

Trade War 2.0: A Modern Thucydides Trap Reshaping Global Trade and Economics

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Abstract

This article examines the 2025-2026 US-China trade dispute ("Trade War 2.0") through the Thucydides Trap, asking whether the confrontation's trajectory since 2018 reflects sustained escalation toward systemic breakdown or a cyclical pattern of escalation and negotiated de-escalation, and what actual economic outcomes reveal about the costs incurred and the durability of 'strategic decoupling' as a policy commitment. Drawing on official data, policy documents, court rulings, and contemporary reporting, the article identifies three mechanisms behind the era's escalatory surges: a market-driven retreat from the 145 percent tariff peak of April 2025, a negotiated settlement following the October 2025 rare-earth and semiconductor shock, and a judicial override when the Supreme Court invalidated most tariff authority under IEEPA in February 2026. The economic record shows costs that were real but more contained than either government's rhetoric suggested at the peaks of the crisis: the US economy briefly contracted before still growing 2.1 percent for 2025, and while China met its official growth target, independent estimates put actual growth closer to half that figure, driven more by a domestic property downturn than the trade war. Global trade defied predictions of collapse in 2025, with contraction deferred rather than avoided. The technology track, semiconductors and rare earths, shows none of the tariff track's de-escalatory pattern and remains the confrontation's most enduring front. These findings qualify rather than reject the Thucydides Trap: fear-driven escalation is visible throughout, but negotiated retreat and domestic constraints point to a managed rivalry rather than an inevitable slide toward war, with decoupling pursued selectively rather than comprehensively.

Article History

Received 15 June 2026
Revised 25 June 2026
Accepted 14 July 2026
Published 20 July 2026

OPEN ACCESS

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Keywords

Trade War; Thucydides
Trap; strategic decoupling;
tariff; weaponized
interdependence;
technological sovereignty

1. Introduction

President Donald Trump returned to the White House in January 2025; many expected the swift resumption of trade conflicts with China. Three months after Trump's return, the US instituted a 145% tariff on Chinese goods, in response to which China levied a 125% retaliatory tariff (Huld, 2025). Five weeks later, trade negotiators in Geneva succeeded in reducing the two rates. By the end of 2025, President Trump and President Xi Jinping had signed an agreement that further reduced existing tariffs and placed a temporary hold on Chinese export controls on rare earths (The White House, 2025). As the two sides reached a critical purchasing agreement for 2026, they continued to experience trade frictions over semiconductors and rare earths. The tariff cease-fire extended into 2026. The procurement policies of American soybean farmers, Chinese semiconductor importers,

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and international electronics assemblers shifted multiple times in 2025 to accommodate the fast-paced and unpredictable changes in trade policy. This paper refers to this period as “Trade War 2.0.”

Concern over whether relative economic decline undermines great power rivalry is not new in this case. In the context of great-power decline, Paul Kennedy focused on aligning military and economic commitment. Until this point, overextension of great powers led to relative decline due to a lack of a productive base. Trade War 2.0 channels this concern in a unique fashion. The U.S. is attempting to manage the economic base of its power by implementing tariffs, export controls, and reshoring policies. It has decided not to allow markets to dictate these policies. In contrast, China’s policy of technological self-reliance also reflects its concern about the risk of dependence on an adversary’s goodwill.

There is a substantial body of secondary literature on the Thucydides Trap and the US-China partnership. Building on Allison’s (2017) original formulation, which relied on 16 cases of historical power transitions, regional specialists have analyzed the spheres of trade and technology. Some critics, such as Waldron (2017), have questioned the historical and methodological foundations of the 16-case survey. A parallel, older literature on (Smart) Economic Statecraft runs from Hirschman (1945) and his study of trade coercion in the interwar period to Keohane and Nye’s (1977) account of complex interdependence. It culminates in the recent assessment of weaponized interdependence coauthored by Farrell and Newman (2019). Much of the contemporary writing on Trade War 2.0 in 2025 was based on this work, albeit loosely. It analyzed the highest tariffs in April and the controls on rare earths in October, but the subsequent negotiated retreats from both were not integrated into the analysis. The February 2026 judgment’s removal of the legal basis for most of the tariffs was also neglected. This is what this article corrects.

This article asks two questions. The first is whether the trajectory of the confrontation since 2018 reflects sustained escalation toward systemic rupture, or a cyclical pattern of escalation followed by negotiated de-escalation. The second is what the actual economic outcomes of 2025 and early 2026, as opposed to the estimates made at the height of the conflict, reveal about the costs each side has actually incurred and about the durability of ‘strategic decoupling’ as a policy commitment.

