

# Research on China–US Economic and Trade Relations

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**Abstract**—First, the research on China-US economic and trade relations is to compare the economic development between China and the United States and conduct an in-depth analysis, so as to predict the future development trend of China and the United States and offer corresponding reference value to China's foreign trade. Second, it considers the problems existing in the China-US economy and analyzes whether the economic relations between the two countries decoupled after entering a new stage. In addition, it also analyzes which side holds the dominant position of periodic linkage from the emerging problems, so as to make an evaluation. Third, it analyzes relevant trade data between China and the United States in recent years in order to find the cause of trade disputes between China and the United States and analyze whether there is a fundamental conflict of interest between the two countries. This work analyzed the China-US economic relations based on the above three issues. It compared the current economic development between China and the United States and used existing research results to correctly understand the current development of China-US economic relations. Therefore, it can explore new policies and the direction of China-US economic relations in the new era, which will better analyze the decoupling problem of China-US economic relations comprehensively and define the development relationship between China and the United States. As a result, China and the United States can seek a balance point for trade relations, which will promote the healthy development of the economy.

**Keywords**—China–US economy; relationship comparison; international trade

## I. INTRODUCTION

Since China and the United States set up trade relations, they have always had disputes. The annual deliberation of Most Favoured Nation and human rights issue that has nothing to do with foreign trade was the focus of China-US trade relations disputes before China joined WTO. After China joined, China-US trade disputes appear more and more frequently with the development of China-US economy. The United States has become the country that has the most trade disputes with China. More than 20% of the dumping accusation made by US companies against their trading countries involve China. According to statistics from the US International Trade Commission, as of March 2017, there are 110 anti-dumping tax orders involving Chinese products and 43 countervailing duty orders, totaling 153. In the course of the investigation, the United States usually uses surrogate country approach, separate tax rates, public institutions and external benchmarks to impose higher tax rates on Chinese products,

seriously affecting Chinese companies' exports to the United States. In 2016, the United States launched 20 trade remedy investigations on Chinese products, involving 3.66 billion US dollars. The United States also launched 21 investigations against China, involving steel products, electric balance vehicles, portable electronic equipment, electrical conductor composite cores, container barrels, access control systems, hand dryers, surgical sutures and other products [1]. Although China and the United States have large common economic interests since they are each other's important export markets, such intense and frequent trade disputes make people worry about the prospects of China-US trade relations.

## II. THE BACKGROUND OF CHINA–US TRADE DISPUTES IN 2018

In August 2017, the Office of the US Trade Representative officially announced the launch of the "301 Investigation" against China. According to Section 301 of the *Trade Reform Act of 1974*, US trade representatives can initiate investigations into "unreasonable or unfair trade practices" against other countries and has the right to recommend the US President to implement a unilateral ruling. The ruling methods include a series of punitive measures such as withdrawing trade preferences and imposing retaliatory tariffs. This series of processes was initiated by the United States itself. The ruling and enforcement process was not allowed to be intervened by other countries or international institutions, which has a strong unilateralism. On March 23, 2018, US President Trump officially signed a trade memorandum to China at the White House. He announced that US would impose tariffs on 60 billion dollars of Chinese imports, impose a 25% added tariff on Chinese aerospace, information and communications technology, machinery and other products, and restrict Chinese companies from investing in the United States [2]. On April 2, 2018, in response to the unilateral trade sanctions, China suspended the duty exemption duty on 128 items of imported goods in 7 categories. Based on China's existing tariffs, an additional tariff rate of 15 percent would be levied on 120 imported goods including fruits and products and 25 percent on eight imported goods including pork and products from the United States. Current bonded and tax reduction policies remain unchanged. April 4, 2018 China issued a tariff counter-measure against the United States. China further imposed tariffs on 106 items originating in the United States. The next day, China initiated a dispute settlement procedure for the United States to import steel and aluminum products

