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Conceptualizing China–U.S. rivalry through the lens of globalization in an era of changing structure-agency dynamics

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ABSTRACT

This paper explores China–U.S. rivalry through the lens of structure-agency dynamics within the context of globalization as a tool for studying the competition between the two powers. The globalization-shaped world economy is identified as a highly interdependent and intertwined structure within which heterogeneous agents interact. In an effort to shift the balance of power in its favour, the U.S. is endeavouring to contain China's economic and technological advance by attempting to alter the patterns and dynamics of the world economy in which China is gaining comparative strength. Through combining theoretical discussions and empirical examples, the paper concludes that economic globalization prioritizes structural variables of the world economy in a way that disproportionately benefits and capacitates China's structural position in the world economy, and the U.S.'s strategy of economic derisking and technological containment to impede China's progress is going to face constraints and may ultimately accelerate China's pursuit of technological self-reliance.

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Introduction and research question

The ongoing rivalry between the U.S. and China has become a paradigm of international relations shaping the trajectory of the twenty-first century international order. The rivalry encompasses political, security, and economic domains. While the economic competition and trade- and finance-related conflicts constitute a tangible aspect of the rivalry, the technological dimension of the rivalry runs deeper and is bound with discourses concerning security implications as well as norms and values, adding a layer of complexity to the rivalry.

The structural architecture of the current international order was shaped by the U.S. after World War II, as a result of its hegemonic position. This order rests on four main pillars: (1) a capitalist world economy via the Bretton Woods system, dollar dominance, and global economic interdependence; (2) collective security through US-led alliances in Europe and Asia to counter communism; (3) a global trade regime centred on Europe and East Asia; and (4) liberal ideological alignment promoting American norms and values. As George Kennan noted in 1948, these structures were designed to preserve US dominance and the global disparities from which it benefits (Kennan, 1948).

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Today China is perceived as a 'systemic rival' to the U.S.-led international order, causing it to lose its position of disparity. The notion of systemic rival connotates a strong perception that China's global rise is not only turning the country into a global economic and technological competitor but also translating its economic success into a political and ideational contending force, promoting alternative models of development and governance. Chinese cultural influence, ideational impact, and the diffusion of Chinese ideas and norms that have been unleashed by its economic rise are increasingly carrying weight in international relations. The notion of China as a 'systemic rival' (structural challenger) to the international order is spelled out in the National Security Strategy (NSS) by the Biden Administration (Biden Administration, 2022).

Notwithstanding that China hawks are becoming a united political force in Washington – one of the few bipartisan consensuses left, the U.S. administration also has to admit that China

> is also central to the global economy and has a significant impact on shared challenges, particularly climate change and global public health. It is possible for the United States and the PRC to coexist peacefully and share in and contribute to human progress together. (Biden Administration, 2022, p. 24)

It seems that China is identified as both a structural rival of the existing US-led international order and an indispensable agent in the world economy.

How to conceptualize the ongoing China–U.S. rivalry in the current globalized era, and particularly through the lens of evolving interplay between structure and agency brought about by economic globalization? Should the rivalry be seen as the outcome of broader geopolitical and economic development that has shaped the international system over the past decades? The structural perspective underscores the systemic uncertainty and instability that have created a context of the rivalry between China and the U.S., such as China's ascent as a global economic and military power, the escalating competition for resources and markets, and the diffusion of technology and information. These dynamics have changed the structural balance of power within the international system, including the distribution of power, the norms and rules of international institutions, etc.

Or should the rivalry be interpreted from an agency perspective? Such an approach sees the rivalry as an outcome of intended actions, strategies and policies of the agents involved, such as leaders, policymakers, diplomats, think tanks as well as other state and non-state actors. It highlights how each country leverages its resources, decision-making processes, and policy instruments to shape and respond to the global economic and political order. This perspective underscores the dynamic and intentional actions taken by both powers to influence outcomes despite structural constraints. The agency approach emphasizes the capacity of the state and the role of its distinct political, economic and military strategies, policies and tactics in outcompeting the rival.

In the context of this paper, 'structure' specifically refers to the 'world economy', encompassing a complex network of global supply chains and value chains, division of labour, services, and finance, including the rapid and widespread diffusion of technology. To describe the world economy as a 'structure' is to recognize it as a system of enduring, interconnected institutions and relationships that shape and limit the behaviour of states, firms, and individuals. It is governed by established rules characterized by hierarchical power dynamics, built on historically evolved interdependence involving the flows of goods, capital, labour, and technology – dynamics that both enable and constrain agency. Today the world economy's interconnectedness and interdependence are marked by growing trade, investment, and information flows across national borders. Within this structural context, economic interests and hegemonic rivalry are playing out between China and the U.S. – the two largest global economies.

This paper grapples with a central inquiry: given the intricate and interdependent nature of the world economy, where agency constituents (individuals, states, policy-makers, markets, and transnational companies) of both China and the U.S. are deeply interconnected, along with the contemporary features of the world economic structure (such as interconnection, interdependence, and inter-embeddedness), and considering present-day agency characteristics (multiple actors, diverse choices, and the ability to act), can we still examine the rivalry between China and the U.S. using the conventional framework of structure-agency dualism?

The paper suggests an approach to conceptualizing China–U.S. rivalry through the lens of structure-agency interactions that go beyond the conventional frameworks of international relations and international political economy where the U.S. hegemonic agency was pivotal to maintaining the international order and fostering international cooperation. The paper emphasizes the fact that globalization has brought about fundamental changes to the 'modus operandi' of the capitalist world economy in which the economic order's constitutive rules and regulative capacities are in the process of restructuring and generating new social constellations of actors and agencies' (Li & Hersh, 2006, p. 45). The conventional structural power of the U.S. agency (Strange, 1988) in the international political economy (security, production, finance and knowledge production) has been largely diluted. The ongoing China–U.S. rivalry represents a renewed competition for hegemony in this new context.

