

**THE POLITICS OF US-CHINA TRADE RELATIONSHIP,
2012-2020: DYNAMICS AND ROSPECTS**

By

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DEDICATION

With utmost devotions, I dedicate my whole work to my beloved and affectionate Parents, Sister, Brothers, Friends and Respected Staff of International Relations Department who have always been source of encouragement, knowledge, illumination and wisdom for me, whose prayers and guidance showed me the right path and made the blessing of Allah shower on me.

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LIST OF ACRONYMS

AD	Antidumping Duty
AI	Artificial Intelligence
AIIB	Asian Infrastructure Investment Bank
APEC	Asia Pacific Economic Corporation
ASEAN	Association of Southeast Asian Nations
AUKUS	Australia UK US
BRI	Belt and Road Initiative
CFIUS	Committee of foreign Investment in the United States
ECS	East China Sea
FDI	Foreign Direct Investment
FONOP	Freedom of Navigation Operation
GATT	General Agreement on Tariffs and Trade
GOES	Grain Oriented Flat Rolled Electrical Steel
ICBM	Inter-Continental Ballistic Missile
ICJ	International Court of Justice
IPR	Intellectual Property Rights
MFN	Most Favored Nation
MIC	Made in China
NAFTA	North Atlantic Free Trade Agreement
NDS	National Defense Strategy

NSS	National Security Strategy
PLA	Pakistan Liberation Army
PRC	People's Republic of China
QUAD	Quadrilateral Security Dialogue
RMB	Renminbi
SCS	South China Sea
S&ED	Strategic and Economic Dialogue
SOE	State Owned Enterprises
TTC	Trade and Technology Council
TTP	Trans Pacific Partnership
TRIPS	Trade Related Aspects of Intellectual Property Rights
USTR	United States Trade Representative
WTO	World Trade Organization
WMD	Weapons of Mass Destruction

ABSTRACT

Thesis Topic: The Politics of US-China Trade Relationship, 2012-2020: Dynamics and Prospects

This is a qualitative research analyzing the politics of US-China trade relationship by focusing on presidencies of Obama and Trump era. This is very normal for two countries to have trade relation with each other, but U.S-China trade relations cannot be considered a normal phenomenon. Because the U.S has gained the status of sole superpower and leading global economy, whereas China, being the 2nd largest global economy, is an emerging superpower and trying to surpass the U.S. There are many unresolved issues regarding bilateral trade between the U.S and China. The debate in regards to trade issues between these two countries traces all the way back to a period before Donald Trump had ever considered running for president of the United States. China has been repeatedly challenged under the Obama presidency. But at that time the way to solve these trade dispute issues was very different from now. Former president Obama has backed the Multilateral Trade Agreement, which includes new guidelines on government agency laws, currency manipulation issues, and new environmental and labor standards. But the strategy used by Trump, was totally opposite, he launched a trade war against China in early 2018. This put China and US in an unending tariff threat. The US-China trade dispute has raised worldwide worries that a trade war between the world's two biggest economies would have major ramifications for the global economy. This study proposes using a neoclassical realism framework to analyze trade strategy of President Trump vis-a-vis China in order to best clarify the US-China trade conflicts beginning around 2018. It contends that trade strategy of Trump vis a vis China is, on a very basic level, motivated by the increasingly competitive relation of both countries, which is affected by Trump's impression of China as US's primary strategic competitor and worry about the US trade imbalance, and reinforced by the midterm election considerations. According to the neoclassical realist interpretation, the trade friction buried in the geopolitical competition between the two nations is probably going to persist for a long period.

INTRODUCTION

Trade between the US and China is a part of complex economic relationship. In 1971, when US President Richard Nixon visited China, country was not very active in world trade. In the 1971-80s, some barriers to rapid institutionalization, products flow and technology were removed among US and China. So, these changes not only improved the position of China in world economy but also transformed its trade relationship with the US.

During the 1980's, when political relations improved between the US and China, and economic reforms of China accelerated the exchange of trade goods, manpower and technology between both countries. These exchanges were generally beneficial, despite the fact that from American perspective, trade of China was yet not big. The US became the third largest trading partner of China in world, in 1984, first two were Hong Kong and Japan. Whereas, China held the position of 14th largest trading partner of the US in 1998, accounting for 1.7 percent of overall US international trade and 2.2% in 1990.¹

Membership of China in the World Trade Organization has led to significant development in global investment and trade. Trade activities in China and abroad have expanded and developed rapidly. Within a duration of 3 decades, China ascended to become the world's third biggest trade country in 2005, after the US and Germany, and the largest in 2012. China's Total trade value was 20 billion in US\$ in 1978, It was \$1.4 trillion in 2005, and \$3.87 trillion in 2012.² Exports of U.S to China have surged by 81 percent in the three years after China's membership to the WTO, compared to 34 percent in the preceding three years. Similarly, imports from China surged by 92 percent in the three years after China's WTO entry, up from 46 percent in the first three years.³

¹ Dong Wang, "China's Trade Relations with United States in Perspective," *Journal of Current Chinese Affairs* 39 (2012): 175.

² Dong Wang, "U.S-China trade, 1971-2012: Insight into U.S-China Relationship," *Asia Pacific Journal*, 11 (2013): 8.

³ Ibid.

Though, despite their growing expanding economic collaboration as well as booming bilateral commerce, tensions remain high between the US and China. The major concerns of the US remained the Industrial policies, trade differences, rights of intellectual property and the investment climate. On the other hand, China wanted investment opportunities and fair commerce in the US as well as world markets.

Throughout the first ten years of 21st century, the US-China bilateral relation has increased at every level especially in crisis management and communications. The two countries have placed a high political value on their economic cooperation. According to the Chinese Government the foreign investment and bilateral trade have been important for the development of China on International level. Whereas the US on one side, expanding the trade relations with China, and kept targeting China-linked economic activities on the other hand, such as finance, investment, and commerce, within national security and ethical boundaries. Notwithstanding these and different other adversarial problems, both countries have underlined their joint benefits and economic cooperation, the trade relations have grown exponentially, creating the strongest trade relationship in the world.

During the early few years of 21st century, trade and investment between US and China played an important role in gradually boosting the economies of both countries, despite changes in the regional and global perspectives. Both countries became the largest or second largest trade partner to each other. The total trade volume of them in early 1990s, was under 3 percent of overall world trade of US, in 2012, it increased to 14%. Chinese commerce with the U.S, since 1980s, has been fluctuating between the range of 10 to 18% of overall foreign trade. But currently China has turned into the biggest foreign holder of the US treasury, allowing the US to maintain its huge budget deficit.⁴

Records from 2012 show that imports and exports of the US were value of 3.82 trillion US dollars, excluding services, whereas the total trade volume of China reached at the value of 3.87 trillion US dollars. This was for the very first time for China to surpass

⁴Yuhan Zhang, "The US-China Trade War: A Political and Economic Analysis," *Indian Journal of Asian Affairs*, 31 (2018): 55.

the US. The import/export imbalance of US with China was 315.1 billion US dollars in 2012.⁵

China was progressing very quickly and turned out to be the globe's second biggest economy in 2010. Few economic analysts predicted about China that its economy has potential to surpass the US economy and by 2030, it can grow two times bigger than the US economy. Though, the economy of US (with a GDP of 14.624 trillion US dollars) in 2013, was still two times bigger than the Chinese economy (\$5.745 trillion), and GDP of US per capita terms (US\$48,100) was almost 9 folds higher than China (\$5,400).¹² Trade of China surplus in 2012, however, has generally originated from its trade relations with the US.

This is very normal for two countries to have trade relation with each other, but US-China trade relations cannot be considered a normal phenomenon. Because the US has gained the status of sole superpower and leading global economy, whereas China, being the 2nd largest global economy, is an emerging superpower and trying to surpass the US. So, it is important to study their trade relationship as it has implications for international economic system. This trade relationship has implications for their geopolitical relations as well.

There is no winner in the trade war but the continuous trade war between US and China can be harmful for both the economies and it can also damage the global economy. Economies are interconnected due to the globalization, and global growth will be impacted eventually by this war.

The trade war has benefited the import-competitive industries but has harmed many exporting firms also in both countries. It doesn't matter how the trade clash is resolute, but it is essential for these companies to review their business strategies for long term. Investors are in fear of escalating this trade war, as it has negatively impacted the global markets.

⁵ Chi Hung Kwan, "The China-US Trade War: Deep Rooted Causes, Shifting Focus and Uncertain Prospects," *Asian Economic Policy Review*, 9 (2019): 5.

Officials at the IMF are concerned about the weakening of global economy as there is no trade agreement prepared so far to resolve this trade war.

Two major global economies are indulged in an unending trade war, which has raised concerns about the future of the global liberal trading system. Head of WTO called this war as the worst crises so far in the system of global free trade. Although both, China and the US, have applied to the WTO for consultations, this development has not been part of the WTO dispute resolution process.

Statement of The Problem

China's economic development is certainly a milestone of this century. The US and China established their diplomatic relations again by signing a bilateral trade agreement in 1979. Trade between both countries increased quickly after this, in that year from just 4 billion to greater than 600 billion U.S dollars in 2017. China remained the largest American trade accomplice till the start of 2019, and currently it is at the number third. The first two trading partner of US are Canada and Mexico. However, China is still the largest source of American imports.

There are many unresolved issues regarding bilateral trade between the US and China. The trade deficit between the two nations has augmented in light of the fact that the imports' volume from China has developed a lot quicker than American exports to China. And increased import/export imbalance has become a complicated issue for the policymakers and economists. Few of them consider this to be a sign of biased exchange tactics of China, whereas many attributes this irregularity to the stability of economy of China and its manufacturing system, which has been hit hard by state intervention. Several see it as an indication of unfair practices of Chinese trade, whereas some attribute the imbalance to the strength of the Chinese economy and production system, which has been hit hard by state involvement. There are many other issues affecting bilateral trade flows include industrial policies of China, variances over WTO responsibilities of China, support for the state-owned companies, and inability to secure the American IPRs.

The disagreement between China and the US over trade problems traces all the way back to a period before Donald Trump had ever considered running for president of the

United States. China has been repeatedly challenged under the Obama presidency, over harmful dumping of products in the US market, export restrictions, overfilling in the steel industries and solar panel, and illegal taxes on US cars and steels. But at that time the way to solve these trade dispute issues was very different from now. Former president Obama has backed the multilateral trade agreement, which includes new guidelines on government agency laws, currency manipulation issues, and new environmental and labor standards. But the strategy used by Trump, was totally opposite, he started a trade war against China in early 2018. This put China and US in an unending tariff threat.

This US-China trade war is not only damaging their own economies, but it is also harming the international economy. Due to the globalization all the countries in the world depends on each other economically. US-China concluded “Phase One Deal” in January 2020, which stopped the imposition of new tariffs. Therefore, the focus of this study is to analyze the dynamics and prospects of US trade relations with China.

Objectives of the Study

Following are the objectives of this study.

1. To analyze the patterns of US-China trade relationship under Barack Obama and Trump administration during the period of 2012-2020.
2. To find out the reasons of US-China Trade war under Trump era.
3. To analyze the future prospects of US-China trade relationship.
4. To analyze the impact of their economic confrontation on their political relationship.

Research Questions

1. How US-China trade relationship evolved during Obama’s and Trump’s era?
2. Why has US and China engaged in a trade war during Trump’s period?

3. How is US-China economic confrontation impacting their political relations?

Literature Review

Chi Hung Kwan in his article “The U.S-China Trade War: Deep-Rooted Causes, Shifting Focus and Uncertain Prospects” explains the reasons of US-China trade war. According to him the Chinese fast-growing economy has become a threat for the hegemony of the US. In addition to imposing additional duties on imported Chinese goods, the United States is increasing sanctions on China over technology exchanges and the commercial deeds of some high-tech organizations of China, particularly Huawei (a mobile company). This trade war is escalating into a technology war. Which carries the potential of occurrence of “decoupling”⁶ between China and the US economies, unless the economy of the whole globe is alienated into the two economic blocs that stand on them.

Micheal G. Plummer, in his article “The U.S-China Trade War and Its Implications for Europe” states that the trade war between US and China can affect Europe negatively, as the U.S is not only the most important exchange and investment partner, but also critical strategic ally of Europe. Therefore, the "America First" Trump administration's esoteric instincts, including its uncertainty about a large number of global institutions created by the US are a primary threat to Europe. Author further states in his article that in order to avoid any negative impact of this economic battle, Europe has identified proactive measures and has signed bilateral agreements with Asia-Pacific countries.⁷

Olaniyi Evans, in his article, “The Effects of U.S-China Trade War and Trump-economics” defines the economic approach of President Trump who had an “America-first” mentality. He argues in his article, that the Trump administration threatens to create a rapidly fragmented world economy, and has launched the largest world trade war ever.⁸ Various parties are still on the tender hooks and are intimidating to enforce hundreds of

⁶ Chi Hung Kwan, “The China-US Trade War: Deep Rooted Causes, Shifting Focus and Uncertain Prospects,” *Asian Economic Policy Review*, 9 (2019): 14

⁷ Michael, G. plummer, “The US-China Trade War and implications for Europe,” *Intereconomics* 54 (2019): 195-196.

⁸ Olaniyi Evans, “The Effect of the US-China Trade War and Trumponomics,” *Forum Scientiae Oeconomia* 7 (2019): 49.

billions of dollars in additional taxes. Further he explained that the trade conflict between US and China is not only dangerous for these trade rivals but harming the entire economy of the world. Prices of items that directly affect the welfare of buyers would increase, companies would incur additional export costs, those who are investors would get more worried, trade wars may turn into currency wars, here even those countries which are developed, can be affected with these kinds of wars. Tariffs on exports will increase quickly by developing countries, and this is a war which is a loss for everyone.

Dang Wang, describes the brief history of US- China trade in his article “U.S-China Trade, 1971-2012: Insight into US-China Relationship”. The author has divided the 1971-2012 era into four parts, and he has analyzed and described the important events that took place between the trade histories of the US and China. The development of trade models and institutions in the bilateral economic field over the past four decades shows that China has neither the interest nor the resources to rebuild or dismantle the entire economic system of the world, which the US has formed and dominated after World War II.⁹

The article “US-China Trade War: Causes and Outcomes” written by Larisa Kapustina and ĽudmilaLipková, reviews the timetable and analyses the reasons behind this trade war between US and China, and its possible consequences. The writer differentiated between the four main reasons that led to the largest economic conflict between the two major economies in history related to US intentions, reducing the bilateral trade deficit and increasing the employment opportunities. Restricting Chinese organizations' access to the US technology. Further it aims to stop the digital modernization of the industry in the PRC, to stop the increase in China's military power, and finally to decrease the deficit of federal budget. Author has analyzed the consequences of a trade dispute in this article, which are based on the situation method. According to him the protectionist policy of the US has its own political aspects. Barriers to bilateral trade are a means of slowing the growth of China's military and economic power.¹⁰

⁹ Dong wang, “U.S-China Trade, 1971-2012: Insight into U.S-China Relationship,” *Asia Pacific Journal*, 11 (2013): 18.

¹⁰ Kapustina and Ľudmila Lipková, “US-China Trade War: Causes and Outcomes,” *SHS Web of Conference* 73 (2020): 11.

Terence Tai Leung Chong and Xiaoyang Li, studies has written the article “Understanding the China–US Trade War: Causes, Economic Impact, and the Worst-Case Scenario”. According to them the existing US-China trade war has three main reasons, they compare the current economic battle with past similar trade fights, with changing degrees of significance, from economic and political outlooks. The trade imbalances become the initial cause of trade war, the mid-term elections of America, and hostility to dominance of world economic. Since the US-China rivalry cannot be solved easily, this article has a critical view on the entire solution of the trade war, and analyzes the scenario, which shows that China will have to suffer a loss of 1.1. % Job loss and 1% loss of GDP,

¹¹ which is not insignificant, but China can manage it easily.

Tao Liu & Wing Thye Woo in their article “Understanding the U.S.-China Trade War” describes the three main reasons that led America to start a war in the name of trade with China. There are different policies suggestions for China in this article. They explained that the economy of China was very different in 2018 than 1978, China’s trade and investment relations with developed economies should be further enhanced, in spite of this that status of China under WTO rules is as a developing economy.¹² The policy proposal to former President Trump is to stop making competition between strategic and economic dimensions. Although in the short time period usually the honest economic competition is a “zero-sum game”, it usually results in a long-term win.

Research Gap

After going through the relevant literature, it has been analyzed that a lot of work has been done on U.S-China trade relationship but there is a research gap of comparative analysis of Obama and trump administrations. Therefore, this study aims to compare the trade policies of Obama and trump administrations towards China and this study would also identify the future prospects of this relationship by covering the current dynamics of the relationship.

¹¹Terence Tai Leung Chong and Xiaoyang Li, “Understanding the China–US Trade War: Causes, Economic Impact, and the Worst-Case Scenario,” *Economic and Political Studies* 7 (2019): 17. 1-18

¹²Tao Liu & Wing Thye Woo, “Understanding the U.S.-China Trade War,” *China Economic Journal* 11 (2018): 322.

Core Argument

The US-China trade relationship is marked by both competition as well as cooperation between them. US-China trade competition is determined by economic, political and strategic factors, as the US is the world's largest economic and political power and China is the second largest economic power and an emerging political power. Although US and China are engaged in dialogue to address the issues of trade war between them, their trade competition would continue given the factors which account for competition between them.

Theoretical Framework

The Neoclassical realism lies in the IR realistic metaphor. As the name indicates, Neoclassical realism consolidates two earlier schools of thought, neorealism, and classical realism. In particular, while neo-classical realists acknowledge the hypothesis of neorealist, that the international power-sharing structure assumes a critical part in deciding the foreign policy of a state, it does not sacrifice the insights of Classical realists. According to Classical Realism the conduct of the state is also shaped by such domestic and ideological changes like the relationship between the state and society, the assessment of the risks and opportunities of the elite, and local political organizations. The term "Neoclassical Realism" was created by the Rose.

According to Neo-classical realism, the aspirations and extent of foreign policy of any country are primarily driven by the relative material strength of the country. However, it claims that the power capabilities' impact on foreign strategy is complex and indirect, because the systematic pressure should be interpreted through the unit-level factors, like state structures, perceptions of the decision-makers.¹³

So, it can be said that "Neoclassical realism is a multidimensional approach, the research framework of which transcends the analysis levels of systematic, individual, and domestic."¹⁴ Though, in the framework of neoclassical realist, the three stages of analysis

¹³Gideon Rose, "Neoclassical Realism and Theories of Foreign Policy," *World Politics*, 51 (1998): 146.

¹⁴ Kai He, "Explaining United States-China Relations: Neoclassical Realism and the Nexus of Threat-Interest Perceptions," *The Pacific Review*, 30-2 (2017), 137.

are not equally important. To define the foreign policy, neoclassical realists combine the global power design of distribution as a free (essential) factor and homegrown and individual elements as a mediation (auxiliary) factor.

According to the basic premise of Neoclassical realism, it gives more importance to the independent organized variable. And that independent variable in or case is the comparative power distribution between the United States and China. So, our first assumption shifts in power give birth to the more competitive nature of relations between China and US.

Then, domestic intervening factors mediate systemic pressure. The systematic pressure must be understood and reviewed by the foreign policy makers, in this case the Trump administration. The subsequent assumption is that Trump's assessment of China's rising threat, as well as his concerns about the trade challenges influence policy decisions and shape the trade discourse. Then, to maintain societal and governmental support, Trump's trade proposal must go deeper into US domestic politics. The third assumption is that the US domestic environment as well as consideration of election reinforced Trumps hard line commerce strategy with China.

