grass-roots** and struggling in their lives believes that China steal their job and globalization makes them poor, so trumps actions that reflect anti-globalization and nationalism, such as, the trade war against China, will satisfy those voters, who will in return increase the probability of Trump's re-election. For instance, one condition the U.S. raised during the first round of trade talks is for China

to open up its service industry and agriculture, welcoming the competition from the U.S. in these areas. Another condition that can increase the job opportunities and benefit domestic workers is for China to buy more products from the U.S., which is to cut China's surplus by 200 billion dollars. (BBC, 2018) All these conditions cater to the desire of the grass-root workers. Besides, President Trump tweeted that "our markets are surging", alluding to record employment numbers, higher wages, and the U.S. economy surging at 4.1% in the second quarter after the trade war (CBC News, 2018).

Secondly, the trade war can benefit the **U.S. capitalists** for sure. The action of protectionism will give domestic companies more room to survive and develop and these domestic capitalists will, in return, support Trump during his official time. Besides, the U.S. require China to open up more market and buying more U.S. products and if this requirement is accepted by China, the U.S. capitalists could definitely benefit from it by selling more goods to a larger Chinese market.

Thirdly, **the Wall Street elites**, although their interests might be affected by the trade conflict, are persuaded by Trump who promised to force China open its market further, to stop the Made in China 2025, and to stop China from getting the technologies from the U.S. corporations, all of which will benefit the Wall Street for a long run. This could be reflected from the conditions the U.S. required during the trade talks U.S. Treasury Secretary Steven Mnuchin has pushed for China to open its financial services markets to more foreign firms, including credit card giants Visa and MasterCard. (Mason, 2019)

Besides the interest groups in the society, the U.S. official institutions also contribute to the launch of the trade conflict. **China is one of the few policy areas where there is some bipartisan consensus** (Jiang, 2018).

The Democrats broadly agree that the U.S. should take tougher action against the rising power across a range of fronts, from the military, to trade, intelligence and

diplomacy. Before the trade war, Democratic leaders in both chambers of Congress have repeatedly criticized President Trump for being a total "paper tiger" and doing virtually nothing on trade but study it. They pressed the President to focus more on China rather than allies and take real punishments to fulfill his own campaign commitments and curb China from pressuring U.S. companies to transfer their technologies to their Chinese counterparts. So Trump's trade war actually against China gains bipartisan support. (Lauter, 2018)

From the discussion, we can see that the benefits of interest groups in American society and the attitude of American political institutions are also needed to be considered when Trump wants to get their support for the continuity of his political career. Besides the long-term strategic shift and the short-time political needs, the character or the perception the Trump is also a reason why the trade war was initiated during his incumbency, which will be talked about in the part of 5.2.3.

5.2.3 The Character of Trump

Fixation on trade deficits is quite rare among U.S. presidents, so it is reasonable to presume that President Trump's unique personality plays a role in the launch of the trade war.

In the U.S., the President remains in the driver's seat on trade policy-making after powers of trade policy conducting being transferred from the Congress to the President in the form of the Trade Promotion Authority. It allows the President to immediately sign trade deals without a renegotiation by Congress. (Postnikov, 2018) So the ideology and the personality of the President also weigh much in explaining the initiation of the trade war.

Trade war, as one of Trump's foreign policy is, to some extent, a result of his ideology and his unique personality. When it comes to his ideology, working as a businessman for most of his life and with no political experience makes him govern

the state with the ideas of economists. Besides, he is in general populist, conservative, and protectionist. His administration's foreign policy outlook is characterized by unilateralism, assertiveness, and a great appreciation for military power. (The Conversation, 2018)

In terms of Trump's character, he is known as a very **ambitious, assertive, and even aggressive person.** When it comes to politics, America's new president wants to be seen as the magnanimous leader of a popular movement. Trump's ideology and his character help U.S. understand why he is so eager to wage the trade war against China. When it comes to politics, America's new president wants to be seen as the magnanimous.S. leader of a popular movement.Trump puts his success down to being willing to take a risk. (Sherman, 2015) He said on Twitter that, "I like thinking big. I always have. If you're going to be thinking anyway, you might as well think big." His boldness explains why he would like to wage a trade war at the risk of a great loss.