As a result of its accumulated economic power from the globalized world economy throughout the past four decades, Beijing has gained a new level of agential power that makes it a geopolitical competitor in the existing international system. Here we see the repeat of historical great power rivalry as the existing hegemon tries to game the structure to constrain rivals. Trump's trade war against China was strikingly similar to the U.S.–Japan disputes in the 1980s. The result was that the U.S. gamed the economic structure through its monetary supremacy so that the Japanese challenge to the U.S. hegemony was successfully contained. However, the structure of the world economy during the 1980s was markedly different from its current form. In the present era, globalization significantly limits the capability of the U.S. and its agency to exercise power effectively in addressing a widening spectrum of interconnected political and economic challenges.

Accordingly, the paper's conclusion is that the current U.S. strategy of economic derisking and technological containment to weaken China's advance is unlikely to succeed, because such a strategy is severely constrained by the intertwined nature of the world economic structure and by the intricate web of transnational interdependence and embeddedness. When considering the U.S.-led technological sanction against China, it is notable that China holds the position of being the biggest manufacturing supplier, the largest trading partner and an essential export market for numerous countries. Beijing possesses the capability to mitigate the impact of US sanctions by leveraging its dominant structural position within global manufacturing and supply chains. Furthermore, the U.S.-led technological embargo is, on the one hand, creating a negative-sum competition between the two countries, a lose–lose situation for companies from both sides; and on the other hand, it is expediting Beijing's efforts to invest in attaining technological autonomy and self-sufficiency, particularly in high-tech industries. This, in turn, will reshape China's structural position in the global economy, as the development of an independent technological ecosystem positions China as a competitor rather than a consumer in the global tech landscape. A good example was the recent success of Huawei's new phone equipped with advanced chip, which exposes the limits of U.S. sanctions against China's technological advance.

Theoretical and conceptual discussions and two analytical propositions

Understanding the complex dynamics of China–U.S. rivalry requires a comprehensive and nuanced approach that carefully examines the interplay between overarching structural settings and the actions and strategies of the involved actors.

The debate on the relationships between structure and agency in mainstream international theories revolve around understanding the interplay between states (considered as agents) and the international system (seen as structure). The interaction between structure and agency refers to how states, acting as agents, engage with a defined system of arrangements that shape their policy behaviours. The debate holds significant relevance in the field of international relations as it elucidates how states make choices and decisions, and how those choices and decisions are shaped by the broader context in which they exist. States consistently maintain their strategic goals and national interests, and the structure of the international system within which they operate either enables or constrains their ability to pursue those goals and interests.

Mainstream international relations theories offer differing perspectives on how emerging powers interact with the established international order, particularly through the lens of structure-agency dynamics. Structural realism argues that the international system imposes constraints on state behaviour, emphasizing power distribution and balance of forces as key determinants (Waltz, 1979). While acknowledging the role of agency, realists stress that the anarchic and hierarchical structure of the system largely shapes outcomes. Within this framework, China's rise is viewed as inherently conflictual, as it disrupts the existing balance and challenges U.S. hegemony (Mearsheimer, 2006). Structural realists see this power shift as the main driver of U.S.–China rivalry, suggesting that conflict is inevitable (Allison, 2017; Mearsheimer, 2018). In contrast, neoclassical realists highlight the role of domestic politics, leadership, and legitimacy in mediating structural pressures (Brands & Beckley, 2022; Yan, 2019). Yan's moral realism, in particular, diverges from Western structural realism by emphasizing strategic culture and moral legitimacy over material power and anarchy.

Liberalism, unlike structural realism, emphasizes the role of agency in shaping international relations. State behaviour and preferences can influence the structure of the international system (Moravcsik, 1997). Liberal scholars argue that while China's rise challenges the liberal order, its future depends largely on U.S. leadership, strategic choices, and the ability to adapt (Ikenberry, 2020; Weiss, 2022). The order's resilience hinges not just on institutions or past dominance, but on its capacity to respond to global shifts through renewal and re-legitimation. From this view, China's rise reflects the liberal order's success, as it occurred within – and was shaped by – existing economic and institutional frameworks (Ikenberry, 2008).

Constructivism views structure and agency as mutually constitutive, emphasizing that international structures influence state behaviour while states, in turn, shape those structures (Qin, 2018; Wendt, 1987, 1999). More powerful actors play a key role in shaping norms and self-perceptions within the international system. Relational structures – such as social roles and expectations – significantly influence foreign policy behaviour, particularly for major powers like China and the U.S. agency, shaped by global norms, self-conceptions, and leadership interpretations, interacts with these structures to co-construct international dynamics (Qin, 2018; Zhu, 2020). Constructivism also highlights that identities, i.e. socially constructed through shared norms and values, form the basis of state interests (Wendt, 1987, 1999). Unlike realism, it holds that identities are not fixed but evolve over time. For instance, China's post-1970s reforms reflected not just material goals but a shift in national identity shaped by internal narratives and global engagement.

In summary, realism sees international structure as shaped by power distribution, constraining state agency, while liberalism treats structure as a platform for agency. However, economic globalization has complicated these views by creating interdependencies that constrain state and individual autonomy. Similarly, constructivist ideas of mutual structure-agency shaping are also challenged as global markets, corporations, and elites increasingly limit state power. The globalized economic structure marked by complex interdependence and self-reinforcing dynamics is operating beyond state control. Markets and institutions follow their own logic – efficiency and profit – often clashing with state goals. Efforts to decouple from global systems face growing difficulty, while emerging private powers like Big Tech erode traditional state authority and create new economic centres.