China's growing competitive relations are the result of a number of factors, which includes growing desire for international economic supremacy and economic boom of China. The ambitious plans of Government of China for domestic and international economic transformation have greatly added to the increasingly competitive nature of relations of China and the US. To begin with, China's MIC 2025 policy, put forward by Xi Jinping in 2015, demonstrates not only its plan to transform Chinese economy from labor intensive to high-tech manufacturing, but also its quest for global technological leadership. Furthermore, in response to the need for assistance in Asian infrastructure development, China has approached the AIIB to provide funding for Asian infrastructure projects. Though China states that AIIB has a secondary purpose, many see AIIB as a threat to the two pillars of the US-developed global financial system, the World Bank and the IMF. Under the leadership of Xi Jinping, China launched the "Silk Road Economic Belt" and "Maritime Silk Road" initiatives in Indonesia and Kazakhstan, respectively, in 2013, which

jointly launched the BRI, along with the AIIB. China's BRI is projected to result in local and international changes. Locally, it intends to get rid of overcapacity and foreign reserves in economy of China, and it intends to additionally advance the internationalization of the Chinese currency, which is generally called RMB, in International domain. US perceives the BRI as a significant wellspring of increasing political as well as economic impact of China across the globe. The policymakers in America are also concerned about the construction of infrastructure and ports, as they say that these can be used for military and commercial purposes.

In short, China's economic progress has steadily transformed it into an active member in world economic governance through AIIB, BRI, and RMB internationalization. It has been a topic for discussion that China's foreign policy philosophy has evolved from “keeping a low profile and never seeking for leadership” towards “success” during the administration of Xi. All of this reflects China's worldwide position transitioning from standard taker to standard creator, which has heightened American's concern about China's expanding competence and global ambition.

The President Trump's appraisal of China as principal strategic opponent of the US, as well as his concerns about the America's growing trade deficit, influenced his trade policy decisions significantly. Unlike the Bush government, which concentrated on both economic as well as strategic interaction with China, the Obama presidency continued economic collaboration with China while making strategic changes ("Rebalance to Asia" and subsequently "Pivot to Asia"). Trump, on the other hand, chastised his previous administrations for assuming that dialogue and collaboration with China will ultimately lead to good Sino-US ties. The Trump administration is more worried about Chinese expanding economic might and military capabilities, which threatens wealth and security of Americans; as a result, the government is pursuing strategic moves to contend with China.

More significantly, president Trump has emphasized his profound worries about America's trade deficits and has altered trade policy of US. Trump has claimed on several occasions that these trade deficits are the result of unjust trade barriers overseas, and that

these obstacles are to blame for unemployment at home. It is clear that Trump's obsession with reducing deficit of trade is central to his administration's trade policies. Nonetheless, it is important to note that Trump's serious concern about the American imbalance of trade has prompted his government to pursue substantial changes in trade policy.

According to Trump's point of view China is not just the US' main cause of trade imbalance, but also its principal strategic rival. China was not just designated as a revisionist power by the 2017 NSS, but also as a strategic rival by the 2018 NDS. More crucially, Chinese state-led strategy to dominate sophisticated technology unfairly favors Chinese manufacturers while undermining American industry and creativity. The Trump administration's interpretation of "Made in China 2025" as China's comprehensive, long-term industrial plan to guarantee global domination exemplifies this worry.

Long before Trump Assumed the presidency, he had come to believe that the liberal world order created by the US after second World War did not serve American interests since it allowed other countries to become more confident and wealthier at the expense of the US. Since the 1970s, when Japan's economic supremacy became apparent, Trump has looked to be becoming suspicious of the merits of international trade. Though a considerable lot of Trump's criticisms on the multilateral trade framework are valid, the growth of China has brought these issues together in a spectacular fashion.

Trump's choice to tackle China was not hard considering his antagonism towards multilateral trade and his cynicism about the merits of the liberal world order to the US in particular. In any event, it was greatly simplified by many resentments against China that had built across the political structure of America by the time he became president. The corporate sector of America, formerly China's best friend in the US, was dismayed by long stretches of Chinese robbery of American IP, coercive transfers of technology, and the lack of a fair playing environment inside China, despite over thirty years of investment. Different household constituencies harmed by Chinas 'trade strategies, like labour unions, and the Office of the USTR, presently headed by Robert Lighthizer, a proven sceptic enraged by Chinese abuse of the world trading structure, attempted to hit back at the foundations of China's troublesome economic growth. The

growing dictatorship of China at home, particularly as shown by the Xi Jinping government's handling of Uighurs and Tibetans, has upset Americans who were more concerned about human rights and political liberties, than normal.

China's aggressiveness in the SCS, as well as toward neighbours like Japan, South Korea, Taiwan, and India, has alarmed the establishment of American foreign policy, that had previously seen China's actions in Asian region and worldwide as generally benign. It likewise was worried about BRI's impact on China's global influence, and seemed surprised by China's dramatic expansion of its foreign presence in regions far away from china's conventional objectives, like the Arctic, Latin America, and, progressively, outer space and cyberspace.

Finally, the speed at which China's military is modernizing, as well as the pressures it was placing on American capability to credibly guarantee the U.S. security obligations in Asian region and beyond, concerned US military strategists and their Asian partners. As a result, they advocated for far-reaching remedies that would reestablish the efficacy of American power projection and, hence successfully balance China.

The scene was prepared for the Trump regime's overhaul of America's approach towards China, with these components aligning without precedent in American politics to favor a major restructuring of Sino-US ties.

Trump won the election mainly with the backing of those individuals who live generally in rural parts of the US. A significant number of these individuals are industrial employees who have been harmed by Chinese imports, mainly after its entry to the WTO in 2001. Considering that one of Trump's primary manifesto pledges was to fix the trade deficit and return American employment back home, the trade war between China and the U.S. looks to be a timely and reasonable action to earn support for his republican group in the upcoming midterm elections.

It has been contended that President Trump's tough trade policy with regard China is primarily motivated by the inexorably competitive relationship between US and China, impacted by Trump's impression of China as US's essential strategic rival and worry with

the American trade imbalance, and supported by the homegrown elements and election considerations.

Research Methodology

This research has been conducted for academic purpose. As this study aims to analyze the dynamics and future prospects of U.S-China trade relationship by analyzing trade patterns under president Obama and President Trump's era. So, this study would be descriptive and analytical in nature.

There are two approaches of data collection method in the scientific research, i.e., qualitative and quantitative research. This research has used qualitative methods to analyze and explain the politics of US-China trade relationship. Non-numerical information has collected and examined in this sort of study to determine the dynamics and prospects of the US-China trade relationship.

Data has been collected from primary and secondary sources. The primary sources give first-hand evidence and raw information on the subject of research. This research has used official statements, speeches, press conferences of Chinese and the US Presidents and relevant stakeholders as primary source data. While the commentary from other writers and second-hand information is acquired through the secondary sources. The secondary sources serve to describe, interpret and synthesize the primary sources. This research has used scholarly books and research articles, research papers on US-China foreign policies, and trade or economic relations.

This research has utilized books written by American as well as Chinese scholars on US-China trade relationship describing history, trade disputes as well as current developments. This study has also used scholarly articles published online or in a printed journal like International journal of economics, Financial Issues, Foreign Affairs, Global Economy, Asian Economic Policy Review Journal etc. to understand the views of both US and China on their trade disputes. The books and articles were collected online through resources like Taylor and Francis Online, PDF Drive, Z library. Some hard copies of the articles were collected through the library of NUML, National Library of Pakistan as well. Besides this, reports of different US government agencies like Congressional Research

Services, and U.S-China Economic and Security for Review Commission has been consulted for an updated information on the chosen topic.

Discourse analysis method has been employed to draw inferences from the sources including official statements of the US and Chinese Presidents and relevant stakeholders in along with available archived data on the subject, in order to answer the research questions. Discourse analysis is used to study the written or spoken language with regard to its social context.

Significance of Study

This study will provide an in-depth analysis of U.S-China trade relationship's dynamics and its future prospects by comparing trade relations under Obama's and Trump's presidency. This study would identify the trade patterns and discuss how trade evolved under these two eras. It would also discuss how trade disputes under Obama's presidency were dealt and how they are being dealt in Trump's era.

This research is conducted for an academic purpose. This research will contribute in the knowledge of this field of study and it will be helpful for the IR scholars, students, subject experts and policy makers.

Delimitation

US-China trade relationship is determined by economic, political and strategic factors. As China is growing economically and expanding its sphere of influence across the world or in other words China is an emerging superpower so the US, being the superpower wants to maintain the "status quo" and in order to protect its hegemony, is trying to contain china through different ways like imposing trade barriers to halt its economic growth so that china would not be able to challenge US hegemony in future. Apparently, this policy on part of US president Donald Trump has an economic rationale seen in political context, it is part of broader politics, namely politics of containment of China. So, this study shall be focusing on the economic and political dimension of this policy and will analyze the economic as well as political reasons that have led US to wage a trade war against China.

The US trade with China influences many of their other trading partners because of the importance of these two countries in world trade. The current U.S-China trade war has a potential to damage not only the US and China but the economies of the whole world but this is out of the focus of this study. This study focuses only on the dynamics and future prospects of US-China trade relationships.

The US-China has a long trading history but the current study will focus on the trade relations under Obama's and Trump's administrations. i.e., it will analyze US-China trade patterns from 2012 to 2020 to discuss the future prospects.

Organization of the Study

The introduction part is consisted of statement of the problem, objectives of the study, research questions, literature review, research gap, core argument, theoretical framework, research methodology, significance of the study, delimitations and organization of the study.

Chapter 1 discusses the historical background of US-China trade relations. Given the complexity of the US-China relationship, this chapter provides historical context and information on the subject, both economically and politically. This chapter is subdivided into four parts to make the content more understandable.

Chapter 2 deals with the trade relationship between US and China under Obama's Presidency. It covers Obama's two terms era i.e., 2009-2016, and discusses the problems or challenges faced by President Obama as well as his "Congagement" policy while dealing with China.

Chapter 3 covers the Trump era's trade relationship with China. It discusses the trade war process as well as tries to explore the factors that motivated President Trump to wage a trade war against China.

Chapter 4 discusses the impacts of economic confrontation between US and China on their overall political relations. It discusses how Taiwan, Hong Kong, is getting affected, as well as how SCS is getting militarized amid US-China trade war.

Chapter 5 consists of the prospects of US-China trade relations. It covers Biden's trade policy vis-à-vis China and tries to develop plausible future scenarios of US-China trade relations.

CHAPTER-1

Historical Background of US-China Trade Relations

In order to analyze the politics of US-China trade relations, it would be better to gain some historical understanding of this issue. Given the complexity of the US-China relationship, this chapter will provide historical context and information on the subject, both economically and politically. This chapter is subdivided into four parts to make the content more understandable.

1.1 Trade Relations between China and the US Prior to the 1950s

The US started indirect trade with the “Qing Dynasty” before its independence in 1776, through the East Indian Company. At that time the US was known as North American colony and it was under the control of British Raj. The East India Company at one point were selling the local product of its colony, North America, in China while at the other point it was transporting the Chinese goods i.e., tea and Porcelains to the North American colony.

Following its Independence in 1783, the United States started to explore new business openings around the globe. But the United Kingdom started to create hurdles in the way of US by controlling the Atlantic trade during this time period out of the fear of US as a new rival in future. Therefore, the UK used numerous means to restrict the activities of the US traders and their carriers within its colonies. Consequently, the US traders started to find new markets for trade purpose, so in this way they moved their attention towards China.

As a result, in 1784, Robert Morris (a US banker), hired a ship and dubbed it “Empress of China”. This ship started its first journey towards China in February 22, 1784 by carrying goods i.e., load of Spanish dollars, lead, furs, wine, ginseng and other small goods.¹⁵ The journey of this ship from New York to China opened the new trade routes for

¹⁵Charles C. Stelle, “American Trade in Opium to China, Prior to 1820,” *The Pacific Historical Review*, 9 (1940): 425.

the US in Pacific, and ultimately paving the path for the country to it became a transcontinental power.¹⁶

After this, within next six months, this ship (Empress of China) arrived at Macco with trade goods i.e., animal skins, cotton, and pepper and camel cloth. The next week this ship reached at Guangzhou. The Qing Dynasty had trade dealings with some European States at that time. The US businessmen who were present in China along with this ship explore this opportunity by looking new business openings in China. Similarly, they have sold their goods and products in Chinese markets as well as they have exported several Chinese products in the US. Finally, on May 1785, this ship reached at US after its successful business tour which established new trading route for the US towards China. Moreover, the journey of this ship provided the opportunity for the US traders to do direct commerce with China.

The US government further favored the US traders by appointing Samuel Shaw as a first Consulate in Guangzhou, who facilitated the US traders in negotiating with the Qing Dynasty. Since then, economic relations between the US and China developed swiftly. In 1830s, US businessmen founded six hong. Following the end of Opium war, US resumed its trade with China by exporting opium, cotton fabric and by importing raw silk and tea from China. The trade volume between the two States was only after the UK at the end of 19th century.

During the WWII, the US had used all means (economic, political and social) to improve its relations with China. For example, the Chinese Exclusion Act was lifted; the Extraterritoriality in China was relinquished. The US China became ally during this war and the US became the largest supplier of strategic goods to China. The China was being depicted as a companion and partner in American rhetoric during Second World War.¹⁷ “During this period American relations with China had enjoyed a kind of honeymoon”¹⁸

¹⁶HAC Forbes, “The Empress of China by Philip Chadwick Foster Smith”, *The New England Quarterly*, 57 (1984): 602.

¹⁷ Shannon Tiezzi, “When the US and China were Allies,” *The Diplomat*, August 21, 2015, <http://thediplomat.com/2015/08/when-the-us-and-china-were-allies/>.

¹⁸Xiaohua Ma, “Sino-American Alliance During World War II and the Lifting of the Chinese Exclusion Acts,” *American Studies International* 38 (2000): 58.

and without doubt the close economic relations between them was one of the factors that ensured Chinese victory against Japanese during second Sino-Japanese war.

1.2 The US-China Trade Relations from 1950s to 1970s

In order to suppress the expansion of communist ideology, the American leadership strived to utilize political, financial as well as military resources to help “Chiang Kai Shek”, who was the leader of China, during the civil war era (1945-1949). Subsequently after the formation of the “People’s Republic of China” by Mao Zedong on 1st October 1949, the China’s administration and the US government were unable to utilize a cooperative manner to manage their political as well as economic relations owing to their involvement of the US during Chinese civil war. We may conclude that funding of the US toward the Chiang Kai-Shek has weakened ties between China and the US. Nonetheless, “from 1949 until the late 1960s, PRC leaders were vehemently anti-American”.¹⁹ Many Chinese people during that era assumed that “the view of the world was divided into two camps, socialist and capitalist, with the US as the leading imperialist power”.²⁰

Following the triumph of communism in China, the domestic political scene in the US shifted dramatically. The alleged loss of China by the Truman administration aided the McCarthyism environment of political persecution, and pressure rose to segregate China both by politically and financially. Furthermore, the start of the Korean War in mid-20th century and China's immediate involvement “suggested that Mao Zedong could be induced to follow Soviet orders with just enough enthusiasm seriously to endanger America's Pacific interests and allies”.²¹

“Treaty of Friendship, Alliance and Mutual Assistance” which was marked by the China and the Soviet leadership on 14th Feb, 1950, provided China with a shield against the US. It also assisted the Chinese in sustaining the Korean War by allowing them to

¹⁹ PH Chang, “U.S-China Relations: From History to Euphoria to Realism,” *Annals of American Academy of Political and Social Science* 476 (1984): 157.

²⁰ David L. Shambaugh, “Anti Americanism in China,” *Annals of American Academy of Political and Social Science* 497 (1988): 147.

²¹ Nancy Bernkopf Tucker, “Cold War Contacts: America and China, 1952-56,” in *Sino-American Relations, 1945-55: A Joint Reassessment of Critical Decade*, eds. Harry Harding and Yuan Ming (Wilmington, Delaware: Scholarly Resource Books, 1989), 238.

obtain sophisticated weaponry and military equipment from the Soviets. However, economic collaboration between the Soviets and the Chinese was limited, and the Soviets were either unwilling or unable to expand such cooperation. This treaty was not regarded as positive news for the leadership of U.S.

The president Harry S. Truman, in June 1950 sent the US naval forces seventh fleet and thirteenth fleet of the US aviation based armed forces to the Taiwan waterway to defend Taiwan which Chinese consider as a core national intrigue. From the Chinese leadership's perspective, Taiwan might be integrated by its armed influence as US did not intervene and send soldiers in region.²² American administration declared all the property that is claimed by china will be solidified also it will not permit any bat that is licensed in US to do work with China. Almost simultaneously, the Chinese government similarly declared that everything belonging to the US will be seized.

The implementation of trade ban from capitalist side, principally implemented by United States, was a fundamental component of Sino-US- relations throughout Eisenhower's presidency. In accordance with Breslin, just 8% of China trade ties were with Communist world in 1949, but this had increased to 87 percent by 1952.²³ China was forced to support Soviet Union, despite considerable doubts, because of these economic restrictions. The truth that the Soviet Union constantly backed nationalists (Chiang Kai-shek's KMT) amid the civil war and Stalin questioned the viability of China's rural-based Communist trial proved Sino-Soviet ties were tense from start.

The US kept on supporting patriot Taiwan and, following the main Taiwan Strait conflict September 1954, as China dropped the seaward territories of Quemoy and Matsu to flag Socialist obligation to normalize relations the entirety of China, signed a mutual defense treaty in next month of that year. This treaty still adversely affects contemporary Sino-us relations. In 1958, this activity was rehashed as foreign policy of China turned out to be more progressive in response of Khrushchev's impugning of Stalin with advancement of revisionist tenets. Further crucially, since 1956, Sino-Soviet division enhanced

²²Chen Qimao, "The Taiwan Issue and Sino-US Relations: A PRC view," *Asian Survey* 27 (1978): 1161.

²³Shaun Breslin, *Mao* (London: Addison Wseley Longman, 1998), 151.

increasingly clear when Soviet Union distanced itself from china during the 1958's Taiwan crisis and refused to back China's attack on Tibet during 1959.

Soviets' changing ideological perspective was exacerbated by geopolitical upheaval during 1962, after Khrushchev sided with India in a deadly boundary conflict involving China. The China was becoming increasingly irritated by terms tied to Soviet help, as well as the unsuitability of Soviet industrial installations in the Chinese setting. So, we can say that the Sino-Soviet split had economic dimension as well.

In 1950s, "American officials watched the improvement in china's capabilities closely and assumed its malevolent intentions and desire to challenge the international status quo".²⁴ During this period both, China and the US were obligated to view each other as an undermining opponent.

Over the span of next ten years, a number of things occurred in China. For instance, many Chinese people lost their lives between 1958 and 1961 due to natural calamities as well as fragile economic strategies. The communist leadership of China was unable to avert a full Sino-Soviet disintegration. The events of 1968-70, such as the border clash between Soviets and Chinese, the Soviet assault on Czechoslovakia and the declaration of the Brezhnev doctrine, and, in particular, the 1969's military conflict, when China was threatened with a nuclear strike by Soviets, required China to reclassify its companions and enemies. The new Nixon Administration was persuaded by this split between both the Communist nations, along US engagement in the Vietnam War, to adopt a strategy of reconciliation with Chinese in the expectorations of exploiting Communist splits and leveraging China to extort a satisfactory war resolution.

In conclusion, the communist party of china and capitalist leadership of United States had a rather poor connection between 1950's to 1970's.

In this kind of political climate, they were both reluctant to improve their economic ties. Additionally, the commerce amongst these two states has been prohibited by their

²⁴Rosemary Foot, *The Practice of Power: US Relations with China Since 1949* (Oxford: Clarendon Press, 1995), 14.

respectible governments. Therefore, during this time, we cannot see any trade relationship between these two countries.

1.3 The US-China Trade Relations from 1970s to 1990s.

On a profound basis, the restoration of US and China relations must be understood in the context of Cold War structural changes and institutional developments linked to China's global involvement. To begin with, the Vietnam War put a great strain on the US economy beginning in the early 1970s, and intensified its gradual disenchantment with US goals of global containment. Furthermore, the Sino-Soviet division prompted a reconsideration of the widely held belief that the Communist bloc was a kind of unity. The recognition of China was also accompanied by an extensive reappraisal of US strength/dominance, best illustrated by the fact that the US government in 1971 was obliged to abandon the Bretton Woods fixed exchange rate system due to mounting deficits accrued during the Vietnam War. This action immediately dismantled the basic principles of cooperation that support economic relations among western capitalist states. Therefore, the US ambition to strengthen ties with China must be regarded in the context of longer-term strategy inspired by the attractiveness of a limitless Chinese economy.²⁵ This appears to be especially relevant. Owing to the fact that some established capitalist nations had already developed trade ties with China in the 1960's. Perhaps, more importantly, the US and China were forced to forge a friendly relationship at a time when revolutionary forces in the developing world appeared to be gaining confidence, due to Brezhnev's doctrine of 1968. The impact of China's economic and revisionist tendencies, as well as the increased emphasis on economic success, had a substantial influence on the inaugural admission of China to the UN. It has been argued that the UN has enabled commercial and technical links with the West, as well as the purchase of advanced-sector factories and patents. In sum, China's entry within the world relations must be viewed in the perspective of US's structural dominance over global institutions to shape norms, rules, and behaviors that advance United States' broader economic interests.

