

US-China Bilateral Trade Relationship: A New Approach

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Abstract

Over the years, the trade relationship between the US and China has been evolving ever since it began in 1994 and has gone through a lot of tensions and standoffs with a blend of diplomatic, economic, social and political rivalries. This research paper aims to focus on the bilateral relationship between the largest economies of the world, its complexities and how important it is to manage the same. This association between the two countries not only affects the two involved but also other global powers. Therefore, to understand the connection better, it is essential to understand the 3 C's of international relations: cooperation, conflict and competition. As this relationship escalates to become competitive in areas of trade, at the same time it also continues to be an antagonistic connection in other realms. With the onset of globalization, there have been significant gains as well as losses for both sides, helping in the creation of a massive number of job opportunities and assisting businesses and enterprises in both countries to expand rapidly. This paper also cites examples of how the US has been benefitting from trade relations and activities with China. But the outbreak of the Covid-19 pandemic has sparked a sense of war and moderations in tariffs between the two countries. The paper ends by explaining the need for a more collaborative approach to rebalancing bilateral trade ties between the US and China, and how that would be advantageous for the two involved here.

INTRODUCTION

The bilateral relationship between the US and China is both important as well as complicated and is regarded to be one of the most important challenges under the realm of public policy of the 21st century. Having said that, it would not be easy to manage this complex and rather strategic relationship which not only affects the two countries involved, but also influences many other countries and regions across the globe, and managing these bilateral relations would be the responsibility of both the countries involved here. Apart from holding the world's largest economies, the United States of America and China are the leading emitters of carbon dioxide. and are the permanent members of the UNSC. The complexity and uncertainty of the ties between the US and China is another reason why managing and sustaining it is so important. An increasing amount of mistrust is a strategic rivalry, what some call a new cold war. Apprehensions over the territorial disputes between the US, China and their allies in the Western Pacific could lead to a military confrontation, where the United States might be drawn in. Optimists anticipate that this cooperative relationship is inevitable

and there would be a demand for solutions for global problems like climate change, pandemics, humanitarian and financial crises. Consequently, this would compel cooperation from the capitals of both countries to provide solutions. It has been predicted that G2 would be formed by both the countries, replacing the G7 or G8, which will help in managing the international political economy.

Despite rapid growth and prosperity in China, both countries are on extremely differentiated levels of development, regional issues and values, eventually applying different norms to global issues.

OBJECTIVES

It is essential to discuss the three C's of international relations, cooperation, conflict and competition. Beginning off with cooperation, both the US and China assert and confess their shared interest and acknowledge concerns over global warming, terrorism threats and inclination towards a stable international economy. A regular issue in the US-China relationship is their dissatisfaction with each other's performance, and it is seen that they use the expression of stability to bring forth their common interests. Talking about the competitive aspects of the relationship, the rapid rise of China's economy has demonstrated that both countries are engaged in a cut-throat competition relationship, notably in the economic sphere. However, it is critical to question what type of competition this is. To begin, there are the spheres in which it occurs. Second, the degree to which competition is effectively controlled, accepted, and recognized by both countries is taken into account. Lastly, the outcomes that are produced by this competitiveness are regarded as reasonable by both the US and China. According to economists, "fair and open competition in a well-functioning market, whether between countries or among firms, improves the quality, increases the availability and lowers the prices of goods and services on offer". In addition, it is also said that "there is also a growing perception that the two countries' diplomatic and security initiatives in Asia reflect the competition between them. Beijing's criticism of American alliances and deployments in the region, as relics of the Cold War, is viewed by some Americans as an attempt

to undermine the hitherto dominant American position in Asia".

This relationship between the US and China is becoming increasingly competitive in trade aspects and continues to be antagonistic in other realms. In the discipline of economics, both of them have viewed their relations as imbalanced towards each other. Though significant efforts have been made to improvise the economic condition, none of them is satisfied with the rules or the faithfulness of the other in abiding by those rules. Differences exist in political systems, values and interests, and they are too substantial for both of them to find a common rationale on all these issues and concerns, or the least find a neutral distribution of benefits to pursuing common interests.

Interdependence between the two countries has already resulted in a rather robust partnership. The United States and China have a high level of mistrust in their relationship, with the most serious challenges being competitiveness and conflict. They are not, however, doomed to be enemies. If they can learn how to manage their competition, strengthening cooperation and reducing variances in how they define their interests will be a shared responsibility and challenge.

MATERIAL AND METHODOLOGY

This paper is based on descriptive secondary research, rigorously reviewing the facts and data that has already been published, which helped in forming a coherent and descriptive review of the US-China trade relations. Research articles and papers from the cohort of international relations, global trade, bilateralism, trade relations, global affairs, commercial relations, business ties, foreign policy and globalization were selected.