This paper's emphasis on structure, outweighing agency, is based on the argument that, since the Cold War's end, globalization and transnational capitalism have reshaped the global economic structure, diminishing state agency. The U.S., once dominant in setting international rules and frameworks (Strange, 1988), has seen its agential power decline in a post-hegemonic global order. Globalization has introduced new economic and political forces that have transformed the world economy (Gilpin, 2001), fragmenting and decentralizing production across borders (Robinson & Harris, 2000) and creating a transnational capitalist system that integrates most countries into global production and financial networks (Robinson, 2012). Through the structure–agency lens, this shift reveals how firms, states, and workers operate within constraints imposed by global supply chains, investment flows, and technological dependencies, limiting their autonomy.

Thus, as one scholar argues, globalization enhances structural approaches to international relations, especially in the current era when the world economy has evolved into a very complex interrelationship. This is because:

> Globalization generates *multiple equilibria*. Consequently, structural variables involved in the globalization process do not merely constrain actors but also create structurally significant opportunities for some actors to enlarge their action repertoires within an expanding and increasingly complex playing field (transnational opportunity structures). Thus different categories of actors may develop greater potential capacity to exercise disproportionate leverage in shaping the contours of longer-term change. (Cerny, 2000, p. 435)

However, scholars differ in their perspectives on the China–U.S. rivalry. Winecoff (2020) argues the U.S. retains structural centrality, particularly in global finance, despite China's rise and increasing transnational ties. He challenges the 'lost hegemony' narrative, emphasizing the enduring advantages of the U.S.'s networked position. Farrell and Newman (2019) introduce 'weaponized interdependence,' showing how US dominance in asymmetric global networks enables strategic coercion. Schindler et al. (2024) view the rivalry as a struggle for centrality across four global networks: infrastructure, digital systems, production, and finance – concluding neither side will dominate, as most states remain engaged with both powers. Starrs (2019) highlights that China's rise occurs within U.S.-led global capitalism, noting its success depends on integration rather than decoupling – a view that echoes Ikenberry (2008).

This paper aligns with existing literature emphasizing the structural dimensions of the China–US rivalry while acknowledging aspects of the enduring structural power of the U.S. Nevertheless, it underscores how economic globalization has disproportionately empowered China, offering it a distinctive path to great-power status. China's rise has been deeply rooted economic globalization, leveraging global markets, technology, and institutions like the WTO. Through participation in

global supply chains and access to foreign investment and consumer markets, China transitioned from labour-intensive manufacturing to advanced sectors such as high technology and green energy. Economic globalization thus serves as both the foundation and catalyst for China's development and growing global influence.

Two analytical propositions

Based on the above broad understanding of the evolving structure-agency relationships brought about by economic globalization, the paper puts forth two propositions to conceptualize and analyze China–U.S. rivalry through a pro-structural lens. The first proposition highlights China's competitiveness and resiliency in the world economy, especially in manufacturing and supply chains (representing structural power). The second one emphasizes the constraints on US containment policy against China (agential power) when attempting to curtail China's position in the world economy. The intersection of the two propositions is illustrated as follows (Figure 1).

Proposition 1

Globalization is not merely what states make of it, and globalization also makes states. Economic globalization benefits its promoters/proponents (the existing powers) in terms of facilitating their capital movement, market expansion and spatial fix. But it also empowers the receivers/followers (the emerging powers) to such an extent that the upward mobility and manoeuverability facilitated by globalization exceed the control of and surpass the initial expectations of the advocates. In essence, this structural perspective highlights that China's integration into and adept navigation of the global economy has been pivotal to its upward mobility and strategic positioning. China's economic rise is deeply interconnected with its role as a manufacturing centre within global value chains. This integration has enabled China to capitalize on international demand, benefit from technology transfers, and harness economies of scale.

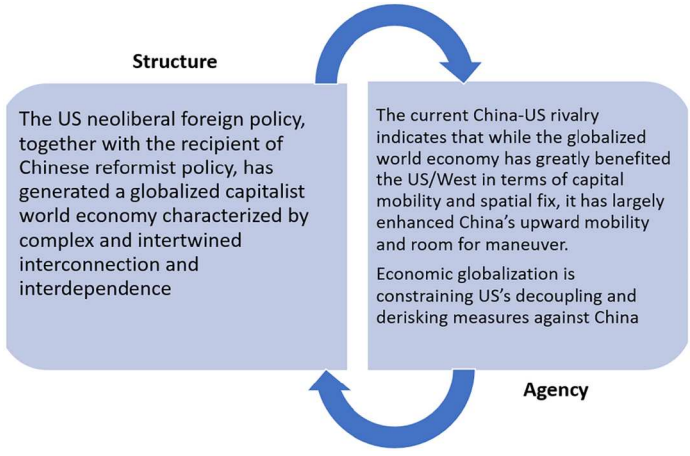

Figure 1. Economic globalization and the changing dynamics between structure and agency (the author's own figure).

The paper acknowledges that economic globalization, while fostering structural autonomy in the world economy, has been driven by both U.S. and Chinese state agencies. For the U.S., economic globalization helps to address capital accumulation crises through outsourcing and relocation, supporting high-tech competitiveness and dollar hegemony. For China, it offers a strategic pathway to modernization, with state agencies playing a central role in guiding economic integration while maintaining control over key sectors – symbolizing 'Chinese state capitalism'. Beijing's 'Open Door Policy' aligned with U.S.-led globalization and institutions like the WTO, enabling the rise of its pivotal position in the global supply chains. This dynamic has created a global economic system that, while rooted in U.S.-led capitalism, increasingly operates beyond U.S. dominance.

