

# The US-China Trade War: Comprehensive Analysis of Disputes, Agreements, and Ongoing Tensions

The US-China trade war, initiated in 2018 and continuing through 2025, represents one of the most significant economic conflicts of the modern era, characterized by escalating tariffs, technological restrictions, and disputes over fundamental trade practices. The conflict encompasses a broad spectrum of issues including intellectual property theft, forced technology transfers, trade imbalances, and strategic competition in critical technologies, with tariffs reaching as high as 145% on Chinese goods and 125% on American products by April 2025<sup>[1]</sup>. While periodic attempts at negotiation have yielded temporary truces and limited agreements, fundamental disagreements over state-led economic policies, technology access, and fair trade practices remain largely unresolved, leaving the global economy vulnerable to continued disruption.

## Core Issues and Disputes in the Trade War

### Intellectual Property and Technology Transfer Concerns

The foundation of the US-China trade war rests on allegations of systematic intellectual property theft and forced technology transfers by China. According to the Trump administration's assessment, intellectual property theft was costing the United States approximately \$300 billion annually, representing a substantial drain on American economic competitiveness<sup>[1]</sup>. The administration argued that China maintained a deliberate policy of "forced technology transfer," where American companies were required to hand over their key technologies as a prerequisite for accessing Chinese markets<sup>[1]</sup>.

Robert Lighthizer, the US Trade Representative, characterized China's approach as "state capitalism," involving strategic acquisitions of US technology companies and cybertheft to gain technological advantages<sup>[1]</sup>. This systematic approach to technology acquisition was viewed as fundamentally incompatible with fair trade practices and World Trade Organization principles. The US government expressed particular concern about China's state-controlled companies purchasing American technology firms, viewing this as a strategic threat to US technological leadership<sup>[1]</sup>.

The scope of these concerns extended beyond traditional manufacturing to cutting-edge sectors. The Trump administration took specific steps to prevent Chinese state-controlled companies from acquiring American technology companies and sought to halt the practice of American firms surrendering crucial technologies as market entry fees<sup>[1]</sup>. This represented a fundamental shift in US policy, moving from engagement to strategic competition in the technology sector.

## **Trade Deficit and Economic Imbalances**

The substantial trade deficit between the United States and China served as another primary catalyst for the trade war. President Trump frequently cited a \$500 billion annual trade deficit with China as evidence of unfair trade practices and economic exploitation<sup>[1]</sup>. This massive imbalance was characterized not merely as a statistical concern but as evidence of China's systematic advantage-taking in bilateral trade relationships.

The administration argued that this trade deficit represented lost American jobs, reduced manufacturing capacity, and weakened economic sovereignty. The narrative suggested that previous presidential administrations had been naive in their approach to China, allowing unfair trade practices to persist without adequate response<sup>[1]</sup>. Former White House Counsel Jim Schultz specifically criticized the Clinton, Bush, and Obama administrations for looking "the other way while China cheated its way to an unfair advantage in the international trade market"<sup>[1]</sup>.

The trade deficit issue became intertwined with broader concerns about American economic competitiveness and the hollowing out of domestic manufacturing. The administration presented tariffs as a tool to rebalance this relationship and force China into more equitable trading arrangements that would benefit American workers and businesses.

## **Escalation of Tariff Measures and Retaliatory Actions**

### **Initial Tariff Implementation and Chinese Response**

The trade war began with targeted measures in early 2018, starting with tariffs on specific products before expanding into comprehensive trade restrictions. The first significant action occurred on January 22, 2018, when Trump announced 20% to 50% tariffs on solar panels and washing machines, with approximately 8% of American solar panel imports originating from China<sup>[1]</sup>. This was followed by broader measures on March 1, when Trump announced 25% tariffs on steel and 10% tariffs on aluminum imports from all countries, affecting about 3% of US steel imports from China<sup>[1]</sup>.

The conflict escalated significantly on March 22, 2018, when Trump directed the US Trade Representative to investigate applying tariffs on \$50-60 billion worth of Chinese goods under Section 301 of the Trade Act of 1974<sup>[1]</sup>. This investigation covered over 1,300 categories of Chinese imports, including aircraft parts, batteries, flat-panel televisions, medical devices, satellites, and various weapons systems<sup>[1]</sup>. The comprehensive nature of this list demonstrated the administration's intent to apply broad economic pressure rather than targeting specific sectors.

China's initial response on April 2, 2018, involved imposing tariffs on 128 American products, including 25% tariffs on aluminum, airplanes, cars, pork, and soybeans, along with 15% tariffs on fruit, nuts, and steel piping<sup>[1]</sup>. This retaliation pattern established the framework for subsequent escalations, with each side matching or exceeding the other's tariff measures.

