

Solarium Reimagined: Containing the Rise of China

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ABSTRACT

The following paper studies the nature and plausible justifications to current trade war between the US and China. The theory of hegemonic power runs through the narrative embodied in this paper and postulates that the trade war has been initiated as an instrument to counter the rise of China in the global political economy. The lineages of the trade war can be traced back to trade deficit between China and the US, rivalry for global economic dominance and the US midterm elections. This paper will unpack the nature of the trade war looking at the history of other trade wars before this one. The second part will engage international relations theory, particularly hegemonic power and status to examine the validity of the idea that the rise of China threatens the US national interests and security. The third part will reflect on the above, revisit a project Solarium that president Eisenhower formulated in 1953 to counter the soviet expansionism during the Cold War era and postulate what could be expected next through the prism of hegemonic power in global politics. This paper concludes with an empirical case for caution that just as project solarium was a long-term strategy to counter Soviet expansionism during the Cold War, the US will need a similar long term policy position to counter the Rise of China.

Keywords: Trade War, Sino-America, International Relations, Hegemony, Foreign Policy

A. INTRODUCTION

Since January 2018 the global political economy has recorded a series of trade disputes between the United States and China. This began with US government action in imposing safeguard tariffs on large residential washing machines, solar cells and modules, this gave impetus to a fully-fledged trade war between the US and China (The White House, 2022). The trade war can mainly be viewed as a result of trade imbalances between China and the US, rivalry for global economic dominance and consequently as a result of mounting pressure president Trump encountered during the US midterm elections given that during his election Trump promised to counter the dominance of China in global trade. According to Ana Swanson, in 2017, the US trade deficit with China rose to USD 363 billion, which by far is the highest bilateral trade deficit on record (Swanson, 2018). President Trump has attributed the US trade deficit to what he calls China's arbitrary trade practices, protectionist measures and violation of intellectual property rights and patents. This led to an investigation by the United States Trade Representative (USTR) whose final report was submitted to president Trump by January 2018. Under section 323 of the Trade Expansion Act of 1962, it was established that "the quantities and circumstances of steel and aluminum imports threaten to undermine

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national security as defined in section 232" (The White House, 2022). The agency then recommended import tariffs of 24% on all steel products in all countries and 7.7% on all aluminum products in all countries (Husisian, 2018).

Furthermore, in April 2018, US President Donald Trump made public a list of Chinese products that would be affected by the surcharge on imports which was equivalent to USD 50 billion (Lawder, 2018). To reciprocate, China also set out its retaliation measures to the World Trade Organisation (WTO) by documenting a list of US products on which import tariffs will equally be imposed, including the additional 25% tariff on imported soybeans from the US (Zheng, Zhou, Li, Padula & Martin, 2022). This paper analyzes the current trade war between the US and China from a (counter) hegemonic status position. To achieve this, the first section will unpack the nature of the trade war by looking at the history of other trade wars before this one. The second part will engage international relations theory, particularly hegemonic power and status to validate and examine the idea that the rise of China is undesirable or at large a threat to the US national interests and security. The third part will reflect on the above, revisit a project Solarium that president Eisenhower formulated in 1953 to counter the soviet expansionism during the Cold War era and postulate what could be expected next through the prism of hegemonic power in global politics. This paper concludes with an empirical case for caution that just as project solarium was a long-term strategy to counter Soviet expansionism during the Cold War, the US will need a similar long term policy position to counter the Rise of China. The prospect of a fully-fledged trade war ponders a question on whether the US and China trade war will derail China's rapid economic growth and maintain the US hegemonic status.

B. ANALYTICAL FRAMEWORK

Overview The Context of Trade War

The US-China trade war is not the first of its kind, other trade wars have been recorded throughout the history books, and however this paper will discuss those in contemporary international relations. Since 1991 the US has launched at least five 'Section 301 investigations' against China prohibiting it into areas of clean energy, unfair trade barriers and intellectual property rights. Retrospectively, the use of tariffs has been a common feature of retaliation for both the US and China when engaged in trade disputes (Amiti, J. Redding & E. Weinstein, 2019). Also in 2010, Obama initiated a Section 301 investigation on China's subsidy policies and investment in green technologies as a result of the petition filed by the United Steelworkers (J. Keeler & H. Mintzer, 2010). The objective of the investigation was premised on the 154 Chinese firms in solar energy, wind energy, high-performance batteries, and alternative fuel vehicles which had been said to have violated WTO regulations.