While both countries benefit from economic globalization, their roles are interdependent yet increasingly competitive. The U.S. relies on China as a manufacturing base, whereas China depends on access to U.S. markets and technology. This interdependency has led to significant global supply chain entanglement. China's economic integration into the world economy enhances Beijing's economic, political and technological capacities (agency aided by state capitalism), representing a positive spill-over effect of the globalized world economy (structure). China's active participation in economic globalization has been very rewarding in terms of enlarging the country's 'room for maneuver' and increasing its 'upward mobility'. Globalization has transformed the country from an initially low-wage manufacturing hub to a present technological giant, changing the China–U.S. economic relationship from a complementary one to a competitive one. China's structural position in the world economy is indispensable today, and any attempt to decouple China from the world economy would cause serious global dislocations.

Proposition 2

The U.S. has historically been a major driving force behind globalization. Paradoxically, however, the globalized world economy also 'hollows out' its agential capability. Globalization requires the state for its own adaptive reproduction. While globalization empowers the Chinese state by enabling the reproduction of state capitalism, the U.S. liberal free-market capitalism is witnessing a retreat on the global stage, accompanied by the rise of its worldwide protectionist measures.

Under economic globalization, state agencies increasingly operate alongside transnational actors, jointly influencing international economic and political developments. A key question is whether transnational corporations act independently or remain tied to specific states. Globalization has relatively weakened state agency, particularly in economic regulation and policy autonomy, shifting the structure–agency balance in favour of transnational capital. National markets are now functionally integrated into a global system driven more by capitalist logic than state interests. In the China–US rivalry, while the U.S. retains geopolitical agency in terms of forming anti-China alliances, it is also constrained by deep economic interdependence.

Empirically, in addition to drawing on a range of diverse data and statistics, the paper employs three sets of empirical evidence to illustrate how China's structural position in the world economy allows it to resist U.S. agency pressure. The first evidence draws on China–U.S. trade data from a Federal Reserve report, revealing that the U.S. de-risking strategy has largely failed to meet its goals, as alternative suppliers to the U.S. remain heavily reliant on Chinese imports.

The second analyzes Trump's continued high tariffs against China. Tariffs, as expressions of U.S. agency, are tactically disruptive but strategically weak when confronting China's embedded structural competitiveness in minerals, components, and global supply chains. Without parallel structural shifts (e.g. new supply networks, industrial capacity at home), tariffs alone cannot shift the global competitive balance.

The third is a case study focusing on the U.S. semiconductor embargo against China. The unilateral ban imposed by the U.S. on supplying critical technology to China, particularly semiconductors, is predicated on the belief that China's advancement and utilization of high technology are bolstering its agential competitive capability. But the semiconductor sector in the world economy is structurally complex, marked by the interdependence of comparative strengths and geographic specializations. This suggests that the U.S.-led semiconductor alliance, known as the 'Chip alliance', is an attempt to control and dominate the global semiconductor supply chain by unifying its structural diversifications under the U.S. auspices. However, these sanctions against China have repercussions on numerous transnational economic agents with extensive business ties to the Chinese economy. These agents depend on China as both an export market and a crucial source of microchip components. The worst scenario to the U.S. and its allies is that the semiconductor sanction, perceived by China as a chokepoint strategy, would compel China to vigorously pursue chip self-sufficiency and foster interdependent relationships within the semiconductor ecosystem. Such a situation is actually emerging today with the success of Huawei in developing its own 5G chip.

Here are a few important indicators of China's multifaceted positions in the world economy:

First, China accounted for 28.7% of world manufacturing output in 2019, which was almost that of the U.S., Japan and Germany combined. The total value added by the Chinese manufacturing sector was almost $4 trillion in 2019, accounting for nearly 30% of the country's total economic output, while the manufacturing sector in the U.S. economy in 2019 accounted for just over 11% of its GDP (Statista, 2021). As such, it is not a surprise that China is the world's largest consumer of commodities (a fifth of the world's crude oil, half of its copper, over half of its nickel and zinc, more than three-fifths of its iron ore, and consumes over half of its coal) (Engelhart, 2023).

Second, China has an indispensable role in global supply chains. The value of China's total annual merchandise export was almost that of the U.S. and Germany combined in 2022 (Statista, 2023). Accordingly, China has been the world's largest exporter of consumer goods since 2009. Today China is the world's top country by high-technology exports (high-technology exports are products with high R&D intensity, such as aerospace, computers, pharmaceuticals, scientific instruments, and electrical machinery) (Knoema, 2021). It is the top trading partner to 128 of 190 countries (Ghosh, 2020), including most of US allies, such as the EU, and those that have strained relations with Beijing, such as Australia, South Korea, Japan and India.

Third, China is becoming a world's technology superpower. As argued in a Brookings Institution report, 'China will soon be one of the leading powers in technologies such as artificial intelligence, robotics, energy storage, fifth generation cellular networks (5G), quantum information systems, and possibly biotechnology' (Hass, 2020, p. 7). What is more alarming to the U.S. is a recent report by the Australian Strategic Policy Institute (ASPI) shows that China has a 'stunning lead' in 37 out of 44 critical and emerging technologies, ranging from defense, space, energy, to biotechnology (Gaida et al., 2023). This report echoes another recent research finding that China has successfully moved from manufacturing low-tech consumer products to becoming a technological leader in sectors linked to advanced manufacturing, such as cloud computing, artificial intelligence, electric vehicles, and new e-commerce and internet-related production networks (Gereffi et al., 2022).

Last but not least, China is a core player in international financial institutions and a key founder of China-led financial institutions, such as the New Development Bank (BRICS Bank) and the Asian Infrastructure Investment Bank (AIIB), the largest holder of foreign currency as well as one of the largest foreign holders of American treasury securities. China is the world's largest provider of finance, offering more loans than the World Bank, and it is the most proactive player of

infrastructural investment for developing countries. The Chinese currency Yuan is gaining significant importance in international trade, rising 26.6% in 2022, and topping the 18.5% growth in 2021 (Khan, 2023). Beijing has proactively been entering into Chinese Yuan-based agreements with global central banks to raise the Yuan's global standing.