²⁵David M. Lampton, "America's China Policy: Developing a Fifth Strategy." *Proceedings of the Academy of Political Science* 38 (1991): 152.

So as the international circumstances started to change from 1970s, both U.S and China struggled to reach out different ways for the improvement of mutual relationship. The US government begins to enable Americans to move to china through the ping pong diplomacy. It is proved in history that both the “Kissinger and Nixon’s visits of 1971 and 1972 constituted the initial breakthrough, transforming the Sino-US relationship from confrontation to collaboration and re-establishing high level official contacts for the first time since 1949”.²⁶ Then, both leadership of China and the U.S marked a political document known as Shanghai Communiqué. Both parties saw the accord as a step toward fully normalizing relations that had been apart for over twenty years. In brief, the Communiqué was an agreement that recognizes each other’s difference, and, particularly, the position of Taiwan was recognized like a “long standing and serious dispute”.²⁷ However, the statement clearly states the two states' objectives is to "facilitate the further development of contacts and exchanges" and also to assist" the progressive development of trade" and "stay in contact through various channels”.²⁸ Both American and Chinese government accepted to expand their mutual commercial relationship which was one of the chief customs of Shanghai Communiqué. The implicit promise to build a dynamic counterbalance to Soviet Union dominance, and, in particular context of the United States, to capitalize on the Sino-Soviet rift, was a major backdrop to this emerging chapter for US-China ties.

A joint Communiqué of US and China was circulated by Beijing and Washington on December 1978.²⁹ It declared that “the United States of America and the People’s Republic of China have agreed to recognize each other and to establish diplomatic relations as of January 1, 1979”.³⁰

So finally, China and the US commenced mutual trade system after more than 20year of financial barriers. It is clear from the Table 1 that the total commerce between

²⁶Harry Harding, *A Fragile Relationship: The United States and China since 1972* (Washington DC: Brooking Institution Press, 1992), 5.

²⁷A Doak. Barnett, *China and the Major Powers in East Asia*, (Washington D.C: Brookings Institution, 1977), 200.

²⁸Ibid.

²⁹Jimmy Carter, “Establishment of Diplomatic Relations between the United States and the People’s Republic of China,” *Case Western Reserve Journal of International Law* 11 (1979): 227.

³⁰Ibid.

US and PRC started from nothing to \$2.4 billion in 1979. It was the year when both, US and PRC, suitably initiated their charged affairs. In July of 1979, China and US marked a contract on trade relationship, which authorized them to maintain each other' MFN status.

Table1. Sino-American trade, 1971-1980

Year	Total bilateral trade in Millions of USD (US Figures)	Total bilateral trade in Millions of USD (Chinese figures)
1971	4.7	-
1972	92.4	12.90
1973	752.6	260.38
1974	921.2	475.71
1975	461.6	470.71
1976	335.9	316.68
1977	372.1	294.25
1978	1144.6	991.70
1979	2316.3	2451.60
1980	4812.7	4811.27

Table 1 indicates data on resumed economic interactions between the US and China for the 1st decade. The above table presents the constant growth, but at fairly small extent, with a setback of 1975-1977 as opposed to American exports to Chinese. Nevertheless, the two sets of statistics scarcely match except in 1979 and 1980. In other words, the prominent feature of trade between US and China is that their exchange was very little and unpredictable. For instance, prior to 1979, the trade volume between US and China, in 1972, was just \$0.01 billion; 1978 was the time of most noteworthy amount of business, but the total volume was not more than \$1 billion. Throughout this time the overall volume of commerce was just \$2.8/4.06 billion. Often, the political relationship variations amongst them additionally have sway on their exchange relations. For example, in the early 1970s, one of the significant reasons of US-China collaboration, political as well as economic, was common risk, danger of Soviet; because of Taiwan problem, their political relationship deteriorated around 1975, and the information of the above table clearly indicates that their commerce could reflect this political issue. Generally, during this time, US exports to China was greater than its imports from China. Before the decades over, be that as it may, the absolute business led between the two nations was multiplying every year. As shown in the table that it was \$1.1/0.99 billion in 1978 and arose to \$4.8 billion in 1980s from \$2.3/2.4 billion in 1979.

All through 1980s, the standardization of political relationships amongst the two nations and economic changes of China resulted in the accelerated move of products, values, ideas, and innovation between US and China. Such elations were commonly beneficial, though China's trade was still limited from the American perspective. However, as ahead of schedule as 1984 US had surpassed China's 3rd biggest exchanging accomplice, following just Japan and Hong Kong.

Table 2. The Sino-US bilateral trade during 1980-1990

Year	Total bilateral trade in Millions of USD (US Figures)	Total bilateral trade in Millions of USD (Chinese figures)
1981	5468.0	5888.32
1982	5195.8	5336.00
1983	4420.2	4041.84
1984	6068.8	5963.09
1985	7713.4	7024.96
1986	7876.3	5993.25
1987	9781.8	6772.02
1988	13,535.1	8261.89
1989	17,795.9	12,270.00
1990	20,031.2	11770.00

Comparison of table 1 and table 2 indicates that the trade volume among two nations was very small prior to 1979. The above information conveys that 1979 was the

turning point of US-China's economic relations because they concluded a trade agreement in that year. The bilateral economic relations between USA and PRC were significantly promoted by such activities. The above table shows that the quantity of commerce and size among PRC and the USA has expanded quickly during this period. While there are few variations in trade among US-China trade about 1983, the pattern was rising during this time. From \$0.26/0.75 billion in 1973 to \$12.27/17.79 billion in 1989, trade turnover increased dramatically.

The 1980's decade saw the underlying period of China's economic reform. In 1979, China made its first strides to reform the planned/central economy based upon the Soviet model. This second upheaval was driven by the Communist party leaders (Deng Xiaoping and Zhao Ziyang) and it transformed China a genuine rival in the global economy and produced greater Chinese than ever since China was established. The China's domestic reforms harmonized with its introduction to the outside world and the Chinese market was gradually attracted to American firms dealing with consumer products.

Sino-US trade's commodity structure was gaining more variety from 1972 to 1978. During 1970s, clothing, local items, raw materials and crafts were the major Chinese exports to the US. The extent of China's sends outs to the US grew in 1980s to include mechanical and electrical items and their quantity proceeds to grow.³¹ Grains and cottons were the principal commodities that US exported to China, during 1970s. In the accompanying multi year, The US sent out more cutting-edge items, transport gear, apparatus, and complete arrangements of hardware to China.³²

By the end of 1980s, economic forces had taken on significance that neither U.S nor China could ignore. As we've seen, reconciliation of Sino-US relations was primarily motivated by geopolitical reasons arising from the Cold War tensions between the US and the Soviet Union, and did not have a direct influence on their economies. However, things have altered dramatically in a decade. In 1989, at the start of the President Bush government, US foreign investor into China was valued 284 million dollars, exports to

³¹ Dang Wang, "US-China Trade, 1971-2012: Insight into the US-China Relationship," *The Asia Pacific Journal* 11 (2013): 5.

³² *Ibid.*, 7.

China supported an estimated one lac US jobs, and China has started to participate in the US Treasury Notes and Bond Markets.³³ Second, as Congress and political lobby groups became more involved in shaping China policy in the 1980s, the power of executive branch and capability to involve in secret diplomacy that thawed relations in the early 1970s was eroded. China's renewal of MFN status annoyed China until it joined WTO in 2001. According to the law, congress members were free to express any doubts they had about China, particularly about issues of Human Rights, and the president was required to answer. The heated discussion on China made a yearly scene on Capitol Hill, especially after 1989, as Congress members, the administration, China, and other interested parties fought over the problems. As a result, the business relations between the two countries became entangled in complex issues and can disrupt the stability of diplomacy, trade, ideology, technology, internal affairs and economy. Another key factor in economic development of the early 1980s was growing US concern regarding the trade gap with China. This was only one part (but a significant one) of the US's growing overseas debt, which rose from \$26 billion from late 1970s to \$126 billion in 1988, prompted homegrown requests for counter-protectionist policies.³⁴

Although the trade between US and China progressed at a high speed, the two countries disagreed on the scale of trade and the trade imbalances that, over the long haul, powered the conflict over statistics that started when the Cold War nearly reached a conclusion and that proceed right up till the present time. The most evident differences in US-China's trade figures have focused on the dispute about the scale of Chinese exports. The American figures indicate that 1986 was a defining moment, with a trade imbalance of \$1.67 billion with US, which setting off a deep, quarter- century trade gap towards China. As a distinct difference, the Chinese statistics for 1986 indicates a more than \$1 billion shortfall against the China.³⁵

³³David M. Lampton, *Same Bed, Different Dreams: Managing US-China Relations 1989-2000* (Berkeley: University of California press, 2001), 113.

³⁴Julia Chang Bloch, "Commercial Diplomacy," In *Living with China: U.S.-China Relations in the Twenty-First Century*, eds. Ezra F. Vogel, (New York: W. W. Norton & Company, 1997), 190.

³⁵David M. Lampton, *Same Bed, Different Dreams: Managing US-China Relations 1989-2000* (Berkeley: University of California press, 2001), 382.

The statistical disparities, shown in the table, had laid the ground for further worsening frictions. However, both U.S and China, during 1980s, have recognized the fast development in their trade ties after they established their diplomatic relations in 1979. Their trade relations grew 44% every year.³⁶ Yet the 1989's Tiananmen issue and the fall of their mutual adversary, The Soviet Union, caused a significant setback for a decade of gradual change/improvement in US-China's relationship.

1.4 The US-China Trade Relations from 1990s till 2009

The economic relationship between US and China fell into two stages after the disintegration of Soviet Union. The first stages stretch from 1990s to 2001, and the second one from 2002 to 2009. Both these stages can be characterized by several geo-economics as well as geopolitical watersheds e.g., rejuvenation of Chinese economic reforms and its entry into the WTO, a sequence of political clashes, the global downturn and the 9/11 incident. In 1989, the obliteration of the Berlin Wall augured the breakdown of socialist systems in Eastern Europe and collapse of the S.U over resulting two years. China had received \$27 billion in FDI by 1993, second only to US, which had received \$32 billion the same year. Following Hong Kong and Taiwan, the US has become China's largest investor.³⁷ Regardless the greater increased interchange of views, political irritants persisted to wreak havoc on their bilateral relations. The economic activity level did not correspond to the strategic partnership.

As the Soviet Union's mutual threat faded, China and the US slid into an uncomfortable alliance in which their growing economic links signified the geopolitical instability. Connection among China and US was affected by Tiananmen episode that occurred in 1989. The Tiananmen massacre was broadcasted around the world, and, both the American people and congress called on the bush administration for severe actions. On the one hand, Bush promised not to cut connections with China in a way that would make it impossible to rebuild the relationship, but he did stop all government armed sales and

³⁶Robert F. Dernberger, "China's Economic Reforms and Their Impact on US-China Trade Relations," in *The Political Economy of Sino-American Relations: A Greater China Perspective*, eds. Y.Y Keuh and Brian Bridges (Hong Kong: Hong Kong University Press, 1997), 32.

³⁷Yang Sizheng, "Sino-American Economic Relations at the Dawn of the 21st Century," *Financial Research* 162 (1995): 35.

collaborations, as well as promising to consider visa expansion requests by Chinese students in US.

A number of additional facets of the partnership were left up for future consideration, depending on how things progressed. In reality, just a brief time after the Tiananmen massacre, State Secretary, James Baker, clarified that the issue of human rights lonely couldn't be permitted to direct the US-China ties, announcing "the dismantling of a constructive ... relationship built up so carefully over two decades would serve neither our interests nor those of the Chinese people".³⁸ The fundamental motivation for keeping good ties with China was, obviously, China's growing significance as marketplace for the America exports and the America's desire to protect China's position in international economic security from transient political elements.

However, the Bush administration took a hard stance against china during the latter half of its presidency due to the realization of the fact that the older order was paving the way for another period where extending American market share would undermine the cold war era's security concerns.

As a result, the Bush Administration has begun addressing the bilateral economic concerns, such as the claim that China is using prison labor to lower china's exports costs. General market access problems for the US products, including china's initial positive trade balance. They also highlighted China's excessive quotas utilization, unfair license requirements, and finally issues related to Chinese manufacturers' abuse of copy rights and IPR were also highlighted. Much of this recently discovered hatred towards china was filled by the American media, which fueled populist fears about the relative decline of United States, first in Japan and now, as we know, fueled by anti-competitive practices in China.³⁹ In mid of 1991, the Bush administration even threatened to use economic sanctions on China if it did not resolve IPR issues. In October 1991, the United States invoked Section 301 of the 1988 Trade Act, allowing the USTR to investigate China's

³⁸Ding Xinghao, "Managing Sino-American Relations in a Changing World," *Asian Survey* 31 (1991), 1158.

³⁹*Ibid.*, 1161.

commercial practices.⁴⁰ It was interesting to note that United States recaptured its interest in the post-Soviet-China's human right conditions. It was because the Chinese leadership saw human rights as inextricably linked to China's development as an economic rival and confirmation of US government protectionist inclinations. The main goal behind president bush's emphasis on human right issue was most likely to be more symbolic as congress demanded to revoke China's MFN status. Overall, the government was trying to advance the economic cooperation through tough bilateral negotiations and China's accession to GATT. In 1992, during the Election campaign Bush decided to sell F-16 fighter jets to Taiwan in order to calm down both his own right-wing as well as Clinton's criticism.⁴¹

During the Bush administration, China's development as a key regional power had two major consequences for American foreign policy. To begin with, China's rise coincided with the government's rising interest in regionalism as a strategy of preserving the US dominance and free markets in the post-hegemonic as well as post-Cold War age. More importantly, efforts have been undertaken to integrate China into the APEC, which was founded in 1989 to advance free commerce throughout the region of Asia-Pacific Alongside NAFTA endorsed in 1993, and it was mainly the result of diplomacy under Bush era, APEC addressed renewed commitment to financial multilateralism in the region, supported by neo-liberal monetary guidelines sanctified by the Uruguay round of GATT likewise endorsed in 1993. Briefly, we can say that APEC regionalism attempted to create a new basis for the US dominance in the locale, after the collapse of communist ideology, extending American financial strategies based on unrestricted commerce and market economics through multilateral mechanisms. Implicitly, the United States' participation in APEC was aimed at promoting a particular form of Anglo-Saxon open market capitalism while simultaneously challenging the region's state interference and protectionism. Second, China's rise as a regional player has been critical in filling the power vacuum created by the loss of US hegemony in the region. Greater China's (China, Taiwan, and Hong Kong)

⁴⁰Rosemary Foot, *the Practice of Power: US Relations with China since 1949* (Oxford: Clarendon Press, 1995), 252.

⁴¹John R. Faust and Judith F. Kornberg, *China in World Politics* (Boulder Colorado: Lynne Rienner, 1995), 142.

economic rise sphere, as well as China's economic ties with Japan has been tremendously important.

Following the Tiananmen Square crisis, Sino-US relations were gravely strained on Taiwan, human rights violations, and variety of other issues, however, leadership on both sides, attempted to restore relations and forge a constructive strategic partnership. The annual extension of China's MFN status soon morphed into a platform for American discussion on human rights, stronger financial penalties, and the removal of China's MFN title.

Just upon arriving in the office, President Clinton broke with his predecessor's position that improved financial position of China would lead to political democratization, and declared in June 1993 that the MFN designation would no longer be given to China if the Chinese leadership failed to make adequate progress in human rights issue⁴². However, a year later, President Clinton reversed his stance and decoupled the problem of human rights from the status of MFN, a strategy that was supported by American corporations, who argued that "the only way to undermine the regime is to infiltrate it."⁴³ Some of the business officials have vowed that "missionaries and businessmen will work together to change china, unless congress interferes".⁴⁴

Another major development of this era was China's entry into WTO. Despite being one of the initial signatories to the GATT, China lost its membership after the establishment of PRC by the communist party led by Mao Zedong in 1949. To regain membership, the Chinese government began negotiating with GATT member nations in 1986. In order to settle the difference, during negotiations the legislature of the US set forward various prerequisites that the Chinese administration refused to accept. Consequently, "Beijing angrily singled out the US. As main obstacle to China's achieving GATT status"⁴⁵, and the procedure endured almost fifteen years. At long last, on November 15, 1999, China and the US consented to the two-sided WTO arrangement that would "help accelerate the

⁴²Ibid., 39.

⁴³Joseph Kahn, "Executives Make Trade with China a Moral Issue," *New York Times*, February 13, 2000, <https://www.nytimes.com/2000/02/13/us/executives-make-trade-with-china-a-moral-issue.html>.

⁴⁴Ibid.

⁴⁵RP Cronin, "The United States and Asia in 1994," *Asian Survey* 35 (1994): 15.

process of China's accession to WTO and the development of China-US economic cooperation and trade relations".⁴⁶ On December 11, 2001, China became a full member of the WTO, and the U.S agreed to reduce its share of material and garment imports from China by half, in accordance with WTO criteria.

As part of its membership in the WTO, china has pledged to open up its markets by lifting tariffs on goods, limiting agricultural subsidies, strengthening IP rights and opening some portions of its service sector. China has made several additional promises in its Accession Protocol in addition to committing to these core requirements under numerous WTO accords. For example, China agreed to move away from unique and differential treatment given to emerging nations in several areas. Additional commitments were concluded on transparency, judicial oversight, and national treatment for international investors, economic reform and compliance review. At last, they consented to receive a non-market economic status in anti-dumping cases for almost about fifteen years resulting in a more onerous calculation process.

Although, China's membership to the WTO largely negotiated under Clinton's administration, but George W. Bush was the first President to negotiate with China as a WTO participant. Chinese economy had been rapidly growing prior to the WTO, and it continued to do so after joining the organization. Chinese companies started competing with American corporations to an unprecedented degree because of their continuous and quick development and move to the manufacturing of increasingly complex industrial products. The Bush administration had to make a difficult choice on how to react. However, the 9/11 attacks of 2001, and the subsequent reaction, reshaped the United States' relations with the 1.4 billion Muslims around the world.⁴⁷ These events have ramifications for Sino-US relations, culminating in a shift in American's opinion about China. Prior to the 9/11 incident, many statements by President Bush and different other officials were broadly perceived as portraying China as a key strategic opponent, instead of strategic partner, a view that differed from that of the Clinton administration. However, following the 9/11

⁴⁶Hui Feng, *The Politics of China's Accession to the World Trade Organization: The Dragon Goes Global* (London: Routledge, 2006), 63.

⁴⁷Singer Peter Warren, "America, Islam, and the 9-11 War, Current History," *Journal of Contemporary Trends* 105 (2006): 418.

incident, President Bush promptly moved to reassure China, saying: “Our ties are mature, respectful and important to both our nations and to the world”.⁴⁸

According to Blustin, a trade journalist, the trade policy of bush administration was “sluggish” and said: “It is reasonable to wonder why a more forceful approach wasn’t taken.”⁴⁹ he explains why no severe actions were taken against Chinese unfair trade practices, even if those practices violated the WTO’s rule. To begin with, the administration hoped that china will keep moving towards open markets on its own. Secondly, American businesses were earning profit in China and seeking to avoid disturbances, so they didn't criticize much. Thirdly, the government needed China’s support for its counter terrorism strategy. Finally, the global financial crisis has undermined the Bush administration’s ability to blame or make any demands.

