Chapter 2

A Historical Analysis of Trade Wars

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Abstract

This study examines the historical development of trade wars from the mercantilist period onward within a political economy framework, focusing on their renewed prominence on the global agenda in recent years through U.S.- China rivalry. Based on the observation that international trade has historically emerged not from purely economic motivations but primarily from considerations such as national security and the pursuit of strategic and political power, the study argues that trade wars have likewise been shaped as outcomes of similar drivers.

While the colonial logic of the mercantilist period regarded trade as an instrument for acquiring military power, the process of industrialization made the search for raw materials, markets, and competitive advantage the principal triggers of such wars. Toward the end of the nineteenth century, the strengthening of the nation-state steered countries toward establishing economic supremacy through the protection and development of national industries, thereby turning trade wars into actions driven by nationalist reflexes. In the twentieth century, the two World Wars and the Great Depression demonstrated how war economies were directly reflected in trade through rising tariff barriers and protectionist policies, while post–Cold War bloc formations and the growing importance of strategic sectors further shaped the trajectory of trade wars. During the neoliberal era, the instruments employed in trade wars took the form of implicit versions of protectionist policies, whereas in the twenty-first century—particularly following the 2008 Global Financial Crisis and China's integration into global trade—the structure of trade wars has shifted toward a framework centered on global supply chains and technology.

The central argument of the study is that trade wars, in every historical period and under all adopted policy paradigms, constitute systematic forms of conflict shaped by the objectives of protecting national interests, ensuring security, and establishing sovereignty through the use of economic instruments, and that these conflicts are transmitted in cyclical patterns from the past to the present and into the future.

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Introduction

From antiquity onward, the exchange of goods and services aimed at meeting basic human needs has given rise to commercial interest relations that have also brought about competition and conflict among societies. Trade wars constitute forms of conflict that persist based on reciprocity through the use of tariffs, quotas, and other trade barriers between countries, arising from the interaction between economic competition and struggles for political hegemony. While their reciprocal nature confers a global character upon such conflicts (Wallen & Wiberg, 2018), the capacity to compete in global markets has come to be regarded as one of the most fundamental indicators of economic growth (Gingrich, 1995); economic growth, in turn, has become the most important social policy objective to be pursued after national security (Chijioke et al., 2021). Accordingly, the need for the existence of the state as a form of political organization has simultaneously rendered inevitable its role as a rule-setting authority in international trade, employing various interventions and instruments to enhance national security and promote economic growth.

In the current economic and political conjuncture, trade wars—operating through U.S.–China rivalry and encompassing various forms such as interstate embargoes, tariffs, quotas, and import bans—have evolved into a multilayered arena of competition that extends beyond traditional protectionist instruments to include climate and technology policies, such as the green transition and digital markets. The first systematic examples of trade wars in this sense can be traced back to the 16th century, to the mercantilist period. Examining the historical evolution of trade wars—defined as a systematic process of competition in which states' pursuits of superiority and power in international trade to protect their national interests are combined with protectionist measures—is of importance for understanding both the developmental trajectory of international economics and the dynamics of contemporary global competition.

From a historical perspective, the period that constitutes the intellectual foundation of trade wars and in which their first practical applications emerged coincides with the mercantilist era. The fundamental principle of mercantilism—the dominant ideology of the 16th and 17th centuries—which identified the accumulation of gold and silver as the source of national wealth, positioned foreign trade as the most important strategic economic activity in terms of access to these precious metals and the preservation of national power. The overseas trade in precious metals based on the colonial expansion of Spain and Portugal paved the way for European states such as

England, the Netherlands, and France to emerge as rivals to one another in foreign trade through similar strategies, thereby laying the foundations of contemporary trade wars.

The Industrial Revolution, which began in the late eighteenth century, represents the most critical turning point in which international competitive conditions shifted in favor of England and the structural foundations of modern capitalism were laid through the notion of free trade. Characterized by technological superiority and a competitive framework based on global division of labor and specialization, this period paved the way for the institutionalization of foreign trade and emerged as an era in which international balances were redefined through the conjunction of economic power and accompanying political power. The competitive environment generated by the Revolution evolved into tariff wars, driven by the high protectionist measures that European countries were compelled to adopt against England.

International trade in the aftermath of the First World War, having become contracted and militarized, brought about a period in which protectionist measures could not be overcome, the international balance of payments became blocked, and trade volumes shrank, leading to severe constraints on trade flows. Following the war, global commercial relations—initially in a fragile phase of recovery but deeply shaken by the Great Depression of 1929—once again compelled countries to adopt protectionist measures; this gave rise to an order characterized by high tariffs and import quotas, in which military power came to prevail over economic power. As inter-state bloc formation intensified, international trade—conducted largely based on bilateral agreements—came to be shaped by a key development that deepened ongoing trade wars and heightened geopolitical tensions between the United States and other countries, particularly Europe and Canada: the Smoot–Hawley Tarifs imposed by the United States on imports in 1930. By responding with similarly harsh retaliatory measures in the form of high tariffs, major trading partners—most notably Europe and Canada—along with more than twenty-five countries that implemented such protectionist policies indirectly, pushed global trade into what was, in effect, a process of collapse, as rising nationalist waves led countries toward an economic order closed to external competition. This uncontrolled and excessive protectionist approach became one of the principal factors triggering the Second World War, while also directly influencing the post-war formation of institutions such as the GATT and the WTO (Çifçi, 2024, 123).