In summary, China wields significant influence on the world economy, particularly in four aspects: (1) global production, (2) global supply chains involving essential components and intermediate goods, (3) worldwide commodity market and pricing, and (4) the world's largest consumer market. These interconnected domains strengthen Beijing's interests in resource-rich regions within the Global South, like the Middle East, Africa, and Latin America. This development intensifies its geopolitical and geoeconomic competition with the U.S.

It's crucial to highlight the intricate nature of global supply chains, with China playing a pivotal role that profoundly affects global manufacturing, shipping, logistics, and related domains. The traditional 'made in China' model was characterized by low-cost, labour-intensive manufacturing. However, this model is evolving into one centred on advanced supply hubs. Presently, China holds a dominant position in global supply chains, particularly concerning industrial intermediate goods, spanning both midstream and downstream operations. For example, according to a recent study by the Brookings Institution, China plays a central role in refining and supplying critical minerals for the global energy transition:

> China is the dominant global player in refining strategic minerals. It refines 68% of nickel globally, 40% of copper, 59% of lithium, and 73% of cobalt. It is also a strategic player in later stages of the supply chain, such as the manufacturing of battery cell components. It accounts for most of the global production of mineral-rich components for battery cells, including 70% of cathodes, which are the most important component and can account for half the cost of a manufactured cell, 85% of anodes, 66% of separators, and 62% of electrolytes. Most notably, China holds 78% of the world's cell manufacturing capacity for EV batteries, which are then assembled into modules that are used to form a battery pack. The country also hosts three-fourths of the world's lithium-ion battery megafactories. This makes China the largest consumer of the minerals it refines. (Castillo & Purdy, 2022, p. 6)

According to one study by the German Marshall Fund, 'Today, China is a major actor in global value chains, accounting for nearly 20 percent of global manufacturing trade and an even greater share of many intermediate global value chain inputs that are essential for production' (Glaser & Bulman, 2022).

The most important reason why foreign manufacturing companies still want to remain in China after Covid-19, despite their dissatisfaction over China's stringent Covid policy and rising labour costs, is the crucial realization that China possesses a sophisticated and comprehensive supply chain *ecosystem* of networked suppliers, component manufacturers and distributors, which makes it a more efficient and cost-effective place for manufacturing. Any company that leaves this ecosystem environment of clustered and networked industries is going to face many visible and invisible difficulties, since navigating goods and information across long distances comes at a cost. These crucial interconnected structural factors explain why it is so difficult to decouple from China. Even if some foreign companies intend to relocate their production to Southeast Asia as a viable alternative for lower-end production, they soon realize that the region remains highly dependent on China for equipment and raw materials to power its manufacturing sectors. No Southeast Asian manufacturing hub can afford to be cut off from Chinese inputs.

A tangible example is highlighted in a recent Federal Reserve report (Hoang & Lewis, 2024), which acknowledges that while the U.S. derisking policy has decreased its direct imports from China, other external suppliers to the U.S. are increasingly dependent on Chinese imports. The

report provides a series of data indicating the fact that the four regions and countries – ASEAN, the EU, Canada, and Mexico – identified as the U.S.'s most significant alternative suppliers, have increased their imports from China. This implies that while the U.S. aims to reduce its direct dependence on Chinese imports, this dependency is effectively being shifted to its other suppliers. The report admits that 'as these countries and regions increased the share of their imports from China, they also sourced more intensively Chinese intermediate inputs for production of the goods and services they export' (Hoang & Lewis, 2024). Based on the data related to Canada, Mexico, Germany, Japan, South Korea, and Vietnam, the FRB report acknowledges two key findings 'First, the most important U.S. suppliers have increased their own reliance on Chinese imports. Second, the U.S. has imported more from countries that have stronger trade ties with China' (Hoang & Lewis, 2024).

Facing great power competition and world economic unpredictability, Beijing has prepared many tools and strategies in order to maintain its structural positions in the world economy:

1) signing different levels of bilateral partnership agreements with most countries as a way to stabilize political and economic relations;
2) reaching Belt and Road cooperation agreements with 148 countries and 32 international organizations as a means of facilitating and expanding investment and trade with a focus on infrastructural development;
3) entering into investment agreements with over 100 economies;
4) developing and signing 17 Free Trade Agreements with global partners. While the Trump Administration dismissed the Trans-Pacific Partnership (TPP) agreement with 11 countries in the Pacific Asian region, China successfully facilitated the formation of the Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade zone. The RECP is helping China to structurally couple the RCEP economies with its BRI which aims to promote infrastructural connectivity.

Analyzing Trump's ongoing high tariffs on China through the structure–agency lens allows us to assess how individual actors' choices (agency) interact with broader systemic constraints (structure). First, when Trump aggressively uses tariffs, many U.S. companies and consumers remain structurally reliant on Chinese imports in many critical areas, suffering from the impact of agency-driven policy choices. Tariffs cannot easily break decades-long dependence without systemic restructuring, which takes time and broad multilateral coordination. Second, U.S. corporations, farmers, consumers are embedded a domestic economic structure that prioritizes low costs and global supply chains. Consequently, Trump's tariffs are facing resistance from business lobbies, voters, and legislators, limiting the extent to which policy agency can be exercised without incurring significant political backlash. Third, China has also structural constraints – market access and dollar-dominated finance – but its state-led system possesses resilience and internal adaptability to conduct necessary readjustments. The Chinese state has already diversified export markets by increasing its trade with the Global South, subsidized affected industries, and heavily invested in self-reliance in areas such as semiconductors.