Findings

Since the 1970s crises, the term "globalisation" has come to be associated with a period of increased national market integration, but it is also used to define the structure of interdependent economic flows with varying degrees of analytical precision. However, while there has undoubtedly been exponential growth in the integration of national markets for traded products and financial flows

Table 1: US-China Trade Benefits at a Glance

| S.No. | Notable Facts | Figures |
|-------|---|----------------------|
| 1. | Goods purchased by China from the US | \$165 billion |
| 2. | US exports to China (by 2030) | \$520 million |
| 3. | Indirect and direct exports from the US to China | \$165 billion in GDP |
| 4. | Total worth of goods imported into to the US from China in 2020 | \$434.7 billion |

Source: Office of the United States Trade Representative, US-China Trade Facts

since the 1970s, this does not imply that the market arrangement equally encompasses all countries of the world. Furthermore, it is critical to distinguish between the ‘intensity’ and ‘extensity’ of international commerce and finance distribution. In a nutshell, intensity quantifies the extent to which such flows cross-national economic borders and indicates if there are higher quantities of flows than before, but it does not yet remark on the geographical character of the flows. Extensity, on the other hand, is concerned with the worldwide dispersion of modern trade and finance.

Presently, the bilateral trade relationship between the United States of America and China supports providing jobs to approximately 2.6 million people in the US, which also accounts for the job opportunities created in America by the Chinese people. The rapid expansion of Chinese companies and the middle class creates lucrative opportunities for their US counterparts, helping them tap into new customer bases, assisting them in further boosting employment opportunities and overall economic growth.

From the Table 1, it is evident that the pace of China’s growth has been unprecedented over the last three decades. The pace of China’s growth has been unprecedented over the last three decades. A middle class of more than 300 million people has been formed in less than one generation, which is estimated to be larger than that of the population of the United States which has risen from poverty. This so-called population is said to devour Hollywood movies, enthusiastically shop online, at the same time, leading the world in the use of mobile and e-commerce applications. Particularly in the manufacturing sector, the growth of China is not seen as positive by the Americans. After Mexico and Canada, China has become the 3rd largest purchaser of US-made goods and services, totalling \$165 billion in 2015 alone. As the Chinese economy matures and

the wages continue to rise, we can presume that these sales will also increase. The major contributors to the developing Chinese economy are US multinational companies and entrepreneurs. General Motors and Jeep were few of the first automobile manufacturing centres to be opened up in China. It was seen that the global supply chain grew rapidly in the 2000s, with its hub in Asia. Tech giants like Apple used the US know-how to develop the products to be assembled in China using the components that were manufactured around the world and later sold in markets around the globe. This improved the competitiveness and profitability of businesses based in the United States, in dynamic sectors like automobiles and technology. The income of these businesses from direct investments grew 3X from 2000, accounting for 2.4% of the GDP, where the income from China plays a major role.

The Covid-19 pandemic has sparked a sense of war and an escalation of tariffs on both sides. As the tariffs on Chinese goods continue to soar high, it is seen that the demand for importing domestic goods has reduced in America. Slowly, these tariffs are being reduced, but are still on the higher side in comparison to other international markets. The central government of China is seen to be imposing pressure on the local and state-owned suppliers and enterprises to meet their targets, however, this comes with its repercussions. Simultaneously, the proportion of exports from the US has significantly reduced, due to the ongoing pandemic, which means that China cannot purchase and import goods and services which are not being produced and manufactured in the US.

CONCLUSION

To rebalance the US-China trade relationship, a new collaborative approach is needed, as it is evident



that the exports from China to the US have been rising and will continue to rise in the coming years. There has been an increase in the existing tariffs on Chinese goods, which also creates uncertainty in terms of the time frame and retaliation for buyers. China, being the world's largest beneficiary of globalization in uplifting millions and billions of people from poverty, has taken up a sceptical attitude towards a multi-dimensional system and considers itself as an upcoming leader. The last five years have seen significant growth in the economic issues that have restricted the relationship in terms of atrocities faced by Americans in doing business in China as well as the impact on the US economy by Chinese imports. The dilemma of doing business in China by US companies has been increasing significantly, at the same time, complicated the process of policy formulation in the United States. Previously, the business community in America was in support of the Chinese access to the World Trade Organization, with the belief that it will help in increasing the access of US companies to a very huge market in China, and secondly that the WTO will help China in integrating itself into the trading system of the developed world by escalating economic forms internally. Consequently, American companies in China are making money but are not happy with their situation and are reluctant to protest due to a fear of retaliation from the Chinese government. Many Western companies hold a small share of the domestic market in China. The share that these Western companies have in the Chinese market is small and not so significant but their economy is so large, that even a small share

is sufficient. Simultaneously, the import of Chinese goods and services into the US economy has been growing. Both China and the United States have been spending significant amounts on armaments. The goal of China is to increase its board in air, space, land and naval forces. However, if any of these come close to those of the United States, there is to be a conflict in both powers. Conclusively, the United States has become indebted due to importing too much exporting very little and having China as the main beneficiary of its deficit.

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