The Cold War period encompasses an era in which international trade was marked by an ideological divide between Western Bloc countries that supported liberalization within the framework of the GATT and the World Bank, and Eastern Bloc countries that adopted a closed and planned trade regime through the Council for Mutual Economic Assistance (Comecon). The trade polarization brought about by the bipolar world order is an indication that trade wars continue to persist in a transformed form. As emphasized by Wade (2004, p. 1), states may employ free trade, protectionism, and subsidies in various ways depending on their national conditions and levels of industrialization.

With the dissolution of the Soviet Union in 1991, the Eastern Bloc was compelled to integrate into the Western liberal system, and the global system came to operate through a single structure dominated by free-market principles and based on the principle of mutual benefit. With the establishment of a new institutional trade organization in 1995—the World Trade Organization (WTO)—whose scope and binding power were expanded, national economies began to integrate at an accelerated pace.

The technological superiority and mass production brought about by the process of industrialization, together with the search for raw materials and markets, gave rise to the conditions for the emergence of geoeconomic competition among states. Thus, by the twenty-first century, the mercantilist era's competition based on short-term commercial gains had given way to a form of competition grounded in long-term global strategic superiority and control. With China's rapid rise, the struggle to establish technological superiority, the objective of protecting domestic markets, the increase in capital controls as a result of the vulnerabilities created by financial liberalization, and the growing importance of global supply chains have brought trade wars back to the center of international debates through a multidimensional understanding of protectionism.

The aim of this chapter is to provide a comprehensive assessment by addressing the protectionist tendencies that have re-emerged in recent years together with their historical roots and within a political economy perspective. Another point emphasized in this study is how, across different periods, trade has been instrumentalized for purposes beyond purely economic objectives and has served as a central component of geoeconomic strategies. From the post–Second World War period onward, the long-standing dominance of the liberalization paradigm in global trade has been interrupted by recent protectionist policies rooted in geostrategic and geopolitical considerations; neo-mercantilist approaches have thus introduced a new dimension to trade wars. In this respect, the study argues that trade wars have persisted in a cyclically from the mercantilist era to the present.

1. Mercantilism and Early Trade Wars (16th–18th Centuries)

Mercantilism is the fundamental school of economic thought and policy that emerged in Europe between the sixteenth and eighteenth centuries. The rise of the nation-state concept in Europe following the Thirty Years' War (1618–1648) constitutes the main phenomenon that also influenced the emergence of mercantilist thought. Mercantilism provided the rational framework that enabled the nation-state system to survive economically and to advance. In this context, states' tendencies to exploit competition and conflict in international trade to consolidate national power directly contributed to the institutionalization of mercantilism through a state-centered structure and to the formation of the intellectual foundations of early political economy. According to Onuoha (2008), from the Peace of Westphalia, which ended the Thirty Years' War in 1648, to the present day, the state has continued to be the dominant actor in international relations. During this period, the pursuit of wealth accumulation with the aim of economic development and the protection of national interests—through an export-oriented and aggressive stance in the search for new raw materials and markets—also constituted the historical foundation of modern globalization dynamics such as imperialism and colonialism (Chijioke et al., 2021).

According to mercantilism, total wealth in the world—particularly that based on gold and silver—is fixed. Although this wealth does not increase, it changes hands; that is, one nation's gain necessarily implies another nation's loss. In this context, mercantilism is an economic system that characterizes trade as a zero-sum competition and prescribes increasing exports in order to accumulate precious metals as the source of a nation's wealth and prosperity, while correspondingly reducing imports to maintain an external trade balance. In this regard, mercantilism served as the principal source of motivation that fueled and legitimized economic competition, including customs tariffs, monopolies, and colonial activities (Rojas, 2007; Biju et al., 2023).

The zero-sum competitive logic of mercantilist thought is structured in a way that encourages the joint use of economic and military power to establish dominance in interstate commercial power. In this context, the struggle by England and other European countries to seize the bullion gold and silver brought from the Americas by Spain constitutes one of the most striking examples of trade wars that emerged during the mercantilist period. These conflicts were aimed at military confrontation and the control of trade routes. In this respect, during this period, the struggle to establish military and political power was more dominant than commercial competition based on classical tariff policies.

Trade wars during the mercantilist period were conducted in conjunction with both economic and military policies (Hong, 2025). The maritime rivalry between England and the Netherlands in the seventeenth century became one of the classic examples of trade wars in the mercantilist era. The restrictions imposed by England on Dutch shipping through the Navigation Acts (1651) constituted a protectionist move in England's maritime trade policy. This action by England represents one of the earliest examples of mercantilist trade wars escalating into military conflict (Irwin, 1996).

England's state-sponsored establishment of the East India Company represents a corporate-scale manifestation of mercantilism; it also clearly demonstrates that, during this period, trade was conducted as an activity led and supported by the state (Findlay & O'Rourke, 2007). Through trade incentives centered on employment, London became a strategic decision-making hub directing international commercial relations during this era (Bromley, 2023).

The Ottoman Empire was also affected by the commercial competition experienced in Europe during this period. Although the Ottoman state was not a direct practitioner of mercantilist policies, the process that began with the capitulations demonstrates that commercial rivalry manifested itself in the Ottoman context indirectly (Pamuk, 1987).

