RESEARCH ARTICLE

A Comparative Study of the US-China Trade War Impacts on Canada, Australia, and Vietnam

Badriyatus Salma
International Relations Department
Universitas Sebelas Maret
badriyatussalma@student.uns.ac.id

Febrianti Nur Qothimah
International Relations Department
Universitas Sebelas Maret
brian09febri@student.uns.ac.id

Arvito Rachman
International Relations Department
Universitas Sebelas Maret
arvitorachman@student.uns.ac.id

Ferdian Ahya Al Putra
International Relations Department
Universitas Sebelas Maret
ferdianahya@staff.uns.ac.id

Abstract

The US-China trade war is a trade conflict that has an impact on the global economy. In this trade war, the hegemon state becomes the main global focus. Therefore, the US-China trade war reflects the rivalry between two superpowers that influence global economic stability. This trade war creates uncertainty for economies around the world. This research examines the concept of hegemonic stability theory in the US-China trade war which reflects the rivalry between hegemons. This research uses a qualitative descriptive method. This research also uses the theory of hegemonic stability in the international system. Moreover, this research used literature study techniques to obtain relevant data. The results show that the US-China trade wars have an impact on the global economy. This study finds that Canada and Australia suffer from trade disruption, while Vietnam benefits from investment diversion. The emergence of China as a new and great economic power proves the hegemonic stability though, that a world with more than one dominant player causes chaos, especially in the world economy.

Keywords: China, United States, Trade War, Hegemonic Stability Theory

I. Introduction

The emergence of the US-China rivalry in the trade war has had a profound effect on the global economy. The two countries are competing for influence as superpowers. This has an impact on other countries that experience economic uncertainty in maintaining relations between the two countries. This rivalry continues to grow into a trade war.

The US-China trade war has been ongoing since 2018. The trade tensions between the world's two largest economies, the United States and China, have had significant economic, political and social impacts. These two countries have a role as dominant actors in international relations. The tension between the two countries has led to a trade war that has an impact on other countries in the world. Initially, the trade war was caused by President Trump imposing tariffs on imported Chinese goods. President Trump considers that China has harmed the United States economically and politically. The actions taken by President Trump certainly made China do the same to imported goods from the United States. China also imposes tariffs on imported US goods.

This research is important to discuss considering that the two countries in dispute are countries that have an important role in the global economy, especially in export and import activities. When viewed from the perspective of hegemonic stability theory, this condition contradicts theory. The US-China trade war reflects that there are two hegemonic countries that affect the stability of the global economy. The existence of two hegemonic countries can potentially cause chaos to the stability of the international system.

Previous research has found the impact of trade wars on the global economy. Steinbock (2018) wrote that the emergence of the US-China trade war has led to a prolonged global recession. Then, the United States and China failed to agree on a trade compromise. This caused uncertainty about the economy to continue to increase. Increased tariffs by the two countries also disrupted global supply chains. High tariffs from China have also caused price increases for US consumers and companies that use imported goods from China. Meanwhile, Itakura (2020) evaluated the impact of the US-China trade war with several scenarios. The study found two impacts: short-term and long-term. The impacts are also more severe in scenarios with non-tariff measures and investment diversion. The trade war also involves regulations on high-tech industries as well as political competition, but these are beyond the scope of this study. Then, research from (Li et al., 2018) found that China will experience significant losses due to trade wars compared to the United States. This is because the United States has a stronger position in trade war negotiations when analyzed from the Nash bargaining equilibrium framework. On the other hand, this study shows that the existence of a trade war provides losses, especially in terms of GDP and manufacturing employment for most countries in the world.

Previous studies have focused mainly on the macroeconomic consequences of the US-China trade war. However, few have compared its differentiated impacts on third-party economies such as Canada, Australia, and Vietnam. The existence of two dominant countries that go against the theory of hegemonic stability can threaten the stability of the global economy. Therefore, through the framework of hegemonic stability theory, this study aims to better understand the impact of the US-China trade war on the global economy. More deeply, this research will analyze how rivalry between the two hegemonic countries can threaten the instability of the global economic system and see how these challenges affect the policies taken by countries affected by this trade war.

II. Methods

This research uses a comparative qualitative method. Qualitative research methods are research methods used to examine the conditions of natural objects, where the researcher is the key instrument. In qualitative research, data collection is not guided by theory but is guided by facts discovered during field research. Then, comparative research refers to a research design that collects and compares data from various phenomena in society and/or culture. The analysis in this research can be carried out in the same way in several countries simultaneously (Allardt, 1990). The key point is that comparative research has the aim of identifying, analyzing, and explaining the similarities and differences between societies or an object of research (Hantrais, 1995). This research will analyze competition for hegemony in the global economy, involving the United States and China. Competition between hegemons then has a broad impact on the global economy. This research compared the impacts experienced by 3 countries including Canada, Australia and Vietnam. It can be measured by several indicators such as investment, trade, and the policy in responding to the trade wars. Meanwhile, the data is obtained from literature study from various sources such as investment and trade data from related parties, news, books, and research articles. The authors use the hegemonic stability theory to analyze the research object. The research focuses on the trade war started in 2018 and how it gives impact towards those three countries. Canada, Australia, and Vietnam are chosen to represent different impacts they experienced, both in obtaining a negative impact or maximizing momentum to get more benefits from the trade war.