Answers to these questions will help to assess the actual cost of the ongoing “Trade War” to businesses outside the Pacific region, (along with the likely varying costs for businesses in the Global South) who are being forced to make time sensitive decisions about sourcing, investments, and pricing in an environment that in the last 13 months has shifted from a peak 145% tariff to a truce via negotiated settlement to a ruling by the Supreme Court. Even sophisticated institutional forecasting has been shown to require frequent and substantial changes to their outlook within 12 months (Goldman Sachs Research, 2025; WTO, 2025a, 2025b, 2025c). Policymakers in other nations have had to formulate their supply chain and diplomatic policies without knowing how this will affect the sustained versus transient policies of either Washington or Beijing. So an account of the trajectory of the clashes, beyond the most dramatic outbreaks of the “Trade War”, is more meaningful to the sustained policy debate that this article aims to contribute to.

The Thucydides Trap posits that rising rivalries between a prominent and a novel power often end in war. The framework is analyzed in the subsequent section and will be used to organize this

article. This article mainly has an empirical focus. Rather than viewing the Trade War 2.0 as a single episode, as many have done, the article analyses the competition's actual steps of escalation and de-escalation. Finally, this analysis will use observed data rather than anticipated ones. With the emergence of China as a peer competitor to the US in the domains of military trade, technology, and institutions, this analysis takes on broader relevance. It also gives the case a methodological advantage over many other applications of the Thucydides Trap to international disputes, because the rivalry is fairly recent and still ongoing. This means that the steps of the dispute, along with their reversals, can be placed within a one-week time frame, rather than decades later, based on an incomplete archive.

2. Theoretical Framework and Methodology

The concept originally appears in Thucydides (c. 460-400 BCE), who believed the increasing power of Athens and the advancing fear of Sparta rendered war almost inevitable between the two city-states. Graham Allison made the term popular by recognizing a similar pattern when a new power displaces an old one. In 16 cases of this power displacement, spanning over 500 years, he identified 12 that resulted in war, and 4 that resulted in peaceful resolution (Allison, 2017). Allison states that the 'structural stress' of this pattern, out of fear and the three factors of nationalism, territoriality, and the security dilemma, will make conflict more likely but never certain. He cautioned that the term should be used more as a guideline for thinking about future challenges rather than as a sealed, definitive statement. Unfortunately, in the years that followed, many popular commentators lost sight of Allison's focus on the term as a guideline rather than a definitive statement.

Allison's framework has received a lot of criticism. One of the more notable critics is the historian Arthur Waldron. He argues that the few selective readings of Thucydides by Allison and others are not significant enough to substantiate the 'Thucydides Trap.' He argues that Allison, in his study of 16 cases, 'loosely' defines the terms that he uses, particularly 'rising power' and 'established power' (Waldron, 2017). Critics also argue that the framework may become a self-fulfilling prophecy. If we believe that the relationship between the United States and China is destined for conflict, then actions may be taken that will result in the very outcome that the framework describes.

Long before either Allison or Farrell and Newman created their models, trade was used as a strategic tool. The asymmetric size of market economies first described by Albert Hirschman showed how Germany used ordinary trade dependence to gain political power over smaller countries during the interwar period of European trade policy (Hirschman, 1945). Keohane and Nye described how the sensitivity and vulnerability that interdependent economies introduce, compared with military power, shape great-power negotiations. Trade War 2.0 is part of this tradition of economic statecraft. Trade War 2.0 uses newer tools, but the logic of using asymmetric economic power to gain political power predates the Thucydides Trap and recent scholarship on weaponized interdependence.

This new literature focuses on how interdependence has emerged as a strategic tool in the digital and financial domains. Weaponized Interdependence, as defined by Farrell and Newman (2019), refers to the ability of some states that control central nodes in the global economy and

finance, supply chains, and the processing of critical minerals to gather or deny data to competitors, or to block their access to the network. This literature more accurately describes the tools of Trade War 2.0 than the original military reference in The Thucydides Trap. The focus of Trade War 2.0 includes tariffs, export restrictions, financial containment, and recourse to Farrell and Newman's Choke Points. The rivalry also has an ideological component that frames liberal market democracy and state-directed market competition, as well as how each side interprets the other's behavior (Breslin & Mattlin, 2025; Ye, 2025).

