



## Offensive Mercantilism and the Crisis of Liberal International Order: Reinterpreting the U.S.-China Trade War



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### Abstract

This article employs Jonathan Holslag's concept of offensive mercantilism as a framework to reinterpret the recent shifts in the U.S.-China economic relations, specifically the Trade War initiated in 2018 by Donald Trump Administration's decision to increase tariffs against imports from China, as a cataclysmic step for the trajectory of the Liberal International Order (LIO). The article asserts that trade war should be considered not as a mere departure from liberal norms, but as a strategic policy aimed at power projection through coercive economic diplomacy, given the broader structural erosion of U.S. hegemonic capabilities and the rise of alternative economic powers, albeit China. As such, in which ways the resurgence of protectionism and economic nationalism implicates on the U.S.-China economic relations, as well as the international order, guides the research. The findings of the paper suggest that trade protectionism, far from being an anomaly, is increasingly becoming a normalized strategy of economic competition within the multipolar international order. Accordingly, waging trade war as an offensive mercantilist option to contain China's expanding economic, as well as military, clout, can be identified as a long-term strategy, rather than a short-term tactic, which would likely to be carried on, regardless of the ideological background of the U.S. governments, against perceived threats to the LIO and the U.S. hegemony within it.

**Keywords:** Offensive Mercantilism, U.S.-China Trade War, Liberal International Order (LIO), Protectionism, Hegemonic Decline

**JEL Codes:** F13; F51; P16

### Saldırgan Merkantilizm ve Liberal Uluslararası Düzenin Krizi: ABD-Çin Ticaret Savaşını Yeniden Yorumlamak

### Öz

Bu makale, Jonathan Holslag'ın saldırgan merkantilizm kavramını kullanarak, ABD-Çin ekonomik ilişkilerinde son dönemde yaşanan değişimleri—özellikle Donald Trump yönetiminin 2018 yılında Çin'den yapılan ithalata yönelik tarifeleri artırma kararıyla başlattığı Ticaret Savaşı'nı—Liberal Uluslararası Düzen'in (LUD) gidişatı açısından yıkıcı bir adım olarak yeniden yorumlamıştır. Makale, ticaret savaşının yalnızca liberal normlardan bir sapma olarak değil, daha geniş çaplı olarak ABD'nin hegemonik kapasitesindeki yapısal aşınma ve Çin başta olmak üzere alternatif ekonomik güçlerin yükselişi bağlamında, amacı ekonomik zorlama yoluyla güç projeksiyonu olan stratejik bir politika olarak değerlendirilmesi gerektiğini savunmuştur. Bu bağlamda, korumacılık ve ekonomik

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milliyetçiliğin yeniden yükselişinin ABD-Çin ekonomik ilişkileri ve uluslararası düzeni hangi açılardan etkilediği, çalışmanın temel araştırma sorusudur. Makalenin bulguları, korumacılığın bir anomali olmaktan ziyade, çok kutuplu uluslararası düzende ekonomik rekabetin giderek normalleşen bir stratejisi haline geldiğini ileri sürmüştür. Buna göre, Çin'in artan ekonomik ve askeri etkisini sınırlamak amacıyla saldırgan merkantilist bir seçenek olarak ticaret savaşı yürütmenin, kısa vadeli bir taktikten ziyade, ABD hükümetlerinin ideolojik yaklaşımından bağımsız olarak, LUD'ye ve ABD hegemonyasına yönelik tehditlere karşı uzun vadeli bir strateji olarak değerlendirilebileceği iddia edilmiştir.

**Anahtar Kelimeler:** Saldırgan Merkantilizm, ABD-Çin Ticaret Savaşı, Liberal Uluslararası Düzen (LUD), Korumacılık, Hegemonik Gerileme

## 1. Introduction

This article employs Jonathan Holslag's (2017) concept of offensive mercantilism as a framework to reinterpret recent shifts in the U.S.-China economic relations, specifically the Trade War initiated in 2018 by Donald Trump Administration's decision to increase tariffs against imports from China, as a cataclysmic step for the trajectory of the Liberal International Order (LIO). The U.S. was one of the most prominent actors in building of the post-World War II international order and led the reshaping of it in a liberal manner after the Cold War (see also Colgan and Keohane, 2017). Broadly, the LIO refers to open and rules-based international order in which norms such as multilateralism, free trade, respect for human rights, and democracy prevail (Kundnani, 2017: 1). The role of the U.S. has been special in maintenance of the LIO and protection of it against those violating its basic norms, rules, and institutions.

Against this background, it has been quite puzzling for both academic and political circles when the Trump administration started in 2018 a trade war against China, reflecting a sharp divergence from the U.S.'s previous roles and strategies within LIO. To illustrate, with expanding military and diplomatic clout accompanying its economic transformation, China has been increasingly perceived as one of the most imminent threats against the U.S. hegemony since the mid-2000s (Gompert, 2022). Accordingly, various administrations preceding Trump have adopted liberal institutionalist strategies to boost/protect the hegemonic position of the U.S. in global/regional planes by encouraging non-Western actors – especially China – to integrate into liberal institutions and implement liberal economic reforms. The Trump administrations (2017-2021; 2025-...) however have diverged from the others with a highly controversial China strategy embedded in 'America First' framework. China started to be framed as strategic competitor of the U.S. and as a threat to the LIO. Moreover, Trump has also benefitted frequently from economic diplomacy to coerce/encourage the other countries to follow suit with the U.S. national interests (Drezner, 2019: 8). It is a widely recognized observation that Trump's America First agenda had critical implications, both positive as well as negative, for the liberal pillars of international order – especially free trade, the rule of law, and multilateralism – in which the U.S. has enjoyed a hegemonic position since the end of WWII and showed a great commitment to upholding of them (e.g., Posen, 2018). As such, the U.S.-China trade war as an object of analysis has a high level of relevance to the international

politics - as it involves two of the most capable powers in international system - which could unleash destabilizing forces throughout the LIO.

In a sense, this has also demonstrated the acute necessity to make modifications of current concepts and theoretical perspectives, many of which left nonplussed in the face of accompanying developments such as spreading protectionism, transformation of free trade areas (e.g., Asia's Regional Comprehensive Economic Partnership, Brexit, and the recent example of USMCA), increasing appeal of military solutions (e.g., the Russia- Ukraine war, the Hamas-Israel conflict), and so forth. Being unable to explain the underlying motivations of a liberal hegemon waging trade war against several countries, especially China but also the U.S. allies such as Mexico and Canada, however, has dealt its most serious blow to the liberal institutionalist perspectives which have held sway over international politics thanks to the predominant position of the Western actors in international order at least since the end of the Cold War. For a long time, liberal institutionalist analyses have concentrated on how the rising powers can be accommodated into the LIO, with the assumption that sooner or later non-Western political and economic models would be transformed thanks to economic interdependence and co-binding security governance (Deudney and Ikenberry, 1999: 181). When this assumption proved wrong as early as the second half of the 2000s by the expansionist and competitive foreign policies of rising powers such as China and Russia, analytical foci of liberal institutionalism have centered on two, but not limited to them, key questions: what could follow the declining hegemon? (e.g., Lake, 2020; Ikenberry 2011), and which inherent dynamic of the LIO would be the most useful in its maintenance, albeit with minor modifications (e.g., Duncombe and Dunne, 2018; Deudney and Ikenberry, 2018). Consequently, the initiation of the trade war by a liberal actor has emerged as a phenomenon that challenges the liberal institutionalist research agenda and was, therefore, unforeseen.