Working as **a businessman for most of his life and with no political experience** makes him govern the state with the ideas of businessmen. Trump, after all, sees himself as a deal-maker extraordinaire. From his book "The Art of the Deal" to his time as host of the Apprentice, he has spent a long time creating an image as a tough, successful businessman before he decided to go into the White House. Trump wants to tear up deals made by his predecessors and use the sort of aggressive business tactics to force other nations to compromise on his new deals. (Ellsworth, 2018)

Trump prefers to deal with individual leaders as he believes that's the best way to "cut a deal" and he seems to prefer talks with individual nations too. This explains why he supports Brexit and dislikes the EU Tariffs. Sanctions are the ways he chooses to threaten others to follow his way of thinking (Ellsworth, 2018). Besides the trade war with China, Trump imposed tariffs on Canada, which was the largest source of aluminum imports to the U.S.. Canada then implemented retaliatory tariffs on the U.S. imports, covering 299 U.S. goods (Wolfe, 2018) . Mexico and the EU countries are

also suffer from the tariffs imposed by Trump Administration and respond to retaliatory tariffs too.

Besides, President **Trump is in general populist, and protectionist**. His administration's foreign policy outlook is characterized by unilateralism, assertiveness, and a great appreciation for military power. The populism and protectionism of the President are reflected in his positions on Wall Street ("Hedge fund managers are getting away with murder"), free trade ("We need fair trade, not free trade"), and immigration("We will have a great wall"). The trade war with China is also part of his populist trade policy. (The Conversation, 2018)

In this chapter, the reasons, both the systemic ones and the domestic ones, are discussed with evidence. After the discussion, the conclusion is that the United States wage a trade war because of the clearly seen systemic stimuli including the potential power parity and dissatisfaction between China and the U.S. during the power transition period although the strategic environment is still permissive for the U.S.; the initiation of the conflict is also with domestic reasons: 1. the long-term strategic shift of the U.S.; 2. the short-term political needs of the President; and 3. the character and the ideology of Trump himself. All these reasons help explain why it is now rather than five years ago that the trade war was initiated, and why it is Trump, rather than Obama, that started the conflict.

Besides, the alleged Russian interference in the 2016 United States elections is also a stimuli that urges the President to make achievements in foreign policies as soon as possible. After investigations by the FBI, some of Trump's campaign members, business partners, administration nominees, and family members have been subjected to intense scrutiny following intelligence reports on such Russian interference. In this circumstance, Trump is anxious. to show his talents and win the hearts of the people. This might also be one of the reason why he wage the trade war so soon.

6. Discussion

After analyzing the systemic and domestic reasons leading to the trade war, a discussion on the findings of the thesis and a prospect of the trade war and the U.S.-China relations will be given in this part.

6.1 The Findings of the Thesis

Base on the analysis with the neoclassical realism and with data, the thesis finds that the Unite States wages a trade war against China because of both systemic stimuli and domestic factors. Of course, systemic factors are primary reasons for U.S. strategic shift and foreign policy changes. U.S. top leaders' perception of the pressures and incentives presented in the international system, the decision making processes, the domestic balance of power, voting rules also weighs much in shaping the U.S. policy toward China.

The systemic stimuli faced by the U.S. includes: **1**. China's growing economic strengths is predicted to surpass the U.S. in 15 years; China is a potent competitor for U.S. inscience and technology, which could be reflected in China's leading role in the field of Artificial Intelligence; the Made in China 2025 is supposed to control around 90% of the world's most advanced industries; the ongoing Internationalization of the RMB threatening the dominance of the U.S. dollar; **2.** China's improving political influence weakens that from the U.S.; The Beijing Consensus is considered to be an alternative to the Washington Consensus and has grown increasingly popular around the world, especially among the developing countries; the Belt and Road Initiative helps improve China's political influence by generating ties and dependencies with states along the route; China has built or anticipated international institutions without the U.S. participation, such as the Shanghai Cooperation Organization, and the Regional Comprehensive Economic Partnership; China is in maritime territorial disputes with some of the allies of the U.S.; **3.** spends more than three times as much

on defense as Russia and its enormous gap with the U.S. is closing.