Nonetheless, China is not the only country to have experienced the might of the US section 301 investigations, Japan and the European Union (EU) has also been subjugated to these investigations over a range of domains including vehicles, color television, textiles, steel

and currency. Japan alone faced at least 24 Section 301 investigations initiated by the US government in the 1980s. These trade wars were often resolved through the implementation of bilateral agreements, however some of them went as far as to require the WTO arbitration mechanisms for peaceful resolution (Alschner, 2013). History has proven that no one emerges as an absolute victor in trade wars, a typical example is the US-Japan automobile trade war in the 1980s. During the initial stage of this trade war, the US secured a short-term victory in successfully having Japan voluntarily restrict their automobile exports and open up their domestic markets to US firms. However, both the Japanese car producers and American consumers suffered greatly from the trade war. On one side, Japanese car producers endured a significant decrease in revenue, while consumers in the US incurred a substantial increase in car prices.

The above illustrates the economic impact or motive of trade wars in general, in that the exporting country suffers increased tariffs and a decrease in sales while the importing country suffers an increase in market prices and potentially job losses for those in sales. A common trend in these trade wars is that they have been resolved through bilateral peace agreements which suggest that threats to more tariffs were predominately rhetorical and aggressive short sighted policy instruments to force other parties to come to the negotiating table. And most importantly is that the crux and real rationale behind trade wars are beyond economic impact which in the case of the US is to maintain Hegemonic power. The next section will engage international relations theory and highlight the relevance of Hegemony in the current US-China trade war.

Engaging International Theory

Theory is important in International Relations, it gives scholars, commentators and people in general an understanding of the world through different lenses and perspectives, each of which offers a different prism of ideas, knowledge, culture and tradition. Most mainstream theories of International Relations, realism in particular, is premised on the idea that states pursue courses of action which they deem to be prospectively more beneficial, self-serving and power fulfilling. This is the so-called rational choice mechanism which all states are assumed to operate from. According to Evera, anarchy often offers rational states more room to maximize their utility and national interests (Johnson & Thayer, 2016). Equally so, the theory of Hegemonic stability is important in understanding the stability and instability in the international political economy.

According to the theory of hegemonic stability, the role played by a hegemonic power is fundamental in creating a stable international politics and economy. Its presupposition is that without a strong hegemonic power, the creation of international stability or governance is impossible and unachievable (Dutkiewicz, Casier & Scholte, 2020). The main idea in this theory is that there must be one dominant power in the international system to guarantee international and economic stability. Furthermore, only a singular hegemonic power has the authority to

establish international rules and regulation that oversees orderly exchanges amongst countries and has the responsibility to punish transgression with rigid penalties and disincentives. Any actor that transgresses the rules and regulations should be punished because without punishment the authority of the hegemonic power is at best questioned and undermined.

A hegemonic power has the capacity to initiate public goods and great power to shape and perpetuate the existing international system that gives it its dominant status. Public goods or a secure and stable environment can be guaranteed by a hegemonic state, its ability to provide and maintain public goods is unquestionable because of its strong position and capacity in terms of military, economic and political power. These public goods include security, finance, international institutions and shared values, thus the hegemonic power provides public goods to maintain order and security in the global political economy. The history books have recorded that from 1919 to 1939 was an unstable period due to the absence of a hegemonic power. This period was a transition phase of an emerging new hegemonic power which was the US. The realist school of thought and the theory of hegemony power provide a vantage point for this paper and its basic assumption that the current trade war between the US and China is premised on the above. The next section will review literature that will unpack the trade war itself, the reasons behind it and what could be expected next using theory and historical wisdom from the trade wars before this one.

The US-China Trade War: A Literature Review

The White House adopted a rather radical policy position on trade as soon as Donald Trump assumed office even before the official communiqué of the US-China trade war. The bedrock of this policy position was laid in 2017 when Trump initiated a section 232 investigation on import steel and aluminum for national security reasons. January 2018 then marked the beginning of outright trade disagreements between the US and China and the US began to repeatedly impose anti-dumping tariffs on Chinese imports. March 2018 then marked a significant escalation in this trade war when Trump launched an executive memorandum to initiate a section 301 investigation into China's intellectual property and further threatened additional tariffs on Chinese imports (Rudd, 2022). Considering a wide production gap of steel and aluminum with China, it was reasonable at that time to assume that the investigations and additional tariffs' primary target was China.