With the purpose of overcoming liberal institutionalist perspectives' weaknesses in addressing the trade war, a growing literature has emerged. However, most of the studies, especially those utilizing first and second image perspectives, seem to tend to focus on the key elements of the U.S.-China trade war in isolation from its systemic context. For instance, Shipping Hua (2022), a prominent scholar on U.S.-China relations, edited a book on the subject bringing together many analyses focusing on domestic determinants in both the U.S. and Chinese contexts. It holds water that acknowledging the domestic drivers behind trade war provides an alternative account for the failure of liberal institutionalist strategy of promoting the norms of democracy and free market in China (see Weiss and Wallace, 2021), and a nuanced framework for the specifics within the Trumpist ideology as an explanandum for nationalist strategies (see Sharma, 2020). For instance, Apeldoorn, Veselinovic, and Graaf (2023) pointed to impact of Trump's elite network as the underlying factor that drove Trump's shift towards economic nationalism as a policy framework. For the Chinese model of economic growth—characterized by a greater role given to the state-owned enterprises and growing protectionist measures as a means of leveraging trade competition—became more appealing not only to actors in the Global South but also to neoliberal Western stakeholders, including the Trump administration. According to Apeldoorn et al, therefore rise of Trump could be seen as a 'Trumpist backlash against neoliberal globalization' in a changing domestic and international context. Equally,

Karkour (2022) contextualizes Trump's trade war within the failures of liberal modernity and directs a classical realist critique to it by suggesting that since liberal modernity has been fueling the sense of insecurity among individuals in western societies, Trump's trade war is a way of reversing the disruptive effects of globalization. As such, these perspectives, as well as others, in general focus on the immediate results, rather than the underlying structural dynamics, of the recent frictions in the U.S.-China relations. For instance, that China has gained from globalization much more than the U.S. has been known long before 2018; however, previous governments did not initiate a trade war against China. Subsequently, the systemic drivers behind a liberal actor's following protectionist policies, and also promoting the others to do the same, in a globally liberal economic order have been undertheorized in these, as well as other, perspectives.

The argument here, on the other hand, contends that the question why Trump followed such disruptive strategies cannot be appropriately explained without a framework that involve the shifting systemic distribution of power as a major dynamic, as well as paying adequate attention to the competitive nature of trade, finance, and investment relations in global economic system. To illustrate, trade war should be contextualized within a conjunctural combination of two parallel dynamics – erosion of the U.S. hegemonic capabilities and its economic decline in the face of rising Asian economies. In essence, the dominance of the U.S. in the international economic order began to erode well before the Trump administration. The aftermath of the global financial crisis (2007-2008) is a prominent example of this trend, as it revealed the contradictions of the unregulated financialization of Western economies and the deterioration of income distribution. Moreover, many of the established norms (sovereignty, multilateralism), institutions (the WTO), and sea and land routes (South China Sea, the Belt and Road initiative-BRI, Trump's bid to purchase Greenland) have started to be contested when the U.S. economy was on the rocks (Denemark, 2024: 511). This process has been further escalated when rising powers do not hide their search for alternative, albeit more suitable for their rise, economic architecture. As such, trade protectionism as an economic nationalist strategy has increasingly been the order of the day in the LIO. Many actors, including the Western powers, have been observed to utilize sophisticated mercantilist strategies in strategic sectors such as energy, rare metals, high-technology, and so forth (see Linda and Press, 2018; Mueller and Farhat, 2022). Overall, liberal institutions and norms of current international order are understood to be built on a realist logic, reflecting the systemic distribution of power among great powers (see also Mearsheimer, 2019). Otherwise, no solid argument can be suggested to explain why the international order has been undermined by the very actor - which had spent significant time and effort to build and expand – when the rules and norms of the order contradict its national interests. Afterall, it was not the first time that the U.S. had violated the rules it had written or defied the decisions of the institutions it helped built in the post-Cold War era. Its provision of systemic public goods such as security and cooperation moreover has become more disruptive than being helpful as can be seen in certain key moments throughout the 2000s (e.g., the invasion of Iraq, the Israeli-Palestinian conflict and so forth).

To this lacunae about the recent shifts in the U.S.-China economic relations, the article aims to contribute by building on Holslag's (2017) offensive mercantilism (discussed further below) to highlight the relationship between shifting systemic distribution of economic power and increasing appeal of mercantilist economic strategies. Holslag (2017) introduced offensive mercantilism as a theoretical framework to account for the diverse motivations behind political intervention in trade, especially in the case of China under Xi Jinping's presidency. To him, countries do not follow protectionism solely "to protect themselves against trade, but also on their more offensive designs, which include assertive economic diplomacy, generous trade credits, politically guided companies, and so forth". (Holslag, 2017: 47). He explains that such policies aim to manipulate, rather than to halt, the globalization process with the purpose of upholding national interests. Holslag (2017: 47) asserts that China's foreign economic policy shifted from "defensive mercantilism, which aims to protect the home market, towards offensive mercantilism, which seeks to gain market shares abroad". Utilizing Holslag's offensive mercantilism to analyze China's economic relations with the Central and Eastern European countries, Jeremy Garlick interprets the concept "as an approach that positions geopolitical goals within a strategy of geo-economic expansion, while being economics-driven. Although offensive mercantilism is framed primarily in terms of an assertive geo-economic strategy.... (it)....can be understood as a theory of power projection" (Garlick, 2019: 1400).

Although Holslag and Garlick used the concept of offensive mercantilism to analyze the case of China, this argument contends that the concept also offers valuable insights into the foreign economic diplomacy pursued by hegemonic powers such as the U.S.. First and foremost, despite the prevailing rhetoric of free trade, strategic competition more accurately captures the current dynamics of trade, finance, and investment in the global economic system. In this context, it was not merely the deteriorating terms of trade with China that triggered the trade war, but rather China's growing dominance in critical sectors—such as high technology and rare metals—that enabled it to close the gap with the United States. Accordingly, the U.S. should not be viewed as a benevolent hegemon, as liberal theoretical perspectives suggest, but rather as a structurally advantaged hegemon that "recovers more than its costs without resort to coercion through its positional advantages" (Stokes, 2018: 134). In light of its waning capabilities, the U.S. can be seen as leveraging its structural advantages—namely, the dominance of the U.S. dollar, military alliances centered on U.S. interests, and its primacy in foreign direct investment (FDI) (Stokes, 2018: 134). Secondly, attributing the trade war and the rise in protectionism solely to domestic factors or to Trump's idiosyncratic approach to diplomacy would be misleading. While Trumpian economic nationalism is a distinct variety in neomercantilist economic nationalism (see Helleiner, 2019), the tariffs imposed on China during his administration were largely maintained under the Biden administration. Furthermore, during his bid for a second term, Trump signaled his intention to persist with assertive foreign economic diplomacy. These developments suggest that the United States is likely to continue employing coercive economic strategies as tools of power projection abroad. As such, offensive mercantilism as a conceptual lens seems better suited for the analysis of key changes in the U.S.-China economic relationship.

