



THE DYNAMICS OF SINO – AMERICAN ECONOMIC RELATIONS IN CONTEMPORARY WORLD ORDER

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ABSTRACT: *The paper focuses on the dynamics of China-US economic and trade relations in the contemporary world system and analyses the changing nature of their bilateral ties, which is seen to be a relation between the first and second largest economy of the world. The paper adopted historical-descriptive research from the secondary methodology using library instrument for data and relevant information. The paper discovered that China and the United States have different national conditions, and are at different stages of development, market economy and market maturity. They both have sensitive economic fields and their own focuses of concern in economy and trade. Factors such as national conditions and stages of development determine the status, division of labour, openness and developing paths of the two countries in globalization. A correct view on their differences is important to accurately grasp the historical trend and promoting the balanced development of the bilateral economic and trade relations. Findings also show that the two are in a difficult moment since the beginning of the trade war or ever since President Donald Trump came to power. This has exacerbated to closing embassies both in the United States and China in July 2020. Looking into the future, China is willing to make joint efforts with the US to encourage Chinese enterprises to participate in US infrastructure construction, further open up markets, promote two-way investment, and promote bilateral investment treaty negotiations to further strengthen China-US trade and economic cooperation. At the same time, the two sides should properly deal with economic and trade frictions through dialogue and consultation under the principle of mutual respect, equality and mutual benefit. China-US economic and trade cooperation has great prospect and huge potential. The paper recommends that the two sides should try as much as possible to mitigate tension and enhance Trade and Economic Cooperation between and among their Provinces. Trade and Economic cooperation between the two sides would serve as an important basis for robust commercial relations that can promote friendship and expand mutually beneficial cooperation, among other things.*

KEYWORDS: Dynamics, Sino-American, Economic, Relations, Contemporary, World

INTRODUCTION

China–United States relations, more often known as U.S.–Chinese relations, Chinese–U.S. relations, or Sino-American relations, refers to international relations between the United States of America and the People's Republic of China (PRC). The partnership between China and the United States, in which each nation regards the other as a potential adversary as well as an economic partner, has been described by world leaders and academics as the world's most important bilateral relationship of the century (Cheng, 2017). Although China and the US are geographically far apart, their economic and trade exchanges date back to a long time ago. According to Hopkins (2004: 4), 230 years ago, the American merchant ship sailed across the



ocean for its maiden voyage to China, kicking off China-US economic and trade cooperation, and connecting the ancient China and the young America for the first time. Today, China and the US are the world's two largest economies, accounting for 40% of the global economy, a quarter of the goods export, and 30% of the world's FDI outflows and inflows. The trade and economic cooperation between the two countries has reached an unprecedented depth and breadth, linking their economies closely together. Sound China-US economic and trade relations are not only in the fundamental interest of the two countries, but also vital to the prosperity and stability of the world economy (Cheng, 2017).

At first, the American interest in China was economic. Americans were looking for new markets to buy goods, as the British refused to deal with Americans and the Chinese preferred to work with Americans, who bought Chinese goods. The Europeans only wanted to sell their items to a business partner in what defines economic nationalism. By the middle of the 19th century, though, the relationship had grown, American churches led the way, seeking converts to Christianity among China's enormous population. American missionaries began preaching in China in the 1830s, even when they could not legally visit many areas. Missionaries were among the first Americans to study the Chinese culture and language, and helped to shape American perceptions of Imperial China (Robertson, 1992: 72).

Albrow and King (1990: 67) posited that since Mao Zedong declared the founding of the People's Republic of China in 1949, U.S.-China relations have moved through three distinct phases. The first phase lasted from 1949 to 1972. The main feature of the relationship was that the United States and China were on opposite sides of the Cold War. The second phase lasted from 1972 to 1991 and amounted to a complete reversal. China feared the Soviet Union, and the United States was reeling from the Vietnam War (Robertson, 1992:77). The two countries solidified a more cooperative relationship grounded in a shared geopolitical interest in limiting Soviet power. The third phase began with the Soviet Union's fall in 1991 and continues to the present. This phase has two defining features. The first is economic interdependence. The second is the absence of the Soviet Union as a common enemy and the re-emergence of opposing interests.