In terms of inaction, he focused on the Bush government’s denial of local industries’ concerns under section 421, that allows for commodity special "safeguard" quota as well as tariff on Chinese imported products. Initially, Bush administrations was slow to file complaints against China in WTO but in later years almost seven cases were filed in WTO: one case in 2004, one in 2006, three cases in 2007, and two cases were filed in 2008. As indicated by previous US exchange authorities; there was an inclination that China required a chance to get comfortable at the WTO prior to recording protests. By 2005, It was evident that complaints were required. Nonetheless corporations in the U.S, on the other hand, were not making claims to the USTR so the cases were unlikely to prevail without proof given by the USTR. As a result, cases have taken a long time to appear. Through an approach known as the “Strategic Economic Dialogue and the Senior Dialogue”, the Bush team has identified a diplomatic path to go ahead. This resulted in a few minor victories, but in 2008, when the financial crisis struck, the government became preoccupied with internal problems and failed to hold China accountable.

48 The White House, Office of the Press Secretary, “President Bush Meets with Chinese President Jiang Zemin,” February 21, 2002, <https://www.whitehouse.gov/briefing-room/>.

49 Paul Blustein, “The Untold Story of How George W. Bush Lost China,” *Foreign Policy*, October 2, 2019, <https://foreignpolicy.com/2019/10/04/the-untold-story-of-how-george-w-bush-lost-china/>.

China's participation to WTO has added to significant development in universal commerce and investment; business activities in china and abroad have extended and become progressively sophisticated. Within three decades, China has risen from relative monetary obscurity to turn into the plane's third biggest trade economy, just after the U.S and Germany, in 2005, and the biggest in 2012. China's overall trade value was estimated to be 20 billion in 1978, placing it 30th in the globe. China's exchange rate climbed to 1.4 trillion dollars in 2005, and it reached 3.8 trillion dollars in 2012.

Table 3. The Sino-US Trade during 1990-2009

Year	Total Bilateral Trade in Billions of USD (US Figures)	Total Bilateral Trade in Billions of USD (Chinese Figures)
1991	25.6	14.2
1992	33.1	17.5
1993	40.3	27.7
1994	48.1	35.4
1995	57.4	40.8
1996	63.5	42.9
1997	75.4	49.0
1998	85.8	55.0

1999	94.9	61.4
2000	116.3	74.5
2001	121.5	80.5
2002	147.3	97.2
2003	180.8	126.3
2004	231.4	169.6
2005	285.3	211.5
2006	343	262.7
2007	386.7	302.1
2008	409.2	329.5
2009	366.0	298.2

As indicated by the above table, we can understand that reciprocal trade among U.S and China expanded quickly after the decade of 1980s despite everything. In the early 1990s, the overall trade was around \$20-\$30 billion; by 2008, it had risen to \$409/329 billion. In spite of the fact that these figures may reflect the quick advancement of commercial ties between them, the procedure was brimming with clashes and allegations.

For instance, in his report to congress Wayne M. Morrison, A genius in Finance and International trade, referenced that

"China overtook Japan to become the third largest U.S. export market, and overtook Canada to become the largest source of U.S. imports"⁵⁰ In 2007, yet, "US- China economic relations have become strained over a number of issues, including large and growing U.S. trade deficits with China (which hit \$256 billion in 2007), China's failure to fully implements its World Trade Organization's (WTO) commitments (especially in regards to protection of intellectual property rights), its refusal to adopt a floating currency system, its use of industrial policies and other practices deemed unfair and/or harmful to various U.S. economic sectors, and failure to ensure that its export to the United States meet U.S. health and safety standards".⁵¹

By comparing these tables an interesting trend can be seen from these statistics: prior to 1980s the overall trade volume among China and the U.S could be impacted by political clashes. But from 1990s onward, this sort of wonder could no longer be observed, and their overall volume off trade kept up steady and quick development in spite of political or financial clashes.

⁵⁰ Wayne M. Morrison, *China-US Trade Issues*, CRS Report No. RL33536 (Washington, DC: Congressional Research Service, 2008): 1 <https://china.usc.edu/sites/default/files/article/attachments/China-US%20Trade%20Issues%202008%20Mar.pdf>

⁵¹ Ibid.

CHAPTER-2

The US-China Trade Relations in the Obama Era

The relations among US and China always touches on a remarkably wide kind of issues including economic, societal, trade, environmental, defense and human security related issues. Therefore, every administration of the US has faced severe challenges and difficulties about the relationship with China i.e., what sort of relations does the US should have with China and what should be the response of US towards the China.

When Barack Obama became President of the US in 2009, Sino-US relations have never been more complex and interconnected, both commercially and strategically. Because of the increased economic engagement, the United States now has a trade imbalance, and China currently owns the most US bonds.⁵² China has also spent some of its economic development on military modernization, which could now challenge US hegemony in the region of Asia-Pacific. China has become a strategic stakeholder in addressing major United States foreign policy concerns, including the climate change, nonproliferation of WMDs, and the worldwide economic crisis.

China was the globe's third-biggest economy in 2009, and the US needed to stop China from shutting its business sectors, which might have plunged the rest of the globe into even deeper misery. Secondly, China was one of Iran and North Korea's major economic ally, giving it diplomatic leverage to pressure these countries. Thirdly, with regards to the agenda of climate change, China had surpassed greenhouse gas emanation limits, but also became a critical actor in creating a successful, binding environmental framework, that is, the Paris Climate Agreement, adopted in 2015.⁵³

The global financial downturn has prompted the US to work with the globe's largest economies, particularly Japan, China and other significant Asian countries, in order to

⁵² Wayne M. Morrison, *China-U.S. Trade Issues*, CRS Report No. ADA501420 (Washington, DC: Congressional Research Service, 2009), 1, <https://apps.dtic.mil/sti/pdfs/ADA501420.pdf>

⁵³ Jeffrey A. Bader, *Obama and China's Rise: An Insider's Account of America's Asia Strategy* (Washington, DC: Brookings Institution Press, 2012), 21.

promote domestic stimulus package, support worldwide mediations to save failing economies, and finally to stay away from self-serving financial and unfair trade practices that might incite protectionist measures that could hinder any early restoration of global economic development. As a result, the Obama administration has attempted to work with China to rebalance the world's economy while noting that both countries are committed to what president Obama called "healthy economic competition".⁵⁴

One of the tools for building this partnership was the expansion of the "Strategic and Economic Dialogue" between both the US and China, in order to tackle a broader range of topics, strengthen US strategy coordination, and finally, bring the relevant parties to the negotiating table. Other techniques have included holding regular presidential meetings and communications, pointing or emphasizing areas of participation and applauding positive Chinese commitments empowering a more prominent Chinese role in worldwide administration, looking for congruity in military to military relations to assist with keeping away from emergencies and enhance collaboration, and attempting to abstain from humiliating Chinese authority when making moves like meeting the Tibetan leader, Dalai Lama or selling weapons to Taiwan.

All these endeavors to forge a stronger relationship with China yielded only modest dividends. Despite formal contacts like as the S&ED, occasional encounters on the fringes of multilateral gatherings, and joint summit meetings, the Chinese officials were wary of expanding collaboration or taking on greater international obligations.

2.1 Trade Issues with China

The US and China enjoyed healthy trade relations until 2015 mainly because of the trade policy based on mutual cooperation of President Obama towards China. The total volume of commerce between the US and China was about \$599 billion until 2015 and China was the major trade partner of the US.⁵⁵ However, at the same time, both countries

⁵⁴ The White House, Office of the Press Secretary, "Remarks by President Obama and President Xi Jinping of the People's Republic of China Before Bilateral Meeting," June 7, 2013, <https://obamawhitehouse.archives.gov/the-press-office/2013/06/07/remarks-president-obama-and-president-xi-jinping-peoples-republic-china->

⁵⁵ Wayne M. Morrison, *China-U.S. Trade Issues* (Washington, DC: Congressional Research Service, 2016), 2.

were going through severe trade issues on intellectual property rights, cyber security, trade rules violations, tariffs issue, and other trade-related problems. Further, the Chinese restrictions on US FDI in China were also a major trade issue during the Obama era. According to US officials, the Chinese Business council imposed “ownership barriers” on more than 100 US manufacturing companies.

2.1.1 Non-Tariff Barriers to Trade

Companies in the US, particularly those in the energy sectors, agriculture, and healthcare, complained about China's non-transparent, and sometimes unequally administered, laws and permits that unfairly limit their competitiveness in the country.

Since China's has joined WTO, the Obama administration has filed 16 WTO complaints against it, several of them addressing non-tariff obstacles.⁵⁶ The US has won every one of the cases that have been resolved until now, and keeping in mind that China has made modifications because of the lawsuits, it frequently just somewhat conforms to the decisions.

2.1.2 Access to Government-Directed Credit and Massive Subsidies Provided to SOEs and National Champions in Favored Industries

The implications of overproduction of heavy industrial commodities, like steel and aluminum by China and different countries, was another challenge that Obama confronted during his presidency. As a result, China and other countries have dumped these commodities on global markets beneath cost, drastically lowering prices and prompting many employment misfortunes.

The Obama administration has filed several of the anti-dumping lawsuits against Chinese imports of steel and different other items, the most recent of which was filed in January of 2017 in reaction to China's aluminum overproduction caused by government funding.⁵⁷ It also took WTO enforcement procedures to abolish tax breaks that favored

⁵⁶Office of the United States Trade Representative, *2016 Report to Congress on China's WTO Compliance* (Washington DC: Government Printing Office, 2017), 42.

⁵⁷Wayne M. Morrison, *China-U.S. Trade Issues* (Washington, DC: Congressional Research Service, 2017), 1.

Chinese-made aircraft unfairly, as well as its massive assistance to farmers.⁵⁸ The leaders of G20 group decided, in September 2016, to create a forum to solve the overproduction issue in the steel sector as well as in other enterprises. The G20 leaders met in July 2017 to examine the problem but came to no resolution.⁵⁹

2.1.3 Government Procurement that Favors Chinese Bidders

The Chinese have some government procurement regulations at different levels, like at national, regional, and municipal levels that enable only Chinese enterprises to offer to the government, sometimes openly and sometimes tacitly. This can sometimes reach out to state-owned firms, thus shutting down a substantial portion of the China's economy. Such policies have an impact on all businesses, but particularly affect technology and construction materials.

The Obama administration consistently chastised China for its illegal procurement practices through Gary Locke, the then ambassador to China, as well as through the S&ED forum.⁶⁰ "The European Union Chamber of Commerce" in China has also raised concerns about partiality and debasement unjustifiably preferring Chinese organizations in government agreements. The European Union warned reciprocity, in 2012, if nations were suspected of having unjustified procurement methods that favored domestic companies. This was aimed against China, but it would have an impact on others as well.⁶¹ There has been some advancement, for example, State Council of China, in 2016, required all sub-focal districts and organizations to inspect their strategies and eliminate inclinations for nearby organizations in government acquisition process.⁶²

⁵⁸ The White House, Office of the Press Secretary, "Fact Sheet: The Obama Administration's Record on the Trade Enforcement," January 12, 2017, <https://obamawhitehouse.archives.gov/the-press-office/2017/01/12/fact-sheet-obama-administrations-record-trade-enforcement>.

⁵⁹ Tom Miles and Maytaal Angel, "G20 to Discuss Steel Overcapacity as Tensions Simmer over U.S. Tariff Plan," *Reuters*, July 5, 2017, <https://uk.reuters.com/article/us-g20-germany-steel/g20-to-discuss-steel-overcapacity-as-tensions-simmer-over-u-s-tariff-plan-idUKKBN19Q1EU>.

⁶⁰ Michael Martina, "Firms bidding for China contracts face uneven playing field," *Reuters*, April 20, 2011, www.reuters.com/article/us-china-procurement-euchamber-idUSTRE73J1M820110420

⁶¹ Stephen Castle, "European Union Plans Retaliation in Public Contract Bidding," *The New York Times*, March 21, 2012, www.nytimes.com/2012/03/22/business/global/European-Union-Plans-Retaliation-in-Public-Contract-Bidding.html

⁶² United States Trade Representative, *2016 Report to Congress on China's WTO Compliance* (Washington DC: Government Printing Office, 2017), 98.

2.1.4 Technology and Internet Sovereignty Policies

Numerous US organizations particularly energy, cutting edge manufacturing, biotech, data innovation firms, and media organizations gripes that sometimes Chinese government compels them to move key technologies to their Chinese joint endeavors. They also ask them to reveal their source code, or to stick to other unfair strategies.

President Obama and his administration also highlighted this problem at every strategic and economic dialogue but of no avail. The U.S internet organizations like Google etc. are moving away of Chinese Markets.

2.1.5 Intellectual Property Rights Issue

The question of intellectual property rights has been perhaps the main obstacles that the United States and its corporations have had in doing commerce and business with China for years. IPR is a crucial component of the United States' industrial and economic development, as well as its international competitiveness. Therefore, the US industries and business companies raised severe objections and concerns about the Chinese role in the IPR issue.

Further, according to the official report of “Commission on the Theft of American Property Rights,” the U.S suffers the loss of about \$300 billion annually due to IPR theft.⁶³ Importantly the commission in its report further unfolds the story that out of these losses China single-handedly involved about 50-80 in these losses. According to the US economic experts, the US companies who are working in China with Chinese companies are compelled to share their technologies and IPR with China.

The administration of US has examined these concerns in depth with its Chinese partners in practically every bilateral venue e.g., Strategic and economic dialogue and high-level meetings, and in the WTO through “The Agreement on Trade-Related Aspects of

⁶³Elizabeth Larus, Shirley Hargis, “U.S. President Obama’s China Policy: A Critical Assessment,” *Teka Kom. Politol. Stos. Międzynar* 12 (2017): 12-14.

Intellectual Property Rights” also called TRIPS. In response, China makes the appropriate statements, but intellectual property enforcement is still insufficient.⁶⁴

China appears to be ratcheting up Intellectual Property enforcement in sectors as its very own enterprises are becoming more creative. To fight this behavior, the trump administration by passed the World Trade Organization and recently filed a 301 lawsuit against China.

2.1.6 Cyber Security Issue

The other important issue which ex-President Obama faced during his presidency with China was the Cyber Security Issue. For example, in 2014, the “Department of Justice” of US has charged five soldiers from China’s “People’s Liberation Army” with theft of private information and conducting government-sponsored cyber espionage against U.S corporations in order to aid China's economic improvement strategy.⁶⁵

The US security company named “Mandiant” further published a report and said that the Chinese defense companies backed by the Chinese military are involved in IP and cybercrimes, further, then the Director of National Intelligence “James Clapper” during his briefing to the “Senate Committee” said that China is not able to run its industries without the stealing of US technology.⁶⁶ Hence it is evident that China is involved in stealing of US technology which is a severe violation of international trade laws.

President Obama was compelled to take some practical steps as he was faced with severe criticism from the republicans. Therefore, he raised this issue when Xi Jinping visited the White House in 2015, where they achieved a "common understanding" on the subject of cyber theft.

⁶⁴Office of the United States Trade Representative, *2016 Report to Congress on China’s WTO Compliance* (Washington DC: Government Printing Office, 2017), 126-139.

⁶⁵Robert G. Sutter, *US-China Relations: Perilous Past, Uncertain Present* (New York: Rowman & Littlefield, 2018), 200.

⁶⁶ *Foreign Cyber Threats to the United States: Hearing before the Committee on Armed Services*, 112th Cong. 1 (2012), <https://www.govinfo.gov/content/pkg/CHRG-112shrg79855/html/CHRG-112shrg79855.htm>

Although the Chinese President Xi Jinping didn't openly recognize that China directed or aided that cyber espionage against US, the president Obama declared, "We have agreed that neither the US nor the Chinese government will conduct or knowingly support cyber enabled theft of intellectual property, including trade secrets or other confidential business information for commercial advantage."⁶⁷

The two presidents additionally agreed to form a group or an organization to deal with cybercrime and increase two-sided communication when such issues arose. That entity was supposed to have two meetings in a year. Notwithstanding the two Presidents' talks, there was no formal accord to defend their oral pledge.

2.1.7 Discriminatory Application of Law

China utilizes different laws for example patent laws, ecological laws, antitrust, or security audits in a biased way, or delay licenses or establishments red tape in order to hinder non-Chinese contenders.

The Obama administration more than once brought this issue up in C&ED forum⁶⁸ and the same has done by the Trump administration. To solve the anti-trust issues, the two department of the US, the department of justice and the federal trade commission, hosted workshops for anti-trust enforcement organizations of China. These two anti-trust organizations communicate oftenly, resulting in the streamlining of several Chinese practices. Other unfair practices have been condemned by Sino-US business council and US chamber of commerce. Up until now, none of this has had a lot of impact.

2.2 Overview of Obama Administration's Enforcement Efforts

During Obama's presidency, the United States Trade Representative has launched 16 WTO enforcement cases against China focusing on its uncalled for and WTO-illicit arrangements, ranging from unlawful obstructions to auto imports, horticultural funds to

⁶⁷ K. Zetter, "US and China Reach Historic Agreement on Economic Espionage," *WIRED*, September 25, 2015, <https://www.wired.com/2015/09/us-china-reach-historic-agreement-economic-espionage/>

⁶⁸ Neil Gough, "Western Companies Appear to Push Back Against Chinese Crackdown," *The New York Times*, September 3, 2014, www.nytimes.com/2014/09/04/business/international/chinese-antitrust-investigations-alarm-western-companies.html.

grain makers, oppressive duties, boundaries to trade of services, and hindrances to U.S. commodities of super advanced steel.

2.2.1 Export Restraints on Raw Materials

The U.S has challenged China in 2009 when it imposed export restrictions on nine important raw minerals, to even the odds for American employees and ventures in the industries of chemical steel, and aluminum. Chinese downstream industries had the option to acquire an impressive upper hand by bringing down their input value or price as a result of these export restrictions. For instance, in 2008, China's domestic steel manufacturers paid 36 % less for coke than their international counterparts.⁶⁹ China's quotas and levies were judged to be in violation of its WTO commitments by the WTO in 2011. It was also discovered that China failed to demonstrate that the limits were linked to the preservation of finite natural resources for specific raw materials or to the protection of its inhabitants' health (by reducing pollution). China has filed an appeal against the WTO panel's decision. However, a WTO Appellate Body ruled in 2012 that China's export limits and levies on some raw commodities were in violation of WTO norms.⁷⁰ China repealed the infringing measures in December 2012.⁷¹

2.2.2 Presidential Safeguard Action on Tires from China

The president Barack Obama authorized the implementation of extra tariffs, for almost three years, in September 2009 to halt a damaging spike in Chinese tire imports for passenger automobiles and light trucks.⁷² The spike resulted in a decline in the U.S tire manufacturing, the closure of domestic tire manufacturers, and the job loss for Americans. President Obama, acting in the best interests of American firms and workers, utilized a

⁶⁹ Wayne M. Morrison, *U.S-China Trade Issues* Report No. RL33536 (Washington DC: Congressional Research Service, 2009): 14.

⁷⁰ Wayne M. Morrison, *U.S-China Trade Issues* Report No. RL33536 (Washington DC: Congressional Research Service, 2011): 26.

https://www.everycrsreport.com/files/20110602_RL33536_a34ddc604116abe619eb948d1a9b281febd9ea62.pdf

⁷¹ Wayne M. Morrison, *U.S-China Trade Issues* Report No. RL33536 (Washington DC: Congressional Research Service, 2012): 21.

https://www.everycrsreport.com/files/20120521_RL33536_91c1b3df99bbfa129e30d361415b2d17c17d41dc.pdf

⁷² Wayne M. Morrison, *U.S-China Trade Issues* Report No. ADA501420 (Washington DC: Congressional Research Service, 2009): 19-20. <https://apps.dtic.mil/sti/pdfs/ADA501420.pdf>

never-before-used provision, allowing the US to address the harm caused by Chinese imports under WTO regulations. China's WTO challenge against the Obama's action was successfully defended by USTR, resulting in WTO rulings rejecting China's case in its entirety.

2.2.3 Chinese AD/CVD Duties on High Tech Steel from the US

The US has launched a case against China, in 2010, on its imposition of antidumping as well as countervailing duties on US shipments of “grain oriented flat-rolled electrical steel”.⁷³ In this case, China was accused of inappropriately initiating countervailing duty investigations involving multiple US statutes. The US also questioned how China handled its inquiry, arguing that China breached a number of regulatory and due process requirements, limiting the capacity of the US and its enterprises to serve their own interests. The US further claimed that China's assessment that its domestic sector had been harmed was contradicted by the information on the record. This move halted more than \$250 million in high-tech steel exports from the United States.