III. Theoretical Framework

Hegemonic Stability Theory is a theory in international relations derived from research in the fields of political science, economics, and history. This theory explains that the international system will be stable if there is a country that is the only *superpower* in the world or hegemon (Unipolar) (Webb & Krasner, 1989). The stability of the international system will be threatened if the hegemon falls or is replaced by another country. The theory also emphasizes the importance of the role of big countries as the only power or hegemon that can establish order and stability and world peace. One of the key mechanisms in this Theory is the provision of public goods, where a superpower capable of providing most public goods is required to solve collective action problems (Rosamond, 2023). The main claim of hegemonic stability theory is that the nature of the global economic system is significantly affected by power relations between states. The best conditions for the development of an open and stable international economic system are those that result from a hegemonic distribution of power, defined as a distribution of power controlled by a single state (Webb & Krasner, 1989).

According to the hegemonic stability theory, hegemons behave like privileged groups and therefore prevent freedom. A hegemony is a country that produces most of the global total and leads in the creation of new technologies. The hegemony benefits greatly from trade due to its size and level of technical development, so it is ready to bear the entire cost of developing international trade rules. In addition, the hegemony realizes that its contribution is necessary for the provision of public goods. Therefore, during the hegemony's rule, the issue of free riding basically disappears, and a stable regime is established. When a hegemon's power is threatened, it is not willing to bear the cost of maintaining trade rules and world trade will not be as open as before (Oatley, 2018). Compared to the value society places on them, public goods are often more difficult to obtain. Free riding is a phenomenon that makes public goods difficult to obtain. The scenario where people depend on others to pay for public goods is referred to as free riding (Sandler, 1992).

According to hegemonic stability theory, hegemony can promote collaboration and stability in the international system, but it can also cause conflict and stress. Although some researchers argue this theory asserts that openness is only possible in the presence of hegemony, this is not the position taken by the originators of this theory. Krasner argues that a different distribution of power, such as one with several small states, can also result in an open system. However, the absence of hegemony can lead to instability and uncertainty in the global system. Proponents of this theory of hegemonic stability often cite the history of Pax Britannica and Pax Americana as evidence of hegemonic stability, as well as instability before World War I (when British hegemony declined) and instability in the interwar period (when US hegemony declined and the hegemony reduced its presence from world politics) (Cohen, 2008).

In the context of this research, the situation that occurred was the emergence of China as a new power challenging US dominance in the global economy. The basic assumption of this theory emphasizes unipolar stability, which assumes that the global economy can be stable if there is only one dominant actor. However, China's presence has caused this system to no longer be unipolar, thus causing chaos. This is because the US views China as a threat that could disrupt its position. As a result, various countries are experiencing difficulties due to the trade war, leading many to take strategic steps in trade such as diversification, trade diversion, and involvement in various free trade agreements. In addition, affected third-party countries are required to engage in dialogue with both the US and China to negotiate various trade barriers implemented as mitigation measures against greater impacts. These actions should be taken since both China and the US have large resources that are needed by many other countries.

IV. Discussion

a. Structural Shifts in Global Power: From US Dominance to China's Rise

The contemporary rivalry between the United States and China cannot be understood without examining the long-term structural changes that have reshaped the global economic system. Following the end of the Second World War, the United States emerged as the primary actor capable of stabilizing the international economy. Its leadership was institutionalized through the Bretton Woods arrangements of 1944, which created the International Monetary Fund and the International Bank for Reconstruction and Development, and through postwar initiatives such as the Marshall Plan that facilitated Europe's economic recovery (John, 1989). This period also witnessed the expansion of American influence in the global trade regime through support for the General Agreement on Tariffs and Trade. The dominance of the United States and the central position of the dollar created a predictable environment that aligned with the core assumptions of Hegemonic Stability Theory. According to this theory, a single powerful state can provide public goods, enforce rules, and reduce uncertainty in the global economic system (Webb and Krasner, 1989; Rosamond, 2023).

This stability gradually shifted as China experienced rapid economic transformation.

Beginning with the 1978 reform program known as Gaige Kaifang, China opened its economy to foreign investment and developed large industrial zones that became the foundation of its manufacturing strength (Silfiana, 2018). China's accession to the World Trade Organization in 2001 accelerated its integration into global supply chains and significantly increased its export capacity. By 2018, two thirds of all countries traded more with China than with the United States, a dramatic reversal from the trade patterns of the 1980s (Rajah and Leng, 2019). China's economic expansion was equally notable in terms of scale. Its gross domestic product grew from 1.2 trillion dollars in 2000 to 17.7 trillion dollars in 2021, which represented one of the most sustained economic expansions in modern history (Allison et al., 2022).