The mercantilist rationale that legitimized trade wars was subjected to criticism as early as the second half of the eighteenth century, most notably by the Physiocrats. For the Physiocrats, who grounded the source of wealth in land and agriculture, the primary objective of mercantilism was not to ensure social welfare but to generate profit. At the same time, they emphasized that mercantilism's trade-dependent structure constituted a fundamental source of uncertainty and instability in the long run. In this context, the Physiocrats argued that states should direct their policy measures and resource allocation toward land and agriculture rather than commercial restrictions. With the publication of *The Wealth of Nations* in 1776, Adam Smith advanced a system that criticized the protectionist approach of mercantilist thought and instead advocated liberalization. According to Smith, protectionism created under the banner of the mercantilist system and the resulting obstruction of the free circulation of goods adversely affect both national and global welfare. These examples are important in demonstrating that trade wars find resonance not only in political choices but also at the level of intellectual foundations.

1.1. Siege Economies: The War Practices of Mercantilism (Late 18th Century–Early 19th Century)

The late eighteenth century marks a period in which economic and military power operated jointly, transforming such power into an instrument of trade policy. This era contains the first concrete case examples that form the historical roots of trade wars and explain the reasons why trade came to be conducted with a security-oriented logic. When evaluated within a framework of historical continuity, the application of mercantilism under conditions of war is significant in demonstrating why trade has continued to be understood as a form of "war" extending into the twentieth century and beyond.

The zero-sum competitive logic of mercantilism transformed international commercial rivalry into an instrument employed not only in times of peace but also during periods of war. The Napoleonic Wars stand as the most typical example of this era. The British naval blockade and Napoleon's Continental System symbolize the use of interstate trade—through embargoes and the commercial control of the seas—as a concrete instrument for achieving military and political objectives.

According to Crouzet, the effects of blockade policies were not confined to the two countries directly involved but disrupted international trade in a manner that also encompassed third countries (Crouzet, 1987). In a similar vein, McCusker (1996) emphasizes that the national interest–oriented and dependency-centered policies implemented by the British government toward the American colonies through the Navigation Acts constituted a typical reflection of mercantilist thought. As a neutral country, the United States' maritime trade was adversely affected by the commercial restrictions imposed by Britain and France, which subsequently led to a hardening of policy measures in the United States as well. This trade-induced rivalry ultimately drew the United States into the War of 1812. This development contributed to the widespread perception that trade constitutes a form of competition aimed not only at economic objectives but also at securing geopolitical power and national security (Irwin, 2017).

Early trade wars represented a form of conflict in which not only economic power but also military force was directly employed (Baikushikova et al., 2021). The Anglo–Dutch Wars (1652–1674), which began with a struggle for commercial hegemony in Asia and the Atlantic as a concrete manifestation of mercantilist thought, demonstrate how commercial rivalry gradually evolved into armed conflict and became an integral component of military policy as well (Oerman & Wolff, 2022).

The Treaty of Utrecht, which brought the War of the Spanish Succession to an end in 1713, is significant in exemplifying the processes through which military wars generated commercial privileges. The Asiento right obtained by England under this treaty demonstrates that military gains operated in coordination with commercial gains.

The examples discussed above illustrate how, under mercantilist logic, trade was employed as a fundamental instrument of warfare during military conflicts. The Opium Wars and the subsequent war practices to be examined in the following section are significant in demonstrating how this approach became systematized and evolved into a more comprehensive form.

2. The Forced Establishment of the Market (19th Century)

Siege economies demonstrated how trade could be used under wartime conditions as a form of military power, both as a coercive element that strained the economic conditions of opposing states and as an instrument of war. By the nineteenth century, however, the use of trade as a coercive tool, unlike during the era of siege economies, was directed not toward protectionism but toward integrating economies into the global system through pressure and promoting liberalization.

The forced establishment of the market can be characterized as the use of military power to compel the opening of domestic markets to external trade. In this framework, the Opium Wars constitute one of the most illustrative examples of global powers forcing third countries into foreign trade through military pressure. The blockade policies applied within Europe during the Napoleonic Wars subsequently extended beyond Europe, evolving into an intercontinental geopolitical and military struggle through the war between England and China, and paving the way for a period in which trade was reshaped on a global scale as a form of economic warfare.

In the nineteenth century, in response to China's restrictions on opium imports, England waged war by demonstrating its military power over the Chinese economy and, contrary to earlier practices, forced China into global trade through coercion and pressure. Following the war, the Treaty of Nanking was signed in 1842, along with subsequent forceful interventions that would demonstrate Britain's status as a global power, curtailed China's commercial sovereignty in line with British interests. Together with the additional treaties that followed the Treaty of Nanking, China's customs tariffs came under British control, its ports were forcibly opened to trade, and its national sovereignty was effectively placed under British control through the privileges granted to foreign merchants (Pomeranz, 2000). In this war initiated by Britain as an imperial authority, the sanctions imposed on China through coercion reshaped commercial relations within a framework of military, political, and legal conflict (Hevia, 2003).

The new trade order established through coercion and pressure following the Opium Wars represents a decisive stage in the evolution of the instruments used in modern trade wars. The war initiated by Britain on the basis of trade liberalization demonstrated that such liberalization was achieved not through market conditions but through military coercion (Cain & Hopkins, 2016).