This article seeks to identify the Thucydides Trap as more of a heuristic device than a theory. It is in line with Jervis's description of the security dilemma, in which behaviors placed in a defensive context can appear threatening to the other side and elicit an immune response (Jervis, 1978). Applying this to trade might suggest that defensive economic measures are more likely to provoke a competitive response than an individual state's aggressive intent.

This article uses qualitative research methods and a theory-testing approach, combining process tracing and analysis of official statistics in the 2025-2026 tariff and export-control sequence. Trade War 1.0 (2018-2020) provides a comparative baseline. The scale and trajectory of the 2025-2026 dispute can be assessed as a case of structured, focused comparison in qualitative international-relations studies (George & Bennett, 2005). Compared to Thucydides's Trap, this article tests the predictions made from the reconstructed timeline of policy actions and their reversals rather than against a single comprehensive description of the conflict "post factum."

The focus of the policy sequence is on primary material: presidential and USTR announcements, executive orders, court rulings, and agreements, with the framework of November 2025, along with specialized trade-policy reporting that notes the precise dates of implementation because press reports tend to confound a policy measure that has been announced and one that is actually in effect. For the economic sequence, the research relies on official statistics. These include the U.S. Bureau of Economic Analysis and China's National Bureau of Statistics, along with WTO reports on the repeated revisions of the 2025 trade outlook that track changing expectations over the year.

There is a documented pattern of official Chinese statistics diverging from independent assessments. As such, where official data are contested, estimates from the Rhodium Group are included. This pattern enables us to interpret China's resilience to the trade war in a particular light. Two limitations apply to this approach. An ongoing dispute means the structure described here is provisional and should be checked against subsequent developments before the paper is submitted for publication. The numbers discussed are interim estimates, subject to revision and potentially substantial change. The figures cited below should only be interpreted to suggest an approximate order of magnitude and direction.

3. Trade War 1.0 to 2.0: Three Mechanisms of Restraint

China, beginning with the 1978 reform and opening-up policy, had become the world's largest trading nation by 2014 (Löchel & Jablonski, 2025). The first tenure of the Trump administration implemented what would be known as "Trade War 1.0" by imposing tariffs on about \$350 billion of Chinese goods, prompting Chinese retaliation with duties on around \$100 billion of American

exports (Itakura, 2020). The Biden administration extended the ongoing conflict to the technology domain and put pressure on allied nations to exclude Huawei from participating in their 5G infrastructure (Daniels, 2024), and Washington's blocking of WTO Appellate Body appointments restricted the resolution of disputes through the multilateral system (Pauwelyn et al., 2019). As a provisional measure, the Phase One Deal of January 2020 left the major contemporary issues of technology and industrial policies unresolved (Shaffer, 2021). Looking back, Trade War 1.0 is not a benchmark on the levels of tariffs that would follow, as Trade War 1.0 would never have predicted such levels, but as a pattern of escalation followed by concessions that would be repeated, in more extreme form, by 2025.

That later sequence is commonly summarized in journalistic and early scholarly accounts as a story of more or less continuous escalation. This summary does not hold up. We see three analytically distinct episodes of de-escalation occurring over the two main escalatory surges of the trade war (spring 2025 tariffs and fall 2025 export controls), each driven by different mechanisms. The first surge was accompanied by the first episode of de-escalation in which market and price feedback mechanisms came into play. The second surge was preceded by the second episode of de-escalation caused by a negotiated diplomatic exchange. A judicial override caused the third surge. The mechanism matters because it gives different notions of sustainability. The market-driven retreat can be reversed if the public mood changes. A negotiated retreat is dependent on the party's goodwill. A judicial retreat, in principle, is the most difficult because a court's ruling can be reversed only by legislative action.

The April 2025 tariff increment was the clearest case of market-driven restraint. In April 2025, Washington's "reciprocal tariffs" raised the additional US tariff on Chinese goods to 145%, and within a week, China implemented a retaliatory tariff of 125% (Statista, 2025; Huld, 2025), marking the most significant bilateral tariffs in the modern history of international trade. The only thing that caused the withdrawal was price. The S&P 500 fell 19% from its previous high and the Nasdaq briefly entered bear-market territory. The dollar also dropped 4% to a three-year low (Schafer, 2025; Barchart, 2025), which is unusual considering how the currency typically behaves during market dislocations. Talks in Geneva in mid-May lowered both tariffs to 30% for the US and 10% for China, occurring only five weeks after the peak (Huld, 2025). The shortness of this period is an important analytical finding in this context. Accordingly, neither government was willing to sustain the highest levels of tariffs for more than a few weeks until tariffs became real costs for everyone, and this financial constraint was much tighter than the public critique on both sides suggested.