In July 2012, the WTO ruled that measures taken by China were incompatible with its global responsibilities. In 2014, the United States challenged China's noncompliance to WTO norms, in the WTO's very first compliance procedure. Considering the WTO rulings in 2012, it was declared that China's activities were infringing upon WTO standards. The United States' AD and CVD levies on GOES have been revoked by China.

2.2.4 Electronic Payment Services

The China was challenged by the US when it imposed constraints and regulations on electronic payment services for card payments, as well as the providers of those facilities, in September 2010. In China, more than \$1 trillion in electronic payment card transactions are done each year. The WTO concluded in 2012 that China's policies prejudice against American producers.⁷⁴ China has made certain efforts to resolve the

⁷³ *U.S.-China Economic and Security Review Commission, 2012 Report to Congress* (Washington DC: U.S. Government Printing Office, 2012): 43.

⁷⁴ *Ibid.*, 44.

WTO's concerns and the administration has continued to engage with US partners and China to secure fair access to China's market for American credit and debit card firms.

2.2.5 Wind Power Equipment

Following a plea by the United Steelworkers, the Obama administration filed a WTO complaint, in December 2010, challenging Chinese subsidies to makers of wind generating equipment.⁷⁵ The incentives seemed to compel the utilization of homegrown products at the cost of commodities made by international firms. Grants awarded under this scheme from 2008 to 2010 amounted several hundred million dollars at the time of the controversy. China ended the contested subsidy program in response to the US Trade Representative's challenge.

2.2.6 Chinese AD/CVD Duties on Poultry from the US

The USTR has filed a case against Chinese AD and CVD levies imposed on chicken "broiler goods" exported from the US. The case was launched in July 2012. As per industry gauges at that point, the US poultry industry would have lost about 1 billion dollars in deals with China at the end of 2011. China's activities were viewed as disregarding its WTO commitments by the WTO in June 2013.⁷⁶

2.2.7 Export Restraints on Rare Earths

The US has challenged Chinese export constraints on the rare-earth elements such as "tungsten, and molybdenum" and their derivatives in March 2012. China has imposed these export constraints on environmental safety grounds.

China is considered as the world's top manufacturer of these rare-earth elements, with "130,000 metric tons of rare earth oxide"⁷⁷ produced in 2011, accounting for almost

⁷⁵ Wayne M. Morrison, *U.S-China Trade Issues* Report No. RL33536 (Washington DC: Congressional Research Service, 2011): 26.
https://www.eversysreport.com/files/20110602_RL33536_a34ddc604116abe619eb948d1a9b281febd9ea62.pdf

⁷⁶ Wayne M. Morrison, *U.S-China Trade Issues* Report No. RL33536 (Washington DC: Congressional Research Service, 2013): 2.

⁷⁷ U.S.-China Economic and Security Review Commission, *2012 Report to Congress* (Washington DC: U.S. Government Printing Office, 2012): 347-351.
https://www.uscc.gov/sites/default/files/annual_reports/2012-Report-to-Congress.pdf

97 percent of global output. The United States filed this lawsuit to make everything fair for the American employees and enterprise that make a variety of significant downstream items in the country, such as “hybrid car batteries, wind generators, energy-efficient lighting, steel, advanced electronics, motor vehicles, petroleum, and chemicals.”⁷⁸

The US along with other petitioners contends that these constraints are part of an industrial policy designed to provide Chinese manufacturers significant competitive advantages at the detriment of foreign firms. China's export restraint measures provide it enormous influence over global supply and pricing due to its position as a prominent worldwide producer of these minerals. These policies may benefit China's downstream manufacturers to the detriment of their rivals in the U.S and different states. These initiatives may also put significant pressure on multinational manufacturers to relocate not only their operations and employment, but also their technological ability to China.

The WTO sided with the US, in late 2014, finding China's export restrictions to be in violation of WTO standards. Chinese government announced the elimination of WTO-inconsistent export tariffs and quotas on these raw materials.

2.2.8 Chinese AD/CVD Duties on Autos from the US

The USTR launched a case, in July 2012, in WTO against Chinese AD and CV charges on some American autos. The WTO concurred with the US that Chinese tariffs violated a number of international commerce norms. Chinese government notified the removal of the AD and CVD levies following the US challenge and before the findings of panel was revealed. These tariffs were placed on approximately \$5 billion in American-made automobile and sport utility vehicle exports in 2013.⁷⁹

2.2.9 Chinese Export Bases for Autos and Auto Parts

The US has filed a case against China for its export subsidy program for auto and auto components firms in September 2012, claiming that it adversely distorted competition.

⁷⁸Ibid., 349.

⁷⁹ U.S.-China Economic and Security Review Commission, *2013 Report to Congress* (Washington DC: U.S. Government Printing Office, 2013): 355-358.
https://www.uscc.gov/sites/default/files/annual_reports/Complete%202013%20Annual%20Report.PDF

In just nine years, i.e., during 2002-2011, the number of Chinese cars and parts exported augmented at least greater than nine times, “from \$7.4 billion to \$69.1 billion”, propelling the country from sixteenth to fifth place in exports of cars and vehicles around the world.⁸⁰ There is no further information about this issue.

2.2.10 Demonstration Bases of China

In 2015, the US Trade Representative has asked a WTO assessment on China's policy, which looks to constitute a prohibited export subsidy programme.⁸¹ China is guiding an assortment of specialized organizations to provide limited or free assistance to makers across a broad scope of ventures. These industries include horticulture, light industry, drugs, specialty chemicals, hardware and construction material, and new materials (counting ferrous and non-ferrous composites). All these manufacturers are centered in "Demonstration Bases" which are authorized export zones. Notwithstanding previously mentioned favors, manufacturers may also be eligible for subsidies such as financial assistance, research and development grants, loan interest subsidies, and favorable tax treatment for export. In line with the U.S, the WTO formed the dispute resolution board in April 2015. The outcome of this case is still up in the air.

2.3 Interagency Trade Enforcement Center

The Obama administration has been a trailblazer in efforts to develop a whole-of-government prosecution strategy. The President Obama founded the ‘Interagency Trade Enforcement Center’ in 2012, which pooled resources and experience from across the national government to offer crucial investigative and analytical support.⁸² The President signed the “Trade Facilitation and Enforcement Act of 2015” in February 2016, which contained additional tools and resources to guarantee that the United States' trade partners

⁸⁰ Wayne M. Morrison, *U.S-China Trade Issues* Report No. RL33536 (Washington DC: Congressional Research Service, 2012): 3.
https://www.everycrsreport.com/files/20120521_RL33536_91c1b3df99bbfa129e30d361415b2d17c17d41dc.pdf

⁸¹ Wayne M. Morrison, *U.S-China Trade Issues* Report No. (Washington DC: Congressional Research Service, 2015): 43.

⁸² Office of the United States Trade Representative, “Launch of the Interagency Trade Enforcement Center (ITEC);” <https://ustr.gov/about-us/policy-offices/press-office/blog/2012/february/launch-interagency-trade-enforcement-center-itec><https://ustr.gov/about-us/policy-offices/press-office/blog/2012/february/launch-interagency-trade-enforcement-center-itec>

keep their promises. One of the Act's main provisions is to establish this multidisciplinary approach by indefinitely establishing the “Interagency Center on Trade Implementation, Monitoring, and Enforcement” at the USTR. The Obama administration was able to quickly and tactically deploy resources in its attempt to aggressively enforce the US trade rights and augment the conventional suspension of American trade enforcement activities because to this collaborative structure. It has enabled us to bring more complex claims with broader implications.

2.4 Pivot to Asia Strategy

Initially the policy of then the President of United States Brock Obama was welcoming and based on mutual cooperation and development towards China especially during the first tenure of his presidential-ship. Obama’s early thinking towards China was that the US should engage China instead of isolating or containing it. Obama’s regime was following the perspective of liberalism which favored mutual cooperation. This was the core of President Obama’s foreign policy towards not only China but across the globe. Therefore, Obama administration extended a cooperative hand in 2009. The president Obama and his team worked hard to find areas of agreement with China. China's leaders gave only sporadic cooperation, focusing far more on their own advantages than on President Obama's call for global responsibility. Chinese leaders feared that taking on more global obligations would stifle economic development and modernization of China.

More troubling was Chinese actions and assertions in 2009 and 2010 which straightforwardly tested the U. S strategies and practices. These are as follows:⁸³

- In the S. China Sea, the governmental patrol of Chinese boats confronted the American surveillance ships. The Chinese government asserted, despite opposition from the US and the other worried world powers, that China reserved the privilege to control the air, maritime, and military vehicles movement in the Restrictive Monetary Zone along China's edge.

⁸³Jeffrey A. Bader, *Obama and China's Rise: An Insider's Account of America's Asia Strategy* (Washington, DC: Brookings Institution Press, 2012): 69-83.

- China criticized military operations against North Korea which were performed jointly by South Korea and the US in the Yellow Sea. Such exercises had occurred in the past and in 2010 they were initiated because of North Korean incitements in the sinking of a South Korean warship that resulted in the death of forty-six sailors and the shelling of an island of South Korea that resulted in South Korean military and civilian casualties.

- Officials in China have vowed to stop buying US government bonds and to abandon the use of the US dollar as a buying and selling currency in international dealings.

- China for a period acted angrily to the U.S government interference in 2010 that (1) urged collective endeavors to oversee rising strains in the SCS, and (2) affirmed, during Sino-Japanese disputes over E. China Sea islands, that while the American government took no position on the sovereignty of the islands, the US-Japan coalitions accommodated the US help for Japan in areas under its control, including the disputed islands of the E. China Sea which are under control of Japan but also claimed by Chinese government.

As the Chinese assertiveness increases, Obama administration realized that some sort of change is needed in dealing with China. So President Obama made some important changes in its foreign policy especially towards China during his second term of Presidency, and announced its strategic “pivot,” in 2011. This adjustment which was later dubbed as “rebalance,” was made, not only because of the expanded economic significance of the region of Asia-Pacific, yet additionally because of the insight that China has embraced a more assertive international strategy, supported by a quickly upgrading military, and that this new assertiveness undermines the regional harmony and security as well as the national interest of US. Rebalance strategy tries to enhance American dominance and influence in the region by bolstering financial, security and diplomatic relations with the nations of Asia-Pacific region.

2.4.1 Trans-Pacific Partnership

The “Trans-Pacific Partnership” is crucial to the region’s economic interaction. It is a free trade pact involving twelve Pacific states. According to the Obama administration this TPP will support financial development and employment through extended exchange and venture with nations as of now representing almost 40% of whole American trade. The

administration further argues that TPP will not only develop American exchange and venture integration but also wipe out more than 18 thousand duties on American commodities.⁸⁴ However, because the TPP excluded China this agreement had a strategic value too. The pact would basically set the standards of the game by bolstering American partners and accomplices and hence confirming the American economic supremacy or authority in the locale.

The economy of US was in the center of the nastiest financial catastrophe since the economic crisis of early 20s, also called Great Depression, when President Obama took office. As a result, he outlined his plan for a better trade and commerce strategy that spurs economic development, protects U.S employment, and boosts the working class. His priorities have included eliminating international obstacles to American exports, evening the odds by uplifting the worldwide standards, and upholding the US trade and commerce rights. He perused the policy of “Congagement” vis-a- vis china. The Obama government, notwithstanding the TPP as a way of tending to worries with China, utilized Section 421 and placed duties on the imports of Chinese tires. He was additionally a successive client of the World Trade Organization’s “dispute settlement mechanism”, with his administration filing 16 grievances against China during his two tenure’s presidencies. Simultaneously, the president Obama and his administration attempted to engage China through dialogues. The Obama administration carried on the Bush administration's bilateral negotiation style, replacing the “Strategic Economic Dialogue” with the US-China “Strategic and Economic Dialogue”. A reciprocal investment treaty was also negotiated by the Obama administration with China, but the talks were never concluded.

⁸⁴ Ian F. Fergusson, Mark A. McMinimy, and Brock R. Williams, *The Trans-Pacific Partnership (TPP): In Brief* Report No. R44278 (Washington, DC: Congressional Research Service report, 2016): 13. <https://sgp.fas.org/crs/row/R44278.pdf>

CHAPTER-3

The US-China Trade Relations in the Trump Era

The Trade between US and China works like a "ballast stone" that serves to strengthen the US-China relations in times of tension. The US-China has resumed their regular trade decades ago and it has grown quickly and gradually in spite of tensions and friction between both countries. Although these bilateral trade relations have been closer since the beginning of 1979, their trade frictions are also increasing and have intensified, especially since Trump came to power.

Donald Trump, during his presidential campaign, condemned China on regular basis, which he and others thought was a biased trade system, and dismissed its surplus in trade with the US. Promoting the "America First" foreign policy agenda, which includes American nationalism, unilateralism, protectionism, and simultaneously attracting the large corporations (tax cuts) and the agricultural and manufacturing sectors of the US (by reducing jobs), Trump promised to work hard against currency devaluation, export subsidies, and the theft of US intellectual property from China. Since 2017, the US-China bilateral trade relationship has been going through competition and cooperation, and has now finally turned out to be a potential trade war.

3.1 The US-China Trade War

In simple words, trade war can be described as an economic battle among two nations or states, which happens due to the extreme protectionism. Countries create trade barriers or raise tariffs against each other as a counter response to trade barriers imposed by the other side.⁸⁵ Misunderstandings of the benefits of free trade can lead to trade wars if one country considers the other's trade practices unfair.⁸⁶ So it could be the result of a

⁸⁵ Anjala Kalsie, and Ashima Arora, "US-China Trade War: The Tale of Clash Between Biggest Developed and Developing Economies of the World," *Management and Economics Research Journal* 5 (2019): 3.

⁸⁶ Paul Krugman, "And the Trade War Came," *The New York Times*, December 26, 2016, <https://www.nytimes.com/2016/12/26/opinion/and-the-trade-warcame.html>

protectionist stance, as it limits restricts international trade while ostensibly protecting local jobs and businesses from global competitors.⁸⁷

After coming into power Trump administration took a firm position on trade related strategies even before the outbreak of trade war between the US and China. Trump administration, in early 2018, imposed tariffs on many countries but China seemed their main target as they put taxes on imported washing machines, solar panels, steel and aluminum under the Sections 201 and 232 respectively.

After reviewing the old US policies toward China in the National Security Report, Trump stated that assumptions regarding China that it will steadily become a Western-friendly country or a country like west has proved wrong. The US administration argues that US needs to readjust its policies towards China, as it is having reached a new height, and becoming a more aggressive power.⁸⁸ Furthermore, Trump perceived trade as a “zero-sum game”, and a negative bilateral trade balance shows that the relevant trading accomplice is breaking the rules.

Due to this approach, Trump was highly critical of China's trade policies and seeks to balance trade relations with bilateral and trading solutions. The US threw a "301 Investigation" (“Section 301 of the Trade Act of 1974”) on China in august 2017, to find out whether China's policies in transfer of technology, IP rights, and innovation areas are biased or unreasonable and if creating any kind of hurdles to the American business.

China was on the priority monitoring list of USTR in the Special 301 Report, which reflected the urgent need to address IP-related concerns, which included the trade theft, online piracy and counterfeiting, large-scale manufacture and counterfeit goods export, imposition of technology transfer requirements as a condition of entrance to the China’s market, and for foreign IP licensees. Includes mandatory application of conflicting terms and IP ownership, and research and development (R&D) localization needs. In addition,

⁸⁷Olaniyi Evans, “The Effects of US-China Trade War and Trumponomics,” *Forum Scientiae Oeconomia*, 7 (2019), 48.

⁸⁸The White House, *National Security Strategy of the United States of America*, (Washington DC: The White House, 2017), 25.

the fact that administrative, civil, and criminal IP implementation are hampered by those structural barriers, such as barriers to pharmaceutical innovation.⁸⁹

Trump signed a memorandum on March 23, 2018; this was about imposing tariffs on imported Chinese goods worth of \$50 billion, and it initiated the US led trade war against China. This trade war between US and China lasted for almost 18 months and comprises of 4 rounds of tariffs and 2 truces.

When on 6th July, 2018, the first wave of 25% American levies on China's items worth of US\$34 billion was imposed, China responded as imposing 25% tariffs on the same US goods.⁹⁰ On August 23, 2018, the second round of 25% tariff came into effect on Chinese exports worth of US\$16 billion. In response, China immediately imposed a 25 percent tariff on US exports of US\$16 billion. The third round began in the same year on September 24, when Donald Trump began imposing 10 % levies on Chinese items worth of 200 billion US dollar. As a reaction, China imposed duties on the same day, the US goods worth of US\$60 billion with rates ranging from 5% to 10%. The US threatened to raise tariffs on these items by 25 percent by January 1, 2019, except the both countries reach an agreement.⁹¹

Then, in December 2018, China and the US agreed to suspend new tariffs for almost three months, which failed to produce a favorable outcome to the trade war for both economies. The U.S eventually expanded duties on \$200 billion of Chinese imports from 10% to 25% in mid, 2019.⁹² The reason given was that China had to backtrack on almost every parts of the draft of the U.S-China trade agreement. Similarly, the Chinese tech corporation Huawei has been included to the "US Commerce Department's" list of entities,

⁸⁹Office of the United States Trade Representative, *2018 Special 301 Report* (Washington DC: USTR, 2018), 38-46.

⁹⁰Deborah H. Y. Tan and Chen Chen, "Modelling the Economic Impact of the Sino- US Trade Dispute: A Global Perspective," *The Chinese Economic Transformation: Views from Young Economists*, eds.Ligang Song, Yixiao Zhou and Luke Hurst (Australia: ANU Press, 2019), 218.

⁹¹*Ibid.*, 219.

⁹²Chi Hung Kwan, "The China-US Trade War: Deep-Rooted Causes, Shifting Focus and Uncertain Prospects," *Asian Economic Policy Review* 15 (2020): 60-62.

which presently includes greater than 150 companies of China, subject to stringent license prerequisites or outright bans.

The Treasury department of the US, in August 2019, called China a "currency manipulator", after which China decided to suspend purchases of agricultural products of America. China has vehemently denied currency manipulation claims and vowed a 75-billion-dollar hike in levies on the US. Trump responded with a related increase in goods worth of US\$300 billion. Next month, all current taxes against Chinese imports were expanded by 30%.

Following China's filing of one more WTO case against US tariffs on China, both the US and China consented to hold 13th round of talks in the month of October. After two days of talks in Washington, the two nations reported new duty waiver record and concluded a contract on the first phase. The arranged levies were additionally deferred as China pledged to strengthen legislations regarding the problem of IPR, issue new currency guiding principle, and purchase a specific number of US horticulture commodities on an annual basis.

The USTR announced on the behalf of the US that the current tariff will be reviewed, and requests for tariff waivers will be accepted. November 2019, remained a positive time of the year for negotiations. Liu He, the Vice Premier of China and trade negotiator of the US, "Wright Heze" were in talks for the following round of trade negotiations, and the two countries consented to end the current duties. After reaching an agreement, both countries announced his on December 13. The announcement was made two days before the scheduled new tariff, which was expected to affect Chinese consumer electronics and goods.

China's designation as "currency manipulator" was reversed by the US because of its first-stage treaty commitments on January 13, 2020. After two days, President Trump and Vice Premier of China, "Liu He" eventually concluded the partial "Phase One deal". China promised under the deal to increase US imports by \$200billion from levels of 2017, and strengthen the rules of intellectual property. The US agreed to cut up few of the new tariffs imposed on China. Trump administration said that it would deal with additional

issues in, "phase two" agreement, but according to analysis nothing actual was expected anytime soon.⁹³

3.2 The Factors behind Trade War

Because of Trump's hostility towards multilateral trade and his uncertainty regarding the advantages of the world order based on liberalism for the U.S, his decision to compete with China was not a difficult one. In any case, it was made simpler by the various resentments against China that had built up in the American political system when he came to power. Several international businesses and politicians changed course after facing disappointments on different levels such as political and economic levels. So there are two main factors behind this trade war which can be divided as economic and political factors.

3.2.1 Economic Factors

The Trumps administration actions and the reasons given for the outbreak of the controversy are largely focused on the following important complaints.