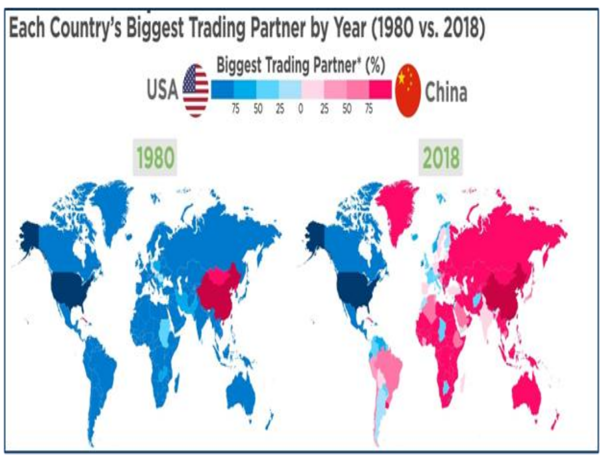

Figure 1. Global Trade Through US-China Lens
Source: (Rajah & Leng, 2019)

China's rise has also been accompanied by an active effort to shape regional and global economic institutions. The Belt and Road Initiative expanded China's infrastructure influence across multiple regions. In addition, China played a central role in constructing the Regional Comprehensive Economic Partnership, which now accounts for nearly one third of global economic output (Ajami, 2021). In contrast, the withdrawal of the United States from the Trans-Pacific Partnership limited its institutional presence in the Asia Pacific region, while the remaining members continued the agreement under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (Aggarwal, 2016; Bluth and Jungbluth, 2020). These developments highlight a broader shift from a system once dominated by a single hegemon toward a configuration where influence is increasingly shared and contested.

This transition from a unipolar to a semi bipolar or multipolar environment is central to understanding the current instability in the global economic system. Hegemonic Stability Theory suggests that periods of transition are characterized by uncertainty because no single state is both willing and able to maintain the rules that underpin open economic exchange (Oatley, 2018; Sandler, 1992). The United States still plays a crucial role in security networks and in several global institutions. However, China now holds dominant positions in global manufacturing, regional trade frameworks, and many supply chain networks. The coexistence of two major powers with overlapping spheres of influence has created a competitive environment in which trade norms, investment patterns, and technological standards are increasingly contested.

These structural shifts are essential for understanding the varied impacts of the United States and China trade conflict on Canada, Australia, and Vietnam. Each of these countries is positioned differently within the emerging distribution of global power and therefore experiences distinct forms of economic pressure. The rivalry between the two major powers intensifies systemic uncertainty, particularly for countries that maintain strong ties with both. The following sections examine how these dynamics affect each country and how their responses reflect broader changes in international economic order.

b. Trade War and Its Impact on Global Economic Stability

The rivalry between the United States and China is increasingly apparent and felt when the two countries compete for influence in the international trade system. Both the United States and China have long tried to outperform each other in many aspects of life. One of the events that currently attracts the most attention is when the two countries holding the world economy are involved in a trade war. In response to the trade war, China is trying to reduce its dependence on the US by carrying out various initiatives, one of which is Made in China 2025. This initiative aims to modernize China's industrial capabilities. This is a 10-year comprehensive strategy, which focuses heavily on smart manufacturing in 10 strategic sectors and aims to secure China's position as a global power in high-tech industries such as robotics, aviation, and new energy vehicles such as electricity and biogas (Institute for Security and Development, 2018). Moreover, previously Huawei, which is a Chinese cell phone brand, was one of the biggest potential security threats with their new 5G network. During this conflict, many governments, companies, and political leaders considered the importance of banning Chinese products in the US. The new 5G network developed by Huawei, although very fast, is believed to be used for surveillance by the Chinese government (Bhall, 2019). This condition pushed China to rely on their own technology rather than using US-based technology, such as Google software. This means that Chinese technology companies have had to adapt quickly in creating and using different operating systems (Tang, 2019). This Made in China 2025 initiative is a breakthrough to encourage China's independence regarding technological production. The rivalry between the two countries creates economic and geopolitical competition that tends to increase tensions in the international system.

Some argue that trade wars can have a positive impact on several countries, including Vietnam (Ha & Phuc, Nguyen Duc, 2019). However, it cannot be denied that trade wars tend to have a negative impact on the US and China as countries directly involved and on the global economic system (Cerutti et al., 2019). In this section, we will describe how trade wars have a significant impact on the stability of countries involved in relations with the two conflicting countries.

Canada

Canada and the United States (US) have a very close relationship in economics, military, and diplomacy. Canada is a member of the *North American Free Trade Agreement* (NAFTA) which consists of three countries: the US, Canada, and Mexico. The US being Canada's largest trading partner more than Mexico, due to its emphasis on exports, Canada's economy is defined by its reliance on strong trade relations with countries like the US, which has a sizable customer base. Since 1993, US and Mexican investment in Canada have quadrupled, marking a significant increase in cross-border investment during the NAFTA period. US investment increased from $70 billion in 1993 to more than $368 billion in 2013, accounting for more than half of Canada's FDI share. Overall, Canada has increased its dependence on trade with the United States with 75% of the value of exports to the country. As a result of Canada's dependence and close relationship with the US, Canada has been affected by the US-China trade war, which has destabilized the Canadian economy in several sectors, especially import-export (Flaherty, 2021).