The domestic reasons consists of: **1**. the United States perceived the growing capacities of China in economic, political, and military fields as a threat. This perception leads to the shift of its China strategy from engagement to containment, which is reflect clearly in the political and military reports and documents on the websites of the White House, the U.S. Trade Representative Office, the Office of the Director of National Intelligence, and the U.S. Department of Defense, such as *the 2018 Report to Congress on China's WTO Compliance*, t*he 2019 Special 301 Report,* Vice President Pence's speech at the Hudson Institute, *the National Security Strategy* released in December 2017, t*he Annual Report to Congress-Military and Security Developments involving the People's Republic of China 2018*, and *the National Security Strategy of the United States of America*; **2**. the short-term political needs of the Republican party and President Trump including the mid-term election on November 2018 and the presidential election in 2020; Trump has to satisfy various domestic interest groups for their political support, and the interest groups include the U.S. grass-roots, the U.S. capitalists, the Wall Street elites, and the Congress; **3.** the image of Donald Trump, a bold, ambitious, assertive, and aggressive president with populist and protectionist political ideology and abundant experience and ideas of a sophisticated businessman. The thesis argues that all these reasons including the systemic ones and domestic ones lead to the initiation of the trade conflict.

6.2 A Prospect of the U.S.- China Trade War

It is hard to predict what will happen in the future and where the trade war will go in the following days. The discussion here in this part only gives a prospect of the trade war from the perspective of neoclassical realism, which is, of course, realism.

Generally speaking, it is nearly impossible for the U.S.- China relations to become amicable in the short run as the U.S. grand strategy toward China has

changed and the time of engagement has come to an end. China is becoming too powerful for the U.S. to endure. As what has been analyzed in Part 5, U.S. decision makers now perceive China's actions in many fields as threats to U.S. national interests. China is now perceived to expanded its power at the expense of the sovereignty of others. As what realists believe in general that the dominant power will balance against the dangerous foes, who are usually the rising great powers like China. Walt also suggests that states balance against threats, rather than power alone. China is considered by the U.S. leaders as a rising power potentially stealing its vested interests and as a threat undermining its security.

Besides, according to the recent poll by Gallup, Trump's approval rating reached 46%, which is the highest in his incumbency. Besides, more than 70% of Wall Street thinks that Trump will be reelected in 2020. So it is probably that Trump will continue to be the U.S. president after 2020 and if so, the top leaders' perception of China will not change and the trade conflict or the tension between the two sides in trade will continue.

7. Conclusion

The thesis conducts an analysis of the reasons of the launch of the current trade war between the U.S. and China with the method of neoclassical realism. After giving a background of the conflict, both the systemic independent variables and the intervening independent variables in the case are discussed based on the neoclassical realist model.

The systemic reasons for the start of the trade war include two conditions and the systemic stimuli caused by the rise of China. The two conditions are unipolarity and the permissive strategic environment for U.S. and the pressures brought about by China can be divided as economic factors, political factors, and military factors. As for the domestic reasons, what matters the most is the U.S. leaders' perception of the systemic stimuli, which is reflected in America's shift of its long-term strategy toward China. Short-term political need of Trump administration, especially the mid-term and the Presidential election in 2020, is also one of the domestic reasons for President Trump to start the trade war. Trump is known as a very ambitious, assertive, and even aggressive person, who is in general populist, and protectionist, which is another domestic factor.

The systemic stimuli faced by the U.S. includes: **1**. China's growing economic strengths is predicted to surpass the U.S. in 15 years; China is a potent competitor for U.S. inscience and technology, which could be reflected in China's leading role in the field of Artificial Intelligence; the Made in China 2025 is supposed to control around 90% of the world's most advanced industries; the ongoing Internationalization of the RMB threatening the dominance of the U.S. dollar; **2.** China's improving political influence weakens that from the U.S.; The Beijing Consensus is considered to be an alternative to the Washington Consensus and has grown increasingly popular around the world, especially among the developing countries; the Belt and Road Initiative helps improve China's political influence by generating ties and dependencies with

states along the route; China has built or anticipated international institutions without the U.S. participation, such as the Shanghai Cooperation Organization, and the Regional Comprehensive Economic Partnership; China is in maritime territorial disputes with some of the allies of the U.S.; **3.** spends more than three times as much on defense as Russia and its enormous gap with the U.S. is closing.

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