Since these two features define current relations between the United States and China, it is worth addressing them in more depth, starting with the interdependent relationship. China grew to become the second-largest economy in the world by relying on exports. Its substantial population allowed China to produce large amounts of goods at a lower cost than most countries. The result was that companies moved their production and assembly operations to China to drive down costs. This had many consequences, but three are of geopolitical importance. First, the United States became the largest destination for Chinese exports. Second, China became the largest source of U.S. imports. Third, millions of American workers lost their jobs because factories in the United States relocated their operations to China (Cheng, 2017).

According to Albrow and King (1990: 67), some Chinese leaders were inspired by the American political system. Sun Yat-sen, the father of modern China, is said to have modelled his political philosophy of the "Three Principles of the People" after Abraham Lincoln's belief in government "of the people, by the people and for the people." When Sun helped to overthrow the Qing Dynasty in 1911, and to found the Republic of China, his principles became part of the new republic's constitution.



THEORETICAL FRAMEWORK

Realist theory provides the most powerful explanation for the state of war and the rise and fall of great powers. It expounds the important concepts and themes like national sovereignty, security, survival, interests, balance of power, balance of terror, alliance, dominance, hegemony and polarity (Clinton, 1994: 12). Realism can be classified into classical realism, structural realism and neoclassical realism. In recent years, liberalism, globalism and constructivism also have greatly influenced academics and policy-makers under the new phenomena of globalization and terrorism.

Classical realism emphasizes the endless power struggle and its roots in human nature. The central concepts of classical realism theory are national interest and power. The unifying themes of realism include the nation state as the actor; national sovereignty, security, survival and interests as the ultimate goal; balance of power and alliance in a state of anarchy as the key strategy; balance of terror as the method of temporary truce; dominance, hegemony and polarity as the types of international system structure; change, method and calculation as the policy (Robertson, 1992: 72).

Neoclassical realism focuses on the necessity of better accounts of the unit level variables, such as how power is perceived and how leadership is exercised. To achieve their objectives and maintain their security, units like people, corporations, and states must rely on the means they can generate and the arrangements they can make in a condition of anarchy. State structure, scope, and capacity are crucial factors in explaining the process how nations become increasingly active on the world stage. Capabilities shape intentions, but state structure limits the availability of national power. Foreign policy is made, not by the nation as a whole but by its government, so what matters is state power (Frankel, 1970: 17).

According to Clinton (1994: 12), national interest is like the common currency of international relations and has to be universally applicable to all states, whatever their form of social organization. If national interests were to vary among nations, then they would no longer speak the same language about these interests. The doctrine of the national interest draws on a particular view of human nature and emphasizes man's radical and ever-present drive or lust for self-interest. Joseph Frankel categorizes national interest into vital interest, the spatial dimension of national interest, and the time dimension of national interest. He argues the vital interest is "that the state is unwilling to make concessions on it and that it prepared, if necessary, to go to war over it." As Morgenthau argues, "the main signpost that helps political realism to find its way through the landscape of international politics is the concept of interest defined in terms of power" (Cheng, 2017).

Quincy and Carl (1999: 46) submitted that the ten years from 1945 to 1955 represents a critical turning point in the history of contemporary international relations. With the end of World War II emerged the transition of competition for dominance among the traditional European Powers to the new international system of Cold War between the United States and the Soviet Union. The deterioration of the relationship between America and China is the result of such a new international order. Particularly, this decade witnessed the most difficult and hostile period in U.S.-relations with China. The War in Korea, the further military confrontation in the Taiwan Strait, the worsening of mutual diplomatic, economic and cultural relations, all made the two countries enemies for a quarter of century. Proper understanding of this period is essential if Washington and Beijing are to avoid similar conflicts in the future, for some of the mutual



misunderstanding that contributed to the deterioration of the two countries in the late 1940s still exerts its influence sporadically on contemporary relations of both sides (Quincy and Carl, 1999: 47).

Tyson (2006: 26) argued that the emergence of China as an economic power within the last few years will shape the world as much as the United States in the late 19th century. As America is the world's greatest power and China is the world's greatest emerging power, the relationship between these two countries will largely determine the history of the twenty-first century. History teaches that such power transitions are inherently fraught with dangers and opportunities. Thus, it would serve the interests of the United States to rethink its relationship with China and make its policies more global and focused on the long term. No matter what happens in China, American policy towards that country should be guided by a clear and firm sense of American national interests.