This close diplomatic relationship between the US and Canada also gave birth to an extradition treaty. This extradition treaty was also used by the US to request Canada to arrest Meng Wanzhou, the chief financial officer of Chinese telecommunications company Huawei who was detained by Canadian police in response to a US extradition request. This is an important turning point in Canada's capacity to fill the gap created during the trade war, and it poses a particular challenge to the relationship between China and Canada (Flaherty, 2021). China's initial response was to close its ports to Canadian canola, beef and pork and detain two Canadian citizens in Beijing, accusing them of espionage. Several industries in Canada have been severely hurt by the US-China trade conflict and the arrest of Meng Wanzhou in December 2018. China purchased 40% of Canadian canola in 2018, with Canadian canola seed exports to China worth about C$2.17 billion. But in 2019, China banned Canadian canola imports. Then, in late June, China also banned Canadian pork imports, which dealt a major blow to Canada as China is its largest pork market (Chatzky et al., 2020).

Therefore, Canada is suffering because of this trade conflict, as China's ban on Canadian agricultural products is due to Canada's close relationship with the US. Since prices are highly sensitive and can be significantly affected by diplomatic tensions, Canadian agriculture is thus caught in the middle of this battle. In response to this situation, Canada has diversified its trade by expanding access to non-US markets through FTAs (e.g., CETA with the European Union, CPTPP), providing support to affected sectors such as agriculture through subsidies and assistance to farmers, and strengthening its position in multilateral trade negotiations (Chen, 2025). From another perspective, this situation opens opportunities for broader cooperation for Canada through its involvement in various free trade areas.

Australia

Australia's economic dependence on China places it in a vulnerable position about the dynamics of the US-China trade war. As one of the largest exporters of iron ore, coal and natural gas, Australia relies on China as its main market, which absorbs most of its commodities.

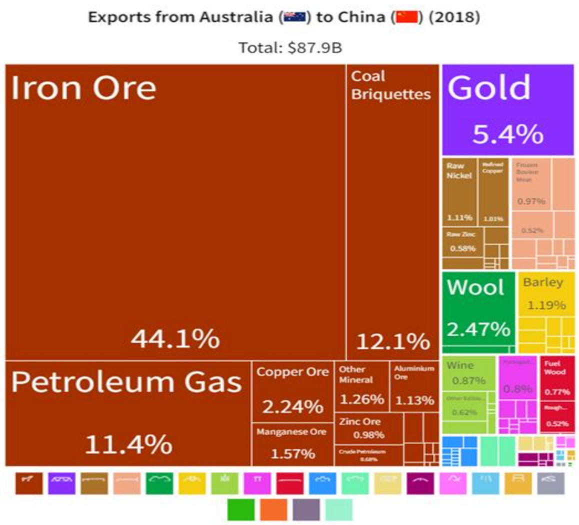

Figure 2. Export from Australia to China
Source: (OEC, 2018)

Based on the data above in 2018, the main products exported by Australia to China were iron ore ($38.8 billion), coal ($10.6 billion) and natural gas ($10.1 billion). We can see that Australia's dependence on China lies in the export of natural resources (OEC, 2018).

President Trump's tariff increase on China has had a significant impact on Australia. This is because the tariffs imposed by President Trump can affect Australia's exports to China. If tariffs are high, Chinese products will become more expensive, so China will experience a decrease in demand from consumers. Then, Australia's exports to China will also decline, so that it can reduce Australia's access to the Chinese market. In the end, Australia's export revenue will also decline.

In addition to affecting Australia's import-export activities, the US-China trade war also affects Australian investment. As explained earlier, the US-China trade war has caused global economic uncertainty, which has an impact on investment. Investors will become more cautious in investing. The imposition of high tariffs by the US-China also makes production costs increase which causes companies to make considerations which then affect the investment decision.

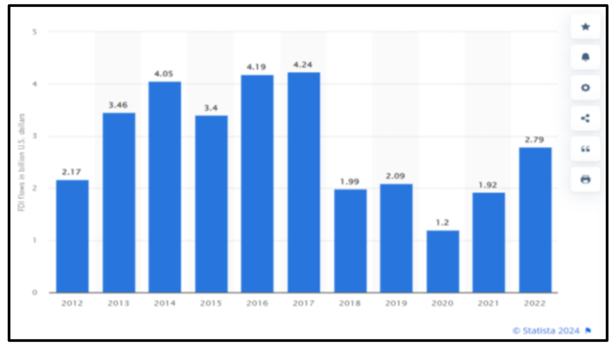

Figure 3. Annual Flow of Foreign Direct Investment from China to Australia between 2011 and 2022 (in billion USD)
Source: (Statista, 2022)

Based on the Statista data above, China's annual flow of Foreign Direct Investment (FDI) to Australia has decreased in 2018. Previously, in 2017 China's annual flow of Foreign Direct Investment (FDI) to Australia was $4.24 billion. Then, in 2018 it decreased to as much as $1.99 billion (Statista, 2022). Trade tensions between the US and China have prompted the Australian government to implement stricter investment policies, making it difficult for foreign investors, especially those from China, to invest in Australia. This policy reflects the Australian government's vigilance in maintaining national security. In addition to these policy factors, the weakening of China's economy due to tariff pressures has also contributed to a decline in investment flows. This is due to the tendency of Chinese companies to prioritize domestic economic stability over overseas expansion.