3. The Retreat of Free Trade: Customs Wars in Europe (Late 19th Century–Early 20th Century)

By the late nineteenth century, military power in trade wars was increasingly replaced by trade protectionist policies shaped through legal and administrative regulations, particularly within industrialized economies. Industrialization and the accompanying protectionist approaches aimed at expanding national industrial capacity led European states to adopt increasingly protectionist policies during this period. Europe's moves to raise customs tariffs in order to protect domestic industries and producers, along with the retaliatory measures that followed, initiated a series of customs wars.

With the Industrial Revolution, the nature of trade wars also began to change. While England moved toward free trade with the repeal of the Corn Laws in 1846, other major economies such as the United States, Japan, and Germany continued to pursue protectionist policies in reaction to British hegemony. This period, characterized by protectionist measures primarily aimed at safeguarding infant industries within the framework of industrialization policies, is described as a phase of late mercantilist reactions. The customs tariffs implemented during this period can be regarded as strategic policy instruments that directly affected the political and economic sovereignty of national economies.

During this period, limited experiments in liberal trade based on the principle of mutual benefit were also undertaken, but they failed to achieve the desired impact. Although the Cobden–Chevalier Treaty, signed between England and France in 1860, introduced reductions in customs tariffs and adopted the "most-favored-nation" principle, the rapid acceleration of industrialization and demands to protect domestic producers prevented the treaty from leading to a fundamental shift in trade policy. McCusker (1996) further emphasizes that, despite England's inclination toward liberalization in foreign trade at the time, it did not fully abandon mercantilist thinking.

Germany's Bismarck Tariffs of 1879 rank among the most influential examples of protectionist orientation. Germany's decision to raise customs tariffs to protect its domestic industrial and agricultural sectors compelled other countries to adopt similar measures. During this period, the trade crisis that emerged following Germany and several European countries' decision to ban imports of pork from the United States on health grounds—subsequently referred to as the "Pork War"—also attests to the existence of strict protectionist regimes (Baikushikova et al., 2021). From this point onward, foreign trade increasingly took on a more destructive character under a beggar-thy-neighbor approach, in which states pursued their own interests without regard for those of other countries (O'Brien, 1997).

Although increases in protectionist tendencies yielded positive outcomes in the short term by safeguarding national economies, over time, they evolved into a factor that narrowed trade volumes, undermined international trade integration, and generated instability in global trade.

Customs wars shaped by reciprocal tariffs and national interest objectives served as a fundamental indicator of economic nationalism and foreshadowed the intensification of tariff policies in the period preceding the First World War.

4. Wars, Crises, and Institutionalized Protectionism (Early 20th Century)

In the late nineteenth century, as the world moved toward the First World War, the rising protectionist mindset and the structure of trade increasingly shaped by national objectives heightened the fragility of the global trading system. The wars and crises that occurred during this period led trade restrictions to become not merely responses confined to times of war, crisis, or depression, but a standardized state reflex employed even under ordinary conditions.

The impact of protectionist policies manifested itself in the most destructive outcomes during the crisis of the 1930s. Immediately following the Great Depression of 1929, the Smoot–Hawley Tariff Act was adopted in the United States in 1930, imposing customs duties on more than twenty thousand imported products. This period, in which protectionist measures escalated in global trade, narrowed trade volumes through reciprocal retaliations and contributed to the further deepening of the Great Depression (Sheng & Nascimento, 2021; Yan, 2024). While countries retaliating against the United States experienced welfare losses ranging between 8 and 17 percent, U.S. exports to the targeted countries declined by between 15 and 33 percent (Yan, 2024). Similarly, the foreign exchange controls implemented by European countries in the post-crisis period through import licensing systems and central banks demonstrate that trade protectionism was reinforced by administrative regulations.

The most important feature distinguishing this period from others is that, as evidenced by the regulations discussed above, protectionism became institutionalized as a legally supported policy instrument—implemented through administrative legislation and parliamentary processes—due to the absence of organizations such as the GATT and the World Trade Organization at the time (Ruggie, 1982).

With the emergence of trade blocs between 1920 and 1939 and the widespread adoption of tariffs in the aftermath of the Great Depression, international trade began to be reshaped (Gill, 1990). During this period, protectionist measures based on tariff increases clearly revealed that trade had become a negative-sum form of competition (Irwin, 1998).

5. Disciplined Trade: Postwar Compromise (1940s–1950s)

As a consequence of the instabilities created by the protectionist policies of the 1930s in international trade, the period of global change and transformation aimed at preventing the recurrence of similar episodes coincided with the post–Second World War era. The new order to be established after the war was designed to replace the unilateral and protectionist arrangements of the 1930s world trading system—which had produced adverse outcomes—with a structure based on multilateral agreements and rules that prioritized trade liberalization. In this context, the General Agreement on Tariffs and Trade (GATT), established in 1947, aimed to make international trade more transparent and stable through the gradual reduction of customs tariffs.

Although significant steps toward trade liberalization and economic integration were taken with the establishment of the GATT in the post–Second World War period, protectionist approaches did not entirely lose their relevance. Particularly in countries that adopted an export-led industrial growth strategy, measures aimed at protecting domestic industry and production continued to be implemented through state intervention. The most typical examples of this approach can be observed in East Asian countries. These countries' developmental policies envisaged the adoption of state support and protectionist measures in strategic sectors. In the literature, this period is also referred to as the implicit neo-mercantilist era.