The U.S. policy towards China represents a mixed historical record, with extreme shifts ranging from business only, "semi-colonial repression, benign neglect, active hostility, barely concealed animosity," finally to secret partnerships and strategic competition. Inconsistency in policies became apparent after World War II, but what has been consistent is the self-centred American interests and American power. It is obvious that the relations between the two countries are sometimes "like images and perceptions that the two peoples have of each other, and have swung between two extremes: friends or enemies love or hate." The American foreign policy-makers should try to avoid the temptation of either coddling or demonizing China, the world's next superpower. Instead the U.S. should stick to the motto by Palmerston: "We have no eternal allies, and we have no eternal enemies. Our interests are eternal, and those interests it is our duty to follow" (Tyson, 2006: 26).

Quincy and Carl (1999: 60) stated that the History of U.S. relations with China has demonstrated crucial testimony and for the interpretation of classical realism that emphasizes national interest and national power. Even today in America, different interest groups, parties and policy-makers might still perceive different strategies and policies towards China. Whether offensive or defensive, short-term or long-term, business as a top priority or human rights as the banner issue, the point that should always be kept in mind is how American interests and power are identified, affected and preserved. The American government needs to understand how China will conceive, calculate and respond in current and future relations, based on their respective interests and power status.

LITERATURE REVIEW

Inosemtsev (1940) defines globalization as one of the most popular social studies of today, but is at the same time an empty term. It was first mentioned in literature in the mid-1940s, but up until the mid-1980s it was mentioned only occasionally. After the Cold War the term began to be used to describe the world becoming more interdependent in its economical and informational dimension. Because of the complexity of the concept, research projects, articles and debates have remained mostly focused on one aspect of globalization. Robertson (1992), a professor of sociology at the University of Aberden, was the first person to define globalization as "the understanding of the world and the increased perception of the world as a



whole." Albrow and King (1990) (both sociologists), define globalization as "all those processes by which the peoples of the world are incorporated into a single world society.

Globalization can be linked to the local, the national and the regional. On one hand, a connection is made between social and economic relationships and networks, organized on a local and / or national, on the other hand, it connects social and economic relationships and networks crystallized on wider scale the regional and global interactions. Globalization can refer to those spatial-temporal processes of change, which constitutes the fundament of the transformation of human concerns in an organization, linking together and expanding human activity across regions and continents (Herbert, 1993: 43).

The foundation of China-US economic and trade relations is economic globalization, at present, the international economic situation is complex and volatile. According to Herbert (1993: 44), the world economy lacks momentum; trade and investment are sluggish; and protectionism is rising. However, these have not changed the fundamental trend of integration and interdependence among economies. Globalization is adjusted, deepened and rebalanced while moving forward. Historically, economic globalization is an objective requirement of the development of the social productivity and an inevitable result of technological progress. It is an objective trend, not a subjective wish, and is a continuous process of improvement. Globalization has provided a strong impetus for world economic growth, promoting the flow of goods and capital, technological and cultural progress, and exchanges between nations. Globalization allows multinational companies to make full use of market resources of other countries, to maximize productivity and reduce cost. According to WTO and OECD statistics, in 2015, intermediate goods trade accounted for more than two thirds of global trade (Carter, 2001:16).

Carter (2001:17) stated that the essence of globalization is the interdependence among countries. The faster a county's economy grows, the more it needs to get resources and access to markets through globalization, so as to constantly gain new competitive advantage. As it develops deeper, globalization will encounter setbacks, which is a reflection of the normal fluctuations in the world economic demand and the result of the game among participants. Such development is in line with the objective law of the spiral rise of things. The emerging "anti-globalization" tide is not opposing globalization, but opposing the widening gap between rich and poor and uneven development brought by globalization, which are the negative effects of globalization.

For Carter (2001), China and the US, economic globalization has been the basis for the further development of their economic and trade relations. On the one hand, the economic ties among countries are becoming closer and their interdependence is deepening, which provides an important prerequisite for China and the US to promote and support each other for common development. On the other hand, the extension of the global industrial chain and value chain, the deepening of the global distribution of multinationals, the global application of scientific and technological innovations have all provided a driving force for wider and deeper trade and economic cooperation between China and the US. Whether in the past, now or in the future, the development of China-US economic and trade relations always need to and must follow the trend of globalization.