The paper adopts a qualitative research design and employs process tracing as the primary method to analyze causal mechanisms underlying the trade war, as well as the evolving role of hegemonic powers within the broader structure of the LIO. The significance of the study lies in its re-conceptualization of the U.S.-China trade war as part of a broader shift in systemic distribution of capabilities, rather than a temporary deviation driven by domestic politics. By applying Holslag's concept of offensive mercantilism to a "liberal" hegemon, the paper contends liberal institutionalist explanations by demonstrating how economic nationalism has increasingly been embedded within the strategic behavior of great powers in the LIO. Therefore, the findings of the paper are primarily pertinent to ongoing debates regarding the nature of the U.S.-China trade war. They also offer valuable insights into the shifting international landscape, particularly in the context of emerging alternative international and regional orders that may be spearheaded by rising non-Western actors.

The remainder of the paper is structured as follows. Next section outlines the conceptual framework of offensive mercantilism as part of mercantilist political economy perspective. In the third section, the historical evolution of the in-built mercantilist logic of the post-WWII international system is explored, with specific attention paid to two major processes: the resurgence of mercantilist tendencies within the Liberal International Order (LIO) and the transformation of the U.S.-led international economic order from the Chinese perspective. The fourth section presents offensive mercantilist interpretation of the empirical case of the U.S.-China trade war. Then, a discussion on what the trade war implicates upon the U.S.-China economic relations, as well as LIO, is provided in the remaining parts of the same section.

## **2. Offensive Mercantilism as a Political Economy Perspective**

Mercantilism is one of the main schools of thought within International Political Economy, encompassing a wide variety of political and economic strategies employed by political actors. Historically, it is generally associated with the pre-industrial revolution period (16-17th centuries) during which the European powers believed that by increasing export in a competitive environment they could accumulate precious metals which would serve power and wealth – "the ultimate ends of national policy" (Viner, 1948: 10). Similarly, Robert Gilpin (1975: 45) uses the concept of mercantilism to describe the "attempt(s) of governments to manipulate economic arrangements in order to maximize their own interests, whether or not this is at the expense of others." Although mercantilist line of thinking posits that the logics of the market and the state cannot function compatibly (Hettne, 1993), national interests for mercantilists involve both domestic (e.g., increasing employment, ensuring stable prices, and so forth) and foreign policy objectives (e.g., security, independence, and so forth) (Gilpin, 1975: 45). As such, Hettne (1993: 213) defines mercantilism "as the pursuit of stateness", which would be disrupted if left to mercy of pure market logic.

Modern economic relations taking place among nation-states are characterized by far more complex dynamics (e.g., interdependence, high-tech, etc.) than those found within the eighteenth-century interstate system. These economic relations have been shaped within the international order evolved particularly after WWII. Given that the interwar period saw the

erection of barriers and restrictions on international trade, liberalization of international trade relations has been one of the core dynamics in post-WWII international order. And this trend has had ebbs and flows, accelerating only after the end of the Cold War, mainly due to the protectionist strategies followed by several political actors including war-torn countries, newly independent colonies (e.g., import-substitution industrialization), and those in pursuit of national economic development (i.e., state-led capitalist development) (Cwik, 2011). Thus, states in the modern international system have had to deal with international forces while ensuring industrialization, as well as national economic welfare and military might.

As such, mercantilism within state-driven economic policy context is termed as neomercantilism, and frequently associated with protectionism, developmentalism, and economic nationalism (see, Helleiner, 2019), which simply prescribes that national economy should serve nation's goals. Like mercantilism, neomercantilism also warrants for active government in the economic sphere. To ensure a favorable balance of trade against others is also vital for neomercantilists. Thus, states should subordinate economic activities (trade, development, and financial investments) in a way that they would primarily serve political and security interests (Gilpin, 1987: 31–34). Neomercantilist political economic strategies vary according to context – be it trade (e.g. tariffs), production (e.g. state regulation), or finance (e.g. currency manipulation) - as long as it contributes to national power and wealth, which means free market policies and liberal ideology might also be followed at a given time (Denemark, 2024: 509). However, neomercantilists see international economic activities as a form of zero-sum game for controlling markets, withholding of sharing technological advancements, and restricting access to critical resources.

Importantly, neomercantilists are not against globalization as such. They are eager to exploit the benefits accruing from growing markets and flowing financial resources. The global expansion of neoliberal economic growth model after the end of the Cold War has restructured neomercantilist strategies in such subtle forms (such as digital mercantilism) that they are utilized by not only rising countries but also liberal Western powers (Mueller and Farhat, 2022). The U.S. for instance obtained a disruptive stance against free international trade, flows of financial resources and technologies during the Trump administration (2017-2021). In essence, characterized by economic nationalism and protectionism, foreign economic diplomacy during the Trump administration can be seen a distinct type of neomercantilist economic nationalism (see Helleiner, 2019).

Building on this, offensive mercantilism, as introduced by Holslag (2017), indicates that states aim to manipulate, rather than to halt, the globalization process with the purpose of upholding national interests. To this end, political actors adopt protectionist political economy strategies not only “to protect themselves against trade” but also for more offensive purposes “which include assertive economic diplomacy, generous trade credits, politically guided companies, and so forth” (Holslag, 2017: 47). In essence, Holslag argues that this is the exact opposite of protectionism for it aims to unlock foreign markets. And he identifies four most important tools employed by offensive mercantilists: “national champions, huge volumes of credit, transportation and communications, and free trade agreements” (Holslag, 2017: 53).

Notably, China's shift towards a more assertive foreign economic diplomacy roughly coincides with the rise of economic nationalism in the West (i.e., BREXIT, and the election of Donald Trump as the U.S. president). The argument below thus suggests that offensive mercantilism as a conceptual lens can be useful in capturing prominent features of recent shifts in the U.S.-China economic relations.

### **3. In-built Mercantilist Logic of Post-WWII International Order(s)**

Mearsheimer (2019) offers a realist interpretation of international orders, emphasizing how great powers manage relations among political actors by coercing or encouraging others to align with their interests via international orders. In this framework, the operating logic of international orders is primarily determined by the distribution of power and the dominant state's political ideology (Mearsheimer, 2019: 16). Accordingly, the international order established in the post-World War II era was characterized by the rivalry between two superpowers—the U.S. and the Soviet Union—each of which constructed its own sub-order in pursuit of security.