A second, structurally distinct mechanism was used to construct the November 2025 framework agreement. This time, the proximate cause was not a market signal but rather an offer in the technology domain: Washington's September 29 extension of semiconductor controls to foreign affiliates and Beijing's October 9 expansion of rare-earth licensing (Camba, 2026). This is a supply shock-disruption of a wide range of global supply chains beyond its impact on rare-earth processing. The resolution still required negotiation, via emergency consultations in Busan. A one-year deal was reached which included a 50% reduction of the US fentanyl tariff, suspension of new Chinese export controls, and resetting both countries' tariffs to a lower level (The White House, 2025). This example shows a different logic of self-restraint than the April case: while the markets managed to

self-restrain tariffs, in this case, diplomacy managed to self-restrain technology, combined with the threat of a rare-earth supply shock, which neither side was willing to test.

The third mechanism eliminated a portion of the tariff regime in a way that was neutral with respect to the preferences of either government. At the outset of this dispute, the Trump administration defended its April reciprocal tariffs and its preceding fentanyl tariffs under the International Emergency Economic Powers Act (IEEPA). IEEPA had never been invoked before as a basis for such measures. Immediately, importers challenged this authority. In 2025, both the Court of International Trade and the Federal Circuit (sitting en banc) ruled against the administration. On February 20, 2026, in a 6-3 decision, the Supreme Court issued a peremptory (or absolute) ruling that IEEPA does not permit the imposition of tariffs, and thus Customs and Border Protection was required to cease such collections. Unlike the two instances described previously, this withdrawal was neither negotiated nor market-driven. It resulted from the unilateral exercise by a coordinate branch of the U.S. Government of ordinary statutory interpretation. This withdrawal was also the least reversible of the three instances, and it compelled the administration to return to the product-specific authorities of Section 301 and Section 232, which formed the basis of Trade War 1.0.

The technology track, which has no equivalent de-escalatory events, is the most informative exception (Amin & Naseer, 2013). The January 2026 advanced AI chips licensing framework eased rules and, instead of fully liberalizing the market, permitted the sale of chips under a preferential tariff and with lower sales volumes. This was conducted under congressional pressure to strengthen, rather than weaken, control over chip-making equipment in February. Furthermore, China's rare earth license, which China suspended for bulk exports through the November framework, maintained case-by-case reviews for military adjacent equipment and extended to new minerals by 2026, along with Washington's additional 12.5% of the 301s vis-à-vis Section tariffs which were imposed in July through the IEEPA ruling that was not disputed (Tech Insider, 2026; Carra Globe, 2026; Huld, 2025). Compared with the tariff track, these are not as easy to spot. As detailed in this report, tariffs are simple, visible, and easily priced, which is why the three mechanisms described are sensitive. They are comparatively narrow, which makes it harder for markets to price them in real time. They are also less amenable to resolution through a diplomatic deal or a single court ruling.

4. Economic and Technological Outcomes

The US economy contracted by 0.3% (0.5% as reported later) during the first three months of 2025 (U.S. Bureau of Economic Analysis, 2025), the first recorded period of U.S. economic contraction since early 2022. The contraction was due to a 41.3% surge in imports, with firms accelerating shipments to avoid import tariffs. A rise in imports subtracts from a nation's gross domestic product (GDP). Federal government outlays fell, while private demand increased slightly over the period. The year-on-year rate of inflation for the core goods and services was 3.5%, indicative of "tariff pass-through." Economic growth returned, and the overall growth rate of the U.S. economy in 2025 was 2.1%, down from 2.8% in 2024. This rate of growth was lower than many predicted, and some forecasts anticipated a recession. Nevertheless, 2025 was not a recession year for the U.S. economy. Financial markets, discussed earlier as a restraining mechanism, experienced the April shock far more acutely than the real economy did. Markets recovered as S&P

500 corporate earnings held close to the five-year average margin by the third quarter of 2025 (J.P. Morgan, 2025).