According to the dependency approach, all forms of economic integration between peripheral countries and core countries constituted a fundamental cause of underdevelopment. For this reason, within the import-substitution development perspective, policies promoting domestic industrial production and investment were adopted (Frank, 1967; Adam, 2024).

6. Export-Led Growth and the Strong State Paradigm: The East Asian Experience (1960s–1970s)

From the 1960s onward, the understanding began to gain strength that trade—and particularly foreign direct investment—could provide technological inputs capable of delivering advanced technology, provided the presence of a strong state that channels international relations and technology transfer in line with national objectives (Evans, 1979; Woo-Cumings, 1990). Within this framework, newly industrializing countries (NICs), following the product cycle approach, took over the production of goods whose innovation and technological standardization phases had been completed in advanced countries and began exporting them to global markets at lower costs (Vernon, 1970). In many countries outside developing East Asia, however, the transition of industrialization toward durable consumer goods and capital goods was gradually abandoned, as such a shift entailed significant economic and political costs (O'Donnell, 1988).

Japan emerged as one of the most successful economies in implementing an export-led growth strategy. However, alongside Japan's export- and competition-driven growth, debates over deindustrialization and unfair competition arose in the United States, leading to intense competition between the two countries, particularly in the steel, automotive, and electronics sectors.

During the 1960s and 1970s, Japan adopted protectionism through high tariff barriers in certain sectors, while in others it accepted gradual liberalization in line with U.S. demands. Trade tensions between the United States and Japan began in particular with the entry of the Japanese textile industry into the U.S. market.

7. Voluntary Export Restraints, Neo-Mercantilist Reflexes, and the Return to Neoliberal Policies (1980s–1990s)

In the 1980s, neoliberal policies began to be adopted based on the assumption that state-led development models had lost their effectiveness. This transformation, reflecting the global embrace of liberal ideology following the Cold War, also extended to international trade and laid the groundwork for the emergence of interstate relations based on mutual economic interdependence (Fukuyama, 1992). By the 1990s, this process paved the way for a highly binding framework of international trade with the establishment of the World Trade Organization (WTO).

However, the sustainability of this rules-based system was disrupted by periods in which major powers deviated from market-economy principles in strategic areas. The practices between the United States and Japan in the 1980s demonstrated that, despite liberalization rhetoric, protectionist measures were not abandoned, particularly in strategic sectors. In this context, the voluntary export restraints imposed by Japan in 1981 under U.S. pressure in the automotive sector limited Japan's exports to the United States. While this policy aimed to protect domestic U.S. producers, it led to higher automobile prices in the United States. From Japan's perspective, although export volumes declined, rising prices created advantages for exporting firms (Ries, 1993, p. 253). By shifting the production of Japanese automobiles to the American market, Japan was able to preserve its market share in the sector (Chung et al., 2003). A similar pattern also applied to the textile industry as a result of relocating production to the United States. The voluntary export restraints implemented during this period in the textile sector between the United States and Japan demonstrated that even the strongest representatives of the capitalist system may act with mercantilist protectionist reflexes when they deviate from the principles of the free market.

At the same time, it is evident that the relevant decisions were shaped not only by economic considerations but also by national security concerns in the context of the reversion of Okinawa. As emphasized by Strange (1994, p. 22), analyses of international political economy should also take into account fundamental societal values such as security, power, freedom, and justice.

7.1. Neo-Mercantilism and Strategic Trade Theory

Within the context of competition between the capitalist and communist blocs during the Cold War, Fleming (1976) characterizes these practices—which began in the 1930s and were revitalized with the crises of the 1970s—under the concept of neo-mercantilism. Coleman (1969) argues that even those who claim that mercantilism has lost its validity implicitly acknowledge its continued existence by employing concepts such as neo-mercantilism and related terms in their counterarguments.

During this period, the classical mercantilist tradition of state intervention was reconstructed in a modern sense and at the micro level through the Strategic Trade Theory of the 1980s. Building on this theoretical framework, Brander and Spencer (1985) demonstrated in their studies that state-provided subsidies to national firms in specific sectors could generate profit transfers in international markets. Krugman (1986, 1987) likewise drew attention to state support in industries characterized by economies of scale, reaching conclusions that supported this approach (Hamilton & Clare, 2013).

8. Developmental Adaptation Strategies from Japan to China (1990s)

The voluntary export restraints and strategic trade initiatives of the 1980s demonstrated that even within a liberalization process, major economies did not abandon mercantilist motivations. In this context, protectionism is regarded not as a departure from the existing system but rather as a strategic maneuver operating within the system itself and serving as a driving force of development. The most strategic examples of this approach can be illustrated through the export-led industrialization models of Japan and China.

By the 1990s, in the context of trade wars, the United States found itself facing Europe. The European Community, as it was then known, was particularly criticized by the United States for its regulations on agricultural products, which were characterized as discriminatory measures. The trade wars of this period differed from earlier episodes in that they were based not primarily on customs tariffs but on subsidies and regulatory measures.

