

# **Sino-U.S Economic Development Relationship: Confrontation and Cooperation?-- With Analysis on the History of Economy**

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**Abstract:** As important power in the world, the relations between China and the United States in economy and trade have aroused extensive attention among countries. This paper sorts out the major events in trade and economic exchanges as China and the US established diplomatic relationship in 1979 from the perspective of economic history, as a result, the theme between China and the U.S. remains to be “Mutual benefits and Win-win scenario” in terms of trade and economic relationship. Temporary friction in trade and confrontation is not consistent with the aspirations of two peoples and the sustained economic development, which is especially true to the situation that the current ravaging COVID-19 yet to come to an end, and the global trade and economy is severely hit. China and the U.S should join hands to push forward the global economic recovery. At the same time, Cold-War and zero sum mentality should be resolutely abandoned in the spirit of cooperation, win-win scenarios on reciprocal basis.

## **1. Introduction**

In the wave of integration of economy worldwide, interdependence among countries has been strengthened and economic and the increasingly frequent changes in economic relationship occur among countries, among which, cooperation in economy and confrontation prove to be the two major themes of countries in trade and economic exchanges. As the leaders in the economy, the relationship between the United States and China in economy and trade have aroused extensive attention of other countries in the world. According to the statistics of the International Monetary Fund (IMF), the GDP of China and America in 2019 reached 35.56 trillion US dollars, accounting for 40.73% of the world's total GDP. In 2019, bilateral trade between China and the United States stood at \$558.87 billion. This shows that the frequent exchanges in economy and trade between China and the United States have both boosted the development in economy of the two countries, and played a huge role in the growth of global trade. To this end, this paper summarizes the relationship between China and the United States in economy and trade in various periods in the past economic development, so as to provide useful reference for promoting the cooperation in economy and social development of the two countries.

Many scholars have conducted in-depth discussions in pertinent researches on China-U.S relationship. For example, Su Shijie and Leina [1] et al. proceeded from evolutionary game theory and the reasons to cause the unbalanced development of Sino-U.S in trade were analyzed, and the suggestions and measures were put forward. Xu Chen [2] conducted analysis on the gains and losses in the relationship between China and the United States in economy and trade in the past 4 decades of diplomatic relations, and drew the conclusion that the compatibility between China and America would bring good results, and separation will harm both. Zeng Xinyuan and Li Yuyang et al. [3] made an in-depth discussion from the perspective of the economic and trade difficulties between China and America, and suggestions were raised to find a way out through the obstacles. Qiao Songtao [4] analyzed and studied the fluctuating development of economy and trade between China and America, holding that such fluctuations would exert a greater impact on American politics. Wang Binrong [5] analyzed the adverse impact of Sino-U.S trade frictions on China since 2017, and put forward that in order to solve the adverse situation; we should develop the

multilateral and diversified relationship in economy and trade. Against the background of the war in trade between China and America, Huang Jianzhong, Zhao Ling [6, 7] put forward China's new strategies and ideas for dealing with trade frictions, providing a useful reference for recovery in trade and economy and development in China. Lin Zhichuan has pointed out the direction of relationship between China and America in the future by combining characteristics of Sino-U.S. relations in recent years. Zhen Bingxi [8] found in his analysis of Sino-American relations that the characteristics of relationship between China and America in trade and economy are that trade frictions have become normal and economic and trade exchanges are expanding in twists and turns.

## **2. The Relationship between the Development of China in Economy and the United States in Various Periods Has Been Sorted Out**

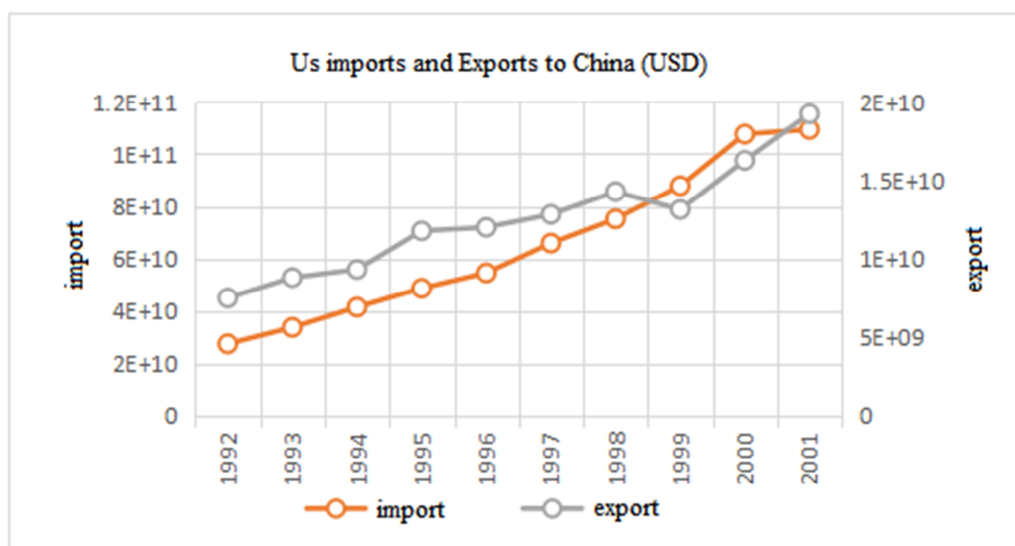
### **2.1 Sino-U.S Economic Cooperation**