232 measures. On April 20, 2018, China announced to take a counterattack to the United States. China further imposed tariffs on 106 items originated from the United States and initiated dispute settlement procedures on US imports of steel and aluminum products. Since April 20, 2018, China has imported halogenated butyl rubber originally produced in the United States, the European Union and Singapore, which is suspected of dumping [3], so a margin ranging from 26.0% to 66.5% shall be provided to the customs of the People's Republic of China. On August 23, 2018, the United States decided to increase 25% tariff on 16 billion dollars of products imported from China. At the same time, China decided to increase 25% tariff on 16 billion dollars of products imported from the United States, and implemented it in parallel with the US. On September 18, 2018, the State Council Customs Tariff Commission decided to increase 10% or 5% tariff on 5,207 tax items and about 60 billion dollars of products originated in the United States, which would be implemented from 12:01 am on September 24, 2018 [4].

### III. CHINA-US ECONOMIC DEVELOPMENT STATUS AND DATA COMPARISON

In the context of economic globalization, China's global share has become larger and larger, gradually narrowing the gap with the United States. However, due to population restrictions, GDP per capita is less than 1/5 of the United States. What is more, production efficiency is low, self-sufficiency rate of energy and food drops significantly, and the proportion of consumption in GDP is much higher than that in the United States. The number of enterprises entering the world's top 500 is slightly lower than that of the United States, and most of them are monopoly industries and financial sectors. The US dollar is still the absolute leader of international foreign exchange reserves.

#### A. *Comparison of total factor productivity and labor productivity between China and the United States*

In terms of the total factor productivity and labor productivity, China is only 43% and 12% of that in the United States, which means that the energy level created by each unit of energy is significantly lower than the world and the US average. The huge difference in the total factor productivity and labor productivity between China and the United States has opened up the gap between China and the US economic development.

#### B. *Comparison of economic development types between China and the United States*

At present, the contribution of consumption in China's economic development has increased significantly, but the proportion of investment is significantly higher than consumption, by contrast, the United States is a consumption-driven economy. The value of consumption to economic sharing determines the speed of economic growth and the type of economic development. China's economic transformation is gradually moving closer to the consumption-driven economic model.

#### C. *Comparison of trade in goods between China and the United States*

The strategic development of "The Belt and Road" has expanded the trade scope of China's foreign goods. However, due to the shortage of technology and talents, the trade surplus of goods and the trade deficit of services have become obvious, resulting in a significant decline in the dependence of China and the United States on import and export, but the downward trend in China is more obvious. The total import and export volume accounts for 30% of the total proportion of GDP from the highest point of 62.2%, and the proportion of decline in the United States is less than 20%.

#### D. *Comparison of industrial development between China and the United States*

China's tertiary industry is lower than 30 percent of US's, but the financial industry is beyond the United States. Agriculture accounts for a high proportion of China's overall industry, but its efficiency is low. The self-sufficiency rate of food in China is 84%, which is far lower than the 131% in the United States. The industrial capacity utilization rate in China is lower than that of the United States. Although China's steel output is 10 times that of the United States, crude oil production and self-sufficiency account for only 1/3 and 1/2 of the United States [5].

#### E. *Comparison of financial situation between China and the United States*

Most of China's financing is indirect financing, while direct financing in the United States accounts for the largest proportion. China's financial freedom is significantly behind the United States in the global rankings. The phenomenon of super currency is severe, and the stock market value is only about 20% of that in US. In the global foreign exchange reserves, the US dollar accounts for 63% and the RMB accounts for only 1.2%. The difference of financing and currency is the biggest difference of economic development between China and the United States [6].

#### F. *Comparison of the number of enterprises between China and the United States*

Among the top 500 companies in China and the United States, China is six fewer than the United States, but state-owned enterprises are higher than private enterprises, and most of them are in the financial sector and monopoly industries. The enterprises in the United States are concentrated in the field of life and health, and private enterprises are more than state-owned enterprises, reflecting obvious differences in the economic system between the two countries [7].

#### G. *Comparison of population between China and the United States*

China's total population is 4.3 times that of the United States. The labor participation rate is higher than that of the United States. The aging rate is lower than that of the United States. However, China's society is entering an aging society, and the growth rate of aging is relatively fast.