The sub-order established by the U.S., commonly referred to as the liberal international order (LIO), was grounded in the principles articulated in the Atlantic Charter of 1941 (Kundnani, 2017: 3). Both the U.S. and the United Kingdom agreed on key principles such as the right to self-defense, the maintenance of the status quo, self-governance, economic well-being, free trade, and the provision of international public goods. The charter was economically supported by the Marshall Plan, which aimed to facilitate the postwar recovery of Europe. Additionally, the North Atlantic Treaty formalized the U.S. commitment to European security. The international economic order also undergone institutionalization process with the introduction of key organizations such as General Agreement on Trade and Tariffs (GATT), the World Bank and IMF (Kundnani, 2017: 3). Despite the ostensibly liberal attributes, however, the security, economic, and political pillars of the LIO reflected primarily the national interests of Western actors. As in the words of Ruggie (1982), it was a limited, albeit “embedded liberalism”.

The global expansion of this sub-order has accelerated after the end of the Cold War when the U.S. was left as the sole great power in international order. The LIO in its current form can be associated with liberal norms of openness, rule of law, multilateralism. However, as Kundnani (2017: 1) questions, in which sense the LIO is liberal has been obscure due to several factors, which has become more pronounced given the growing parallelism between the globalization as building an interdependent and connected order and globalization as subordinating the other political actors under the U.S. predominated rule. In the following two sub-sections, this parallelism is approached from its two relevant dimensions. First, given that the LIO has an in-built mercantilist logic functioning to containment of threats primarily against the leading power, albeit the U.S., it is asserted that the recent resurgence of mercantilist practices reflects the failure of defensive containment strategies. In a sense, it also demonstrates that threats against the LIO have not only been generated by the non-Western powers but also involve the Western actors as well. Secondly, the rising powers, albeit China, have never had attained such



a level of significance in the international order. As such, alternatives to the LIO have been foreshadowed by the shifting distribution of systemic capabilities. Together, these two trends have paved the way for more offensive designs of foreign economic diplomacy within the LIO.

### **3.1. Making Sense of Rising Mercantilism in the Liberal International Order**

Globalization of the U.S. led liberal order, according to Mearsheimer (2019), involves three interrelated processes which are extending free trade area and promoting democratization while integrating as many new members as possible. For instance, inclusion of China (2001) and Russia (2012) into the WTO has been one of the key moments in this process as it contributed to both globalization and institutionalization of the liberal order. As such, the U.S. enjoyed unparalleled dominance -i.e. unipolarity - in the international system for a brief period of time which is also referred to as Pax Americana, during which the U.S. had reached systemic capabilities to shape a global order in accordance with its own design.

Practically, provision of two international public goods: i) providing security to allies and deterrence to threats; ii) promoting free international trade has legitimized the U.S. leadership in the LIO. On the other hand, as Bellofiore, Garibaldo and Halevi (2011: 126) argue, the burden of being hegemon in the LIO has turned the U.S. into “the final buyer of the exports of the neomercantilist economies of Japan, Germany, and other significant countries of Europe – and, most of all, of China”. Based on the idea of U.S. exceptionalism, moreover, it has also brought about radical/revisionist modifications to the established norms of the liberal international order. Some of these modifications (e.g., responsibility to protect, humanitarian intervention and so forth) illustrate, in a clear manner, the inherent inconsistencies of the liberal international order and the rationale it upholds.

Ikenberry (2011: 1-2) points to two distinct features of order building process to account for the controversial nature, and post-Cold War expansion, of the LIO. The LIO was based on a Westphalian order of sovereign states upon which the Western democracies sharing common ideas as to diverse issues (e.g., open markets, security cooperation, democratic community, collective problem solving) jointly formed a liberal superstructure. Accordingly, the international order in its current form had better be understood as layered, in that, political actors have been integrated into its various pillars in an asynchronous manner. Thus, it is this lack of synchronicity - which as Mearsheimer (2019: 8) argues, exacerbated by several dynamics primarily by shifting balance of power, as well as hyperglobalization, and rise of nationalism - shaping the path dependencies within the LIO.

To this backdrop, from the demands of being the leader of the free world and champion of the liberal economic system at the same time emanated sharp contradictions, as exemplified by the rise of international terrorism following the 9/11 attacks or the rise of China (Posen, 2018). For instance, international law has been frequently violated during the NATO’s intervention in Serbia (1999), and the U.S. invasion of Iraq (2003). Equally, despite being the leading defender of free-market liberalism the U.S. “is also the world’s champion at energy mercantilism” (Linda and Press, 2018: 204). In these cases, however, the commitment to the

liberal-cum-defensive strategies to protect the hegemonic status of America has remained mostly intact, changing only the means to assert it (Mastanduno, 2020: 178). It indicates that integrating as many actors as possible into the international liberal economic structures of finance, investment, and trade has been one of the primary strategies of the U.S. foreign economic policy since the foundation of the post-WWII Bretton Woods institutions. And the U.S. governments in the 2000s utilized this strategy, mostly with minor adaptations in the context of evolving conditions and changing geopolitical balance.

The case of China has been one of the subjects to which this strategy has been applied vigorously. Since the 1970s, promoting China's economic transformation through integrating it into the U.S.-led liberal economic structures was seen as an economic strategy that could serve both U.S. geopolitical and economic interests. Also known as 'engagement', the idea at the core of this strategy was provided that China was granted access to the U.S. markets and finance-capital, the flow of FDI and deepening trade relations would promote and facilitate China's economic transformation, albeit its adaptation to the liberal norms and free market system (Paulson, 2008: 64). The objective was to encourage China to become a responsible stakeholder by taking more responsibility in the global governance (Ross, 1999). Moreover, it would also enable the U.S. containing side effects of China's fast economic growth through institutional channels such as bilateral trade agreements, diplomatic dialogue and international organizations.

Abdal and Ferreira (2024: 548) argue that started with the "ping-pong diplomacy" during the Cold War, the U.S.-Chinese diplomatic relations took a deeper form with the end of the Cold War, a trend which further accentuated with China becoming a member of the WTO in 2001. As the two countries developed their economic relations, particularly in the areas of trade, finance, and investment, the U.S. side expected that China's political transformation along liberal lines would follow. To the contrary, China's integration into liberal international order unfolded under political authoritarian model (see Zhao, 2016), based on state-led developmental version of capitalism.

A key moment, however, that added up to the U.S.'s threat perception of China was the global financial crisis (2007-2009) from which the U.S.'s economic capabilities suffered a harsh loss. Besides to signaling death pangs of unipolarity, this key moment ushered in a new structural context within which emerging actors started to confront leadership of the U.S., resulting in a parallel transformation of the ways how the U.S. perceived its hegemonic responsibilities and projected its hegemony within the international system. Consequently, subsequent U.S. governments (Obama, Trump, and Biden) addressed these challenges in varying ways, while striving to uphold the systemic predominance of the U.S. (Apeldoorn et al., 2023: 41). It was the Obama administration that had to struggle with the post-crisis period and to uphold American hegemonic position against China at the same time (Kiely, 2015). In this regard, the Obama administration developed "Pivot to Asia" framework which had significant differences from the previous "War against Terror" campaign (belonged to the Bush administration).