## Peak Escalation and Unprecedented Tariff Levels

The trade war reached its most intense phase in April 2025, when tariff levels escalated to unprecedented heights through a series of rapid retaliatory measures. The escalation began with the United States imposing a 34% "reciprocal tariff" on most Chinese imports, building upon existing measures including a 20% "fentanyl tariff"<sup>[1]</sup>. China responded with matching 34% tariffs on American goods and suspended negotiations regarding TikTok sales<sup>[1]</sup>.

The situation deteriorated rapidly as Trump raised tariffs by an additional 50% on April 9, bringing the baseline tariff on Chinese imports to 104%<sup>[1]</sup>. China matched this escalation with a 50% retaliatory increase, reaching 84% tariffs on American goods<sup>[1]</sup>. The conflict peaked when the US imposed 145% tariffs and China responded with 125% tariffs on April 11<sup>[1]</sup>. At this point, the Chinese Finance Ministry declared it would ignore further US tariff increases, stating that continued escalation "will no longer make economic sense and will become a joke in the history of world economy"<sup>[1]</sup>.

This extreme level of tariff escalation represented the breakdown of traditional trade negotiation mechanisms and marked what analysts described as a significant reduction in prospects for near-term diplomatic resolution<sup>[1]</sup>. The tariff levels far exceeded those seen in previous trade disputes and created substantial disruptions to global supply chains and economic relationships.

## Strategic Sectors and Specific Product Categories

### Technology and Semiconductors

The technology sector emerged as the most critical battleground in the US-China trade war, with semiconductors and advanced electronics receiving particular attention. The conflict extended beyond traditional trade measures to include direct restrictions on specific companies and technologies. On May 15, 2019, Trump signed Executive Order 13873, placing Huawei on the Department of Commerce's Entity List, effectively banning the company from purchasing vital components from US companies without special approval<sup>[1]</sup>.

This action against Huawei represented a fundamental shift from trade measures to national security restrictions, with the administration arguing that Chinese technology companies posed threats to American telecommunications infrastructure<sup>[1]</sup>. The restrictions effectively barred Huawei equipment from US telecom networks and created significant disruptions in global technology supply chains.

More recently, in December 2024, China launched an investigation against Nvidia for alleged violations of anti-monopoly laws, demonstrating the continuation of technology-focused retaliation<sup>[1]</sup>. Additionally, Chinese manufacturers restricted sales of key drone construction components to the United States, indicating the expanding scope of technology-related restrictions<sup>[1]</sup>. These actions illustrate how the trade war evolved from traditional tariff measures to comprehensive technology decoupling.

## **Agricultural Products and Food Security**

Agricultural products became a central element of the trade war, with both sides targeting the other's farming sectors for maximum economic and political impact. China's decision to impose 25% tariffs on soybeans proved particularly significant, as soybeans represented the top US agricultural export to China<sup>[1]</sup>. On May 9, 2018, China canceled soybean orders from the United States, with Chinese buyers simply stopping purchases from American suppliers<sup>[1]</sup>.

The agricultural dimension expanded significantly in 2025, with China imposing comprehensive tariffs on American agricultural products. On March 4, 2025, China implemented 15% tariffs on chicken, wheat, corn, and cotton, along with 10% tariffs on sorghum, soybeans, pork, beef, aquatic products, fruits, vegetables, and dairy products<sup>[1]</sup>. These measures targeted the heart of American agricultural exports and created substantial economic pressure on farming communities.

The targeting of agricultural products served dual purposes: creating economic pressure and political leverage, as farming communities represent important political constituencies in the United States. The comprehensive nature of these agricultural tariffs demonstrated China's strategic approach to maximizing the domestic political impact of trade retaliation.

## **Critical Materials and Rare Earth Elements**

China's control over critical materials became a significant leverage point in the trade war, particularly regarding rare earth elements essential for high-technology manufacturing. China restricted exports of six heavy rare-earth elements, which were 100% refined in China, and rare-earth magnets, 90% of which were produced in China<sup>[1]</sup>. These restrictions highlighted China's dominance in critical material supply chains and its willingness to use this advantage as a trade weapon.

The rare earth restrictions represented a particularly concerning development for US national security and economic interests, given the essential role of these materials in defense systems, renewable energy technologies, and consumer electronics. China's near-monopoly in rare earth processing gave it significant leverage over global technology supply chains and demonstrated the strategic vulnerability created by concentrated supply chains.

In February 2025, China expanded its restrictions to include export controls on metals such as tungsten, further limiting US access to critical materials<sup>[1]</sup>. These actions illustrated China's systematic approach to leveraging its control over critical material supply chains as a tool of economic statecraft.