According to the China Bureau of Statistics, China's GDP grew by approximately 5.2% in the last quarter of 2026, compared with 5.4% in the first quarter. It is predicted that the government will say the 2026 growth rate will be around 5%. Independent estimates show that 2026 growth was in the 2.5-3% range, with the Rhodium Group attributing the gap to a collapse in property-related investment and persistent deflation. This may mean that the dip is more related to a domestic property collapse than to the trade war. The composition of trade is where the effects of the trade war are more visible. China has recorded a trade surplus of \$1.19-1.2 trillion for 2026, with exports increasing by 6.1%. This significant trade surplus is also due to a 20-30% drop in China's direct exports to the United States since April of 2026 compared with 2025, which was offset by an increase in trade with the EU, ASEAN, and Africa. Most analysts agree that China's headline growth numbers provide a poor evaluation of the trade war. China's trade numbers show that it effectively reallocated its export markets and adapted to the new trading environment, suggesting the trade war caused little or no damage. The greatest adjustment involves volumes of global trade. In April 2025, the WTO predicted a 0.2% contraction in world trade for the year. By August, when trade partners' measured responses and frontloading mitigated the effect, the projection was revised to 0.9% growth. By October, with fast growth in the first half and the rapid expansion of trade in AI goods, the projection was further revised to 2.4% growth (WTO, 2025a, 2025b, 2025c). The WTO's analysis in this regard acknowledges that the resilience reflects a deferral, rather than a mitigation, of the tariff effect. The 2026 forecast was thus revised to 0.5% growth from 2.5%, with a March 2026 forecast predicting 1.9% growth as trade after the implementation of the tariffs begins to normalize (WTO, 2026). In this case, as with the data from China, the first projection was alarming. In contrast, with better data, adaptability was evident, and rather than the predicted damage disappearing, it was anticipated to occur in the future.

While tariffs have been unpredictable and quickly resolved, the technology competition has been more consistent, making it the most important theater of competition almost by process of elimination, given developments over the past three years. The US has used export controls to block China from getting advanced chips. However, the licensing system implemented in January 2026 created two tiers of chips. One tier allowed the sale of chips two generations behind the leading edge of chip technology; the other tier was a complete ban on chip sales (Semiconductor Insight, 2026). In response, China, through the "Made in China 2025" policy and the "Dual Circulation" plan, integrated with an estimated \$150 billion in subsidies (Putra et al., 2024), achieved chip self-sufficiency from 16% to 28%, with an emphasis on legacy technology. Meanwhile, China's most advanced foundry continuously delays the production of 5 nanometer chips (Cohen, 2026); it is estimated that the US would have a 20 to 50 times edge in cutting edge computing during the relaxed license system. Rare earth elements show the opposite, genuine Chinese leveraging, with the controlled, reversible Chinese behavior that does not block all shipments, consistent with the weaponized interdependence described in Section 2 (Carra Globe, 2026; Farrell & Newman, 2019).

Taken together, these five domains suggest a single synergistic conclusion rather than five distinct accounts. In every instance tariffs, markets, China's economic growth, global trade, and technology the negative effect eventually occurred after the positive effect, or where rapid

negotiated de-escalation occurred, or where markets recovered rapidly, or where structural adaptation occurred that had nothing to do with trade policy, or where the effects were delayed, not avoided, or where effects were restrained in a deliberate manner rather than completely. This should not be interpreted as meaning that Trade War 2.0 was without cost. The contracting economy in Q1, inflation, market downturn, and the delayed effect of global trade all occurred. It should be interpreted as a challenge to the view that the April tariff peak or the October shock of rare earth minerals is a proxy for the overall net cost of the confrontation, the gap between the peak of concern and the eventual outcome, which is now documented in Section 5 and aligned with the Thucydides Trap.

5. Reassessing the Thucydides Trap and Global Implications

The empirical record bears directly on the theoretical debate introduced in Section 2. A strictly deterministic reading of the Thucydides Trap (Allison, 2017) sits uneasily against a record in which both governments retreated from their own tariff and export-control peaks within weeks on three separate occasions in 2025 alone. This pattern is more consistent with a “managed rivalry” reading: each side appears acutely aware of the costs that a sustained maximal confrontation would impose on itself, and has repeatedly chosen a negotiated retreat once those costs became visible in markets, inflation data, and diplomatic pressure.

This qualification sharpens rather than discredits the framework. The underlying diagnosis, that fear of displacement drives escalatory behaviour, remains visible throughout the record: in the speed of the April tariff escalation, the rapidity of the October rare-earth response, and the persistence of technology restrictions even as the tariff truce held. What the record complicates is the assumption, more pronounced in popular readings of Allison's thesis than in Allison's own more qualified argument, that fear-driven dynamics translate simply into sustained escalation. Waldron's critique (2017) gains force here: a framework built on a small, contestably coded set of historical cases offers limited traction for two nuclear-armed, deeply interdependent rivals with strong incentives for negotiated de-escalation.

