Power, Identity, and Interdependence: Rethinking Markets Through the U.S.-China Economic Relationship

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Abstract. U.S.-China trade relations are the world's most consequential economic pairing and remain as relevant as ever in the face of their shift from hyperglobalization into a strategic rivalry. The pressing question is: why do ostensibly "neutral" market exchanges now function as tools of power, coercion, and the source of national identity? Markets are thus not neutral. Economic interactions between the U.S. and China show that these exchanges are shaped by the political institutions that govern them and influenced by national identity and state strategies. We will use a macro-political economic lens to view markets as social institutions, and economic interdependence as a social construct. We will examine the evolution of policy from the first Trump administration to the Biden Administration, and conclude on the present-day second Trump administration. In doing so, we can examine the consistency and stance of these administrations via their policies on tariffs, export controls, technology restrictions, and industrial policy. The conclusion is that economic relations reflect ideology and power. Concerns over national identity and legitimacy shape economic decision-making and this paper ultimately aims to understand economic conflict by integrating political economy with a sociological lens on institutions and identity

Keywords: U.S.-China relations, Political economy, Economic interdependence, Weaponized interdependence, Trade war.

1. Introduction

The United States and China currently represent the two largest economies in the world, yet their economic relationship has become increasingly defined by political competition rather than cooperation. Over the past decade, disputes over trade and technology in the name of national security have transformed economic interdependence into a source of vulnerability. Globalization has worsened economic interdependence and the fear of vulnerability. Sino-American tensions came to focus post-Cold War, with the fall of the Soviet Union and the rise of Communist China to fill its space in the vacuum of power in the East. Throughout the decades, what began as a rivalry has escalated into a purported second Cold War. The global market has reflected this state. Although free trade has traditionally been framed around efficiency and mutual benefit, recent U.S.-China relations demonstrate that governments often prioritize strategic interests over economic openness. Trade relations are a reflection of shifting power balances and ideological differences that influence economic governance and regulation. National identity and domestic political narratives shape trade policy choices for both the U. S. and China.

The objective of the paper is to postulate that Sino-American economic interactions demonstrate how markets operate as instruments of political and ideological power. This study is important because it challenges the conventional economic theory of market neutrality and the separation of individual versus national interest. We aim to examine existing papers to summarize and analyze Sino-American trade relations through a political, economic, and sociological lens. By tracking the past three U.S. administrations as case studies and applying the sociological ideas of identity and power, this paper will frame current events in the context of sociology and politics. We aim to use this added context of geopolitical and socioeconomic trends to discuss the implications for the future of global trade.

2. literature review

Historically, the United States and China have represented opposite ends of the global spectrum. The U.S. stood as the pinnacle of the free market and individual enterprise, with manifest destiny and the American dream. China, meanwhile, represented market socialism and the combination of state interest in collective goals with the country's growing economy.

With China's GDP rapidly expanding to match the U.S.'s growth in the 2000s [8], the two countries inevitably fell into a mutually dependent relationship in an increasingly globalized world. With such mutually dependent industries, both the U.S. and the China have started to view this interdependence as vulnerability. In their 2017 and 2018 National Security and National Defense Strategies, respectively, the U.S. had concluded that they needed to step away from "hyperglobalization" and prioritize the great-power competition with Russia and China [9].

In a broader scope, interdependence in networks has been weaponized such that one side can exploit its network position to exert coercion on their peers [4]. States thus treat economic interdependence as strategic competition, or a war by modern means. With such a stance on interdependence as coercive leverage, Sino-American economic policies naturally became politicized. This broader shift in how interdependence is conceptualized provides the structural backdrop for understanding why U.S.-China economic relations have increasingly resembled strategic rivalry rather than cooperative exchange.

3. The 1st Trump Administration

Historically, the United States and China have represented opposite ends of the global spectrum. The U.S. stood as the pinnacle of the free market and individual enterprise, with its ideals of Manifest Destiny and the American dream. China, meanwhile, represented market socialism, an economy with heavy involvement of the state, and the combination of state interest in collective goals with the country's growing economy.

As President Trump took office in 2017, he tried to push back on global integration considering the intensifying technology competition [6]. His campaign slogan "America First" was a nationalist reorientation of economic identity, one that he would abide by as his tariff and trade re-negotiations targeted nations with U.S. trade surpluses [7]. His goal was to contain China's economic rise by initiating a tariff war. U.S.-imposed tariffs were politically motivated to correct "unfair" trade and to intervene in China's technological advances.