Salma, B., Qothimah, F. N., Rachman, A., & Putra, F. A. A. A Comparative Study of the US-China Trade War Impacts on Canada, Australia, and Vietnam. *WIMAYA*, *6*(02), 85-100

The trade tensions between the US and China have the potential to hamper global demand. The Australian government continues to create new opportunities for businesses and exporters (Bagshaw, 2018). This is done to overcome the economic shock of falling global demand and reduce export dependence on China. Australia is also seeking to expand its export activities to other countries as a form of market diversification. However, this diversification is difficult to achieve in the short term because Australia's export structure is heavily dependent on demand from China industries, particularly in the steel dan energy sectors, making market shifts require significant time. To maintain relations with both major powers, Australia also continues to strengthen diplomatic relations with the US-China in order to minimize the impact of the US-Chin. In addition, Australia responded with several steps such as continuing to emphasize "open regionalism" and rejecting the overly protectionist "trusted trade" policy, strengthening regional economic integration and expanding cooperation through economic alliances such as the Quad and Five Eyes, while still hile still maintaining trade openness (Laurenceson & Armstrong, 2023).

In the context of Hegemonic Stability Theory, the phenomenon occurring in Australia shows that countries with high economic dependence on a single major power, such as China, place themselves in a more vulnerable position when rivalry arises between two hegemons. Australia has experienced negative impacts due to its economic structure being centered on Chinese market demand, particularly in the commodities sector. As tensions escalate, Australia faces the risk of declining exports, weakening Chinese investment, and pressure to adjust national policies in order to maintain economic stability.

Vietnam

Vietnam is often identified as the country that benefits the most from the United States and China trade war, yet its experience must be understood analytically within the broader structural context of shifting global power relations. Vietnam's economic linkages with both the United States and China are historically deep, although the nature of these linkages differs significantly. As a socialist-oriented economy led by the Communist Party, Vietnam has long maintained close investment and trade cooperation with China, which was further institutionalized after the signing of the Regional Comprehensive Economic Partnership (RCEP) in 2020. This agreement expanded Vietnam's export and import channels with China and reinforced its integration into China-centered production networks. At the same time, Vietnam has cultivated increasingly strong trade ties with the United States, particularly after joining the Indo-Pacific Economic Framework for Prosperity (IPEF) in 2022, which focuses on economic development and innovation (Ngoc, Pham Phuong & Wie, 2023). This dual engagement positioned Vietnam in a structurally advantageous location: it was economically connected to both competing powers, yet not locked into the asymmetric dependencies that constrain countries such as Canada or Australia.

The impact of the trade war on Vietnam reflects this structural position. Rather than facing immediate economic losses, Vietnam experienced substantial gains driven primarily by trade diversion. As tariff barriers reduced American imports from China by 13.9 percent in the first three months of 2018, the United States shifted procurement to alternative suppliers. Vietnam became one of the main destinations for this redirected demand, recording an export expansion of 40.2 percent to the United States during the same period (Fatharani, 2022). Vietnam's manufacturing structure, characterized by relatively low labor costs, improving regulatory reforms, and strong integration into global supply chains, enabled it to quickly absorb the inflow of new export orders. The country's trade surplus with the United States continued to expand in 2019, with exports rising by 24.5 percent, the highest growth rate recorded in recent years. At the same time, Vietnam also saw an increase in exports to China, which rose by 17.1 percent in 2019, indicating that the trade war did not force Vietnam to choose between the two markets but instead allowed it to deepen trade relations with both.

Foreign Direct Investment (FDI) dynamics further demonstrate Vietnam's ability to capitalize on geopolitical disruption. The trade war accelerated the relocation of production from China to Vietnam as firms sought to circumvent US tariffs. This resulted in a sharp rise in investment approvals, with more than 1,720 projects licensed in the first half of 2019, marking a 26 percent increase compared with the same period in the previous year. Total FDI inflows reached 16.74 billion dollars during these months, with 12 percent originating from China, making China the fourth-largest investor after Hong Kong, South Korea, and Singapore (Nguyen et al., 2014; Igorevna and Kristina, 2021). The manufacturing sector absorbed 71.8 percent of the total registered capital, reflecting Vietnam's growing role as a preferred alternative production base in Southeast Asia. These patterns reveal that Vietnam was not merely a passive recipient of trade diversion but an active participant in global value chain restructuring triggered by the trade conflict.