To begin with, Pivot meant a selective approach to project American capabilities. Instead of focusing on the Middle East and North Africa (MENA) region (as the previous Bush government had done), the Obama Administration turned to balancing, and, if necessary, containing China with defensive strategies (De Castro, 2013: 332). The Pivot strategy was buttressed with an economic instrument the Trans-Pacific Partnership (TPP), as well (see Petri and Plummer, 2016). The TPP could be seen as an attempt to provide an alternative to China's economic model - state-led capitalist economic growth - increasingly appealing among the developing countries. And it also aimed to sustain economic relations based on traditional North-South relations instead of the South-South cooperation framework led by the emerging South economies such as China, Brazil, and South Africa (Cheng and Chow, 2014: 119-120). The real objective however was to create a trade area excluding China.

To sum up, thanks to its integration into the U.S.-led liberal international order, China has enjoyed an unprecedented economic growth accompanied by its global projection of diplomatic and financial clout. Until the first term of the Trump administration, the U.S. governments including the Obama administration had had employed defensive mercantilist strategies (i.e., benefiting from its structural advantages deriving from its hegemonic position) to contain the rising China's implications to the U.S. predominance in the liberal international order. The failure of these strategies in part has been the driving force behind the U.S.-Sino economic relations shifting from strategic partnership to strategic competition.

### **3.2. The US-led International Economic Order from the Chinese Perspective**

The question of whether China should be regarded as a threat to, or a stakeholder of, the U.S. led liberal international order defies a simple answer (see also, Blackwill and Tellis, 2015). The empirical evidence provides mixed results, making it difficult to suggest a sweeping interpretation. Until the 2000s, the main objective of China's foreign economic policy has been economic development, which brought about a relatively smooth process of China fitting into liberal international economic order. This policy was framed within the peaceful development agenda and was part of the peaceful coexistence notion that shaped the Chinese foreign policy approach (Yi, 2005). Subsequently, China has become one of the actors that benefitted most from the post-Cold War U.S. hegemonic project of globalization by recording unprecedented economic growth and modernizing its economic and military capabilities while accumulating a significant amount of trade surplus.

China's path to economic development however has followed a different path than the liberal one prescribed by the Western actors. It involved manipulation of liberal international economic relations with mercantilist and protectionist practices (McMichael 2020, 28). And its political system has not undergone a transformation from authoritarianism towards political liberalism and democratization. Still China has enjoyed a notable transformation from an ex-colonial developing country to the world's second-largest economy in a very short period of time. It has also outgrown its secondary economic role and managed to rise as a strong competitor matching the military and economic capabilities of the U.S.

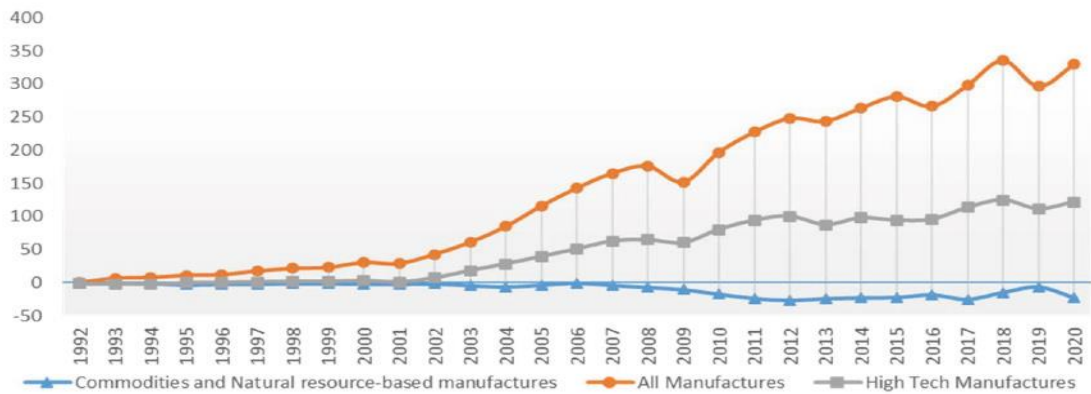
China's authoritarianism and mercantilist practices (e.g., low regard for intellectual property regime, forcing the U.S. multinationals to transfer technology, sponsoring industrial policies) have been relatively tolerated by the U.S. governments until the Obama administration for the sake of promoting China's integration into the LIO. When this strategy has become burdensome with the economic decline of the U.S. after the economic crisis (as argued above), the Obama administration changed track and introduced the Pivot strategy. From the Chinese perspective, the Pivot strategy should be responded in kind. Thus, during the 2010s China developed an alternative framework to facilitate trade and investment relations within the Asia – called as 'the Regional Comprehensive Economic Partnership (RCEP)'. Moreover, Chinese President Xi had announced the famous 'Belt and Road Initiative' (BRI) in 2013. The project has had provided significant boost to Chinese economic and diplomatic clout at not only regional but also global level (Huang, 2016: 315), in that, China could utilize its excess construction capacity and material while offering infrastructure development opportunities to neighboring economies. With the alternative financial initiatives such as Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB), China has also turned into an alternative to the US in terms of FDI – which has been a key factor in economic growth during the neoliberal globalization era. A similar ambitious project has been the made in China 2025, a plan to boost industrial production in key strategic sectors such as high-tech (Malkin, 2022). Accordingly, these economic projects would significantly contribute to China's global political influence while opening new areas to sustain its economic growth as China had a greater chance of demonstrating the advantages of its state capitalist economic model to other developing countries (Holslag, 2017: 52).

Holslag (2017: 56) argues that China under President Xi has shifted towards more offensive designs of foreign economic policy which primarily aims to “making partner countries more connected to the Chinese economy than to competing economies, like the United States, the European Union and Japan” while enshrining international free trade. Thus, to Holslag, it is beyond economic interdependence, more like an economic hierarchy based on Chinese predominance in strategic industries with high value-added (Holslag 2017: 56), as exemplified in the relations between China and Central and Eastern European countries (see Collins and O'Brien, 2023).

Combined with its increasingly assertive stance in the Asia-Pacific region, China's offensive mercantilism has been frequently questioned in terms of its implications to the LIO and the U.S. hegemony. Contrary to line of arguments that saw China as an imminent threat to the U.S. (e.g. Mearsheimer, 2019), and to the LIO with its alternative authoritarian-capitalist international order (ACIO) (Owen, 2021), the argument below asserts that the empirical record does not prove that China's offensive mercantilist strategies reflect its so-called radical global vision. But it also goes beyond the liberal theorists' naïve assumptions (e.g., Chan and Hu, 2025) that the LIO's transformative capabilities could wishfully re-shape China's political and economic system in line with the idealized Western liberal model. A nuanced interpretation of China's position vis-à-vis the international order thus would be a selective engagement, which as Alastair Johnston suggests, “interact(ing) differently with different orders, supportive of some, unsupportive of others, and partially supportive of still others” (Johnston, 2019: 12).