The intention to use tariffs, a short-term and transactional tool, to address the Chinese challenges – IP theft (market access for technology transfer), tech dominance, military-civil fusion, etc, – cannot alter what is embedded in China's successful state-capitalist model and global strategy. High tariffs as a policy agency will face deeper economic, intuitional and political constrains. High tariffs alone cannot resolve structural constraints in terms of reshaping supply chains, and

reforming global trade rules. China's embedded structural strengths in critical sectors, such as rare earth minerals, battery manufacturing, solar panels, and electronics components, is built on long-term state-led industrial policy, economies of scale, infrastructure investment, and skilled labour pools. High tariffs cannot undo decades of structural capacity-building or reconfigure global value chains overnight.

Recent deals between the U.S. and China in Geneva in May and London in June 2025, aimed at easing the tariff war, highlight the crucial reality that the U.S. continues to rely on China for critical minerals and rare earth elements, which are essential for various industries including automobiles, electronics, and defense. According to the most recent study by Rand, the China–U.S. ongoing tariff wars vindicate Beijing's techno-industrial and self-reliance policies. These policies will remain regardless of the outcome of future bilateral negotiations. Seen from the most recent rounds of the tariff war, China's manufacturing and export dominance in the global supply chain reveals its power (DiPippo & Lenain, 2025).

Derisking and technological embargo: a mission impossible?

Unexpectedly, China's economic rise has altered the conventional stratification of the world economy in which economies are stratified into a small core (Western advanced countries), a scattered larger semi-periphery (developing countries) and a vast periphery (the underdeveloped world) (Grell-Brisk, 2017; Li, 2021). The traditional separation between core, semi-peripheral, and peripheral zones is remodelled in relation to their composition and proportional sizes. Today the China–U.S. rivalry is an intra-core competition between two different types of capitalist economies within the core stratification of the capitalist world economy (Milanovic, 2020). China's ascent has indeed 'disrupted' the traditional distribution of economic power and wealth, and the ways in which countries are interrelated and shaped by the structures that have evolved to connect them. The U.S. is seeking to use its agency to reshape and reorganize the globalized world economic structure so as to alter the current pattern and dynamics of China's role and position in the world economy.

Two concrete measures have been promoted by U.S. agential power around the world. One is through forming international anti-China coalitions and through politicizing and securitizing technological cooperation with China in the name of protecting national security, such as the U.S.-led global embargo against two Chinese high-tech companies, Huawei 5G equipment (hardware) and Tiktok social-media platform (software). In order to contain China's further progress in technology, the Biden Administration imposed sanctions that target Chinese technology 'in some way more restrictive than Cold-War era controls' (Alden, 2022). The other is to decouple China from the world economy (Kramer, 2023), which includes the measures of: (1) establishing supply chains outside China; (2) utilizing incentives, such as tax credits, state subsidies, and concessional financing to relocate manufacturing as a way to reduce dependencies on China; (3) enhancing the transition to clean energy; (4) including more countries into the G7 framework in order to coordinate intelligence and economic and security interactions with China.

However, the U.S. may be underestimating the structural force of capital and economic institutions, which significantly reinforce the principle logic of capitalism, emphasizing capital accumulation and profit maximization as fundamental objectives. This logic has been expanded by globalization as the essential 'logic of appropriateness' in national political legitimacy as well as in international relations. When the law of value is globalized and becomes the survival mechanism of every state, few countries including US allies would risk the loss of the Chinese market, trade and investment. Despite the U.S. pressure, the EU, which is the U.S.'s closest ally, openly declared that

'it is neither viable – nor in Europe's interest – to decouple from China' (European Commission, 2023).

Even the China–U.S. trade war since 2018 and the supply chain disruptions caused by Beijing's pandemic restrictions have not undermined China's manufacturing dominance, at least in the near-term. The world witnessed a leap forward in China–U.S. trade in 2021, and again a historic high in China–U.S. bilateral trade in 2022 – $690 billion in combined imports and exports with imports from China increasing by $31 billion from the previous year, and with exports to China also increasing by $2.4 billion (Capri, 2023). Derisking from the Chinese economy will cause problems even for those targeted outsourcing economies which seek to replace China. Even the most authoritative US national journals openly admit that no other alternative, not even India, is able to replace China as the world's manufacturing power (Xu, 2022).

The vast majority of US transnational companies, except some critical sectors, is not embracing the idea of derisking from China. The lesson of the China–U.S. trade war shows that globalization has structurally transformed the U.S. economy into a contradiction – deindustrialization and overfinancialization. The former implies that the U.S. has to rely on China's export, while the latter suggests that the U.S. financial sector cannot simply ignore China as the world's largest emerging financial market. Despite the fact that the tension between China and the U.S. in their respective high-tech industries is continuing to intensify, Wall Street and Beijing are getting closer. U.S. financial agents understand that the centre of gravity of global finance is moving eastward in the long run, which explains Wall Street's expansion in China. The huge business opportunities in the Chinese financial sector are driven by Beijing's new growth model in which the financial sector will be further liberalized.

The U.S. semiconductor embargo against China

Semiconductors are the world's fourth most traded products. As the world is becoming more digitalized, the roles of semiconductors, chips, and integrated circuits are becoming increasingly vital. The globalized structure of the semiconductor supply chain involves extremely complex and long processes. Semiconductor companies can be categorized into different types, and each of these industry segments feeds its resources up the value chain (Blank, 2022). Semiconductor production activities are highly interconnected and sophisticated with different companies specializing in one of these activities: design, wafer fabrication, assembly, packing, and testing. This structurally integrated supply chain of semiconductors heavily depends on global free trade, because the various types of semiconductor producers benefit from cooperation and collaboration across the world.