At the same time, the differences and cooperation between China and the US are reflected in the process of globalization, and will influence and shape the process. The US is one of the



earliest promoters of economic globalization, and is one of the biggest beneficiaries of globalization. Although China is a “latecomer”, with its own advantage, it is participating in the global industrial chain and value chain in a deeper and broader way, profoundly changing the global trade and investment pattern, and is becoming one of the beneficiaries of globalization. In their deep participation in the process of global resources allocation, China and the US have intertwined interests, and both cooperation and competition, profoundly affecting the direction of globalization, (Herbert, 1993).

FINDINGS AND DISCUSSION

Achievements of Sino – Us Economic Cooperation: China-US trade and economic cooperation is a result of complementarity, China and the US are different in their stages of development, economic structures and resource endowments, and thus have their own comparative advantages in economic and trade cooperation and form a highly complementary relationship, providing driving force for the bilateral trade and economic cooperation for mutual benefit and win-win results.

The Advantages of China:

- 1) China has the world’s largest manufacturing industry; at present, China’s manufacturing industry accounts for more than 25% of the global manufacturing industry. China is the leading producer of 220 of the world’s 500 major industrial products. In breadth, China has 39 industrial categories, 191 classes and 525 subclasses, and is the only country that has all the industrial categories in the United Nations Industrial Classification. The large-scale industrial system covering all the industrial categories has become an important source of China’s trade competitiveness (Cohen and Gooch, 2005: 165).
- 2) Carter (2001) posited that China has marked advantages in the supply chain and supporting industries. Taking the consumer electronics industry as an example, the world’s most cost-competitive and largest electronics industry supply chain has taken shape in Shenzhen, China. There are more than 700 suppliers of Apple’s mobile phone and computer products in the world, nearly half of which are in China. China is playing an increasingly important role in the global supply chain and industrial chain and is becoming an important node in the global supply chain.
- 3) China has the world’s largest, good quality and relatively low-cost labour resources. According to international statistics, in 2015 China’s working population between 15-64 years of age totalled 1.003 billion, while the total labour force in America and European countries was only 730 million. China’s abundant labour resources can provide a large number of skilled workers and basic R&D personnel for the labour-intensive manufacturing industry. It is estimated that in 2016, the salary of US blue-collar workers is over eight times that of Chinese workers, and the overall cost of US labour is 7-10 times that of China.
- 4) China’s infrastructure has the late-mover advantage. The scale of its highways, high-speed railway, subway, water transport, ports, tunnels, water conservancy and power grid ranks first in the world (Steven, 2001:200).



Advantages of the US:

- 1) **The US leads the world in science and technology.** In 2016, 10 of the 15 largest technology companies released by Forbes headquartered in the US. Among the world's top 500 research institutions ranked in 2015, there were 198 US universities and research institutions; and 9 of the 10 top research institutions were US institutions. Of the world's 149 hot and emerging frontier research fields, the US has core research papers selected in 143 of the fields, ranked first in the number of core research papers in 108 fields. And 80% of the world's cutting-edge research breakthroughs are made by the US. This has determined that the US leads the world in product design and research and development capabilities, and is at the higher end of the global manufacturing industrial chain (Steven, 2000: 203).
- 2) Cohen and Gooch (2005: 170) highlighted that the cost of some US production factors is low; The US has a cost advantage in electricity, gas, land, logistics, raw materials, financing and taxation. The average land price in the US is equivalent to that in second or third tier cities in China. The US industrial electricity price is about half that of China, and the average price of gasoline is about two-thirds of China. The integrated logistics cost in the US is about half that of China. US manufacturing industry has more diversified financing channels, and low financing cost for enterprises. Its loan interest rate is 1%-3%, well below that of China.
- 3) US service sector is highly developed, with various industrial categories. According to data released by the Central Intelligence Agency, in 2016, the annual output value of US service sector accounted for 79.5% of its GDP, while China's service industry accounted for only 50.7% over the same period. According to International Labor Organization, the productivity of the US service sector is about four times that of China. In 2016, US trade in services saw a surplus of US\$249.4 billion, while China had a deficit of US\$240.9 billion.