An informative approach to answer how the U.S.-led international order functions from the Chinese perspective thus entails looking at in which ways China frames the dysfunctional parts of the order. For China, according to Liu and Yang (2023: 1397), the LIO do not adequately represent the interests and demands of non-Western world; do not address the growing welfare rift between the haves and have nots, and do not include fairly the non-Western actors into web of global governance. As such, China, unlike the Western countries, does not see the LIO from the perspective of public international goods, but as a reflection of Western ideological agenda (e.g., Washington Consensus, responsibility to protect). To illustrate, for China, the LIO is a layered system constituted primarily around values of Western countries, military alignments led by the U.S. and the UN system (Kundnani, 2017: 7). While China strongly supports and promotes the UN-centered international political order, it sees on the other hand areas to be reformed within multilateralism-based international economic order (Liu and Yang, 2023: 1397). In this sense, China, unlike the Western actors, is eager to promote the norms of sovereignty and noninterference based on a Westphalian state system. Moreover, it supports the attempts in international platforms to dismantle barriers before free trade (Weiss and Wallace, 2021: 657). As Kundnani (2017: 7) puts it, “it is they (China and Russia) rather than Western powers that are defending the principles of the liberal international order — albeit the 1945 version of it.” This thesis can also be grounded in China’s performance in international society, albeit respecting and supporting multilateral initiatives in the resolution of international issues, such as the climate agreement and regional conflicts, promotion of free trade, and so forth (Zhang, 2022: 52). Rising China’s implications to the LIO thus warrants for a more nuanced and complex interpretation, which merits a detailed analysis.

**Figure 1:** China-U.S. Trade Balance for the 1992-2020 period (in billions of US dollars)



**Source:** (Abdal and Ferreira, 2024: 555, as obtained from UN COMTRADE).

To sum up, the global economic balance has been significantly redefined in the 2000s. By sustaining high levels of economic growth and expanding its share of global trade, China has been able to improve its position vis-a-vis the international financial institutions that reflected dominance of the Western countries and prevalence of the liberal worldview. On top of that, through alternative frameworks such as the AIIB and the BRI, China has secured a better position in bilateral economic relations with not only neighboring but also off-shore countries. More importantly, in addition to China's relative competitive advantage in the manufacturing

sector, it has also been observed that China has increased its share in emerging sectors such as high technology and green technology compared to the U.S. With regards to the U.S.-China economic relations, a clear outlook has emerged towards the 2020s (See Figure 1). Chinese offensive mercantilist strategies of subsidizing national champions to increase its market shares have been partly responsible for the unfavorable trade balance on the U.S. side - reaching nearly \$400 billion before the trade war. Thanks to these, as well as other, developments China has increasingly been part of geopolitical and economic threat considerations and viewed as a strategic competitor by the recent U.S. administrations.

#### **4. Offensive Mercantilism in Action: Trade War**

As stated above, the U.S. during the Obama administration had to tackle with the ramifications of rising China within a framework of defensive mercantilism which allowed maintaining a certain level of commitment to liberal principles. When this strategy which assumed China “would be naturally incorporated into the US-dominated international order” proved inconclusive ultimately (Chan and Hu, 2025: 392), the Trump administration reaffirmed that it would follow a different strategy – embedded in ‘America First’ agenda. Trump’s America First policy indicated a shift towards more offensive foreign economic engagement, albeit substitution of promotion of globalization with regionalization, and multilateralism with bilateralism - compounded with obvious disrespect for international institutions and regimes. What follows is an examination, through the conceptual lens of offensive mercantilism, of how the trade war unfolded and has affected the main pillars of the LIO.

##### **4.1. Trade War: A Critical Turn in the U.S.-China Economic Relations**

In 2018, the Trump administration blamed China’s economic policies - ranging from manipulating its currency to leverage its exports to subsidizing its domestic industries as an instrument of unfair competition – as the main driver behind trade imbalances between the US and China (Diamond and Liptak, 2017). Although the U.S. trade deficit with China reached its highest level in history in 2018, escalating to unsustainable volumes, the imbalance started already tipping in favor of China long before than the Trump administration. However, it was the Trump administration that framed China’s economic policies as disruptive to free international trade and handled the issue in an unprecedented manner, i.e. opening a trade war against China. In this sense, trade war should not be seen as an isolated event within a complexly interdependent international economic order but quite relevant to political and security domains as well.

Referring to series of bilateral negotiations, and imposition of reciprocal tariffs on each other’s goods, the U.S.-China trade war was one of the key moments for the global trade relations in the post-WWII era in that it involved the two largest economies of the world, constituting a significant share of global production, trade and investment. The imposition of reciprocal tariffs on the trade between the U.S. and China was expected to lead to a certain degree of economic decoupling between the two countries (Johnson and Gramer, 2020). The hitherto growing economic interdependence between the two, however, meant that imposition of any punishment would bring about collateral damage (see Erdinç and Aydınbaş, 2021). Put

differently, once China retaliated against the U.S. imposition of tariffs by an in-kind move, as Ajami (2020: 1) argues, tension dramatically escalated, spreading huge ripple effects through global markets.

Given the scope of the paper, trade war is analyzed across three thematic areas, albeit projection of power abroad, pushing other states to follow suit with the U.S. national interests, and containment of Chinese offensive mercantilism for security purposes. It is asserted that Trump's motivations to initiate, and strategies to navigate, trade war resonate well within Holslag's framework of offensive mercantilism.

Firstly, one of the primary objectives of Trump's assertive economic diplomacy was to project power abroad to bolster American national interest, while leaving domestic market out of his political intervention (Helleiner, 2019: 22). Trump was motivated to correct the unfair growing of trade imbalances between the U.S. and China, as well as containing China's geopolitical ambitions (see Chong and Li, 2019). Put differently, the Trump administration sought to coerce China into submitting to policies prescribed by the U.S. through imposition of tariffs on Chinese products.

Prioritization of the U.S. national interests meant of course distancing the U.S. from liberal norms, principles, and even organizations which together constituted the solid base of post-WWII American hegemony in international order. Some scholars, such as Mastanduno (2020: 177), dubbed this apparent shift in the U.S. policy as a 'strategic transition'. For underlying this strategic shift was the erosion of the U.S.'s desire to be a hegemon. Such an account however would be misleading in that Trump administration utilize economic coercion not to dismantle the LIO but to exploit structural advantages accruing from it to protect its hegemonic position. To illustrate, both the U.S. and China sat down on negotiations after trade war escalated. At the end of 2019, the parties signed 'Phase-1' trade deal which included an article that on condition that China would purchase \$200 billion worth of U.S. goods over two years, the U.S. agreed to eliminate the tariffs imposed on China. However, there were three main shortcomings to the deal (see Bown, 2021). Firstly, it did not mean to end the conflict for it did not provide solutions on more controversial issues such as Chinese violation of intellectual property rights, and distortion of market access to the American companies. Secondly, the agreement was signed out of the framework of the WTO. And thirdly, the enforcement of the deal was disrupted by a double process – Covid 19 crisis and China's reluctance to keep up with the levels set by the deal.