1. American concerns about the bilateral import/export imbalance with China;
2. The partial transformation of China to a “free market economy”,
3. China’s technology policy
4. Dissatisfaction over WTO

Given this fundamental argument, the Trump administration has embarked on the current trade war with the following main two objectives.

1. Increase net American exports to China to reduce bilateral deficit

⁹³Virgil Bisio, et al, *The U.S.-China “Phase One” Deal: A Backgrounder* (Washington DC: USCC, 2020), 1-9.
<https://www.uscc.gov/sites/default/files/2020-02/U.S.-China%20Trade%20Deal%20Issue%20Brief.pdf#:~:text=On%20January%2015%2C%202020%2C%20President%20Donald%20Trump%20and,refrain%20from%20forcing%20foreign%20companies%20to%20transfer%20technology>.

2. To suppress the anticompetitive behavior of China.

In order to minimize the bilateral import/export disparity between the US and China, the rise in net exports of US is targeted at recovering the US manufacturing employments which have been transferred to China. Whereas the purpose's motive is justified, the current design has little chance of achieving the goal and is founded on a lack of understanding of the economics of trade. On the opposite side, persuading China to change its approach to anti-competitive practices is a common goal of many countries. America found some credibility to defend its new trade policies under this excuse for entering this battle. The economic factors that turned the mood of the US society one by one towards protectionism are discussed below.

3.2.1.1 The Trade Deficit

The trade war is perceived as a mode to reduce the bilateral trade deficit and repatriate jobs in US. Trump claimed that the main reason behind the loss of jobs in US manufacturing is the trade deficits and other unfair Chinese trade routes.

The US trade deficit in 2017 was worth of \$796 billion, in which only China accounted for 47% or \$376 billion, almost a half of the total deficit.⁹⁴ The US recognizes many issues in trade with the China, the most significant of which is the trade imbalance. This problem has emerged years ago and is still on the rise (though in May 2019, the American deficit of trade against China reached at lowest in history).

Though some of the US policymakers think that the large American deficit of trade against China is due biased trade policies, like currency manipulation, and relatively high tariffs, whereas others see the bilateral deficit of trade as a deceptive signal because of the increasing growth of supply chains utilized by international businesses.⁹⁵ Now the global nature of the business, development, invention, manufacture and assembly generally varies, and several foreign sources are used to export products. Therefore, US bilateral trade figures fail to show the real data of value-added in every country, ignoring the

⁹⁴Chi Hung Kwan, "The China–US Trade War: Deep-Rooted Causes, Shifting Focus and Uncertain Prospects," *Asian Economic Policy Review* 15 (2020): 58.

⁹⁵Yuhan Zhang, "The US–China Trade War," *Indian Journal of Asian Affairs* 31 (2018): 60.

identification of the real beneficiaries of its international trade. According to general view of economists, the whole size of trade deficit is largely due to the imbalance between US investment and savings, and macroeconomic policies in the economy, instead of international barriers to trade.⁹⁶

3.2.1.2 China's Anti-Competitive Behavior

The anti-competitive stance of China is central to the government's capacity to provide subsidies to local enterprises, giving them a significant upper hand over global rival. Notwithstanding state help, China has also been blamed for taking part in manipulation of its currency in an effort to stimulate domestic production and strengthen its trade balance.

Currency manipulation and state intervention, both stops international markets to operate fairly, allows China potentially to take advantage of fair ways to compete with international firms. Because of this exploitative attitude, the U.S has retaliated through tariffs and a trade dispute with China. The costs involved in pursuing sanctions will be significant, Over the long haul, however provided that they can signal to China that it can change its behavior in certain ways.

3.2.1.2.1 China's Market Transition

China's states capitalism process is an important factor in China's rejection of the open market system.⁹⁷ State capitalism is defined as an economic framework, where the government authorities participate in business activities by owning and funding of different large businesses. By this way, the state make decision about industries, that which industry would get government funding, sanctions, market assurance, or different kinds of help (for example, tax reductions, FDI limitations, trade barriers, preferential loans, unfair rules, raw materials export barriers, prerequisites established for international businesses to transfer technology, public procurement guidelines which are beneficial for domestic companies,

⁹⁶James McBride and Andrew Chatzky, "The U.S. Trade Deficit: How Much Does It Matter?" *Backgrounder*, Council on Foreign Relations, March 8, 2019, <https://www.cfr.org/backgrounder/us-trade-deficit-how-much-does-it-matter>;

⁹⁷Wayne M. Morrison, *US China Trade Issues*, (Washington DC: Congressional Research Service, 2017),

and weak implementation of IPR rules, which go beyond practices of an open market system. These state-sponsored corporations compete directly not only with the U.S firms but also with other foreign companies, which are seen as an unfair advantage to non-Chinese companies.

The US assumed China's mercantilist trade practices as a serious threat to the international economy. Many analysts predicted that China's membership to the WTO framework would result in the reduction of its anti-competitive stance and encourage the country to embrace the free-market economy rules. Though, the China's WTO membership has not changed, and the State Council of China owns, operates and funds more than half of "Fortune 500 Companies" of China.⁹⁸

Others in the global community have echoed the United States' concerns about China's partial makeover of its free market. China has been blamed for deliberately working in the gray regions of WTO regulation in order to continue providing benefits to state-owned enterprises without unequivocally abusing or breaking WTO criteria.

All these worries of the US are mainly centered on the continued use of state-led strategies of China, such as subsidizing exporters, which could alter trade and investment, and unfair gains while competing against global businesses. Since, WTO has not prohibited clearly these policies so they have not been forced to abandon them. While some US officials assumed implementation of WTO policies by China only viable, many have failed to live up to their expectations with access to an extended market. Facets of China's "Made in China 2025" approach appear to back up the allegations made by other WTO members. Several measures inside this new approach seem to have industrial trade strategies that provide subsidies and protection to Chinese corporations for the development of targeted sectors.

In addition to issues related to China's market transition, allegations of China's involvement in currency manipulation also serve to suppress anti-US sentiment. In August

98 Tridivesh Singh Maini, "State Capitalism: Fortune 500 and Chinese Companies," *Modern Diplomacy*, August 8, 2019, <https://modern diplomacy.eu/2019/08/08/state-capitalism-fortune-500-and-chinese-companies/>

2019, the treasury department of the US designated China a “currency manipulator” when Yuan reached at its lowest level in 11 years. Its conclusions depended on the matter that China’s people’s Bank didn’t uphold the Renminbi, claiming that the move was in retaliation for a new threatening US tariff. In the process, China has been accused of using an anti-competitive approach to get an unfair edge in the global market.⁹⁹

3.2.1.3 Intellectual Property Rights Concerns

For the US and WTO members, there was one an additional area of concern, regarding to the China’s handling of foreign IP. This was one of a key component of Trump’s justifications for placing tariffs on China. Trump administration in 2018, released a report about the unfair trade practices of China. According to that report China has been involved in unfair trade policies about IP, innovation, and technology under the section 302 of “Trade Act of 1974”. As indicated in the 301 examination, the Trump administration believes Chinese IPR infringement to be a significant cause of U.S. monetary misfortunes.

The expense of Chinese robbery of the US IP was assessed at about \$225–\$600 billion yearly to the US other than the deficiency of occupations to the American inhabitants. Aside from the loss of employment opportunities for the American citizens, the expense of Chinese robbery of the U.S IP was estimated to be between \$225 and \$600 billion per year.

China focused on increasing exports of low-tech items such as textiles and furniture through currency manipulation and dumping in its early years of membership. This helped China to gain a comparative advantage in the sector of manufacturing and thus hurt US domestic industries. Though, the present threat of Chinese high-tech mercantilism is of greater concern due to the high importance of the IP industry in America, which accounts for 39% of US GDP. China aims to "transfer, acquire and integrate foreign information" in order to dominate modern areas through state-controlled trade embargo policies.

In particular, further concerns were raised after the launch of "Made in China 2025" by China. This projects’ comprehensive strategy was to guarantee position of China in

⁹⁹ Wong, Dorcs and Alexander ChipmanKoty, “The US-China Trade War: A Timeline” *China Briefing*, August 25, 2020, <https://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/>

"high-tech industries such as medical devices, robotics, aviation, and new energy vehicles such as biogas and electric".¹⁰⁰ This strategy aims to obtain the 70% self-sufficiency in key industries by 2025, and aims to replace imported products with domestic inventions that can compete both at home and abroad. To accomplish these objectives China is deploying a wide array of strategy instruments to expose illegal and unfair actions. Trump's tariffs under section 301 targets these issues specifically. The 301 report has raised the following concerns.¹⁰¹ China restricts foreign ownership, asking international corporations to create joint ventures with local enterprises. In order to obtain this license, China used to put force on the foreign companies to move their technology to local businesses (Those Companies are from very important industries such as communication technology, information, modern agriculture, chemicals and pharmaceuticals). But these pressures are only talking most of the time so attempts to involve WTO have so far failed.

Furthermore, in addition to the technology transfer, China keeps the US and other international businesses from obtaining market rate licensing for their information and requires international investors to use technology in their joint ventures after 10 years of Chinese joint ventures. Next, the government of China plays a key role in coordinating and funding the struggles of local institutions to acquire foreign technologies. Finally, regardless of the commitment of Chinese president in 2015 to stop this illegal practice, there is ample evidence of state-sponsored espionage. Based on its history of penetration against various areas of the American economy, an American cyber security tech-company called China the deepest national state danger in October 2018.¹⁰²

3.2.1.4 US Doubts Regarding the WTO

The WTO dispute settlement system is an obvious place to start when addressing with Chinese activities that are deemed unfair. However, according to the U.S, victories at the WTO have not always resulted in the intended gain in market share in China.

¹⁰⁰Thomas W. Pauken, *US Vs China: from Trade war to Reciprocal Deal*, (London: World Scientific Publishing Co. Ltd, 2019), 233-234.

¹⁰¹Office of the United States Trade Representative, *2018 Special 301 Report* (Washington DC: USTR, 2018), 44-46.

¹⁰²Kalsi and Arora, "US-China Trade War: The Tale of Clash between Biggest Developed and developing economies of the world, "*Management and Economics Research Journal*, 5, (2019): 6.

Additionally, because the WTO judgments take a lot of time to arrive, there is significant dissatisfaction with the conflict resolution procedure of WTO. This point can be shown with the following example.¹⁰³

In 2006, the U.S along with its two other allies, the European Union, and Canada, lodged a case against China at WTO, claiming that country's auto tax restrictions violated the original accession agreement's terms and also general WTO's commitments. According to that case, new policies of China, obliged automakers to buy parts from local suppliers and move technological know-how to the country in order for it to become a key participant in the automotive industry. In 2008, the WTO ruled against China, compelling it to eliminate the illegal levies. China immediately lodged an application against the decision. Following an unsatisfactory appeal of the WTO judgment China eventually overturned its "content-based" auto import trade regulation in late 2009. Yet, it was concluded that Chinese short-term trade interference in 2005–09 was sufficient to kick-start exceptional development in China's worldwide auto-part exports since the short-term policy had long-term consequences on worldwide supply chains in the automobile sector.¹⁰⁴

During the period when this protectionist strategy of China was in effect, several suppliers of auto parts shifted to China, resulting in the development of an effective industry of auto-parts in the country. Despite the fact that the U.S officially won this case against China at WTO, Chinese enterprises were able to improve their position as global car parts producers by gaining time during the dispute process. As a result of the rising availability of competing parts suppliers in China, China-based auto manufacturing has become more appealing.

In assessing the usefulness of conflict resolution process for the US, the USTR observed that the effective utilization of dispute filing has resulted in 34 cases in which the interests of American stake holders have been protected by "favorable resolutions or

¹⁰³Deborah L.Swenson, and Wing Thye Woo, "The Politics and Economics of the U.S.-China Trade War," *Asian Economic Papers* 18 (2019): 15.

¹⁰⁴DeborahL. Swenson, "The Influence of Chinese Trade Policy on Automobile Assembly and Parts," *CESifo Economic Studies* 58 (2012):725-729.

settlements that remove the foreign violation without resorting to panel proceedings”.¹⁰⁵ It was argued that approximately 40% of US claims against China were resolved promptly and without the necessity for a WTO dispute panel.¹⁰⁶ However, the U.S has come to regard the WTO dispute system as a burden due to the high number of disputes in which it has been assigned as a respondent.

The USTR has four more main issues with the WTO.¹⁰⁷ To begin with, the USTR charges the WTO of failing to respond properly to trade restrictions caused by non-market economy members. The Appellate Body of WTO, in particular, doesn't generally perceive that a “non-market economy” such as China, is vulnerable to generating excess capacity in crucial commodities, such as steel, which the “non-market economy” then helps to resolve by depositing its excess supplies on international markets, causing market-economies to struggle with adjustment. Second, the United States Trade Representative believes that the dispute resolution procedure of WTO does not properly regard the sovereign strategy decisions of its members. The WTO Appellate Body, in particular, is accused by USTR of deviating “extensively from original understandings” on trade rules. Thirdly, the US Trade Representative requires the WTO to force countries like China to fully comply with their "notification obligations" without really wasting any time (for example, to report insights regarding industrial endowments stretched out by local administrations). Finally, USTR opposes the WTO’s practice of enabling nations to self-identify as "developing economies" and thus employ subsidies and duties to stimulate new businesses. The former Director-General of the WTO, “Pascal Lamy” agreed, calling it "dishonest" for China, the world's leading exporter of desktop computers, to imply that it is still “like India, or like Senegal, or like Botswana”.¹⁰⁸ As a result, the US administration has declared that the WTO is incapable of providing the primary optimal answers to settle the dispute of trade strategies

¹⁰⁵United States Trade Representative, *2019 Trade Policy Agenda and 2018 Annual Report of the President of the United States on the Trade Agreements Program* (Washington DC: USTR, 2019), 5-6.

¹⁰⁶ Jeffrey J. Schott, and Euijin Jung, “In U.S.-China Trade Disputes, the WTO Usually Sides with the United States,” *Peterson Institute for International Economics*, March 12, 2019, <https://www.piie.com/blogs/trade-and-investment-policy-watch/us-china-trade-disputes-wto-usually-sides-united-states>

¹⁰⁷United States Trade Representative, *2019 Trade Policy Agenda and 2018 Annual Report of the President of the United States on the Trade Agreements Program* (Washington DC: USTR, 2019) 25-27.

¹⁰⁸Keith Bradsher, and Alan Rappeport, “The Trade Issue That Most Divides U.S. and China Isn’t Tariffs,” *New York Times*, March 26, 2018, <https://www.nytimes.com/2018/03/26/business/china-us-trade.html>

of China, or of meeting the objectives of their commercial strategies, for example, expanded access to markets, and has labeled the WTO a disaster, refusing to endorse the selection of new members for its “Appellate Body” as being extremely unfair to the United States.

3.2.2 Political Factors

A recurring element in historical trade disputes is that they are motivated not only by economic considerations, yet additional, and perhaps more significantly, by political considerations. This can likewise be found in the economic dispute between the US and China. They can also be separated into short-term and long-term goals.

3.2.2.1 Budget deficit

The first rationale is associated to a less discussed motivation, which is the problem federal budget imbalance. This trade battle between US and China is designed to decrease the budget deficit of federal government. Dongsheng Di, Gal Luft, & Dian Zhong, writes that “the US will need additional sources of income like tariffs in order to balance its budget, and tariffs on Chinese products is viewed as a main source of such income”.¹⁰⁹ These Chinese academics discuss the US-China trade war from a fiscal standpoint, emphasizing the value of that approach in analyzing US policy set by a former businessman as President. President Trump has worked hard since taking office to support the implementation of the tax-reduction program he promised during his campaign, believing that the tax cut will reduce unemployment and raise government tax revenue by stimulating investment. The Tax Cuts and Jobs Act, then again, will bring about a huge expansion in the fiscal deficit. Next, President Trump intends to impose a border tax to address the country's grave fiscal woes. What's more concerning was that the Fed's interest rate hikes stifle the tax cut's economic impact, generating stock market volatility and increasing the Trump administration's interest spending in 2018. The U.S central government's fiscal imbalance grew to 21 trillion dollars, due in part to tax reductions imposed in the last month

¹⁰⁹Dongsheng Di, Gal luft, and Dian Zhong, “Why did Trump Launch a Trade War? A Political Economy Explanation from the Perspective of National Constraints” *Economic and Political Studies*, 7 (2019): 205.

of 2017. As a result, Trump's only option is to resurrect his border tax program by waging a trade war, so reducing the negative consequences of his tax-cut strategy.

3.2.2.2 Midterm Elections

The current trade war's other motivating factor might be linked back to the political framework of the US. The “Midterm elections” are held every four years in November in the US, during which citizens choose members of Congress. Because midterm elections occur in a four-year official term, they are generally viewed as a electors’ decisions on the president whom they have chosen two years earlier.¹¹⁰ Throughout the history of US election, the out of power party has reliably had the option to make a rebound in midterm race. Just three presidents have succeeded in breaking the curse: “Theodore Roosevelt, Bill Clinton, and George Walker Bush.”¹¹¹ In this context, the midterm elections of 2018, gave the president Trump with motivations to follow extreme actions that appeal his support base. Trump was elected with the help of folks who live in the countryside of the U.S. The majority of these individuals are manufacturing workers who have been harmed by Chinese imports, particularly after its entrance to the WTO in 2001. Considering that one of the President Donald Trump’s main promises was to reduce the trade imbalance and restore American jobs back home, the U.S-China trade conflict s gives off an impression of being a convenient and sensible move to procure support for his political group in the midterm elections.

3.2.2.3 China’s Threat

The advancement of China as a significant economic power poses the biggest danger to the US. At the expense of the US, China is working to become more technologically progressed in a variety of dual-use industries, primarily by IPR burglary and government interference.

It has long been understood that great powers emerge because of their dominance in the global economy's most important sectors. Because of their dominance, they can enjoy

¹¹⁰J. Bradford Jensen, Dennis P. Quinn, and Stephen Weymouth, “Winners and Losers in International Trade: The Effects on U.S. Presidential Voting,” *International Organization*, 71 (2017), 1.

¹¹¹*Ibid.*, 8-9.

both economic and strategic gains simultaneously. Therefore, much of the tensions among China and the US in the areas related to the transfer of sophisticated technology, intellectual property, and innovation stems from the US worries about China's aim of becoming a worldwide leader in technologies on a wide scale. The “Made in China 2025” industrial strategy, that aims to boost the sophisticated technological sector in industries like “aerospace, robotics, and information and communications technology,”¹¹² is considered as a challenge to the American technical superiority. Such Chinese policies have been labeled as "economic aggression" by the Trump administration. The fact that China has proven to be extraordinarily competent of winning critical technical races, the case of Huawei which is now leading the globe in 5th generation technologies, has surprised the US the most, and reinforced China’s image as a challenge to the American dominance, and the US believes China will soon be the and the US believes China will soon be the leader of world in space exploration.¹¹³

Another reason for Trump's growing hostile attitude toward China is because of the fact that majority of the cutting-edge technologies have dual-uses, i.e., both noncombatant and military. As a result, US concerns extend beyond just business concerns. As a result, trade wars might be viewed through the perspective of preventing China's military strength from growing. It is argued the US believes that allowing China to acquire military dominance even over the long haul, is unacceptably unacceptable. Subsequently, the U.S is finding ways to keep up with its competitiveness in national security and deter China from acquiring double-purpose innovations developed in the US. Hence, controlling the technology transfer to China, in particular, has been a key priority for the US in deterring China's ascent. The US is reinforcing its national safety endorsement framework for internal international investments, making it progressively hard for China to import the U.S technology by purchasing American corporations. Simultaneously, it is expanding limitations on the American corporations working with various high-tech enterprises of China, most strikingly the company of Huawei. Furthermore, US retaliated by limiting

¹¹²Nitin Agawala, “Made in China 2025’: Poised for Success?” *India Quarterly: Journal of International Affairs*, 77 (2021): 426.

¹¹³Wang Yong, “Interpreting US-China Trade War Background, Negotiations and Consequences,” *China International Strategy Review* 1 (2019): 116.

China's exposure to elusive information in the US (for example, by examining the options for students of China to learn modern science and technology at the leading American universities) and by blocking some Chinese technology businesses from working in the U.S.¹¹⁴ The US administration recognizes the difficulties that this policy will face. However, it has come to the conclusion that the pursuit of technical dominance is far too important to be decided only by markets, as it directly affects the US' ability to maintain its global dominance.