China is a large country with a population of 1.3 billion and its socialist market economy has been around for only more than 20 years. China is the largest developing country. In 2016, its GDP was US\$11.2 trillion, ranked 2nd in the world. In 2015, its per capita GDP was US\$8,141, ranked 74th in the world. China's urban/rural and regional development remained imbalanced. There are still 70 million rural poor and more than half of the population live in the backward central and western regions, the per capita GDP of which is only half of the coastal areas. China's urbanization rate is only 57%, lower than the over 70% average in developed countries. China is still at the stage of building a well-off society in an all-round way. In 2016, the Engel's coefficient was 30%. We still have a long way to go in fostering domestic market. In 2015, the enrolment rate of Chinese higher education institutions was 40% (Herbert, 1993:35). China established a socialist market economy system in 1992. Over the past 20 years, China has made remarkable progress in building a market economy. However, it is still trying to build a socialist market economic system in line with China's national conditions, having systems and management to improve. China is still accumulating experience in participating in economic globalization and international division of labour, and enhancing its ability to participate in making international economic and trade rules (Steven, 2001).

In the United States, economic interdependence with China has also created constraints. Trump won the U.S. election by securing the votes of lower- and middle-class Americans who either

lost their jobs or saw stagnant growth in their earnings. For these voters, “Make America Great Again” meant that they would get their jobs back and that their children would be able to find well-paid work. But Trump cannot snap his fingers and make those jobs reappear. Furthermore, anything Trump does to try and bring those jobs back to the United States will harm the very people who need help the most. American consumers are addicted to cheap imports from China and other countries. More than 20 percent of all U.S. imports come from China (Cohen and Gooch, 2005: 169). A defining feature of the current U.S.-China relationship is the absence of a common enemy. The United States and China set aside their differences over Taiwan in 1972 because it was more important for both countries to cooperate when it came to the Soviet Union than it was to squabble on a comparatively minor issue. The collapse of the Soviet Union and the general weakness of its successor, the Russian Federation, eliminated one of the main strategic interests the United States and China shared (Herbert, 1993: 37).