Despite these gains, Vietnam's policy response reflects strategic caution rather than overconfidence. While the trade surplus with the United States expanded significantly, Vietnam recognized the risk of becoming overly dependent on the US market under conditions of geopolitical volatility. Washington's growing scrutiny toward trading partners with large surpluses created potential vulnerabilities. Consequently, Vietnam undertook deliberate diversification efforts, strengthening economic ties beyond the two major powers. A landmark agreement with the European Union eliminated 99 percent of tariffs on traded goods, offering significant opportunities for market expansion. Furthermore, Vietnam's participation in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) opened access to key markets such as Canada and Japan and enhanced Vietnam's resilience to geopolitical shocks (Boedreau and Chau, 2019). These policy choices demonstrate a conscious effort to avoid strategic entrapment and to maintain autonomy within an increasingly contested global environment.

Vietnam's experience offers a valuable refinement to Hegemonic Stability Theory. While the theory suggests that the absence of a single dominant hegemon tends to create instability and generate negative spillovers for most states, the Vietnamese case demonstrates that periods of structural transition do not necessarily produce uniform outcomes. Vietnam's pattern of development shows that countries with flexible economic structures and adaptive policy strategies may convert geopolitical disruptions into opportunities for strategic advancement. Its capacity to absorb redirected investment, expand export volumes, and deepen trade relations with multiple major partners indicates that agile economies are able to utilize systemic competition rather than be constrained by it. Moreover, unlike what happened in Canada and Australia, Vietnam has the potential to take advantage of this situation by encouraging the strengthening of domestic production capacity and the development of local resources to reduce dependence on the Chinese supply chain (Ha, 2025).

c. Implications

The findings of this study offer several important implications for understanding the dynamics of the international system, particularly in relation to Hegemonic Stability Theory (HST). Overall, the cases of Canada, Australia, and Vietnam demonstrate that rivalry between the United States and China has generated a higher level of uncertainty and instability compared with the period when the United States held an uncontested hegemonic position. In line with HST, the absence of a single dominant hegemon reduces the system's ability to maintain stability and consistent rule of enforcement.

However, the study also shows that the effects of this instability are not uniform. Canada and Australia illustrate the vulnerabilities experienced by middle powers that are economically or strategically dependent on one of the competing hegemons. Canada's strong dependence on the United States left it with limited policy options when China imposed import restrictions as a form of political pressure. Similarly, Australia's dual dependence on China for economic growth and on the United States for security placed the country in a structural dilemma. These cases demonstrate that middle powers in a dual-hegemony system often experience reduced autonomy and a narrowing policy space, making them susceptible to external pressure from either side of the rivalry. This reinforces the core proposition of HST that bipolar or semi-bipolar systems tend to produce instability and increase risks for states lacking structural flexibility.

In contrast, Vietnam presents a different and more adaptive pattern. Owing to its flexible economic structure and active market diversification strategies, Vietnam successfully converted system-level disruption into economic gains. The redirection of investment flows from China, the surge in exports to the United States, and deeper integration into frameworks such as CPTPP and the EU–Vietnam Free Trade Agreement demonstrate that some states can turn systemic instability into opportunities for competitive advantage. Vietnam's ability to strengthen domestic production capacity and reduce reliance on Chinese supply chains shows that adaptive states can leverage hegemonic rivalry to enhance long-term resilience. This finding adds nuance to HST by showing that while instability increases in the absence of a single hegemon, not all states are equally disadvantaged. Vietnam's experience suggests that opportunities also emerge for states capable of strategic adjustment.

To illustrate these differences clearly, Table 1 summarizes the structural positions, dominant impacts, and strategic responses of the three countries.

Table 1. Comparative Overview of Impact and Response in Canada, Australia, and Vietnam

Analytical Dimension	Canada	Australia	Vietnam
Economic Dependence	Strong export dependence on the United States, limited diversification, politically aligned with Washington	Reliant on China for commodity exports and on the United States for security cooperation	Balanced trade with both major powers and integration into regional production networks
Main Impact of the Trade War	Chinese restrictions on canola, pork, beef resulting in significant export losses	Indirect export pressure from declining Chinese demand and a significant drop in Chinese FDI, increasing market uncertainty	Increased exports to the United States, strong FDI inflows, and relocation of manufacturing facilities
Structural Position	Vulnerable due to asymmetric dependence on a single hegemon	Exposed to dual vulnerabilities because economic ties are rooted in China while security ties rely on the United States	Advantageous structural position supported by competitive manufacturing and diversified partnerships
Policy Response	Attempts to diversify markets through CETA and CPTPP, supported by sectoral assistance, but still constrained by dependence on the United States.	Hedging strategy through market diversification and regional engagement, including stricter investment screening and support for open regionalism, but still unable to fully avoid instability	Diversification through CPTPP and EU agreements, strengthening domestic production capacity

These findings lead to two key conceptual reflections. First, the study reinforces HST's assumption that the international system becomes more fragile when no single hegemon is able to provide stability and coordinated rules. Second, the study challenges the simplified view that instability affects all states in the same way. Vietnam illustrates that states with flexible economic structures can take advantage of multipolar competition, while Canada and Australia reveal the opposite trend, namely the loss of autonomy and increased exposure to economic and political risks.