The third mechanism identified in Section 3, domestic constitutional constraint, is qualitatively different from the other two and deserves separate emphasis here. Unlike the tariff reversals negotiated in Geneva and Busan, the Supreme Court's February 2026 ruling was not a strategic choice by either government but a structural limit imposed by a separate branch of the American state. It removed, at a stroke, the legal foundation beneath a substantial share of the tariffs this article has treated as central to Trade War 2.0. This suggests that accounts of the confrontation focused solely on strategic interaction between Washington and Beijing risk overstating the coherence and intentionality of the American side in particular: much of the retreat from peak tariffs reflects domestic institutional friction as much as considered diplomatic strategy, a dimension the Thucydides Trap, framed around unitary rational states (Allison, 2017), is not well equipped to capture. Realist accounts of great-power rivalry generally, not only Allison's, tend to bracket domestic institutional variation of this kind as a second-order detail; the present case suggests it can instead be decisive to a rivalry's actual trajectory.

The rivalry's effects on multilateral institutions remain substantial even where bilateral tariffs have proven negotiable: dysfunction in the WTO Appellate Body persists, and confidence in the

WTO and the IMF's capacity to resolve great-power disputes continues to erode (Ali et al., 2025). Regional effects have been uneven; WTO data show that Asia and Africa recorded the fastest export growth through 2025, while North America contracted (WTO, 2025c). The Global South's position is better described as active hedging than passive exposure: many developing states maintain ties to both powers simultaneously, and China's 2025 trade diversion toward Africa, ASEAN and Latin America has, if anything, deepened rather than forced a binary choice (Rosen et al., 2026).

The European Union illustrates a comparable dynamic, continuing to balance its economic ties with China against security dependence on the United States (Curran & Poustie, 2025), reflected in sustained calls for “strategic autonomy” and, at a sectoral level, in German automakers' own hedging between Chinese joint-venture production and reshored capacity in the United States. The more precise finding across these cases is not that the global economy is fracturing into two closed blocs, a reading the trade and GDP data above do not support, but that economic exchange is increasingly conducted with geopolitical alignment as one input among several, alongside cost, proximity and comparative advantage, rather than as a variable subordinated entirely to Washington's or Beijing's preferences.

6. Conclusion

The article set out to answer two questions on Trade War 2.0. The first is whether the trajectory of the confrontation since 2018 reflects sustained escalation or a cyclical pattern of escalation and negotiated de-escalation. The evidence supports the cyclical pattern. By November 2025, tariffs had been reduced by $> \frac{3}{4}$ from their April 2025 peak. Controls on rare earths announced in October 2025 were reversed in November. The two governments signed a formal one-year agreement, which neither government has since withdrawn from. In February 2026, the Supreme Court issued a ruling that invalidated the remaining significant tariffs. This is worth noting because it is counterintuitive to what one might remember about the conflicts of the time. The second question concerns the real costs incurred by both economies, and the durability of strategic decoupling as a policy commitment. The real costs were accretive to both sides and less severe than either side suggested at the height of the conflict. The United States had inflation and a temporary contraction and market sell-off, but avoided entering a recession. Official statistics met China's growth goal, but independently, it is believed the growth was more modest. This was likely due to the trade war and a slowdown in the domestic real estate market. There was an anticipated large drop in world trade in early 2025, but, according to statements from the World Trade Organization, it was pushed to 2026 rather than averted. On strategic decoupling, the record is similarly partial: tariffs proved negotiable and, in large part, unlawful, while controls on semiconductors and rare earths persisted throughout, suggesting decoupling has been pursued selectively in particular sectors rather than as a comprehensive policy commitment.

These findings suggest a qualification of the Thucydides Trap, not a rejection. A repeated preference for negotiated retreat is evident in the records of both governments. This preference is bounded by both economic self-interest and, in the case of the United States, the limits of the President's own authority, which poses a challenge to the great-power rivalry assumptions of the Thucydides Trap. The more enduring front will not be tariffs, which have been negotiated and, in substantial part, are illegal. Rather, this front will be the more constrained competitions over

semiconductors and rare earths. Both sides have chosen to continue the relationship rather than cut ties. The framework agreement signed in November 2025 will expire on November 10, 2026, and the underlying competition will remain centered on standards of technology and regulation. Future research on economic rather than military great-power rivalry will be better informed if it studies rivalries as a series of bounded competitions, influenced as much by the rivalry within domestic institutions such as courts, banks, and legislatures as by the status anxiety of the two rival states, rather than as a single step toward complete disunity.

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