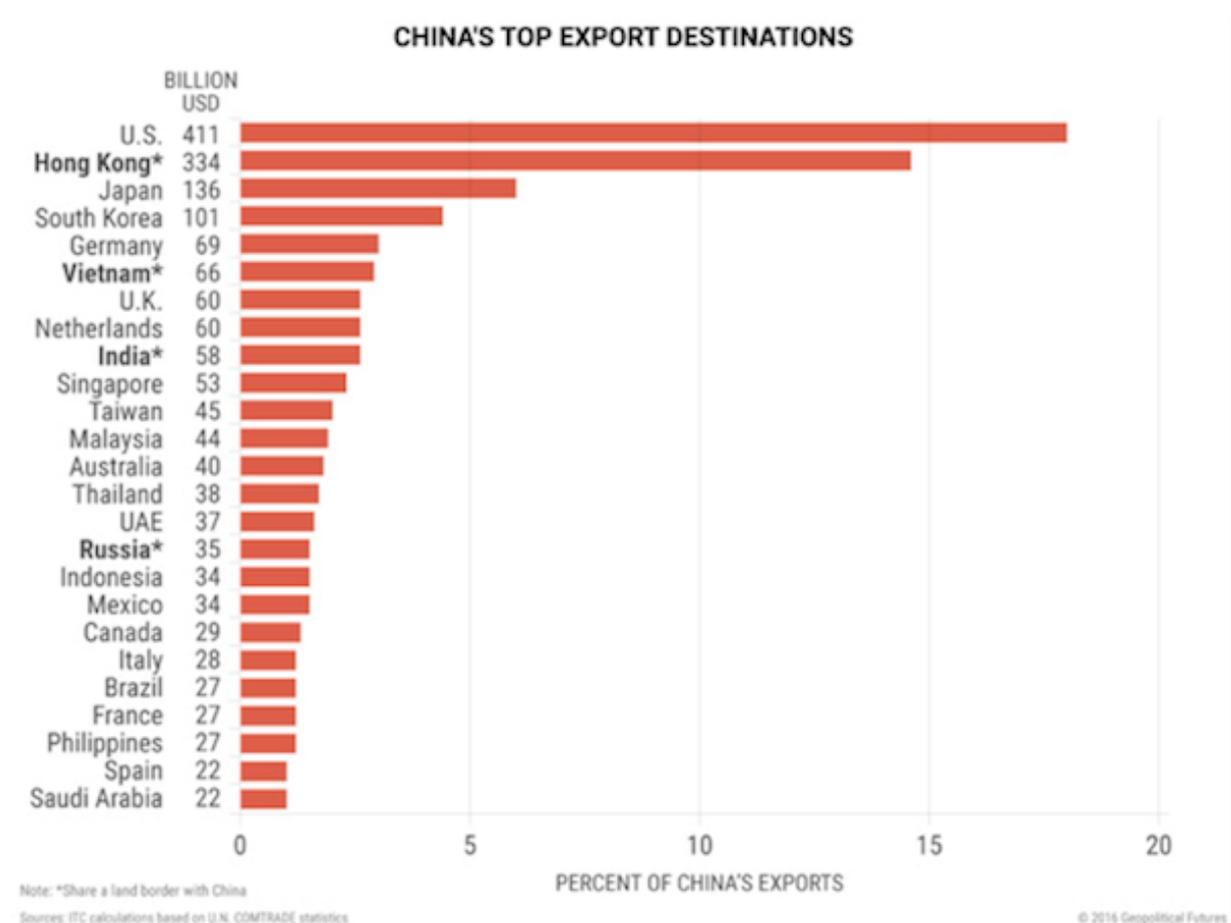


Figure 1: China Top Export Destinations in 2015

Albrow and King (1990: 69) explain the chart above as having almost 20% of all Chinese exports went to the United States in 2015 (the last year for which this data is available).



The story for China is simple. China achieved 30 years of rapid economic growth primarily by relying on exports. The US is the largest market for China's exports. China has reached the limits of this export-led growth and is attempting to focus more on internal consumption without drastically reducing growth, which could put jobs and, by extension, social stability at risk. To pull this off, Xi has asserted increasingly direct control over China's political administration, economic policies, and the People's Liberation Army (Tyson, 2006: 26). The intertwining of the U.S. and Chinese economies created new constraints on both sides of the relationship. For China, domestic economic considerations play a larger role than foreign policy disagreements when it comes to relations with the United States. China has reached the limits of export-based high growth because the price of labour in the country has gone up. The problem for Beijing is that Chinese growth peaked before its benefits spread to all segments of society. Hundreds of millions of people have been lifted out of poverty since 1980, but as of 2010, more than 360 million people in China still lived on less than \$3.10 a day. Furthermore, these Chinese citizens face uncertain prospects at best for finding better-paying jobs. China's problem now is not specifically poverty, but the drying up of a predictable path to economic prosperity, (Steven, 2001).

Gordon (2015: 485) stated that China is attempting to shift the focus of its economy toward domestic consumption. But people must have money to consume, and hundreds of millions of people in China do not. This means two things. First, China must prolong export-led growth for as long as it can. It needs to preserve access to the U.S. market, which remains the largest market for Chinese goods in the world. Second, China must find new markets. This is the real goal behind the vaunted One Belt, One Road initiative. China will spend massive amounts of money on infrastructure in other countries if those countries can become markets for Chinese goods in the future. The problem with this strategy is it assumes that infrastructure in a region like the Caucasus can be made secure and that countries like Uzbekistan and Armenia will consume large amounts of Chinese goods (Gordon, 2015: 490).

This is the realm of values: ideology, social systems, and human rights. For a long time, it has been difficult for China and the United States to adjust and compromise with regards to their key political interests the source of most of their conflicts. Although China partially introduced a market economy following its "reform and opening up" policy in 1978, this was no more than a pragmatic move to save the regime (Gordon, 2015: 495). China's opening up came as a relief to the United States, which at first perceived China's rise as peaceful. However, a more powerful and assertive China is now employing its own methods to challenge U.S. leadership in the Asia-Pacific, which has been in place since the end of World War II. This has caused the United States to be increasingly concerned over China's rise. Be it the Obama administration's "pivot to Asia" policy or the Trump administration's "America First" slogan, it is clear that the United States in the 21st century has formed a national consensus in perceiving China as the greatest challenge to its superpower status (Robertson, 1992).

The U.S. Economy and Reliance on China Importations

The US is the world's largest economy and the largest developed country, having the world's leading strength in politics, economy, national defence, and science and technology. The US was early to start developing its economy, and has entered a "New Economic Era" after the process of industrialization. It has highly developed agriculture, industry and service sector, leading scientific and technological strength, and relatively balanced regional economic development. In 2016, its GDP reached US\$18.6 trillion, and per capita GDP US\$57,700,



ranked 5th in the world; and the wealthy class and middle class accounted for more than half of its total population. In 2016, the Engel's coefficient was less than 10%. The consumption capacity for industrial goods and services has been strengthened, highlighting the features of a consumer economy. According to World Bank statistics, in 2009, the enrolment rate reached 89% in US higher education institutions (Johnson, 2017: 144).