Thus, the implications of this research are not only relevant for international relations theory

Salma, B., Qothimah, F. N., Rachman, A., & Putra, F. A. A. A Comparative Study of the US-China Trade War Impacts on Canada, Australia, and Vietnam. *WIMAYA*, *6*(02), 85-100

but also for global economic policymaking. Middle powers need to strengthen market diversification, enhance domestic industrial capability, and adopt adaptive strategies to navigate an international system that is increasingly competitive and less predictable.

V. Conclusion

Based on the findings of this study, it can be concluded that the US–China trade war has significant implications for the stability of the international economic system. The rivalry between the two major powers generates broader global economic tensions that affect countries embedded in their trade and investment networks. The cases of Canada, Australia, and Vietnam reveal that exposure to hegemonic rivalry is not evenly distributed. Canada and Australia face export losses, declining investment, and reduced policy flexibility due to their structural dependence on one hegemon, whereas Vietnam benefits from diverted trade and investment flows, showing that systemic disruption can also create opportunities.

These outcomes align with the core ideas of Hegemonic Stability Theory. The presence of two dominant powers in the global economy reflects the absence of a single hegemon capable of maintaining systemic stability. The US–China trade war has increased uncertainty for businesses and global markets, disrupted supply chains, and influenced investment decisions. The contrasting results among the three countries indicate that states with rigid economic dependencies are more exposed to risk, while those with flexible structures and adaptive policies may leverage instability for strategic gain. This confirms that today's bipolar or emerging multipolar system contributes to asymmetric outcomes among states and greater economic uncertainty.

The study suggests that middle powers must prioritize economic diversification, broaden trade partnerships, and strengthen domestic industrial capacity to reduce vulnerability to geopolitical rivalry. Further research should examine a broader range of countries to better understand the conditions that enable some states to benefit during hegemonic rivalry, and to assess whether Vietnam's adaptive strategy can serve as a model for other regions as global power dynamics continue to evolve.

Works Cited

Aggarwal, V. K. (2016). Mega-FTAs and the Trade-Security Nexus: The Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). *JSTOR*, 1–8. https://www.jstor.org/stable/pdf/resrep06450.pdf

Ajami, R. (2021). The Regional Comprehensive Economic Partnership: Asia Trade Connectedness. *Journal of AsiaPacific Business*, *22*(1), 1–3. https://doi.org/10.1080/10599231.2021.1866395

Allardt, E. (1990). Challenges for Comparative Social Research. *Acta Sociologica*, *33*(3), 183–193. https://doi.org/10.1177/000169939003300302

Allison, G., Kiersznowski, N., & Fitzek, C. (2022). The Great Economic Rivalry: China vs. the US. *Harvard Kennedy School Belfer Center for Science and International Affairs Paper*.

Salma, B., Qothimah, F. N., Rachman, A., & Putra, F. A. A. A Comparative Study of the US-China Trade War Impacts on Canada, Australia, and Vietnam. *WIMAYA*, *6*(02), 85-100

https://www.belfercenter.org/sites/default/files/files/publication/GreatEconomicRivalry_Final_2.pdf

Bagshaw, E. (2018). *Donald Trump's trade war will cost Australia's economy at least $36 billion*. Sydney Morning Herald. https://www.smh.com.au/politics/federal/donald-trump-s-trade-war-will-cost-australia-s-economy-at-least-36-billion-20180907-p502dr.html

Bhall, D. (2019). *The US-China Trade War, the Huawei Battle, and its Effects on the World*. IRPJ = Intergovernmental Research and Policy Journal. https://irpj.euclid.int/articles/the-us-china-trade-war-the-huawei-battle-and-its-effects-on-the-world/#:~:text=While%20the%20trade%20battle%20began

Bluth, C., & Jungbluth, C. (2020). *The RCEP: A wakeup call for the West?* Global Europe. https://globaleurope.eu/globalization/the-rcep-a-wake-up-call-for-the-west/

Boedreau, J., & Chau, M. N. (2019). Vietnam Goes From Trade War Winner to Trump Target. *Bloomberg*.

Cerutti, E., Gopinath, G., & Mohommad, A. (2019). *The Impact of USChina Trade Tensions*. IMF. https://www.imf.org/en/Blogs/Articles/2019/05/23/blog-the-impact-of-us-china-trade-tensions

Chatzky, A., McBride, J., & Sergie, M. (2020). *NAFTA and the USMCA: Weighing the Impact of North American Trade*. Council Foreign Relations. https://www.cfr.org/backgrounder/naftas-economic-impact

Chen, D. (2025). Protectionism in Modern Economic System: Evaluating the US Trade Policies and the Impacts on China and Canada. *Lecture Notes in Education Psychology and Public Media*, *97*(1), 6–12. https://doi.org/10.54254/2753-7048/2025.ld23206

Cohen, B. J. (2008). *International Political Economy*. Princeton University Press. https://doi.org/10.2307/j.ctv1mjqvdq

Fatharani, F. (2022). Analysis of Vietnam's Response to the US-China Trade War in Times of Pandemic. *Proceedings of the International Conference on Sustainable Innovation on Humanities, Education, and Social Sciences (ICOSI-HESS 2022)*, 720–730. https://doi.org/10.2991/978-2-494069-65-7_58

Flaherty, V. (2021). Impact of Trumpian Trade on Canadian Agriculture: Evidence from Commodity Analyses. *Flux: International Relations Review*, *11*(1). https://doi.org/10.26443/firr.v11i1.58

Ha, L. T., & Phuc, Nguyen Duc. (2019). The USChina Trade War: Impact on Vietnam. *Iseas Yusof Ishak Institute*, 1–13.