## **Negotiation Attempts and Temporary Agreements**

### **Early Diplomatic Efforts and Trade Talks**

Despite the escalating tensions, both sides made periodic attempts to negotiate resolutions to the trade conflict. On May 15, 2018, Chinese Vice Premier Liu He, a top economic adviser to President Xi Jinping, visited Washington for trade talks<sup>[1]</sup>. These discussions led to a temporary

agreement on May 20, 2018, where Chinese officials agreed to "substantially reduce" America's trade deficit by committing to "significantly increase" purchases of American goods<sup>[1]</sup>.

Treasury Secretary Steven Mnuchin characterized this agreement as putting "the trade war on hold," while White House National Trade Council director Peter Navarro insisted there was no "trade war" but rather a "trade dispute"<sup>[1]</sup>. However, these optimistic assessments proved premature, as implementation of the agreements proved problematic and the fundamental issues driving the conflict remained unresolved.

The fragility of these early agreements became apparent when disagreements emerged over the specifics of Chinese commitments. Trump tweeted that "China has agreed to buy massive amounts of Additional Farm/Agricultural Products," but later clarified that these purchases were contingent upon closing a "potential deal"<sup>[1]</sup>. This pattern of announced agreements followed by clarifications and disputes became characteristic of the negotiation process.

## **G20 Osaka Summit and Temporary Truce**

A significant attempt at de-escalation occurred during the G20 Osaka summit on June 29, 2019, when Trump and Xi Jinping agreed to a "truce" in the trade war following extensive talks<sup>[1]</sup>. Under this agreement, existing tariffs would remain in effect, but no new tariffs would be enacted "for the time being" while negotiations resumed<sup>[1]</sup>. Trump also indicated he would allow American companies to sell products to Huawei, though the company would remain on the US Entity List<sup>[1]</sup>.

However, the implementation of this truce proved problematic, with unclear guidelines regarding the extent of Huawei exemptions and no clear indication of ban reversals in subsequent weeks<sup>[1]</sup>. The agreement also included Chinese commitments to purchase "a tremendous amount of food and agricultural product," but China disputed making such firm commitments, and no significant purchases materialized<sup>[1]</sup>.

The failure of the Osaka truce to produce lasting results highlighted the fundamental challenges in resolving the trade dispute. By July 11, 2019, Trump was tweeting that "China is letting us down in that they have not been buying the agricultural products from our great Farmers that they said they would"<sup>[1]</sup>. People familiar with the negotiations indicated that China had made no firm commitments to purchase farm goods unless they were part of a comprehensive trade agreement<sup>[1]</sup>.

## **Unresolved Issues and Ongoing Disputes**

### **Structural Economic Policies and State Capitalism**

The most fundamental unresolved issue in the US-China trade relationship concerns China's state-led economic model and its compatibility with international trade norms. The United States has consistently argued that China's practice of "state capitalism" creates unfair advantages and distorts global markets<sup>[1]</sup>. This includes government subsidies to Chinese companies, state-directed investment strategies, and the use of state-owned enterprises to achieve strategic economic objectives.

The conflict over economic models extends beyond specific trade practices to fundamental questions about the role of government in the economy. Political analyst Josh Rogin noted that there had been "a belief that China would develop a private economy that would prove compatible with the WTO system," but "Chinese leadership has made a political decision to do the opposite" <sup>[1]</sup>. This divergence in economic philosophies represents a structural challenge that tariffs alone cannot resolve.

The persistence of these structural issues is evident in continued disputes over Chinese economic policies. The Biden administration's continuation and expansion of tariffs in 2024, including doubling tariffs on solar cells and tripling tariffs on lithium-ion electric vehicle batteries, demonstrates that changes in US administration have not resolved fundamental concerns about Chinese economic practices <sup>[1]</sup>.

## **Technology Competition and National Security**

The technology dimension of the US-China conflict has evolved beyond trade issues to encompass national security concerns and strategic competition. The restrictions on Huawei and other Chinese technology companies reflect broader concerns about technological dependence and the potential for Chinese technology to be used for intelligence gathering or economic espionage <sup>[1]</sup>. These concerns have created a dynamic of technology decoupling that extends beyond traditional trade measures.

Current tensions continue to manifest in technology-related disputes. China's investigation of Nvidia for anti-monopoly violations and restrictions on drone component sales demonstrate the ongoing nature of technology competition <sup>[1]</sup>. These actions suggest that technology will remain a central battleground regardless of broader trade negotiations, as both countries seek to maintain or achieve advantages in critical technologies.

The semiconductor sector represents a particularly complex challenge, as both countries depend on integrated global supply chains while simultaneously seeking technological independence. The restrictions and counter-restrictions in this sector have created uncertainty for global technology companies and complicated efforts to maintain competitive markets.