China equally reciprocated by issuing a statement of intent the next day in retaliation to the threats of additional tariffs on American imports. The United States Trade Representatives compiled a list of 1,333 Chinese goods with total value of about USD 50 billion that would be subject to an additional 25% tariff on as of 4th of April 2018, China promptly retaliated with a list of American goods of equally value that would be subject to an additional 25% tariff (Palmer, 2022). On the 17th of May a Chinese delegation led by the vice premier of the PRC Liu He held a meeting with Trump and his trade representatives including Steven Mnuchin in which a joint declaration was concerted, underpinning a spirit of cooperation from both sides

and temporarily easing the trade tensions (Cheng, 2020). On August 23rd, the USTR went ahead with a threat of an additional 25% tariff on Chinese commodities worth around USD 50 billion, and China reciprocally responded in equal terms. However, in the next following months neither of the two countries saw fit to make any concession. This ponders a question of what causes these continued tensions or why the two rival countries cannot seem to be reaching an agreement in light of this trade dispute?

The causes of the US and China trade war are both absolute and relative. Ostensibly, the fundamental cause of this trade war is the widening trade gap between China and the US. The US trade deficit with China has also widened overtime. By 2017, the trade deficit with China has become a major source of net imports of the US, equal to at least 46% of the total deficit. This trade deficit has long been a root for US national debt crises and public concern for the US citizens which motivated the US government to initiate a trade war against China (Zhang 2018). It is therefore a well-established fact that the long-standing trading gap between the US and China is the trigger of the on-going trade war which inherently ponders an investigation into the effectiveness of the on-going trade war as a formidable approach to close the existing gap. This is a question that gives relevance to the idea of a solarium II postulated in the title of this paper, as a long-term strategy that set out deliberate high-level-executive policy directives that will at best address the problem at hand.

The US midterm elections which are held every four years also served as a crucial turning point in the USTR, but particularly to Donald Trump due to the fact that during his election campaign he had promised the electorate a quid pro quo to the extending trade gap between the US and China. As pressure accumulated from the electorate Trump saw the trade war as an opportune and rational move to secure votes for his political party during the midterm elections. Given that Trump used the trade deficit as part of his populist ideal election campaign, and the secondly he set tone for a full scale trade war against China, one may actually begin to question the US justification and rationality of the on-going trade war because this trade war does not only hurt China only, but the US too incurred loss from this trade war, and equally so, what about the small/medium economies that are also taking a hit from this trade war? The next paragraph will look at another dimension to which the existence of this trade war can be justifiable, and perhaps validate the relevance to the theory of hegemonic power entailed in this paper.

Thus far, the literature has categorized political motives and economic factors as the triggers of the on-going trade war, however some scholars believe that the pinnacle of this trade war lies a battle for dominance in global economics (Farwell & Miklaucic, 2022). Over the past 30 years, China as a rising power has been experiencing rapid economic growth and has now become a major economic power in the global political economy. According to the World Economic Outlook, China's production volume ranks number two worldwide, and moreover, China's GDP has already exceeded that of the US in terms of Purchasing Power Parity (PPP). The presence and importance of the RMB (Chinese currency) has also consistently been

exchanged in world trade and transactions, which poses a significant threat to the position of the USD. To add salt into the wounds, Chinese has also been outlining its wide array of global strategic plans, such as the Belt and Road Initiative (BRI), Asia Infrastructure Investment Bank (AIIB) and Made in China 2025 which will further reinforce the image of China in the face of the world. Media reports and commentators suggest that since the end of the midterm election, the trade war has moved towards a peaceful direction however the above mentioned (BRI, AIIB and Made in China 2025) perceived through the lenses of theory of hegemonic power suggests that the trade war is far from over if not only at the beginning. The strive for global dominance is most likely to be long-standing, making it highly unlikely that the trade war will end anytime soon or that it is a formidable course of action to counter the rise of China. The next section is premised on the basis that the trade war is not a formidable course of action to counter the rise of China and its geostrategic plans.

C. RESULT AND DISCUSSION

Towards A Solarium II

The previous section has identified a typology of three reasons for the current trade war, these reasons are both economic and political, but at large it would appear that a strive for global dominance (hegemony) is not only at the pinnacle of the trade disputes but appears to have no prospect of ending soon. This is because on the one hand, China's going out strategy and geostrategic plans are part of it "reclaiming its rightful place in history that dates back to the 17th century Silk Road" before the first and second opium wars. On the other hand, besides Trump basing his presidential campaign and reign on "making America great again", the reality in contemporary international relations is that the rise of China has significantly become a major threat to the US hegemonic status. This paper recognizes from the history books a similar situation America faced during the Cold War in the summer of 1953 (Menand, 2018). The death of Stalin in March 1953 created a leadership vacuum and increased tensions between the US and the Soviet Union, consequently, the US registered a sense of heightened danger exacerbated by the threat of expanding Soviet nuclear capacity. Henceforth, the then president Eisenhower realized the urgency to establish a new national security policy, later on identified as a project Solarium (Friedberg, 2015). This project's primary objective was to "contain" the spread of communism successfully with the least possible outbreak of yet another war and disrepute to the international community.