During the same period, Japan adopted a relatively low-profile compliance strategy in the trade negotiation process by accepting all U.S. demands until the mid-1990s (Yan, 2024, p. 282). In the 1980s, Japan increased its purchases of semiconductor products from the United States in order to integrate into the international system through negotiation with the U.S., and supported this process by granting various concessions in the automotive industry. Japan's response to the liberalization demands of the United States—demands to which it was, in a sense, compelled to acquiesce—took the form of the developmental state model (Evans, 1995). Within the framework of long-term planning, this model involved intensified state intervention and close cooperation between the state and the private sector to support growth, enabling Japan to enter a rapid process of development and industrialization. With this model—combining both protectionist and liberal characteristics—Japan enhanced its global competitiveness by providing state support to export-oriented sectors while adopting protectionist measures for non-competitive ones. Japan's strategic state interventions were shaped by the Ministry of International Trade and Industry (MITI), which constitutes one of the typical examples of Strategic Trade Theory and is also regarded in the literature as a representative institution of the developmental state model.

Japan's gradual opening of its strategic sectors—initially supported by protectionist policies—to exports ensured that liberalization was implemented directly under state control. During this period, the need for access to U.S. resources, technology, and markets compelled Japan to accept U.S. demands for liberalization. The implementation of liberalization in compliance with U.S. demands thus became an integral component of Japan's development model, serving as a driving force that enhanced competitiveness in the relevant sectors.

China, by contrast, accepted U.S. liberalization policies in the 1990s despite its resistance to Section 301. After joining the World Trade Organization in 2001, China opened its domestic market to international trade in goods and capital through substantial tariff reductions. Following the collapse of the socialist system, China—similar to Japan—pursued industrialization through state-led policies. Drawing on the Japanese model, China continued a similar practice to Japan's investments in the United States during the 1980s aimed at avoiding U.S. tariffs. By establishing production facilities in the United States and Southeast Asia, the Chinese state both circumvented U.S. tariffs and increased its flexibility within global supply chains (Yan, 2024, p. 285). The principle that compliance with U.S. sanctions constituted an element of growth and development in the case of Japan likewise remained valid for China. Between 2000 and 2013, the number of state-owned industrial enterprises declined by 84 percent, while private sector initiatives increased by 8.7 times (Chen, 2016, cited in Yan, 2024).

National policies prioritizing industrial development in both China and Japan strengthened state–capital relations, enhancing state capacity through the *keiretsu* system in Japan and through state-owned enterprises in China. In this context, China's "Made in China 2025" program, announced in 2015, represents a technology-oriented and state-supported industrialization policy—focused on areas such as semiconductors and artificial intelligence—aimed at transforming domestic production into a global power within a neo-mercantilist development framework. The technological superiority and security concerns generated in the United States by this initiative, in turn, effectively compelled the U.S. to adopt protectionist industrial policies in advanced technologies through the CHIPS and Science Act, enacted in 2022. From this perspective, the strategic system pursued by Japan and China in the twenty-first century has not remained confined to emerging economies but has also become a policy approach adopted by advanced economies.

9. Global Value Chains and the Post-Neo-Mercantilist Era (21st Century)

Until the 2000s, peripheral and semi-peripheral countries shared a common trade strategy: exporting in areas of comparative advantage, embracing free trade, and complying with institutional norms and rules designed to attract foreign investors (Büthe & Mülner, 2008). This approach regarded export-led industrialization as the fundamental driver of development. However, the emergence of global value chains (GVCs) rendered integration between developing countries and Western economies inevitable. In the subsequent period, countries' positions within this integration process began to replace export-led industrialization as the core dynamic of development (World Bank, 2020).

The global value chain model represents a structure in which countries' development trajectories within international production networks are hierarchically differentiated along the chain (Arnold & Naseemullah, 2024, p. 669). While countries at the upper tiers of this structure concentrate on high-value-added production, those positioned lower in the hierarchy are characterized by low-value-added and labor-intensive production. Within this framework, the GVC model reveals that relationships of interdependence are asymmetric and that gains and losses are not distributed equally across countries. Angwaomaodoko (2024) argues that bilateral trade tensions arising within interdependent relationships increase global costs and disrupt global value chains. From this perspective, it can be argued that integration has addressed the development problem by building upon inequality, dependency, and vulnerability.

The perception of inequality generated by the fact that some countries have advanced more rapidly than others within global value chains was reinforced by China's accession to the WTO in 2001. Through this process, China consolidated its position in global trade and entered a phase of full integration into the system; by pursuing export-led industrialization, it gained direct access to U.S. and European markets and expanded its sphere of influence. Although China's accession to the WTO represented an attempt to enter a rules-based system, its state-led development strategy and technology transfers placed China in an advantageous position relative to other countries. When China's success was framed as other countries' failure, free trade came to be perceived as an activity that emphasized losses rather than gains and reduced overall welfare (Rodrik, 2018).

This shift in perceptions of free trade has transformed the global political economy of the twenty-first century into a period in which mercantilism has re-emerged at the global level, as states have adopted new mercantilist policy instruments aimed at protecting national interests. Characterized as a reinterpretation of state intervention through modern methods and techniques, this period has represented the concrete steps of interstate struggles to establish global supremacy.

These measures—ranging from R&D support to export incentives and exchange rate management—have produced efficiency- and profit-oriented outcomes, particularly in non-competitive sectors, thereby adding a new dimension to trade wars. In this period, marked by the prominence of the discourse on economic warfare, economic instruments have become at least as important as military and political tools (Farrell & Newman, 2019).