Johnson (2017: 149) posited that China relies on exports to the US, but a similar case could be made that the US is addicted to cheap imports from China. The US is China's second largest trading partner in services, an important trading partner in technology and cultural trade, and China's largest contract awarding market. The 67,000 US-invested enterprises in China have brought to China capital, technology and managerial experience, created jobs and tax revenues, trained a large number of specialized personnel, and played a positive role in promoting China's economic development and industrial transformation and upgrading. China-US economic and trade relations are characterized by interdependence. China is the largest trading partner of the US, and the US is China's second largest trading partner. Since China joined the WTO, US exports to China has increased by 500%, much higher than the 90% increase in US global exports. China is an important overseas market for many US products.

This is why all the talk of a trade war has been overblown from the start. Many have noted that Trump has not labelled China a currency manipulator, as he promised to do during the campaign. The US could weather a US-China trade war better than China could, but that does not mean that the US would come out unscathed. One interesting phenomenon we can see from the arguments is that almost all the presidents have been far more critical and hard-line toward China as candidates than as occupants of the White House. The reasons why presidents' going soft on China might be China's transforming in the interim, the change of president's view, the expediency for more votes to be won, or president's policy failure (Quincy and Carl, 1999: 70).

According to Cheng (2017), the election and ascension of current U.S. President Donald Trump has considerably strained U.S.-China relations with multiple news outlets anticipating potential trade or military conflict between the United States and China. This is largely due to comments made during his presidential campaign citing Chinese currency manipulation and outsourcing of American trade to China.

Jing (2011) stated that Donald Trump's election has not heralded a new phase in U.S.-China relations. President Trump has gone from saying China cannot be allowed to continue to "rape" the United States to tweeting about how he plans to offer Beijing a trade deal in return for solving the North Korea problem. Trump did not label China a currency manipulator as he had promised to do, and the U.S. president accepted the "One China" policy despite prior intimations that he would not. U.S. activity in the South China Sea is not appreciably different to what it was under former President Barack Obama's administration. Trump's about-face is rooted in both countries' imperatives and constraints. The United States and China have a cooperative and at times contentious relationship. This is because of geopolitics and does not depend on who sits in the Oval Office (Jing, 2011).

In the global value chain, China runs a trade surplus, but the US benefits there from; the sides have therefore formed a win-win partnership on the whole. According to Chinese statistics, 59% of China's surplus in trade in goods comes from foreign-funded enterprises, and 61% from processing trade. China earns little processing fees from processing trade, and the US benefits greatly from the design, supply of spare parts, marketing etc. (Johnson 2017:144). The



US imports from China large quantities of high-quality and cheap products to maintain a low inflation rate, thereby reducing production costs and promoting economic restructuring and upgrading, as well as economic growth. Since import from China has enhanced the purchasing power of the Americans, the blue-collar workers can therefore receive more benefits. The China-US trade relations have created a large number of jobs for the US transport, wholesale and retail industries, and the US gains much through running a trade deficit (Gordon, 2015: 493).

Sharan (2002: 4) posited that China has made great efforts to cut trade surplus. Focusing on expanding domestic demand, the Chinese government has intensified its economic restructuring via increased public investment and enhanced private investment in many aspects, with the aim to constantly expand its domestic market. China has attached great importance to resolving excess capacity in the steel and mining industry; hence, enormous efforts have been made and remarkable results have been achieved. At present, the proportion of China's current account surplus to GDP has declined from 9.9% in 2007 to 1.9% in 2016.

CONCLUSION

Looking into the future, China is willing to make joint efforts with the US to encourage Chinese enterprises to participate in US infrastructure construction, further open up markets, promote two-way investment, and promote bilateral investment treaty negotiations to further strengthen China-US trade and economic cooperation at sub-national levels. China will also consider increasing import from the US in energy, agricultural products, high-tech products and services, so as to increase the total benefit while realizing a balanced development of trade and investment. At the same time, the two sides should properly deal with economic and trade frictions through dialogue and consultation under the principle of mutual respect, equality and mutual benefit. China-US economic and trade cooperation has great prospect and huge potential.

The US and China have differences but also share some broader interests. As we move further into the Trump administration's time in office that may change, especially if Xi is successful at consolidating his rule while bringing a semblance of stability to China's economy.