Microchip suppliers, each specializing in different stages of production, are spread across various countries. The flow of raw materials, production equipment, and intellectual properties allow chip makers to perform their best and concentrate on innovation according to their comparative advantages. Today, no country has the capacity and capability to monopoly all specializations. While the U.S. has a monopoly in the first phase of microchip production, including a semiconductor intellectual property core (SIP core) and chip design, both front-end and back-end wafer fabrication are mostly based in East Asia (Korea, Japan, and China/Taiwan). Although China plays a big role in both front-end and back-end wafer fabrication, it relies on the import of the needed materials, equipment, and tools, which is China's key weakness.

According to the Semiconductor Industry Association (SIA, 2021), the U.S. depends on different countries for semiconductor manufacturing. Today China/Taiwan, South Korea, and Japan account for more than 75% of global manufacturing capacity (SIA, 2021). The initiative of

establishing the 'Chip 4' union (the U.S., South Korea, Japan, and Taiwan) proposed by Washington aimed to coordinate their policies on global semiconductor supply, labour skills, and subsidies to prevent China from moving towards the upstream of the technological value chain in this sector. In August 2022 the Biden administration signed the Chips and Science Act to bolster the U.S. semiconductor R&D capability and to reduce the heavy dependence on the Taiwan-based TSMC Ltd. In October of the same year, it unveiled a sweeping set of export controls that ban Chinese companies from buying advanced chips and chip-making equipment without a licence. It was expected that these monopolizations and protectionist measures toward Beijing's high-tech sectors would accelerate the technological derisking with China. Recently the Biden administration initiated a package of US$50 billion investment which was aimed at bolstering the domestic semiconductor industry and cracking down on China's semiconductor supply chain. This reflects that in order to outcompete its potential rivals, the U.S. utilizes its state agency to modify global semiconductor supply chains.

The U.S.-led chip alliance

Recognizing the diverse specializations within the semiconductor industry across various countries, the U.S. has been leveraging its agential power to organize an alliance of semiconductor producers known as the 'chip alliance' (the U.S., Japan, South Korea, Taiwan and Holland). However, the alliance will be unlikely to achieve its designated objective due to several factors.

First, behind chip production, there is an intertwined network of supplying equipment and other items encompassing hundreds of raw materials, chemicals, consumable parts, gases, and metals. Hence, it is nearly impossible for any country to reach a high degree of self-reliance for the entire chip-making process. As two experts point out, 'China controls nearly 60 percent of the global production of fluorspar, which is an important mineral for making fluoropolymers. Fluoropolymers are key coating materials used in all kinds of valves, pumps, tubes, pipes, and containers that are essential to chipmaking' (Ho & Wong, 2022). For example, as a retaliatory measure, China has announced export controls gallium and germanium, two vital chipmaking metals.

Moreover, the semiconductor is an essential intermediary component for producing almost all electronic devices, the creation of a semiconductor glut could bring disruption to its supply chain and further affects the industries of other sectors. One analysis points out that the U.S. domestic chip shortage is related to the restriction on China's chip producers and further drives up US inflation (Klyman, 2022). This impact will make companies more difficult to maintain normal production and tends to trigger backfire in the U.S. industry.

Second, ironically, Huawei's recent big success in developing its own 7 nm 5G chip with the surprise launch of its latest high-end smartphone demonstrates that the more stringent the U.S. high-tech containment becomes, the swifter China is advancing its independent research and development in chipmaking capabilities. Currently, as a major step towards self-sufficiency, the Chinese government is planning a 1 trillion yuan package (US$143 billion) for boosting its semiconductor industry (Zhu, 2022). In a recent interview Peter Wennink, CEO of ASML, a company specialized in photolithography machines, warned that the negative effect on the U.S.'s containment policy to China (Lin, 2023)

Third, containing China's role in the semiconductor supply chain is going to cause severe consequences for individual members of the alliance, particularly for their chipmaking companies. The paradox faced by the alliance is that China is both the major manufacturer and the largest end-user of microchips as well as the largest trading partner of all countries involved in the alliance.

Currently China consumes approximately 40% of the global chip production, while being only 12% self-sufficient (Williams, 2022). The data released by the U.S. Chamber of Commerce indicates that in 2019 Chinese companies imported US$70.5 billion of semiconductors from the U.S., which equals 36.6% of the U.S. total semiconductor export (the U.S. Chamber of Commerce, 2021). Furthermore from 1990 to 2018, the U.S. chip companies invested more than US$20 billion in China, and this figure excludes countless contract manufacturing services and joint ventures as well as other investment activities in China (the U.S. Chamber of Commerce, 2021), and China is also the largest market for semiconductor manufacturing equipment which equals to approximately 29% of the global market based on the data of SEMI (Si, 2022).

Consequently, excluding China from the semiconductor supply chain is causing direct revenue drops and job cuts to US companies. One of the U.S. leading chip-making companies, Qualcomm, had to lay off more than 1.500 jobs across the U.S. due to the sanction imposed by the U.S. government as an attempt to prevent some Chinese tech firms, such as ZTE, a major buyer for Qualcomm, from using the U.S. technology (Kelly, 2018). According to estimates by Boston Consulting Group (BCG), if Washington pursued a hard technological derisking and prohibited domestic semiconductor companies from selling to Chinese customers, American companies would lose 18% of their global market share and 37% of their revenues, leading to the loss of 15,000–40,000 skilled domestic jobs (Feng, 2022). Market shrink, revenue and job loss are the three immediate consequences that are negatively impacting U.S. chip R&D investments. The most recent example is China's counter-ban against the U.S. chip-making company Micron causing its substantial share drop and revenue loss.