China retaliated via regulatory interventions on their side as well [5]. In his 2017 Davos speech, Chairman Xi Jinping had given a speech reaffirming his stance: China is a responsible stakeholder in defending globalization [7]. In the power vacuum that was the globalizing East, China had positioned itself as a dominant and ever-rising power. Both sides weaponized the Sino-American interdependence, using their own positions in global supply chains as leverage against the other country. Trump had run on institutionalized competition and fragmenting globalization. With the new trade war, the U.S. and China were still interconnected—but now without the fragile trust and goodwill that had characterized China's rise as a global economic power.

4. The Biden Administration

The Biden Administration's stance on China did not shift significantly either. While Biden's rhetoric emphasized diplomacy and alliances, the underlying strategic assessment of China as a fundamental challenger to U.S. economic and geopolitical interests remained largely intact. This continuity suggests that the perceived China threat had become embedded within the U.S. foreign policy establishment—regardless of the administration or reigning political party. Despite their differences, there remained the consensus that China could not be left to her own devices. This sentiment was true on both sides of the aisle. Both Trump and Biden considered China a country that undermined U.S. interests and they thus tried to contain it through foreign policy measures [10]. The

Biden administration reinforced the growing bipartisan consensus across Congress and the broader national security institutions that engagement alone was insufficient to address China's rise. More drastic measures had to be taken, to preserve America's legitimacy and to preserve her interests. As a result, competitive and containment-oriented policies became institutionalized within U.S. economic and trade governance.

Biden similarly viewed China simultaneously as a rival and a trade partner. China was indisputably a key player in global affairs—and Biden accordingly escalated Trump's technology war with China while maintaining Trump's restrictions on Chinese exports [3]. describe the bipartisan hostility towards China as a "systemic" trade war, noting that it is likely to continue regardless of who occupies the presidency. By describing the trade war as systemic, Hlovor and Mawuko-Yevugah [2] shift attention away from individual administrations and toward the deeper economic and political competition underlying U.S.-China relations. The term "systemic" therefore suggests that temporary periods of cooperation are unlikely to resolve the deeper strategic competition between the two states. There will never be a fundamental deescalation. The persistence of these policies demonstrates how U.S. economic institutions are wielded as tools of state power rather than neutral mechanisms of exchange.

Beyond economics, this approach shapes global perceptions of U.S. leadership, signalling to her allies and rivals that interdependence is a thin farce. Both sides of the aisle are hostile towards the idea of vulnerabilities in their trade with China and thus all truces, if any, would be highly fragile and thus unreliable. This trade war also underscored how markets are socially constructed institutions where national identity, ideology, and interests intersect to make economic policy a tool for signalling and influence as well as profit and efficiency.

5. The 2nd Trump Administration

Trump's second term does not appear to bode well for Sino-American trade relations either. This assessment comes not only from campaign rhetoric but also the institutional and policy precedents established during his first term, including his administration's use of tariffs, trade threats, and bilateral pressure tactics against Beijing. A second Trump administration suggested a continuation—and potential intensification—of confrontational trade practices. It reflected the U.S.'s stance on China, that is, that they would not actively endeavour towards a true recalibration or stabilization of this traded war. He sought a unilateral and transactional U.S. foreign policy where the U.S. can emphasize national sovereignty over international cooperation and alliances [1]. In practice, this approach frames foreign policy as a series of zero-sum negotiations instead of the theoretical long-term strategy rooted in shared norms or institutional commitments. Multilateral frameworks such as the World Trade Organization and other long-standing trade alliances are considered constraints on U.S. autonomy rather than as mechanisms for stability or rule enforcement.

His economic nationalism prioritizes the U.S. and its economic interests over broader strategic considerations and his approach towards China remains aggressive and largely reactionary. This stance creates uncertainty for both American and Chinese businesses, as it complicates global supply chains and sends a signal to global allies that long-term multilateral commitments may be less reliable. Beyond trade, this rhetoric affects how allies interpret U.S. commitments to existing international institutions.

If this pattern continues, U.S.-China economic relations may move further toward strategic competition and selective decoupling. In this environment, economic interdependence is no longer viewed solely as a source of mutual benefit; it becomes a potential source of leverage and vulnerability. Trade and investment decisions increasingly reflect broader political tensions between the two economies.