Secondly, Trump pushes foreign actors by protectionist policies to follow suit with the U.S. national interests, i.e., open their markets and transform their economic policies (Sharma, 2020: 84). He emphasized at times that the U.S. allies needed to take on greater responsibility (e.g., calling for a rise in defense spendings among NATO members; criticisms against China for breaking down the free market notion). The real impact of his offensive mercantilist approach, however, had become most pronounced in international trade relations. With the aim of reducing the interdependence between the U.S. and China, Trump concentrated on diversifying economic partners by a strategy of 'friend-shoring' – which was meant to relocate

production and investment towards areas sharing similar political and economic interests with the US (Maihold, 2022: 3). The North American Free Trade Area (NAFTA) - including the U.S., Canada, and Mexico – was renegotiated due to its harmful outcomes to the U.S. national economic security and instead ‘the United States–Mexico–Canada Agreement’ (USMCA) signed. Another example was Trump’s withdrawal from the TPP which was put into life during the Obama administration. These moves have implied a broader transformation within the LIO, redefinition of international trade relations with a bilateral and neomercantilist touch (Bergsten, 2018). To illustrate, following the withdrawal of the U.S. from the TPP, the remaining countries managed to conclude free trade deals with each other. Consequently, international trade stopped being U.S.-led cooperative and mutually beneficial sphere of international relations due to the U.S. prioritizing its national interests over requirements of being leader of liberal international order.

Thirdly, Trump’s offensive mercantilism devoted significant attention to contain mercantilist policies of China via promoting manufacturing, as well as extending regulatory politics beyond trade, and controlling foreign investment inflows in strategic sectors (Helleiner, 2019). Given that the U.S. trade balance with China is openly in deficit as regards manufactured products, especially high-tech products (Abdal and Ferreira, 2024), the most apparent result of tariffs has been in the technology sector. As Mueller and Farhat (2022) have argued, both the U.S. and China have been progressively introducing protectionist measures within their domestic digital services sectors long before the trade war. However, Starrs and German (2021) showed how the Trump administration focused on protecting the U.S. supremacy in high-tech production in reply to China’s ‘Made in China 2025’ plan. At this point, Trump’s approach was nuanced, in that, rather than utilization of industrial policy, it leaned on controlling ‘chip’ exports and flow of financial-capital to China. Consequently, state-controlled technological giants such as Huawei were subjected to restricted access to products and the U.S. companies were banned to do business with Chinese partners (see Gur and Dilek, 2023).

#### **4.2. Trade War during the Biden Administration: Changes and Continuities**

Donald Trump has been re-elected as the U.S. president for the 2025-2029 term and has already signaled (as of writing) his intentions to carry on economic nationalist and transactionalist approach to foreign economic policy and international trade (Cash and Chen, 2025). The U.S.-China trade once again has become a matter of hot debate, given that President Trump’s first move has been to impose a %10 additional tariff on Chinese products. However, the U.S.’s assertive stance against China has also been observed under the Biden administration (2021-2024) preceding Trump’s second term. In this respect, the argument below briefly reviews the U.S. political stance against China during the Biden presidency and asserts that waging trade war as an offensive mercantilist option to contain China’s expanding economic, as well as military, clout, can be identified as a long-term strategy, rather than a short-term tactic, which would likely to be carried on, regardless of the ideological background of the U.S. governments, against perceived threats to the LIO and the U.S. hegemony within it.



The Biden administration has largely maintained the core objectives of its predecessor's China policy. China in this period remained as economic and military threat to American interests and continued to be categorized as a strategic competitor. Despite similarities, there have also been significant tactical differences. According to Tankersley (2024: n.p.), while Biden, like his predecessor, sought to pressure China into economic transformation, he had employed three different mechanisms to achieve this goal. First, the Biden administration had retained the tariffs imposed during the Trump administration and introduced additional ones (Abdal and Ferreira, 2024: 551). Biden's approach can be defined as sector-centric, prioritizing high-tech industries and directing public investments towards these sectors to promote infrastructural development. Green energy and electric cars were among these targeted sectors as well. Second, the Biden administration had implemented stricter restrictions on technology transfer within the context of the U.S.-China trade dispute (Tankersley, 2024: n.p.). Notably, the sale of semiconductors to China had become a key area of limitation. Third, while the Trump administration pursued a bilateral approach, the Biden administration had sought to adopt a more coordinated policy with international allies (Guoping, 2022: 278-279). For example, during the G-7 summit, discussions were held on how to collectively respond to Chinese state-backed technology companies.

Against the ongoing, as well as additional tariffs imposed during the Biden administration, China's initial response was symbolic - far from any real impact. On the other hand, as noted in the previous section, China managed to strengthen its position both within the liberal international order and within the Global South. For example, through the BRI, China expanded its investments and balanced the tariffs imposed on the U.S. by lowering similar measures against other trade partners (Reed, 2019: n.p.). Moreover, China has been taking leading initiatives in the fields of 5G and artificial intelligence. Despite the export restrictions imposed during the Biden administration aimed at limiting Chinese companies' access to technology and materials, particularly in the AI and military technologies, China has recently made a significant breakthrough in technological innovation – given that the development of an AI program called 'DeepSeek' has garnered considerable attention in the international markets (Thorbecke, 2025: n.p.). In this context, China's strategy in trade war with the U.S. has in time shown transformation from initial symbolic restrictions to a more rigorous and harsh sanctions. For instance, China imposed 15 percent tariffs on the American products (coal and liquefied natural gas). More importantly, China's announcement that it would start export controls over critical minerals of whose markets China has had a dominant position, can be seen as a reciprocal move against Trump's threats of additional tariffs (Savic, 2025). Given that these critical minerals are essential parts of high-tech production in sectors ranging from defense to green energy, restricting access to them has considerable potential to swiftly escalate the trade war to new levels.

In summary, the Biden administration did carry on employing offensive designs of foreign economic diplomacy in its economic competition with China. His political economy strategy however also included other balancing instruments such as strengthening collaboration with key allies against China, increasing economic capabilities (i.e., modernization of national infrastructure), and higher control over technology transfers. The main difference, according

to Heijmans, Martin, and Amin (2022), in Biden's strategy therefore was to base its economic diplomacy mainly on steering the realignment in the global economy instead of decoupling from China.

#### **4.3. The Trade War's Repercussions to the LIO: An Appraisal**

Apart from the U.S.-China economic relations, the trade war has also had profound implications to the LIO and the U.S. predominance within it. The repercussions of this shift were so tumultuous that many, regardless of theoretical background but especially the liberal thinkers, acknowledge that the LIO is at a crossroads due to rising China and a subsequent crisis of authority (Duncombe and Dunne, 2018: 31). Based on these interrelated dynamics, two key trends can be identified. Firstly, while increasing the tariffs against the U.S. during the trade war, China lowered them against other countries. This, as Bown (2019) argues, has enabled China to extend its clout into new regions and formerly U.S. allies. China's expanding clout within the Global South, as well as increasing support to China's call for reform in the U.S.-led global economic structures, provides supportive evidence to thesis that China has risen to great power status, i.e., its hegemonic capabilities has improved. Given that China's enviable success in sustainable economic growth and improving its economic infrastructure (especially in high-tech) has thrived upon its 'state-led' capitalist model and centralized political system which can be identified as a diametrical opposite to the liberal democratic U.S., China has also posed a political-economic alternative to the U.S. within neoliberal capitalist system.