## **Financial and Monetary Policy Disputes**

The trade war has extended to financial and monetary policy areas, creating additional complications for resolution efforts. China's decision to allow the Renminbi to fall over 2% in three days to its lowest point since 2008 in August 2019 was directly linked to tariff threats and created additional tensions <sup>[1]</sup>. The US characterized this currency movement as potential manipulation, while China viewed it as a natural market response to trade pressures.

China's announcement in July 2019 of an accelerated decrease in holdings of US treasury bonds, targeting 25% of its current \$1.1 trillion holdings, represented another dimension of the conflict <sup>[1]</sup>. These actions in financial markets demonstrated how trade disputes could spill over into broader economic relationships and create systemic risks for the global financial system.

The integration of financial and monetary policies into the trade conflict has created additional complexity for negotiators and reduced the likelihood of simple trade-focused solutions. The

interconnection of trade, technology, and financial issues has made comprehensive resolution increasingly difficult.

## **Current Status and Future Implications**

### **Recent Developments Under the Biden and Second Trump Administrations**

The transition from the Trump to Biden administration did not result in significant de-escalation of the trade conflict. The Biden administration maintained many existing tariffs and implemented additional measures, including finalizing tariff increases on Chinese exports in September 2024<sup>[1]</sup>. These included 100% tariffs on electric vehicles, 50% on solar cells, and 25% on electric vehicle batteries, critical minerals, steel, and aluminum<sup>[1]</sup>.

The return of Donald Trump to the presidency in January 2025 has resulted in renewed escalation of the trade conflict. Trump increased tariffs on China by 10% on February 1, 2025, followed by additional 10% increases on March 3, bringing cumulative increases to 20%<sup>[1]</sup>. The administration also expanded trade disputes by implementing 25% tariffs on imports from Mexico and Canada, indicating a broader approach to trade policy<sup>[1]</sup>.

China's responses to these new measures have been swift and comprehensive. The February 4, 2025, retaliation included 15% tariffs on coal and liquified natural gas products, 10% tariffs on crude oil, agricultural machinery, and large-displacement cars, along with adding US companies to the Unreliable Entity List and launching antitrust investigations<sup>[1]</sup>. The March 4, 2025, agricultural tariffs represented particularly comprehensive retaliation against American farming interests<sup>[1]</sup>.

### **Global Economic Impact and Systemic Risks**

The escalation of tariffs to unprecedented levels has created significant risks for the global economy and international trade system. The April 2025 peak of 145% US tariffs and 125% Chinese tariffs represents a level of trade restriction not seen since the 1930s and threatens to disrupt global supply chains fundamentally<sup>[1]</sup>. These extreme tariff levels have moved beyond traditional trade policy tools to become instruments of economic warfare.

The expansion of the conflict beyond bilateral US-China trade to include restrictions on third countries and multilateral relationships has created systemic risks for the global trading system. The imposition of tariffs on Mexico and Canada alongside China indicates a broader retreat from multilateral trade arrangements and threatens the stability of international economic relationships<sup>[1]</sup>.

The technological dimensions of the conflict have created particular concerns about the fragmentation of global technology standards and supply chains. The restrictions on specific companies and technologies have forced global businesses to choose between Chinese and American technology ecosystems, creating inefficiencies and reducing innovation potential.

## Conclusion

The US-China trade war represents a fundamental shift in international economic relationships, moving beyond traditional trade disputes to encompass strategic competition across multiple domains including technology, finance, and national security. The conflict has revealed deep structural differences between American and Chinese economic models that cannot be easily resolved through conventional trade negotiations. The escalation to extreme tariff levels in 2025, combined with comprehensive restrictions on technology and critical materials, has created unprecedented challenges for global economic stability.

The absence of durable agreements despite multiple negotiation attempts demonstrates the complexity of resolving disputes that involve fundamental questions about state roles in the economy, technology transfer, and fair competition. The continuation and expansion of restrictive measures across different US administrations indicates that the underlying tensions reflect bipartisan concerns about Chinese economic practices rather than partisan political positions.

Looking forward, the integration of trade, technology, and national security concerns suggests that any comprehensive resolution will require addressing structural economic issues rather than simply adjusting tariff levels. The global implications of the conflict extend well beyond bilateral US-China trade to encompass questions about the future of international economic governance and the sustainability of integrated global supply chains. The extreme nature of current restrictions has created momentum toward economic decoupling that may prove difficult to reverse even with future diplomatic efforts.

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1. [https://en.wikipedia.org/wiki/China-United\\_States\\_trade\\_war](https://en.wikipedia.org/wiki/China-United_States_trade_war)