6. Future Suggestions

Interdependence may certainly constitute a vulnerability, but it can also function as a tool for stability and cooperation when managed strategically. Both the U.S. and China should consider that for every negative, there are a couple positives as well. Interdependence reflects existing global power balances and the distribution of influence within international networks. It is not, as increasingly feared, an open profession of vulnerability. As such, states can deliberately employ trade and investment relationships as instruments of political influence and soft power, shaping incentives and behaviour without resorting to overt coercion. The risk of coercion is undeniably present, but risks must be made for the sake of advancement and both countries ought to understand that it is a case of mutual risk and mutual opportunity.

In this context, the United States and China need not pursue complete economic decoupling. Instead, they should maintain interdependence in sectors where cooperation remains mutually beneficial and where shared interests outweigh security risks, such as certain areas of technology, climate-related innovation, and global supply-chain resilience. Despite conflicts and distrust, it is worth examining the bigger picture and understanding that giving an inch does not always mean giving a mile and that indeed controlled cooperation allows for mutual growth. This is not a zero-sum game, nor does there exist a static pie to cut. At the same time, both states must develop safeguards against overreliance by diversifying suppliers, investing in domestic capacity, encouraging growth, and strengthening regulatory oversight. Such an approach acknowledges the risks of weaponized interdependence while preserving the potential of economic ties to mitigate conflict and sustain a degree of international stability.

Through trade and investments, states can exercise their political influence and cultivate strong soft power, shaping international norms and our own domestic perceptions of national strength. To implement this, they can consider investing domestically without isolation. States can construct domestic industries in ways that reinforce national identity and institutional strength without sacrificing one for the other. Globalization drives innovation and by investing within the country while maintaining a global presence, the country can build a sense of national confidence and identity while also signalling power in the global system. Instead of viewing the glass as half-empty, states can change their perspective and construct interdependence as a tool of soft power.

The strongest national identities are carved in the face of opposition. Retreat and withdrawal are short-term solutions at best, and long-term liabilities at worst Overall, the U.S. and China are recommended to look beyond the failures and dangers of interdependence and instead view it from the lens of cooperation and mutual benefit. By reframing interdependence as both an opportunity for collaboration and a platform for demonstrating political and cultural influence, states can capture the benefits of globalization and mitigate the risks, ensuring their global integration strengthens and ensure that their own national power and identity can persist.

7. Conclusion

The US-China economic relationship for the past decade demonstrates that markets are first and foremost a battleground for institutions of power, through the means of economic exchange. They reflect each nation's political agendas, social orders, and ideology. The evolution of trade and technology policies under the Trump and Biden administrations demonstrates that global economic relations are increasingly shaped by political competition between states. Trump's first administration marked a shift toward confrontation through the introduction of tariffs, restrictions on Chinese firms, and a broader rejection of previous assumptions about economic engagement. Biden continued the systemic trade war and escalated bipartisan hostility towards China, ultimately amplifying the use of economic tools for political strategy. Trump's 2nd term presently appears to be much more unilateral, with short-term policy approaches.

This paper was limited by its primary focus on macro-level economic and political developments, which necessarily constrained its ability to analyse micro-level dynamics and firm-specific responses in depth. Focusing primarily on state-level developments also means that this paper cannot fully capture how individual firms, industries, and consumers respond to these policy changes. Future research could address this gap by incorporating firm-level data, sectoral case studies, a thorough historical deep dive, or supply-chain analyses to better capture how macroeconomic policies translate into microeconomic behaviour.

Additionally, the 2nd Trump Administration also is limited by a short time frame due to its formation less than a year ago as of the writing of this paper, and some room must be made for future developments that may change this paper's interpretations. Many of Trump's policy directions remain in early stages of implementations and subsequent developments may complicate or revise the interpretations presented in this paper. Therefore, the conclusions regarding the second Trump administration should be interpreted cautiously, as future policy changes may alter the trajectory of U.S.-China economic relations.

Beyond these temporal and methodological limitations, further research could explore the long-term consequences of weaponized interdependence for global governance and international economic institutions. Comparative studies involving other economic superpowers, such as the European Union, could help illuminate how differing ideological orientations and political priorities shape market structures and economic statecraft. Finally, future work could more explicitly examine the sociological dimensions of economic policymaking, particularly how perceptions of hard and soft power influence state behaviour and the construction of economic order.

Ultimately, while economic interdependence creates genuine vulnerabilities, complete disengagement between the United States and China carries significant costs. Both countries must balance strategic competition with recognition of the economic benefits created through cooperation, innovation, and continued global engagement.

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