Another good example is South Korea, which is facing a dilemma. Compared with Japan and the U.S., South Korea has a higher dependency on China for semi-finished goods and material parts. Currently, China remains the largest market for South Korean semiconductor companies, which accounts for approximately 40% of their total export (Zhong, 2022). In addition, two leading South Korean semiconductor companies, Samsung and SK Hynix invested heavily in manufacturing facilities in China. For instance, Samsung Electronics has two semiconductor manufacturing sites, one in Suzhou, and another in Xi'an. The Xi'an factory produces more than 40% of its global NAND FLASH production (Eurasian Times, 2022). One crucial factor that needs to be emphasized is the fact that according to the Hyundai Research Institute, 'China is currently the second-largest exporter to South Korea as for 18 semiconductor materials. […] The ratio of semiconductor materials imported from China rose from 12.7 percent to 24.2 percent from 2010 to 2021' (Yoon, 2022). This implies that the semiconductor restrictions against China imposed by the U.S. will lead to serious production setbacks on the part of South Korean semiconductor suppliers. Its semiconductor dependence on the Chinese market is confirmed by the recent data that its semiconductor exports plunged 29.8% and shipments to China declined 25.5% due to the weak demand of the Chinese market (Kim, 2022). With a decreasing share in the Chinese market, South Korea is suffering from longest losing streak in 3 years.

Today South Korea is caught in the crossfire of US–China rivalry. Excluding China is bound to harm Korean tech companies in this domain due to potential retaliation from the Chinese side. In addition, semiconductor production involves extremely complicated working processes and different raw materials, and China remains the top exporter of rare earth metals which is an essential component for manufacturing semiconductors (Ferreira & Critelli, 2022). Due to this reason, the alliance is causing contradiction by bringing about the disruption of the global semiconductor supply chain. As such, U.S. agency is causing structural destabilization that has negatively affected South Korea.

Taiwan is also facing a similar circumstance. In 2021 China imported $155 billion in chips from the island, which accounts for 62% of its total export to China (Zhao, 2022). Two of China's Southeast cities, Nanjing and Shanghai, are homes for the production of Taiwan Semiconductor Manufacturing Company Limited (TSMC), the world's most advanced chip-manufacturing firm. Taiwan heavily depends on China in terms of trade. In 2021 Taiwan's trade with China and Hong Kong alone was 42% of its total exports, which is 'far bigger than its trade with the U.S.' (Cheng, 2022). Despite the historical division and political tension across the Taiwan Strait, Taiwan has a huge economic stake in the mainland with an investment of $194 billion in a total of 44,577 Chinese projects between 1991 and 2021 (Kohlmann, 2022). Taiwan is one of the few economies in the world that has a large trade surplus with mainland China.

Conclusion

Although the paper ontologically shares the understanding that agency and structure are mutually constituted and mutually shaped, its structural approach to the China–U.S. rivalry is premised on the contemporary context that international relations in the era of globalization are not just a connection between states, but a complex web of interrelationships among state and nonstate stakeholders.

The current rivalry between China and the U.S. is marked by conflicting dynamics between two competing forces. On the one hand, there are agency-driven political rifts characterized by the realist paradigm, manifested in conflicts like the trade war, disputes over Taiwan and the South China Sea, and high-tech competition. On the other hand, there is an economic interconnection and interdependence fuelled by liberalism, exemplified by the ongoing growth in bilateral trade, the rise of U.S. financial role in China, and China's stake in the U.S. national debt, all intensified by the forces of globalization.

In conclusion, the paper posits that economic globalization has challenged the conventional understanding of structure-agency dualism. In other words, globalization disproportionately prioritizes capitalism's law of value and market imperativeness, which leads to global economic structural interdependence and interconnectedness, tilting the balance away from the autonomy and capacity of individual states. China's structural position in the global economy, bolstered by globalization, primarily stems from its critical role as a manufacturing powerhouse within global supply chains. No single country or region possesses as extensive and all-encompassing a manufacturing infrastructure and ecosystem as China does. The U.S.'s efforts to derisk its trade relations with China by removing it from supply chains are encountering structural constraints due to the deeply embedded independent trade relationships between China and US's alternative suppliers.

Even though China is outsourcing lower-end manufacturing through the Belt and Road Initiative, its supremacy in higher-end equipment and industrial goods is unlikely to be supplanted in the near future. This is due to China's establishment of a robust and all-encompassing manufacturing infrastructure, which furnishes a substantial share of crucial components or intermediate goods necessary for other economies to manufacture their end products. According to a report by Nikkei Asia, China's manufacturing dominance is growing, not shrinking, expanding market share in both low- and high-tech sectors, despite rising labour cost, trade frictions, geopolitical tension, zero-Covid policy, etc. (Bratton, 2022).

The instance of the U.S.-led 'Chip alliance' against China exemplifies the dynamic and dialectic relationship between structure and agency. The semiconductor industry is a complex mini

ecosystem within the broad interconnected world economic structure, and it involves the interactions and transactions among a diverse array of actors/agents, including individuals, transnational businesses, states, and international organizations. Since China is the world's largest manufacturer and market for midstream and downstream electronic and electric goods, as well as new energy products, excluding China from the semiconductor supply chain poses a major dilemma for the U.S. and its alliance.

To counter or mitigate any economic and technological containment, Beijing will surely leverage its comparative strengths, notably its vast economy of scale, its dominance in the supply chain of vital industrial components, and its role as the largest trading partner for the majority of countries including the chip alliance. The U.S. sanction will propel China to intensify its efforts aimed at consolidating its structural position in the world economy by striving for maximum self-reliance in the semiconductor industry. Huawei's recent success in 5G chip validates concerns that China may develop its domestic semiconductor industry, enabling large-scale production of microchips at competitive price. This scenario could lead to a surge in Chinese chips export and an expansion of market share, potentially reducing the U.S. profit share.

Given that the China–U.S. rivalry is ongoing, it is premature to definitively conclude whether the rivalry simply represents a functional redistribution of state's comparative advantage within the existing world order or if it signifies a fundamental structural shift necessitating a reevaluation of institutions, norms and values grounded in the existing world order.

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