The two are gradually forming an interdependent community of interests. The US mainly exports to China capital goods and intermediate goods, while China mainly exports to the US consumer goods and manufactured goods. The two countries have given play to their respective comparative advantages in bilateral trade and investment. For example, chip sales and patent royalty rates of Qualcomm in China accounts for 57% of its total global revenue; while ZTE, a mobile phone Company using US chips, annually exports to the US more than 15 million mobile phones, having more than 8% of the US market share. Apple's iPhones are designed and developed in the US, but more than 80% of them are assembled in China. In fact, without the cheap labour and the support of the huge industrial chain in China, many American innovations will not be commercialized because of the high cost. In this sense, China has supported US employment in service industries, including design, marketing, logistics, retail, finance and accounting, (Gordon, 2015).

China-US trade and economic cooperation has made great achievements, which are the result of their conformity to the historical trend, active participation in globalization and mutually



beneficial cooperation. The formation of a comprehensively intertwined interest between the two is a manifestation of their complementarity. At present, the global industrial layout is under continuous adjustment. New industry chain, value chain and supply chain are taking shape and artificial intelligence, digital economy and other new technologies keep emerging, driving more extensive and intensive development. At the same time, China and the US are committed to restructuring the economy, transforming the growth mode and cultivating new growth momentum, which brings new opportunities for bilateral economic and trade cooperation. The development of China and the US can complement and promote each other and the two sides can maintain their mutually beneficial and win-win economic partnership, (Cohen and Gooch, 2005: 170).

Since the normalization of China-US relations 45 years ago, the bilateral trade and economic cooperation has been advancing and generating valuable experience despite all the difficulties. Today, the economic and trade relations are standing on a new starting point and is about to start a new voyage. In traditional Chinese culture, “at forty, one has no doubts”, which means that a person is more mature, calm, confident and open-minded. We believe that in the new era, China-US economic and trade relations will be more mature, broad-minded, visionary and wise. As long as the two sides take a long-term view, unswervingly promote win-win cooperation and are not disturbed or distracted, they will be able to withstand the challenges of changing international situation and become strong and lasting economic partners. We hope that China and the US will have trade and economic cooperation of higher quality and at higher levels to benefit their peoples and make greater contributions to world economic growth and prosperity (Cohen and Gooch, 2005: 173).

RECOMMENDATIONS

Some of the proffered recommendations in improving China-U.S. economic relations are as follows:

- Enhancing Trade and Economic Cooperation between Chinese Provinces and US States: “The key to sound relations between states lies in amity between the people.” trade and Economic cooperation between Chinese provinces and US states serves as an important basis for China-US commercial relations. Active business exchanges between Chinese provinces and US states as well as their cities can promote the friendship between the two peoples and expand mutually beneficial cooperation.
- Making Both Markets Increasingly Accessible. Since the international financial crisis, international trade has slowed down and no significant improvement has been seen in the world’s economy with weak growth. In this situation, trade protectionism has come back in many countries, thereby posing challenges to the multilateral trading system.
- Countries can rejuvenate the world economy at an early date only by reinforcing coordination, expanding cooperation and promoting trade and investment liberalization and facilitation through opening-up. For the next step, the Chinese government will actively push forward a new round of opening-up by building a more open and transparent investment environment and make better use of foreign investment to boost the economy. Opening-up will also facilitate reform and growth.



- The Chinese government will continue to improve a law-based, international and convenient business environment and closely integrate the use of foreign capital with the change of the growth model and adjustment of industrial and regional structures. China will continue to actively promote bilateral investment treaty negotiations with the United States.
- Specific programs and supporting measures will be quickly formulated based on 20 measures from three perspectives, i.e. opening wider to the world, creating a fairer competitive environment and further attracting foreign investment, as specified in the Circular. China will improve the foreign investment legal system and accelerate amendments to the three laws on foreign-funded enterprises” and the introduction of Foreign Investment Law.
- China will open wider to the outside world by easing restrictions on foreign investment access and guiding and encouraging foreign investment in China’s high-tech industries, green industries and modern service industries. Experiences from pilot free trade zones will be drawn in time so that they can be promoted and replicated nationwide soon. China will improve the foreign investment and business climate to maintain continuity and stability of foreign investment policies and double efforts to protect intellectual property rights to safeguard legitimate rights and interests of foreign-funded enterprises according to law. Government functions shall be effectively transformed and national treatment for foreign-funded enterprises shall be comprehensively implemented to level the playing field for domestic and foreign enterprises and promote the sound development of foreign-funded enterprises in China.

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