9.1. New-Generation Trade Wars: The Post-Neo-Mercantilist Era

Neoliberalism and neo-mercantilism are generally regarded as two opposing approaches. Nevertheless, in semi-peripheral countries such as Türkiye, the combined use of these two contrasting strategies has been turned into an advantage. Under the neoliberal system, firms seeking access to affluent markets are required to comply with rules established within the framework of international norms; by contrast, the export structures of semi-peripheral economies—being shaped largely by relationships and informal institutions and carried out by small-scale firms oriented toward developing countries—demonstrate that dual policy practices in semi-peripheral countries perform a complementary function. Under such conditions, the role of the state transforms from a merely supportive element into a strategic instrument that directly facilitates access to markets. These developments represent institutional strategic maneuvers aimed at reducing dependence on the West (Arnold & Naseemullah, 2024, p. 666).

The simultaneous use of neoliberal and neo-mercantilist policies has not remained confined to semi-peripheral countries; rather, it has also been increasingly adopted by advanced economies in response to rising tensions in global trade stemming from asymmetric dependencies within global value chains, relative losses, and intensifying competition. Through this process, a new system—one in which free trade principles are combined with interventionist measures aimed at protecting national interests—has begun to gain acceptance within the international system.

Trade relations of the twentieth century, in which liberal ideology also liberalized global trade, had, by the twenty-first century, become instruments of political pressure and strategic advantage as a result of the strengthening of economic nationalism, the escalation of geopolitical tensions, and the impact of technological transformation (Rodrik, 2011). This period is characterized by mercantilist, state-centered interventions in which economic instruments are employed in foreign policy to protect national interests, ensure security, and establish political superiority. Referred to as the post-neo-liberal or post-neo-mercantilist era, this period has witnessed the transformation of mercantilist protectionist policies in line with contemporary conditions, being reshaped through the use of geoeconomic instruments. In addition to classical tariffs, restrictions, and sanctions, the competition in foreign trade has assumed its current form through the incorporation of geoeconomic tools targeting technology (e.g., semiconductors, software), energy, financial instruments, and supply chains. According to Blackwill and Harris (2016), safeguarding technological capacity, ensuring data security, maintaining the continuity of energy supply, and securing access to rare earth elements are far more important than the traditional objective of achieving a trade surplus.

With the concept of weaponization of trade, new-generation trade wars have also undergone a conceptual transformation. Building on Baldwin's (1985) *economic statecraft* approach, the contemporary literature defines the weaponization of trade as the use of interdependent relationships in international trade by states as political instruments -much like weapons- for purposes of coercion and deterrence. This perspective argues that foreign trade, which mercantilism characterizes as a zero-sum game, is reverting to a struggle of winners and losers. The example of the 1973 Oil Embargo demonstrated that trade is not merely a process of economic exchange but also a tool of pressure in foreign policy, used strategically by states to reshape security relations (Feldhaus et al., 2020, p. 4).

Since around 2010, it has become evident that the growing protectionist tendencies in the global trade environment have not remained confined to purely economic relations but have been shaped by taking into account countries' domestic and societal dynamics as well as political factors. International foreign policy relations have increasingly been defined within the framework of trade-related sanctions, ranging from customs tariffs and export bans to technology transfer processes and the protection of strategic sectors (Hopewell, 2021). This period, often described under the label of "new protectionism," also reflects a process in which efforts to secure social and political legitimacy have become more visible (Bremmer, 2014).

This period has turned into a geopolitical issue resembling a "battlefield" in which states can expand their national interests by employing foreign trade instruments (Blackwill & Harris, 2016, p. 219–220). As foreign trade has become a matter of national security through reciprocal sanctions, liberalism's conciliatory mechanisms have given way to conflict and multidimensional competition.

The post-new protectionist policies, whose foundations were laid with the 2008 Global Crisis, deepened as a result of the damage the crisis inflicted, particularly on Western macroeconomic indicators and persistently low welfare levels, creating the perception that global trade primarily benefits multinational corporations (Stiglitz, 2017). Consequently, the adoption of protectionist tendencies in foreign trade has increasingly been shaped not only by economic considerations but also by the influence of populist politics. In this context, the subjects of global trade—and of trade protectionism in particular—have shifted toward new-generation strategic sectors such as green technologies, artificial intelligence, and clean energy.

The most typical contemporary example of Strategic Trade Theory and neo-mercantilist strategies is the global power struggle between the United States and China, which has had worldwide repercussions. In 2018, the tariff sanctions initiated against China by U.S. President Trump evolved into a trade war through reciprocal retaliation. The high tariffs imposed under Trump's "America First" motto pushed global trade away from its classical liberal trajectory and forced it into a new phase of transformation characterized by greater unpredictability and insecurity, in which political and strategic decisions increasingly took precedence over purely economic considerations. This process, initiated under U.S. leadership, is symbolized by three key reference points that reflect the trajectory of the period: the transformation of the North American Free Trade Agreement (NAFTA) into the United States–Mexico–Canada Agreement (USMCA), the imposition of high tariff barriers on China, and the introduction of technology restrictions targeting China (Saliya, 2025, p. 1). One of the principal reasons behind the sanctions imposed by the United States on China is the fact that its largest trade deficit originates from trade with China (Koçakoğlu & Özaydın, 2020, p. 639).