Secondly, President Trump moved the U.S. beyond its traditional role, i.e., the leader of the liberal world, towards a self-interested great power. As such, some scholars (e.g., Chan, 2021) even identify the U.S. under Trump as a revisionist actor. As Trump's frequent discursive attacks at the international regimes and organizations – developed and promoted by the previous US administrations – came into practice, many political actors started to question the functionality of the rule of law in international trade. In other words, the U.S. began to resemble those free-riding the public international goods by following a unilateral and 'transactionalist' approach in an institutionalized system. For instance, with a growing disregard for traditional multilateral channels, the Trump administration sidelined the WTO and its dispute settlement mechanisms, which have been one of the founding pillars of the rules-based international order (Hoekman, 2020). As the Trump administration embraced tariffs unilaterally, as well as undermining multilateralism, the role of the U.S. as the champion of the liberal world order hollowed out while China on the other hand has become prominent as the proponent of multilateralism and representing a robust alternative to the U.S. as champion of the international order – whether liberal or not. Thus, a crisis of authority, compounded by the rising China, is looming large over the trajectory of the LIO.

Taken together, there is a bipartisan consensus among the Western actors, particularly in the U.S., that China has increasingly become a threat to the ideas and norms upon which the LIO has been centered. Although the Western actors discursively frame China's rise as Chinese imperialism (e.g., deepening expansion of Chinese clout hitherto uncharted territories such as

Middle East and Africa, as well as South Asia) and frequently associate it with debt trap diplomacy (i.e., the BRI creating economic dependency among developing countries through loans and investments) (see Jones and Hameiri, 2020), given the growing level of mutual interdependence between China and the U.S., it can be argued that China's policies cannot be regarded as a threat to the liberal world order on their own. Afterall, the Trump administration had played a much bigger role in contributing to creation of a more hierarchical international order in which the hard power capabilities would be more useful, the foreign and development aid continued to become more politicized.

Overall, in the upcoming period, the U.S. would not turn as much as before to the strategy of 'engagement' – integrating the 'revisionist powers' into the liberal world order. To the author, this, however, would not happen through democratization of the extant structures, but through further erosion of them, especially by the U.S.. Rather than total dismantling of the LIO thus it is more likely that "certain logics of the liberal order" would be modified (Duncombe and Dunne, 2018: 31), based on the newly emerging systemic distribution of capabilities among great powers. As for the evolution of probable future order(s) in international system, some scholars (e.g. Khong, 2020) have applied analogy of the Cold War 2.0 as a conceptual lens to analyze systemic repercussions of the U.S.-China trade war. The argument here, on the other hand, can be seen as part of the line of thinking (e.g., Abdal and Ferreira, 2024) suggesting the U.S.-China relationship in its current form does not fit that template, given the absence of radical bi-polarization and ongoing economic interdependence between the two powers.

## **5. Conclusion**

The argument above reveals that the U.S. foreign economic policy has shifted to offensive mercantilist strategies – evidenced by the Trump administration's waging a trade war against China in 2018. The U.S.-China trade war has marked a critical juncture in the LIO in many aspects, but most importantly proving inconclusive the liberal institutionalist assumption that China would be accommodated into the U.S.-led international order thanks to its transformative impact stemming from open trade system and international institutions. The existing first and second image accounts, however, have failed to appreciate the systemic drivers behind a liberal actor's following protectionist policies, and also promoting the others to do the same, in a globally liberal economic order. Equally, although China's catching up with the hegemonic capabilities of the U.S has dated back much before the Trump administration, the reasons why previous governments did not opt for any type of confrontationist strategy to balance China cannot be captured by means of the conceptual and theoretical tool kits utilized by these perspectives.

Accordingly, paying due attention to the shifting systemic distribution of power as a major dynamic, as well as the competitive nature of trade, finance, and investment relations in global economic system, the paper asserts that offensive mercantilism as a conceptual lens is better suited to identify the operation of the causal mechanisms of recent de-coupling between the U.S. and China. To illustrate, two concurrent processes of the erosion of the U.S. hegemonic capabilities and its economic decline in the face of rising Asian economies has resulted in an

unfavorable systemic context for the U.S. predominance in the LIO. China, on the other hand, has enjoyed a growing dominance in manufacturing and emerging high-tech and green technology sectors – accentuating its role as both an economic and geopolitical competitor to the United States. Subsequently, Trump administration, giving up on the previous administrations’ defensive strategies, adopted a confrontational approach aimed at protecting U.S. national interests through economic coercion. He employed offensive mercantilist strategies -including unilateral tariffs, bilateralism, and friend-shoring – in pursuit of containing the side effects of China’s offensive mercantilism, as well as its technological rise.

As such, the paper reaches two major conclusions. First and foremost, it can be asserted that waging trade war as an offensive mercantilist option to contain China’s expanding economic, as well as military, clout, can be identified as a long-term strategy, rather than a short-term tactic, which would likely to be carried on, regardless of the ideological background of the U.S. governments, against perceived threats to the LIO and the U.S. hegemony within it. In other words, the system-level dynamics push political actors towards competitive and strategic external behaviors. Afterall, the maintenance of strategic and coercive stance against China during the succeeding Biden administration provides supportive evidence to this thesis. Still, there are also significant changes within Biden’s China strategy – albeit focus on the strategic allies of the U.S., sector specific policies, promoting the modernization of domestic infrastructure, and so forth. However, the analysis of the China policy during both administrations clearly demonstrates that U.S. foreign economic diplomacy is increasingly centered on power competition, economic coercion, and maximization of national interests.

Secondly, the shift towards offensive mercantilism has had profound implications for the LIO. Apart from disrupting the functioning of multilateralism and free international trade in a rules-based order, rising protectionist and economic nationalist tendencies of the recent U.S. administrations have cast doubt on the credibility of the U.S. hegemony, as well as the necessity for a liberal international order. Together with other developments, the trade war thus highlights the increasing entanglement of economic and security concerns of not just rising powers but also the Western liberal actors. This of course proves the misguided nature of liberal institutionalist accounts on the LIO. To give an example, rather than being restrained by the international institutions, the U.S. has consistently manipulated them to uphold its national interests (as in the case of the WTO). With regards to the relationship between the U.S. hegemony and the trajectory of the LIO, the paper argues that shift to offensive mercantilism should be seen as a strategic move – aiming to project American power abroad via exploiting structural advantages. As such, the trade war should be considered as part of a broader policy serving for the reassertion of the U.S. hegemony within the LIO instead of totally dismantling it. Equally, considering China’s growing hegemonic capabilities, i.e., its expanding financial and economic clout within the Global South and increasing appeal of its state-led developmentalist system, an alternative sub-order centered around China would be highly likely to emerge if the competition between the U.S. and China spread to other strategic domains.

Overall, the article's main contribution is to extend the conceptual scope of offensive mercantilism to the case of the U.S. – a liberal hegemon - and its findings are also enriching for the current debates on the resilience and transformation of the LIO. In which ways the LIO would be altered in the upcoming period, not only by the rising powers but also the hegemonic actors, merits of course further analysis.

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