The cooperation between China and America in trade and economy has mainly gone through the following stages:

The first stage: Resilient stage from 1979 to 1982: In 1979, official diplomatic relationship had been established between China and America, and exchanges in economy and trade between the two countries gradually increased. On April 15, 1972, American merchants attended the Import and Export Commodities Fair in Guangzhou, China, and the direct export transaction amounted to more than \$4 million. On May 31, 1973, the China-U.S. Trade National Council was held in Washington. In June 1973, Chase Manhattan Bank and Bank of China fostered partnership in business, which proved to be the first American bank to establish official partnership with Bank of China in the past 24 years, which opened the door in financial cooperation between China and America. In December 1975, US President Gerald Ford visited China and approved the sale of British Spey jet engines to China, which became a new starting point for western countries to sell dual-use products to China. On April 10, 1978, China ushered in the path of reform and opening-up, China rolled out many measures on Sino-U.S trade to promote the development between China and America in trade and economy and Chinese and American enterprises were underpinned for frequent communication, as a result, to promote the rapid development between China and America in economy. Meanwhile, the progress of exchanges in trade and economy between China and foreign countries was accelerated.

The second stage: The period of development lasted from 1992 to 2001: Deng Xiaoping's Southern Talks in 1992 enabled China to resolutely follow the path of reform and opening up, which, meanwhile, marked a new stage of China-U.S trade and economic relations. And on May 26, 1994, Clinton announced the extension of China most-favoured-nation treatment, and the most-favoured-nation treatment problems were decoupled with human rights, the decision marked a major transformation of American policy toward China. The relationship between China and America in economy was not subject to political factors, which became the main relationship in bilateral relations, the economic benefits of two sides had been prioritized as the strategic interests of the two countries. Based on this, the United States adjusted the trade policy toward China accordingly. On the evening of November 10, 2001, China officially joined the WTO and was the 143rd participants of the WTO. The issue of most-favored-nation treatment between China and America was once and for all solved, which broadened the range of cooperation in trade and opened the door to comprehensive cooperation in exchanges in trade and economy between China and America. Figure 1 shows the amount of U.S. imports and exports to China from 1992 to 2001.

It can be clearly seen from Figure 1 that at the stage of development, the import and export between China and the US grew rapidly, which played a significant role in enhancing the economic ties of the two countries.

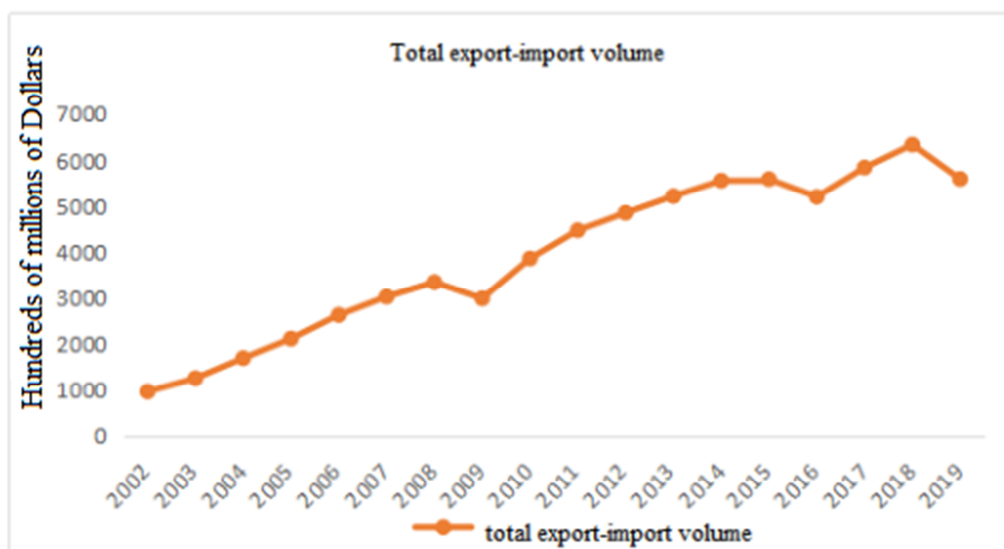


**Figure 1.** The amount of American imports and exports to China from 1992 to 2001

The period of all-round development was from 2002 to now: China's engagement to the WTO has enabled trade volume between China and America to achieve booming development. The trade volume between China and America had maintained a growth rate of 15 percent since 2002 and reached 558.87 billion US dollars by 2019. China and America were important partners in trade. In this stage, the relationship between China and America mainly show the following characteristics:

(1) Dependency

In the field of economy and trade, it turned out from Figure 2 that the bilateral transaction in goods between China and the US grew rapidly from \$2.5 billion to \$558.87 billion from 1979 to 2019, an increase of 224 times and an astonishing growth rate. For both China and the US, this is an absolutely indispensable and important trading partner.



**Figure 2.** Total Sino-U.S trade volume from 2002 to 2019

(2) Complementarity

The United States is one of the most technologically advanced countries in the world, but its high labor cost has always been a big problem in the production of high-end products. China, as the largest developing country, has become the processing base and sales market of American products due to its large population and relatively low market and labor cost. This has created a win-win situation with complementary advantages. In addition, it has served as a significant driver in enhancing the upgrading the US economic structure and easing domestic economic pressure, as well

as in promoting development in economy in China, as a result, the industrial system was promoted and solutions to the employment problem were made.

### (3) Globalization

As the top two powers in the world economy, both the economy and foreign trade exert great influence on the world economic development, Song Hong [9] had concluded that the effects of relationship between China and America has gone beyond the scope of the two countries, which exerted a extensive influence on the pattern of the world as a whole, system and rules. As a result, the changes in the relationship between China and America in trade have had a far-reaching impact on the whole world, which has led to a situation in which "harmony benefits both and separation harms each other".

## 2.2 Confrontation between China and America

The core of the exchanges between countries is the exchange of interests. In process of trading and economic activities between China and America, conflicts and confrontations pertinent to interests will be a definitely be triggered. The exchanges in trade and economy between China and America were mainly embodied in the following stages:

1980-1991: 1982, witnessed a decline in trade by 9.36 per cent compared with the previous year; the trade volume plummet in the following year. At that time, China was in the infant stage as reform and opening up is concerned, and the trade foundation between China and the US was weak. The U.S introduced some targeted measures, which, on the contrary, led to the deadlock in China-U.S relations. Besides, numerous agreements to boost trade between the two countries were rolled out; \$10 billion was achieved for the first time. Zhao Ziyang paid a visit to America in January 1984 and President Reagan visited China in April 1984. The exchange of high-level officials between China and America eased the previous disputes over Taiwan issue and the textile issue, and a large number of cooperation agreements and agreements were signed, which further promoted the relationship in trade and economy between China and America. Since then, the influence of politics on the economic and trade relations between China and the United States has been somewhat weakened and economic and trade cooperation has gradually become the top issue in China-U.S relations.

From August 14, 2017 to May 2019, the U.S officially kicked off its trade war with China with the section 301 investigation, which is of unprecedented intensity and duration. Zhao Jin, a famous economist, once analyzed the economic causes of the trade frictions and believed that the main reasons were the frictions caused by import and export restrictions. Bilateral trade imbalance leads to macroeconomic friction; Different trade systems and technical barriers have led to this trade problem.

From December 2019 to now, the global trade contraction caused by the emergent public health events has also led to confrontational issues between China and America about trade issues [10]. The outbreak of the COVID-19 occurred from the end of 2019 up to now had wreaked havoc on economy and social development and trade, and protectionism was on the rise during this period. Especially, the pursuit of "America first" strategy by American president. Consequently, the frequent conflicts between China and America in trade were triggered, such as chip foreclosures, blocking Huawei 5 G project, etc. Both have had a serious impact on the trade and social life of China and America.

## 3. Conclusion

China and the America serve as two major economic powers in the world today, and their economic and trade relations have a profound impact on the sound development of China in economy, America and the world at large. Through sorting out the economic and trade relations between China and America since 1979, it proved that the main theme in economy and trade between China and America is still "Mutual benefits and win-win scenario", but trade frictions occurred from time to time. In addition, we should also note that China and America are highly complementary due to their large differences in economic development and scientific and

technological level, and they enjoy the foundation of economic and scientific complementarity. However, it should be noted that due to the existence of trade frictions, the effect of complementarity between the two countries is weakened, and a series of problems will also occur in development of economy and trade. Based on the analysis, it can be concluded that the cooperation between China and America is greater than confrontation, and the cold War and zero-sum game mentality ought to be abandoned to achieve win-win development.

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