The strongest example of a protectionist orientation in Europe is the United Kingdom, which decided to leave the European Union through the Brexit process. Encompassing economic integration alongside its political and ideological dimensions, and representing the institutionalized form of resistance to neoliberal policies, Brexit (Rodrik, 2018) occupies a distinct position from traditional trade wars; nevertheless, in terms of its underlying motivations, it rests on similar principles. Whereas trade wars in the twentieth century were conducted through tariffs, quotas, and exchange controls, the twenty-first century has made visible—through Brexit—tools that directly target integration mechanisms at the institutional and legal levels.

9.2. Trade Wars in the Post-Neo Mercantilist Era

In 2018, citing China's alleged violations of U.S. intellectual property rights, forced technology transfer practices, and state intervention in the industrial sector, the United States initiated a policy of high tariffs on steel and aluminum, which was met with retaliatory measures by China. The competition between the United States and China has evolved within a broad framework that extends beyond conventional tariff increases to encompass high-value-added production and data security concerns.

In the subsequent phase, trade wars between the United States and China have been reshaped through new geo-economic policy instruments, including the restructuring of supply chains, friend-shoring, and technology embargoes.

Post-neo-mercantilist trends, which began to emerge through US-China rivalry, have deepened trade wars by diversifying the tools used in global trade during the Covid-19 pandemic. Disruptions in global supply chains after the pandemic, and problems in strategic areas such as digital infrastructure and security, have been decisive factors in strengthening the interventionist state mentality and in the diversification and systematization of geo-economic tools in international competition.

The Covid-19 pandemic, through disruptions experienced in global supply chain networks—perhaps the most severe adverse consequences of globalization—opened up a new domain of protectionism of strategic importance in countries' foreign trade policies. In the face of vulnerabilities created by global integration, states have begun to prioritize the notion of "supply security," shifting their focus in production, distribution, and marketing processes away from efficiency alone toward risk management (UNCTAD, 2021).

Global supply chains refer to the allocation and coordinated management of each stage of the process—from the production of goods and services to their delivery to the final consumer—across different countries (Gereffi et al., 2005). Feenstra (1998) conceptualized this process as the "integration of trade" alongside the "disintegration of production." The steadily increasing volume of global trade has been accompanied by the fragmentation of production processes within multinational corporations. The outsourcing of all activities outside firms' core operations—both domestically and internationally—has generated cost advantages. In this context, international trade has increasingly transformed into trade in production inputs (Yeats, 2001).

The trade wars that began between the United States and China have, in the post-pandemic period, evolved into an intensified form of competition characterized by greater strategic depth, with technology control and national security coming to the forefront, and have expanded across a broad area involving the European Union and Asian countries. Through friend-shoring, measures have been adopted to secure risky inputs, embracing the principle that input sourcing and production stages should be carried out in cooperation with politically aligned and reliable countries. Similarly, near-shoring has aimed to relocate strategic production stages to geographically proximate countries. Such practices have shifted the nature of trade away from a market-oriented logic toward one centered on national security and risk management (Tooze, 2022). In this period, semiconductors and artificial intelligence technologies have turned into a struggle for technological supremacy in international trade. Technological restrictions, by creating bottlenecks within global value chains, have elevated competition in foreign trade to a level of critical importance for countries worldwide.

Conclusion and Evaluation

Trade wars, by their very nature, represent long-term and persistent forms of conflict. This study has approached trade wars as a complementary component of international political economy and has examined these conflicts—shaped around struggles for political hegemony, areas of strategic intervention, and institutional arrangements—through a historical perspective. The common conclusion that can be drawn for each of the periods examined is as follows: at no point in history has international trade been shaped solely by economic considerations; rather, it has consistently functioned as a domain oriented toward the pursuit of strategic power and addressed within the framework of state sovereignty and security.

Mercantilism has made significant contributions to the development of international trade and its contemporary manifestations; from colonialism—generated by the primitive forms of today's trade wars—to the market economy paradigm and globalization, it has constituted the intellectual and practical core of major turning points in both thought and implementation. Following periods such as the Napoleonic Wars and the Opium Wars, in which military power served as the principal determinant of foreign trade, the subsequent phase of imperial integration and measures aimed at protecting national industries led to a contraction of trade volumes and welfare on a global scale. Following the Second World War, efforts were made to eliminate the adverse outcomes of earlier protectionist measures by adopting an economic-integration-based, rules-based multilateral trade regime. Nevertheless, the Cold War period revealed the continued presence of a protectionist logic in practice, if not in rhetoric, as sectoral competition came to the forefront. With China's integration into global trade, the role and power of the state disrupted the balance of an order that sought to operate according to rules. The new phase that began with tariff restrictions between the United States and China has transformed the substance of trade wars into a technology-based arena—centered on chips, semiconductors, artificial intelligence, and clean energy—shifting competition toward a trade war environment dominated by geoeconomic strategies.

Ultimately, viewed from a historical perspective, trade wars emerge as critical turning points in both economic and political history. The cyclical nature of trade wars—recurring across different periods and under varying sectoral conditions—and their capacity to influence one another constitute one of the most significant challenges of an increasingly globalized world.

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