In the instance of Huawei, the American Justice department, in January 2019 lodged a variety of criminal allegations against not only the company but its top financial leaders as well, involving alleged sanctions evasion and stealing of robotic technology.¹¹⁵ Furthermore, the Trump administration has requested that the American partners, such as Germany, Italy, and Japan, refrain from using the organization's 5G network apparatus due to espionage fears.¹¹⁶

The President Trump proclaimed a national crisis and marked an "Executive Order" prohibiting American corporations from employing data, services, and communications technology from "foreign adversaries" that provide a "unacceptable risk to the United States' national security".¹¹⁷ Despite the fact that the Executive Order does not mention Huawei by name, it is widely assumed that it is aimed at the Chinese business.¹¹⁸ Simultaneously, the American commerce department has placed Huawei along with its partners on the so-called "Entity List," that prohibits the American citizens and businesses from sending out products, services, and technological know-how to the organizations on

¹¹⁴ Christopher A. Ford, "Huawei and Its Siblings, the Chinese Tech Giants: National Security and Foreign Policy Implications" (remarks at the U.S. State Department, Washington, D.C., September 11, 2019), <https://www.state.gov/huawei-and-its-siblings-the-chinese-tech-giants-national-security-and-foreign-policy-implications>.

¹¹⁵ US Department of the Treasury, "Statement on The President's Decision Regarding Lattice Semiconductor Corporation", 13 September 2017, <https://www.treasury.gov/press-center/press-releases/Pages/sm0157.aspx>

¹¹⁶ Woo, S. and K. O'Keeffe, "Washington Asks Allies to Drop Huawei," *The Wall Street Journal*, 23 November 2018, <https://www.wsj.com/articles/washington-asks-allies-to-drop-huawei-1542965105>

¹¹⁷ The White House, "Executive Order on Securing the Information and Communications Technology and Services Supply Chain", 15 May 2019, <https://www.whitehouse.gov/presidential-actions/executive-order-securing-information-communications-technology-services-supply-chain/>.

¹¹⁸E. Stewart, "The US government's Battle with Chinese Telecom giant Huawei, explained," *Vox*, November 21, 2018, <https://www.vox.com/technology/2018/12/11/18134440/huawei-executive-order-entity-list-china-trump>

the rundown without first acquiring permit from the American administration.¹¹⁹ In fact, China has demonstrated that it is capable of winning important technological competitions. Huawei is now leading the world in 5th Generation technology and the US believes China will soon be the leader of world in space exploration.

Furthermore, China uses its well-established financial resources, such as the AIIB, to promote its interests abroad through program such as Belts and Roads. China's rise as an alternative soft power, in addition to proposing its economic system based on state capitalism as a substitute to the American economic system, has alarmed the US.

The “One Belt, One Road Initiative, also known as the Silk Road Economic Belt Initiative and the 21st-Century Maritime Silk Road,” is hallmark project of President Xi. In 2013, during a trip of Central and Southeast Asia, Xi unveiled the BRI for the very first time. The purpose of this project is to connect the Asian continent to Europe and Africa in order to advance regional economic integration, infrastructure development, and global peace. The BRI now includes around 70 nations, which together represents “for 70% of the world's population, 55% of global GDP, and 75% of global energy” resources.¹²⁰ Numerous nations around the world (for example, “from Panama to Madagascar, South Africa to New Zealand”¹²¹ have indicated their support for the project of BRI.

Notwithstanding China's claims that the BRI is aimed at promoting global development and harmony, many Washington based analysts regard it as a Chinese form of the “Marshall Plan”, with the goal of boosting china’s investment throughout the globe to acquire worldwide supremacy. They think that as “a top-level design for which the central government has mobilized the country’s political, diplomatic, intellectual,

¹¹⁹US Office of the Federal Register, “Addition of Entities to the Entity List,” May 16, 2019, <https://www.federalregister.gov/documents/2019/05/21/2019-10616/addition-of-entities-to-the-entity-list>

¹²⁰ T.P. Cavanna, “What does China’s Belt and Road Initiative Mean for US Grand Strategy?”, *The Diplomat*, June 5, 2018, available at: <https://thediplomat.com/2018/06/what-does-chinas-belt-and-roadinitiative-mean-for-us-grand-strategy/>

¹²¹ Kuo, L. and Kommenda, N, “What is China’s Belt and Road Initiative?”, *The Guardian*, July 30, 2018, available at: www.theguardian.com/cities/ng-interactive/2018/jul/30/what-china-belt-roadinitiative-silk-road-explainer

economic and financial resources”.¹²² The BRI project is China’s “attempt to remake global commerce on China’s terms and project Chinese power far and wide”.¹²³ As the BRI grows in scope, China may gain a lot of power and influence over different states, particularly small and poor ones. The BRI also helps to develop a Chinese version of the hub-and-spoke network architecture by making China a vital center point of worldwide trade and investment. Hence, Harry Harris, “head of US Pacific Command Admiral”, stated in early 2018 that the BRI is “a concerted, strategic endeavor by China to gain a foothold and displace the USA and our allies and partners in the region”.¹²⁴ Furthermore, because nearly all of the ports and other transportation infrastructure being constructed can be dual-use for commercial and military purposes, the BRI is considered as both, a tool for writing new laws that match Chinese interests and as China's worldwide blueprint for the future centuries. China has established a connection among BRI and its basic national security objectives. In 2018, the Defence Minister of China, Wei Fengde, informed the Naval Chief of Pakistan, “China was willing to provide security guarantees for the One Belt, One Road project.”¹²⁵ As a result, Eisenman claims that the BRI is China's intention to “create a new Sino-centric era of globalization using both traditional tools of Chinese statecraft as well as innovative types of economic incentives and debt financing arrangements” in spite of the absence of an exact meaning of its extension and substance.¹²⁶ To put it another way, the BRI represents both, China's expanding global relative clout and its expanding ambitions to alter international economic administration. It is a perfect example of China's worldwide ambitions.

¹²²N. Rolland, *China’s Belt and Road Initiative: Five Years Later: Testimony before the US-China Economic and Security Review Commission Hearing*, 115th US Congress, January 25, 2018, available at: www.uscc.gov/sites/default/files/Rolland_USCC%20Testimony_16Jan2018.pdf

¹²³ B. Chellaney, “China’s imperial Project Runs into Resistance”, *China & US Focus*, October 3, 2018, www.chinausfocus.com/finance-economy/chinas-imperial-project-runs-into-resistance.

¹²⁴ Harry Harris, “All global chokepoints under OBOR pressure: admiral Harris”, *The Economic Times*, February 15, 2018, <https://economictimes.indiatimes.com/news/defence/all-global-chokepoints-under-obor-pressure-admiral-harris/articleshow/62926472.cms>

¹²⁵ J. Smith, J. “China’s Belt and Road Initiative: Strategic Implications and International Opposition”, *The Heritage Foundation*, August 9, 2018, www.heritage.org/asia/report/chinas-belt-and-road-initiative-strategic-implications-and-international-opposition

¹²⁶J. Eisenman, *Contextualizing China’s Belt and Road Initiative: Testimony before the US-China Economic and Security Review Commission*, 115th US Congress, January 19, 2018, www.uscc.gov/sites/default/files/Eisenman_USCC%20Testimony_20180119.pdf

The International trade has been thrown into chaos because of the trade war among the US and China. The trade war offers a serious threat: if China's economy slows, it will be forced to cut short-term investments. This could backfire since numerous infrastructural projects inside the big BRI would be halted or delayed, causing economic tensions among the huge BRI's economic collaborators as their economies will suffer tremendously.

Furthermore, China proposed the “Asian Infrastructure Investment Bank” to subsidize infrastructure developments in Asian region, owing to the needs to advance regional infrastructure development. While China maintains that the AIIB serves as a complement to existing institutions such as the IMF and the World Bank, many see it as a threat to the foundations of the global financial system founded by the U.S.¹²⁷ Although there is still dispute over China's motivations for creating the AIIB; it does signal a step forward in China's desire to alter international economic governance. The AIIB, headquartered in Beijing, was established in January 2016 with an inaugural capital of \$100 billion.

The establishment of the AIIB, along with the BRI, is considered as a challenge to the dollar's status as the globe's reserve currency. The usage of the US dollar (USD) as a reserve currency is the primary reason for the US's global dominance, with USD accounting for 70% of all global trade. This figure is odd, given that the United States' share in world trade is just about 15% at best. The USD is the globe's most extensively traded currency since it is denominated in the majority of the world's remaining trade, particularly significant agreements contracts for products such as oil imports. Furthermore, the majority of a bank's foreign operations are denominated in dollar, even if neither the vender nor the purchaser has dollar as their native currency.¹²⁸ Everything was well until lately (a couple of years ago), when a few states, notably China, began denominating their agreements in local currency. The dollar's status as the “reserve currency”, however, is threatened by China's ambition to denominate almost all agreements of BRI in its official

¹²⁷Subacchi, Paola, “The AIIB is a Threat to Global Economic Governance,” *Foreign Policy*, March 31, 2015, <http://foreignpolicy.com/2015/03/31/the-aiib-is-a-threat-to-global-economic-governancechina>.

¹²⁸Anjala Kalsie and Ashima Aror, “US–China Trade War: The Tale of Clash between Biggest Developed and Developing Economies of the World,” *Management and Economics Research Journal*, 5 (2019): 6.

currency Renminbi or Yuan. The U.S believes that China is attempting to internationalize its RMB through the AIIB and BRI.

Conclusively we can say that, while there are political and economic elements at play, the U.S-China trade war is essentially a contest for international economic domination. China has gone through significant development lately and has established itself as a major economic power. China, for instance, is currently the 2nd major producer of world, and its GDP has as of now outperformed that of the U.S in terms of “purchasing power parity”. The RMB's significance in world commerce and transactions has been progressively rising, presents a serious danger to the hegemony of US dollar. China's new declarations of huge number of vital programs, ranging from the BRI to AIIB to "Made in China 2025," might have strengthened the perception of China as a challenge to the American supremacy.

CHAPTER-4

Impact of Economic Confrontation on Political Relations

The bilateral trade between the US and China is considered a foundational arrangement that helps to reduce tensions between them. However, the eruption of a trade conflict between them implies that commerce between these two countries has lost its potential to calm bilateral ties. The deterioration of Sino-US commercial relations has exacerbated US-China tensions.

To begin with, the Sino-American commercial relationship is becoming increasingly militarized, as the US is connecting trade restrictions to military growth of China. The US has used trade restrictions to stifle the development of China's military industry.

For example, on September 20, 2018, after purchasing missile system (s-400) and fighter jets (Su 35) from Russia, the Trump's administration has placed harsh restrictions on Chinese military, particularly its Equipment Development Department, which manages equipment as well as weapons. The purchases were made in violation of a sweeping U.S sanctions law enacted in response to Russia's suspected intervention in the 2016 presidential election.¹²⁹

Under these sanctions, the US State Department has prevented the Chinese agency, as well as its leader, from applying for export permits or engaging in the American financial system. They were additionally included to the list of Treasury Department which was prepared for those individuals with which U.S citizens are prohibited from transacting. Another 33 people and businesses linked to Russian military and intelligence were also blacklisted by the US.

In terms of China's military industry, the US has reduced the level of military technology to it and hindered the development of military-related sectors. For example,

¹²⁹ Lesley Wroughton, and Patricia Zengerle, "U.S. Sanctions China for buying Russian Fighter Jets, Missiles," *Reuters*, September 20, 2018, <https://www.reuters.com/article/us-usa-russia-sanctions-idUSKCN1M02TP>

The Energy Department of U.S has announced a prohibition on civilian atomic tech-exports to China on October 12, 2018.¹³⁰

In addition, the trade war has hampered scientific, technological, and cultural contacts among the two countries. The U.S has listed some prominent universities of China including, “Beijing University of Aeronautics and Astronautics, Sun Yat-sen University, and National University of Defense Technology”, on the list of entities and denied the visa application of international students and visiting scholars from those institutions. On 29 May, 2020, the White House issued a Proclamation on the suspension of entry as non-immigrants of Certain Students and Researchers from the People’s Republic of China on May 2020 that prohibits several scholars, researchers and students of china to study or conduct research beyond the undergraduate level. It also prohibits them from entering the United States. This measure was taken on the grounds that the US government believed the Chinese government is using some their students to get critical US technologies and intellectual property in order to modernize its military capability, endangering the US economy's long-term viability as well as the safety and security of its citizens.¹³¹

Analysis of the statements by the US and senior Chinese officials reveals that oral competition has become more intense, and that the ideological conflicts are also more apparent. China’s ambassador to France, Lu Shaye, published a signed article in the French mainstream media "Echo" entitled "*Resolving Sino-U.S. Trade Friction, We Must Keep Our Promise*" to accuse the US of violating the agreement reached at the Osaka meeting by announcing a 10% duty on approximately \$300 billion of Chinese items sent to the US from September 1st, 2019. Ambassador Lu further complains that the US has once again played the trick of reversing black and white, blaming China for not fulfilling its commitments to purchase US agricultural products and to prevent the sale of fentanyl to the US.¹³² Meanwhile, President Trump accuses China of stealing US jobs joining WTO,

130 David E. Sanger, “U.S. Puts New Restrictions on Nuclear Technology Exports to China,” *The New York Times*, October 11, 2018, <https://www.nytimes.com/2018/10/11/world/asia/us-china-nuclear-technology.html>

131 Edward Wong, and Julian E. Barnes, “U.S. to Expel Chinese Graduate Students with Ties to China’s Military Schools,” *The New York Times*, May 28, 2020, <https://www.nytimes.com/2020/05/28/us/politics/china-hong-kong-trump-student-visas.html>

condemning China for violating every WTO rule that the organization is based upon, and asserting that the US would no longer tolerate the enormous trade deficit with China.¹³³

Moreover, as the competition between the US and China intensifies, more and more issues emerge. For example, the ideological conflicts between the two countries are becoming increasingly apparent. The US Acting Secretary of Defense Shanahan recently referred to U.S-China relationship as a "geopolitical competition," and a senior official of the "US Department of Foreign Affairs" called U.S-China relation "civilization conflicts." China's leaders more directly criticized American "bullying" and inequality and the chaos of the American democracy.¹³⁴

4.1 Taiwan Issue

Most notably, the recurring Taiwan issue exacerbates the bilateral conflict. Since 1979, when the US switched diplomatic recognition from "Taipei to Beijing", the Taiwan Relation Act has allowed the US to maintain unofficial contacts with Taiwan. China claims control over the Taiwan and has promised to unite the two countries. Trump embraced the Taiwan card by perusing favorable policies toward Taiwan, after a year of warm feelings toward China in 2018, which ended in disappointment over trade related issues. There has been ample proof of this:

In March 2018, the Congress of the US approved the "Taiwan Travel Act"¹³⁵, and Trump promptly signed it, asserting that the US must authorize its officials at all levels "including Cabinet level national security officials, general officers, and other executive branch officials," to visit Taiwan to meet with their partners, and to permit high-ranking Taiwanese officials to enter the US under courteous environment to visit the US. authorities, "including officials from the Department of State and the Department of

¹³³ Donald Trump, "President's addresses the UNGA," September 24, 2019, https://www.youtube.com/watch?v=_F3pgQb3Gpw

¹³⁴ Paul D.Gewirtz, "Can the tension in Sino-US relations be eased?," *Brooking*, June 27, 2019, <https://www.brookings.edu/blog/orderfromchaos/2019/06/27/%E4%B8%AD%E7%BE%8E%E5%85%B3%E7%B3%>

¹³⁵ Gerrit Van Der Wees, "The Taiwan Travel Act in Context," *The Diplomat*, March 19, 2018, <https://thediplomat.com/2018/03/the-taiwan-travel-act-in-context/>

Defense and other Cabinet agencies.”¹³⁶ In a nutshell, the proposal attempted to address a lack of high-level engagement as well as self-imposed limitations on US-Taiwan coordination. As part of the Taiwan Relations Pact, the US imposed a number of unwritten limitations and regulations on the Taiwan-US relation. One limitation stated that, the five leading officers, along with the President, Vice President, Foreign Minister, Prime Minister, and Defense Minister, were not permitted to visit the US, and that high-ranking US officials were not permitted to meet their Taiwan partners. The US Congress ratified the “John S. McCain National Defense Authorization Act” two months later, reaffirming the US' status as Taiwan's protector.¹³⁷

The Trump administration praised Taiwan's democratic election in November 2018. Trump ratified the Asia Reassurance Initiative Act the next month, citing favor for broad cooperation with Taiwan. In her New Year's address, Tsai praised the act. The US sponsored a summit of National Security Consultants of both countries in May 2019. It was the first gathering to be made public since the US lost diplomatic ties with Taiwan in 1979.¹³⁸

The “US Department of Defense's June 2019 Indo-Pacific strategy” study classified Taiwan as a “country,” a departure from the “One China” policy.¹³⁹ Furthermore, the United States continued to enhance its ties with Taiwan and sold armaments to them. On five consecutive occasions, the Trump team informed Congress about 11 Taiwan FMS cases. The 11 FMS cases are worth a total of around \$11.76 billion.¹⁴⁰ On July 12, 2019, in clear response to Tsai's travel to New York City and the Administration's July 8, 2019, notification of an arms sale, China's Ambassador to the US, said on social media that, Taiwan is part of China. There will never be a successful attempt to separate China. Those

¹³⁶ Susan V. Lawrence, *U.S.-China Relations*, (Washington DC: Congressional Research Service, 2019),

37.

¹³⁷ Ibid.

¹³⁸ Yimou Lee and Ben Blanchard, “China Bridles at Rare Meeting Between Taiwan and U.S. Security Officials,” *Reuters*, May 26, 2019, <https://www.reuters.com/article/us-usa-taiwan/china-bridles-at-rare-meeting-between-taiwanand-u-s-security-officials-iduskcn1x077>

¹³⁹ Department of Defense, “Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region,” (Washington DC: Government Office Press, 2019), 31.

¹⁴⁰ Susan V. Lawrence, *U.S.-China Relations*, (Washington DC: Congressional Research Service, 2019),

38.

who play with fire will only end up burning themselves Period. In reaction to the Trump administration's notification on August 20, 2019, of a potential sale of “F-16C/D Block 70 fighter aircraft” to Taiwan, Chinese Foreign Ministry spokesman “Geng Shuang” stated China could blacklist US corporations, stating, “China will take every necessary measure to safeguard its interests, including sanctioning American companies involved in the arms sale this time.”¹⁴¹

China is especially concerned of US actions that it perceives as bringing “officiality” to the US-Taiwan relations, and it routinely condemns US legislation in support of Taiwan, as well sales of US weapons to Taiwan and US Naval force travels of the Taiwan Waterway. From January to August of this 2019, the US Navy made seven such transits.¹⁴²

During Trump's presidency, he defied decades of American foreign policy by bringing the US closer to Taiwan. The Biden administration has maintained this trend, with the State Department issuing fresh guiding principle in April to allow American officials to interact with their Taiwanese counterparts more openly. Such actions enrage Beijing, which believes Taiwan has no right to conduct its own diplomacy.

Beijing has been pressured by the Biden administration's State Department “to cease its military, diplomatic, and economic pressure against Taiwan and instead engage in meaningful dialogue with Taiwan’s democratically elected representatives” and the US commitment to Taiwan has been described as “rock-solid.” Blinken showed, in his written response to Congresspersons, that he would maintain his predecessor’s renouncement of all State Office-announced rules on contacts with Taiwan until the office finishes a survey and concludes “updated guidance to reflect our commitment to deepening ties with Taiwan.”¹⁴³

¹⁴¹Ministry of Foreign Affairs of the PRC, “Foreign Ministry Spokesperson Geng Shuang’s Regular Press Conference,” August 21, 2019, https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1690680.shtml.

¹⁴² Ben Werner, “USS Green Bay Transits Taiwan Strait,” *U.S. Naval Institute News*, August 23, 2019, <https://news.usni.org/2019/08/23/uss-green-bay-transits-taiwan-strait>.

¹⁴³Karen M. Sutter and Susan V. Lawrence, *China Primer: US-China Relations*, CRS Report No. IF10119 (Washington DC: Congressional Research Service, 2021), 3.