#### *H. Comparison of urbanization between China and the United States*

China's urban integration is gradually accelerating, but the urbanization rate only accounts for 23.6% of the United States. At present, only the Beijing-Tianjin-Hebei metropolitan area has a strong influence in the urban agglomeration effect. The agglomeration effect of the urban agglomeration is lower than that of the United States, and it is necessary to further accelerate the urbanization and urban agglomeration effect.

#### *I. Comparison of cultivated land and water resources between China and the United States*

The cultivated land resources and water resources in the United States are significantly higher than China's. The self-sufficiency rate of energy in China is declining year by year. Energy imports in China are twice that of the United States, but cultivated land accounts for only 78%, cultivated land per capita accounts for 19%, and renewable water resources only account for 23% of the United States. For a long time, the extensive operation of China's economic development has increased resource consumption, and the lack of comprehensive planning for economic development leads to the above differences.

#### IV. RESEARCH ON THE CHINA'S EXPORT TRADE STRUCTURE TO THE UNITED STATES

China's main export products to the United States include motors, electrical appliances, audio equipment, mechanical equipment and parts, furniture and parts, toy game supplies and parts, shoes and boots. According to statistics from relevant US departments, the export of electrical machinery and audio equipment accounted for 27% of China's total exports to the United States in 2016 and nearly 40% of the total US imports. Machinery and parts accounted for 21% of China's total exports to the United States and 30% of the total imports of such products in the United States. According to statistics in China, China's exports of mechanical and electrical products to the United States reached 236.9 billion dollars in 2016. In addition, according to relevant data released by the Ministry of Commerce of the People's Republic of China, in 2016, China signed 1,337 technology export contracts with the United States, with a contractual value of 3.749 billion dollars, accounting for 15.96% of the total amount of China's technology export contracts. China's cultural exports to the United States totaled 22.78 billion dollars, and the United States is the largest destination country for China's cultural exports. At the same time, China is also the major provider of service outsourcing in the United States, and many Chinese companies benefit from it. In 2016, China completed the outsourcing agreement from the United States amounting to 23.85 billion dollars with a year-on-year increase of 25.1%, accounting for 1/4 of China's commitment to the global service outsourcing business. It can be seen that most of China's exports to the United States are labor-intensive goods, which is inextricably linked to the population of the two countries. In 2018, the total population of the United States was about 327 million, and the population density was 35 people per square kilometer. There were about 1.39 billion people in China and the population density was 150 people per square kilometer. It can be seen that China has an absolute advantage in population.

Although the "demographic dividend" in China has decreased in the past years and labor costs have increased, the cost is still lower than that in the United States. The decades-long trade between China and the United States has always made up for the shortage of labor costs in the United States, which plays a vital role in the stability of US prices and the improvement of household consumption [8].

#### V. RESEARCH ON THE US'S EXPORT TRADE STRUCTURE TO CHINA

In 2016, the United States exported 440 aircraft to China, totaling 12.5 billion dollars; soybeans were 33.66 million tons, totaling 13.8 billion dollars; automobiles were 255,000, totaling 12.1 billion dollars; integrated circuits were 9.7 billion dollars; cotton was 260,000 tons, totaling 500 million dollars. At present, China is the largest export market for aircraft and soybeans in the United States, the second largest export market for automobiles, integrated circuits and cotton. 62% soybeans, 17% automobiles, 15% integrated circuits, 14% cotton and about 25% of Boeing aircraft exported from the United States are sold to China [9]. According to the statistics of the Ministry of Commerce of China, in 2016, China imported 1,189 technology contracts from the United States, with a contractual value of 9.638 billion dollars, accounting for 31.36% of the total amount of China's technology import contracts. In 2016, the average cost of Chinese tourists in the US was about 13,000 US dollars, far exceeding the cost of tourists from other countries in the United States. The annual tourism expenditure was as high as 35.22 billion dollars, and the average daily income for the United States was about 97 million dollars. In addition, in terms of education, the United States is the first largest destination for Chinese students to study abroad. According to a report released by the US Federal Immigration Enforcement Administration in May 2016, there were about 353,000 Chinese students studying in the United States, accounting for 34% of the total number of international students studying in the United States [10]. China Ministry of Commerce estimates, foreign students in the United States spent about 45,000 US dollars per capita in 2016, contributing about 15.9 billion dollars to the United States. It can be seen that the United States has gained huge economic benefits in its trade with China. The China-US trade is of great benefit to the economic development, employment and industrial development of the United States.