Ha, V. K. H. (2025). The Potential Implications of the United States-China Trade War on Vietnam: A Review from the Perspective of International Political Economy (2018–2025). *Research and Innovation in Social Science Education Journal (RISSEJ)*, *3*(1), 1–9. https://doi.org/10.30595/rissej.v3i1.297

Hantrais, L. (1995). *Social Research Update 13: Comparative Research Methods*. Sru.soc.surrey.ac.uk. https://sru.soc.surrey.ac.uk/SRU13.html

Igorevna, & Kristina, S. (2021). *The impact of the trade war between the United States and the People's Republic of China on the economy of the Socialist Republic of Vietnam*. https://dspace.spbu.ru/bitstream/11701/31198/1/Soboleva_thesis_The_impact_of_the_trade_war_on_Vietnam.pdf

Salma, B., Qothimah, F. N., Rachman, A., & Putra, F. A. A. A Comparative Study of the US-China Trade War Impacts on Canada, Australia, and Vietnam. *WIMAYA*, *6*(02), 85-100

Institute for Security and Development. (2018). *Made in China 2025*. https://isdp.eu/content/uploads/2018/06/Made-in-China-Backgrounder.pdf

Itakura, K. (2020). Evaluating the Impact of the US–China Trade War. *Asian Economic Policy Review*, *15*(1), 77–93. https://doi.org/10.1111/aepr.12286

John, I. G. (1989). Rethinking the Origins of American Hegemony. *Political Science Quarterly*, *104*(3), 375–400. https://doi.org/10.2307/2151270

Laurenceson, J., & Armstrong, S. (2023). Learning the right policy lessons from Beijing's campaign of trade disruption against Australia. *Australian Journal of International Affairs*, *77*(3), 1–18. https://doi.org/10.1080/10357718.2023.2212612

Li, C., He, C., & Lin, C. (2018). Economic Impacts of the Possible China–US Trade War. *Emerging Markets Finance and Trade*, *54*(7), 1557–1577. https://doi.org/10.1080/1540496X.2018.1446131

Ngoc, Pham Phuong, & Wie, D. (2023). Fishing in Troubled Waters: The Impact of the US-China Trade War on Vietnam. *SSRN*. https://dx.doi.org/10.2139/ssrn.4484771

Nguyen, H. T. V., Vinh, C. T. H., & Trang, L. T. T. (2014). The Impact of Heterogeneous Bilateral Investment Treaties (BIT) on Foreign Direct Investment (FDI) Inflows to Vietnam. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.2618451

Oatley, T. (2018). The WTO and The World Trade System. In *International Political Economy* (6th edition). Routledge. https://doi.org/10.4324/9781351034661

OEC. (2018). *Dynamic Bilateral Trade Selector*. OEC World. https://oec.world/en/profile/bilateral-country/chn/partner/aus?dynamicBilateralTradeSelector=year2018

Rajah, R., & Leng, A. (2019). *Chart of the week: Global trade through a US-China lens*. Lowy Institute. https://www.lowyinstitute.org/the-interpreter/chart-week-global-trade-through-us-china-lens

Rosamond, B. (2023). *Hegemony*. Encyclopedia Britannica. https://www.britannica.com/topic/hegemony

Sandler, T. (1992). *Collective Action: Theory and Applications*. University of Michigan Press.

Silfiana, D. (2018). PEMBANGUNAN EKONOMI CINA BERDASARKAN TEORI DENG XIAOPING DAN KONSEP TIGA PERWAKILAN. *Journal Ilmu Hubungan Internasional*, *6*(3), 1065–1078. https://ejournal.hi.fisip-unmul.ac.id/site/wp-content/uploads/2018/07/1202045041%20-%20Dara%20Silfiana%20(07-18-18-07-23-41).pdf

Statista. (2022). *Annual flow of foreign direct investments from China to Australia between 2011 and 2021*. Statista. https://www.statista.com/statistics/720733/chinaoutwardfdiflowstoaustralia/

Steinbock, D. (2018). U.S.China Trade War and Its Global Impacts. *China Quarterly of International Strategic Studies*, *04*(04), 515–542. https://doi.org/10.1142/S2377740018500318

Tang, F. (2019, May 22). *Trade war and Huawei ban push China to rethink economic ties with US*. South China Morning Post. https://www.scmp.com/economy/china-economy/article/3011319/donald-trumps-trade-war-and-huawei-ban-push-china-rethink?campaign=3011319&module=perpetual_scroll_0&pgtype=article

Webb, M. C., & Krasner, S. D. (1989). Hegemonic stability theory: an empirical assessment. *Review of International Studies*, *15*(2), 183–198. https://doi.org/10.1017/S0260210500112999