President Eisenhower learned from his experience as a military officer that long-term planning was not only important but harmonious once the operations had been carried out. Eisenhower also clarified the importance of strategic planning early in his administration stressing the urgent need for best possible decisions for best possible outcomes to his NSC principals (Rivlin, 2007). One may also question how the author of this paper makes a correlation between Eisenhower successfully containing the expansion of the Soviet during the Cold War era and Trump dealing with the trade deficit with China, its geostrategic plans (BRI,

AIIB and Made in China 2025). The answer to the question is simple if one borrows wisdom from the history book with theories of international relations and applies it to the current political context. The rise of the Soviet in the Cold War era and the rise of China in contemporary global issues are two distinct issues, but issues with a similar threat to the American hegemonic power nonetheless. This paper adopts as its vantage point that just as president Eisenhower recognised the need for a long-term national security policy and strategic plans to counter the rise of Soviet expansionism, it would not be too far-fetched to any scholar to expect the same from Trump at the very least. Verbatim, this is to say the trade war as mentioned above, lacks a long-term prospectus to peacefully deal with the rise of China and its geostrategic plans. It is an undeniable fact that America needs a long-term national security policy and strategic plans not only to deal with the rise of China but to oversee the future of global security (fulfill its responsibility as a Hegemony). The next section will prognosticate the future of cooperation without hegemony in global economic politics, and before concluding, postulate a few recommendations in which a prosperous global future could be secured.

Cooperation Without Hegemony

The theory of hegemonic stability presupposes that the role played by a hegemonic power is fundamental in creating stability and cooperation in international economy and politics. Its presupposition is that without a strong hegemonic power, the creation of international stability, cooperation or governance is impossible and unachievable. Also great scholars including Robert Keohane and Joseph Nye have been instrumental in this debate and their work is still very instrumental in understanding power and interdependence in contemporary global political economy (Keohane & Nye, 2000). Another prominent scholar in this debate, Marina von N. Whitman portrayed a potential “leadership without hegemony” as a futuristic policy position for the US and how it may be difficult if not impossible to achieve (O. Keohane, 2015). Leadership without hegemony would require cooperation among relatively equal egoistic powers to realize the need for interdependence and cooperation with one another.

According to Keohane, the problem at hand has a great deal of difficulty in solving. However, to achieve cooperation without hegemony is the main political problem for contemporary transatlantic economic relations, one that is worthy of study and examination. Keohane suggests that there must be a payoff structure that incentivises cooperation as compared to a situation of hostility. This would mean that mutual cooperation will be equally paramount to both players (Keohane, 2015). By all means, this does not mean that insecurity of cheating will not exist, as in the game theory “prisoner’s dilemma”, it may be best to defect from an agreement while one’s partner abides by it. Furthermore, consensus must be established in that the players continue interaction in the future, and that they establish sufficiently long-term time horizons that a peaceful future is important to them.

This provides an outlook that cooperation between the US and China is possible but will never be easy to achieve. The liberal school of thought presupposes that institutions are also essential in that they can reduce transaction costs, provide needed information and also have the propensity to increase the probability that the actors involved continue to interact with each other in the future. Indeed, international institutions in this regard are indispensable in the global political economy not merely because they can sometimes impose rules and regulations but also consistently monitor the behavior of actors and provide viable information for quality and evaluation purposes. Another optimistic view would be the emergence of a collective leadership in which the actor's interests are equally represented and reciprocated to avoid future conflict and tensions between the actors involved.

D. CONCLUSION

The US-China trade war has been a burning issue in global politics not because it is economic warfare between the two great powers in world politics but also because of the immensity of the economies involved and the future of global security. Academic research and professional foresight suggest that the on-going trade war has a potentially remarkable impact on both the US and China, and the rest of the world at large. This paper has unpacked the nature of the trade war looking at the history of other trade wars before this one. The paper has also engaged international relations theory, particularly hegemonic power and status to examine the validity of the idea that the rise of China threatens the US national interests and security. In doing so the paper has borrowed from the history book the idea of a project Solarium that president Eisenhower formulated in 1953 to counter the soviet expansionism during the Cold War era and postulate what could be expected next through the prism of hegemonic power in global politics. This paper concludes that just as project solarium was a long-term strategy to counter the soviet expansionism during the Cold War, the US will need a similar long term policy position to counter the Rise of China and if not explore the possibility of establishing collective leadership in which both countries interest are equally represented and reciprocated to avoid future conflict and tensions.

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