#### VI. RESEARCH ON THE CAUSES OF CHINA-US TRADE DISPUTES

Since the United States is in a dominant position in the China-US trade war and gains more benefits, why the United States unilaterally provokes trade disputes?

##### *A. Forcing the appreciation of RMB*

Since the US economic crisis in 2008, the United States has issued a large amount of government bonds. China holds hundreds of billions of US dollars in US Treasury bonds, and China has long been in a trade surplus with China-US trade. How to repay huge debts has always been a potential crisis in the US economic development. The United States emphasized that the imbalance between China and the United States is due to the serious undervaluation of the RMB exchange rate. If

China can raise the RMB exchange rate under the pressure of trade with the United States, then the pressure on US debt will be greatly reduced. However, from the perspective of economics, maintaining the stability of a country's exchange rate is of great significance. If a country's exchange rate suddenly rises, it could trigger a mass exodus of foreign investment at its worst, and the total amount of domestic capital will drop, eventually leading to insufficient supply and even economic crisis. Obviously, China will not abandon the stability of the exchange rate because of its export trade to only one country.

#### *B. Political import and export administration in the United States*

The US Constitution gives the US Congress the power to manage commercial contracts with foreign trade and impose tariffs; however, the US administrative department with more international vision has no right to formulate foreign trade policies. Members of Congress often pay more attention to the economic interests of the region; therefore, the trade policy formulated by Congress naturally brings the political color and trade protectionism of agricultural materials.

#### *C. Relieving the pressure of mid-term elections*

In May 2018, the United States entered the mid-term congressional voting stage, and the mid-term congressional elections were due in November. The United States still has high unemployment, economic depression and other problems. In order to divert the attention of domestic voters, Trump chose to provoke China-US trade disputes in early 2018 to ease the pressure on the mid-term elections. It can be seen that the real reason for the China-US trade dispute is neither dumping nor the low exchange rate of the RMB, but the political factors of the United States.

### VII. SUMMARY

China-US economic and trade relations affect the overall changes in the global economy and are the dominant force in the global economic structure. In the past 20 years of global economic changes, China's economy and comprehensive strength have risen in an all-round way, and the United States' leadership in the global economy and governance is influenced by the rise of China. Since the establishment of diplomatic relations between China and the United States, the economic relationship between the two countries has always been the focus of discussion. The relationship between China and the United States is increasingly subtle. Since Trump became the president of the United States, China-US economic relations have also faced important challenges. From the previous flexible containment to hard contact, the economic card is one of the US government's cards. During Obama's tenure, the United States restricted China through the Asia-Pacific balance and used Asian alliance to counterbalance China's economic development. The dialogue and cooperation between the two countries is greater than competition. However, due to political factors, the United States has not received more economic benefits in its development and cannot stop the rise of China's economy. In the new era, the new ruling party has strengthened its attitude towards the Chinese economy, and the economic relationship between China and the United States is more complicated. Based on the current complex globalization

background, the deep expansion of economic interaction between China and the United States has led to the emergence of "composite dependence". In this way, in order to deal with China-US economic relations in the new stage, there are more factors to consider, and it is necessary to have a deeper understanding of the economic relationship between the two countries. China and the United States are the world's first and second economies, so the China-US economic influence is wide-ranging. The economic relationship between the two countries has been complicated by the U.S. government deficit and China's growing holdings of U.S. debt. But there is no doubt that, in general, the economic and trade interaction between the two countries is relatively frequent, and no matter which party has mastered the economic initiative, it is necessary to determine the trend of China-US economic relations from the overall development situation.

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