On June 30th, 2021, the United States and Taiwan reopened long-stalled trade discussions.¹⁴⁴ When former US President Barack Obama was in office, such discussions under the “Trade and Investment Framework Agreement” were last undertaken. Taiwan is thought to be hoping that both sides can progressively work toward a trade agreement. China, on the other hand, would be dissatisfied with US-Taiwan trade talks.

4.2 Human Rights Issue

In recent years, the United States has progressively utilized human rights issues to target China, amid ongoing economic conflict, over Hong Kong and the Xinyang issue. In fact, the United States has inextricably connected human rights with trade. This pattern hasn't been witnessed since Bill Clinton delinked human rights from trade issues in 1990.

4.2.1 Hong Kong

Hong Kong is a previous British colony with a populace of 7.5 million individuals, along with 85000 US citizens. It was shifted to China's sovereignty in the year of 1997 under the terms of a 1984 agreement where China assured Hong Kong a significant level of independence, except in foreign and defense matters, and confirmed that the city's societal and financial framework would stay static for at least 50 years. Since June 2019, however, Hong Kong has experienced significant protests, with some resulting in aggressive clashes among police and protestors.¹⁴⁵ The disturbance was first triggered by a new proposal which would have permitted extradition to China, but it has since evolved into larger anti-government rallies calling for greater democracy and right to vote.

Hong Kong's economic significance in China is disproportionate to its area.¹⁴⁶ Because of its receptiveness to international financial backers, Hong Kong has for quite some time been a well-known place for mainland Chinese enterprises seeking to raise finance by registering on the stock exchange of Hong Kong or issuing bonds. Hong Kong

¹⁴⁴ Thomas Shattuck, “Trade talks good news for Taiwan,” *Tai Pei Times*, June 20, 2021, <https://www.taipeitimes.com/News/editorials/archives/2021/06/20/2003759471>

¹⁴⁵ Vimvam Tong and Anne Marie Roantree, “Hong Kong Leader Says Protesters in Latest Clashes Can Be Called ‘Rioters,’” *Reuters*, July 15, 2019, <https://www.reuters.com/article/us-hongkong-extradition-lam/hong-kong-leadersays-protesters-in-latest-clashes-can-be-called-rioters-idUSKCN1UA0ME>.

¹⁴⁶ Alexandra Steveson, “Will the U.S. Soon Treat Hong Kong Like China? Much Is at Stake,” *The New York Times*, May 28, 2020, <https://www.nytimes.com/2020/05/28/business/hong-kong-special-status-explained.html>

is the conduit for a large portion of China's outbound investment. Through stock and bond connects program, Hong Kong has turned into the entrance for overseas investors to purchase monetary assets of China in recent years. The city is additionally one of only a handful of exceptional spots where Chinese Currency Yuan is traded, which helps the currency gain international recognition. A considerable number of world's biggest corporations have regional headquarters in Hong Kong. China's massive economy continues to be a major draw. However, if Hong Kong undermines its openness and transparency, these businesses may choose to relocate.

In Fact, China accused the US of stirring and leading the upheaval in Hong Kong under the table. For the near future, the harm done to Hong Kong's freedoms in 2020—and, by extension, China's ties with Western liberal democracies, particularly the United States—appears to be permanent. The Chinese actions against Hong Kong have severely harmed US-China ties.

In November 2019, President Trump passes the “Hong Kong Human Rights and Democracy act”, which was approved with strong majorities in the United States’ Congress.¹⁴⁷ The bill allows the U.S to sanction persons who are guilty for the abuse of human rights in Hong Kong. It also compels U.S authorities to assess whether Hong Kong has a "high degree of autonomy" from Beijing every year. The bill's approval has been celebrated by many of the pro-democracy demonstrators who have been demonstrated since June Chinese officials have condemned the move and imposed sanctions on a number of US-based organizations, as well as suspending US warship trips to Hong Kong.

In July 2020, President signed an executive order eliminating the city's preferential trading status with the US.¹⁴⁸ One of the factors the US handled the city separately than other Chinese cities were its autonomy from China. For instance, throughout the trade war, the United States slapped higher tariffs on China that had not applied to Hong Kong.

¹⁴⁷ Emily Cochrane and Keith Bradsher, “Trump Signs Hong Kong Democracy Legislation, Angering China,” *The New York Times*, November 27, 2019, <https://www.nytimes.com/2019/11/27/us/politics/trump-hong-kong.html>

¹⁴⁸ Pranshu Verma, and Edward Wang, “Trump Administration Penalizes Hong Kong Officials for Crackdown on Protesters,” *The New York Times*, August. 7, 2020, <https://www.nytimes.com/2020/08/07/world/asia/trump-china-hong-kong-sanctions.html>

However, by terminating Hong Kong's preferential trade status, the city would no longer be able to get benefit from these advantages.

Hong Kong is used by Chinese corporations, particularly state-owned enterprises, to raise money. It houses intricate but necessary financial infrastructure utilized by Chinese businesses and people who are restricted in how much money they can transfer in and out of the country due to Beijing's stringent controls on financial flows outside its borders. If it loses its special status, such benefits could be seriously harmed.

Hong Kong is used by Chinese corporations, particularly state-owned corporations, to raise funds. It houses intricate but necessary financial infrastructure utilized by Chinese businesses and people who are restricted in the amount of money they can send in and out of the country due to China's stringent controls on financial flows outside its borders. If it loses its special status, such benefits could be seriously harmed.¹⁴⁹

On March 17, 2021, the Biden administration penalized almost 24 more Chinese as well as Hong Kong based authorities over China's conduct in Hong Kong. Sanctions will be imposed on international financial organizations that intentionally carry out major dealings with the individuals on the list.

The US has just moved forward its penalties against China over the Hong Kong problem, most prominently by declaring "warning" on 16th July regarding the "Risks and Considerations for Businesses Operating in Hong Kong" and placed penalties on almost 7 deputy directors of the China's Liaison Office in Hong Kong.¹⁵⁰ Truth be told, the Biden government has taken a rather direct strategy to the complicated question of how to deal with a growing confident and assertive China, implementing a series of penalties on a number of crucial issues, including Hong Kong's human rights. Former US President

¹⁴⁹ Yen Nee Lee, "US Law Backing Hong Kong Protests Could End Up Hurting Everyone — the US, China and Hong Kong," *CNBC*, November 29, 2019, <https://www.cnbc.com/2019/11/29/what-trump-bills-on-hong-kong-rights-protections-means-for-china-hk-and-us.html>

¹⁵⁰ The US Department of Treasury, "Publication of Hong Kong Business Advisory; Hong Kong-related Designations," July 16, 2021, <https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions/20210716>

Donald Trump, opened the path for current President Joe Biden, to penalize or even "punish" China. As a result, the Biden team does not require (or perhaps does not desire) to invest a lot of energy and time executing new strategies and penalty regimes; instead, it can simply continue in the footsteps of the Trump government.¹⁵¹

4.2.2 Xinjiang

China's Xinjiang province has sparked the controversy over the alleged incarceration of Uyghur Muslims in so called reeducation camps and enslavement of religious minorities. Trump administration has imposed sanctions on several (almost 47) Chinese companies accused of human right abuses in Xinjiang.

Additionally, Trump has issued a visa ban for officials of Chinese communist party who are culpable for or participating in human rights violations in Xinjiang. Moreover, The Trump administration has labeled the Chinese government's practices as genocide against Muslim Uyghur's and other minorities living in that Xinjiang region.¹⁵² The Biden administration has followed in the footsteps of his predecessor in not only labeling CCP leaders of committing genocide of Uyghur Muslims but also in banning many Chinese leaders and companies. For instance, in March 2021, the US along with its allies including Canada and United Kingdom imposed several sanctions on a number of Chinese leaders accused of human rights violations in Xinjian.¹⁵³ Foreign Secretary of United Kingdom has described these camps "the largest mass detention of an ethnic and religious group since the second world war," adding that proof of minorities 'inside the given province is "clear as it is sobering."¹⁵⁴

151 Jin Kai, "The Biden Administration's China Sanctions Dilemma: Washington Keeps Adding New Sanctions on China, Despite a Distinct Lack of Results," *The Diplomat*, August 24, 2021, <https://thediplomat.com/2021/08/the-biden-administrations-china-sanctions-dilemma/>

152 Nike Ching, "US Classifies China's Policies Toward Uighurs as 'Genocide'," *Voice of America*, January 19, 2021, <https://www.voanews.com/east-asia-pacific/voa-news-china/us-classifies-chinas-policies-toward-uighurs-genocide>

153 Gul Taylor, "U.S.-China Sanctions Battle Escalating Under Biden with Focus on Xinjiang Abuses," *The Washington Times*, March 28, 2021, <https://www.washingtontimes.com/news/2021/mar/28/us-china-sanctions-battle-escalating-under-biden-w/>

154 Jake Shropshire and Brendan Monroe, "Biden's stance on Taiwan, Hong Kong, and Xinjiang," *TMS*, April 21, 2021, <https://themilsources.com/2021/04/19/bidens-stance-on-taiwan-hong-kong-and-xinjiang/>

Nike and H&M, among other western clothing firms, have spoken out against the suspected use of Uighur labour in the production of cotton in Xinjiang. Hundreds of Chinese celebrities have severed relations with the corporations, and citizens have called for a boycott as a result of the decision. Secretary Blinken, on the other hand, backed the move, saying, “We need to be looking at products that are made in that part of China to make sure they’re not coming here.”

In a latest move, the Biden administration slapped trade restrictions on five Chinese firms amid reports of forced labor in Xinjiang.¹⁵⁵ It blocked shipments of “commodities, software, and technology” to Hoshine, three other Chinese enterprises, and the “paramilitary Xinjiang Production and Construction Corps”. Such a move by the Biden administration has nothing to do with allegations of human rights violations but everything to do with complementing the American Jobs Plan, a \$2 trillion infrastructure spending proposal that would seek to, among other things, make the U.S. more competitive on the global clean energy market.

4.3 Nuclear Nonproliferation Issue

For decades, North Korea's nuclear program has been one of the most genuine security threats to the US. Following a rapid escalation in nuclear and missile tests of North Korea in 2016, particularly its very first test of intercontinental ballistic missile in July 2017, this threat became more urgent. While both the US and China has committed to denuclearizing North Korea, they have occasionally differed to the most ideal way to achieve that objective.

China is viewed as an essential part in endeavors to denuclearize North Korea. In view of China's outsized financial relationship with North Korea, its collaboration—or resistance—in sanctions implementation generally decides the adequacy of economic pressure. Also, North Korean leaders' counsels routinely with China and looks for its help in arrangements with the US, even as it tries to play US and China off each other. China's

¹⁵⁵ Emiliano Bellini, “US government bans products from four Xinjiang-based solar manufacturers,” *PV Magazine*, June 24, 2021, <https://www.pv-magazine.com/2021/06/24/us-government-bans-products-from-four-xinjiang-based-solar-manufacturers/>

capacity to protect North Korea from monetary and political pressing factor puts forth China a significant factor in attempts to impact North Korea.

However, their economic rivalry is preventing them from cooperating on this subject. China's UN envoy warned that a trade war with the U.S may jeopardize efforts to negotiate a nuclear deal with North Korea, saying, "It will be difficult to imagine that on the one hand you are seeking collaboration while on the other hand you are harming our interests."¹⁵⁶

China has already been opening the backdoor for North Korea by loosening its sanctions. The US department of Treasury has labeled several Chinese Firms, Chinese individuals and, Hong Kong based delivery firms for supposed infringement of U.S. North Korea penalties.¹⁵⁷ In 2018 and 2019, the U.S drove endeavors to demand, that a U.N. sanctioning board announce that North Korea had secured refined oil-based commodities at quantities higher than those permitted by UN, and to stop every single new conveyance. China and Russia are said to have impeded the efforts both times.

China has well-disposed relations and close financial ties with Iran and was one of five world powers that, alongside the U.S., consented to the 2015 atomic arrangement with Iran. The US's confrontational approach towards China has limited the scope of their cooperation on this issue as well. In 2019, the Trump administration has placed restrictions on a Chinese state-owned energy s firm along with many other tanker firms alleging that they were exchanging trading Iranian oil infringing upon the American sanctions.¹⁵⁸

President Biden has offered to continue negotiations with Iran over the 2015 atomic accord that President Trump, revoked three years after it was agreed upon. American authorities said that the two nations can find synchronized ways to carry Iran into

¹⁵⁶ David Wainer, "China Signals U.S. Trade War Risks Undermining North Korea Talks," *Bloomberg*, August 2, 2019, <https://www.bloombergquint.com/politics/china-signals-u-s-trade-war-risks-undermining-north-korea-talks>

¹⁵⁷ The U.S. Department of the Treasury, "Especially Designated Nationals and Blocked Persons List (SDN) Human Readable Lists," <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>.

¹⁵⁸ Michael Crowley, "US blacklists Chinese Companies for Shipping Iran Oil," July 22, 2019, *Financial Times*, <https://www.ft.com/content/9b61b4fa-dfc9-11e9-9743-db5a370481bc>

consistence with the conditions of the arrangement while the United States step by step lifts sanctions. Nonetheless, Iran has rejected to do so and China backed it up, requesting that the United States act first to restore the arrangement it broke by lifting one-sided sanctions that have choked out the Iranian economy.¹⁵⁹ On March 27, this year, China marked a milestone 25-year Strategic Cooperation Agreement with Iran, denoting a recharged commitment to their Comprehensive Strategic Partnership set up in 2016. This new partnership would benefit both sides; it would give China a strategic footing in the region and would strengthen Iran economically as well as politically.¹⁶⁰ The arrangement could extend Chinese impact in the Middle Eastern region and undercut American endeavors to keep Iran disconnected.

4.4 South China Sea Disputes

The greatest effect of this descending twisting of the US-China relations has been the developing military activities and arrangements in the SCS. China launched a “salvo of medium-range missiles spanning considerable distances in the South China Sea.”¹⁶¹ This long-planned drill impacted the stretch between Hainan Island and the Paracel Islands, stretching from Qingdao in northeastern China to the Spratlys. This exercise was a demonstration of Chinese power and retaliation to the US Navy's super carriers Ronald Reagan and Nimitz conducting operations over the Chinese nuclear submarine base at Hainan Islands in the SCS. The Pentagon, in an assertion gave after these activities, has blamed China for “violating China’s previous pledges — long ago abandoned — to not militarize the South China Sea.”¹⁶² Other than this, a steady influx of fishing boats of China has been observed in waters close to “Indonesia's Natuna islands, as well as the installation of survey vessels in Malaysia's, Brunei's, Vietnam's, and the Philippines'

¹⁵⁹ Lara Jakes et al, “Biden Administration Formally Offers to Restart Nuclear Talks With Iran,” *The New York Times*, February 18, 2021, <https://www.nytimes.com/2021/02/18/us/politics/biden-iran-nuclear.html>

¹⁶⁰ Alam Saleh, and Zakiyeh Yazdanshenas, “Iran’s Pact with China Is Bad News for the West,” *Foreign Policy*, August 9, 2020, <https://foreignpolicy.com/2020/08/09/irans-pact-with-china-is-bad-news-for-the-west/>

¹⁶¹ Steven L. Myers, and Keith Bradsher, “China Fires Missiles Into South China Sea, Sending U.S. a Message,” *The New York Times*, August 27, 2020, <https://www.nytimes.com/2020/08/27/world/asia/missiles-south-china-sea.html>

¹⁶² *Ibid.*,

Exclusive Economic Zone”.¹⁶³ Besides that, two new administrative districts spanning the islands of “Paracel and Spratly” have been established. Such kind of initiatives taken by Chinese government have made it more difficult for the region to defuse tensions and maintain stability. As indicated by a report in the “*Nikkei Asian Review*”, the PLA has mobilized its Southern Theatre Command that oversees the SCS.¹⁶⁴ All these actions are a clear sign to the remainder of locale of China's essential predominance and shows endeavors to attest sway over the contested waters and an unobtrusive message to the US.

In addition to openly criticizing China for its operations in these contested waters, the US has likewise been tightening its stance and military presence in the SCS. The expansionist activities of China in this territorial conflict are not new or unexpected. China has been constructing islands artificially in the SCS since 2013. It even views the 2016 Arbitral judgment to be unconstitutional and maintains its "so-called historic rights" in the region. The US has previously chastised China for its activities in the South China Sea, and has increased the number of “Freedom of Navigation of Exercises” since the Trump administration took office.

The US Naval force undertook “high-profile exercises” in 2014, including twin “aircraft carrier operations, as well as enhanced submarine installations and maritime air patrols”. However, the recurrence of FONOPs in the Paracel and Spratly Islands climbed even more last year, with the US Navy conducting 7 drills so far in 2020, compared to 8 in 2019, 5 in 2018, and 4 in 2017.¹⁶⁵

The US military's presence has been bolstered with the installation of two aircraft carriers in the disputed waters in July 2020. When it came to the question of sovereignty in the SCS conflict, the US has hitherto taken no sides. However, the US State Department

¹⁶³ Ian Storey, “As US-China Tensions rise, what is the Outlook on the South China Sea Dispute in 2020-21?,” *South China Morning Post*, September 8, 2020, <https://www.scmp.com/week-asia/opinion/article/3100563/us-china-tensions-rise-what-outlook-south-china-sea-dispute-2020>

¹⁶⁴ Shishir Gupta, “PLA opens three fronts in South China Sea to distract the world from Ladakh,” *Hindustan Times*, September 20, 2020, <https://www.hindustantimes.com/india-news/pla-war-drill-in-south-china-sea-a-distraction-for-ladakh-aggression-or-otherwise-analysis/story-I2liROajJhYTeW0ZWyimFK.html>

¹⁶⁵ Ian storey, “As US-China Tensions Rise, What is the outlook on the South China Sea Dispute is 2020-21?,” *South China Morning Post*, September 8, 2020, <https://www.scmp.com/week-asia/opinion/article/3100563/us-china-tensions-rise-what-outlook-south-china-sea-dispute-2020>

declared the broad Chinese assertions in the contested waters as illicit in a report titled “*US Position on Maritime Claims in the South China Sea*” on July 13, 2020, aligning totally with the 2016 decision by the ICJ in The Hague, indicating that the US is now favoring the other ASEAN claimants such as “Malaysia, Vietnam, and the Philippines”. In August 2020, the US government sanctioned or placed twenty-four firms of China on a "trade blacklist" for assisting China in the construction of artificial islands in the SCS's disputed islands and reefs.¹⁶⁶

It has been argued that all these firms have assisted China to dig and build in excess of “3000 acres of artificial islands featuring anti-ship missiles and other military equipment”. These islands are attempting to assert fresh maritime claims in the locale and to bully the Philippines and different nations into relinquishing their rights to fishing seas and “offshore energy deposits.”¹⁶⁷ In addition, the US has likewise implemented visa limitations on chiefs of these firms as well as other individuals involved in the island's construction. The Chinese Consulate in the US, then again, has named this action a demonstration of authority in genuine infringement of global law and fundamental standards administering worldwide relations.

The Biden organization, on July 2021, maintained a Trump-time dismissal of virtually every one of China's major territorial assertions in the South China Sea. The Biden likewise cautioned China that any assault on the Philippines in the hotspot locale will trigger a US reaction under a peace accord. The U.S reasserts its July 13, 2020 strategy with respect to oceanic cases in the South China Sea," he said, alluding to Mike Pompeo's initial assertion, “We also reaffirm that an armed attack on Philippine armed forces, public vessels, or aircraft in the South China Sea would invoke U.S. mutual defense commitments.”¹⁶⁸

¹⁶⁶ Jeanne Whalen, “US Slaps trade sanctions on more Chinese entities, this time for South China Sea island building,” *The Washington Post*, August 26, 2020,

<https://www.washingtonpost.com/business/2020/08/26/china-entity-list-islands/>

¹⁶⁷ Ibid.

¹⁶⁸ Alex Edelman, “Biden backs Trump rejection of China's South China Sea claim,” *CNBC*, July 9, 2021, <https://www.cnbc.com/2021/07/12/biden-backs-trump-rejection-of-chinas-south-china-sea-claim.html>

It is a well-known fact that America, along with its western allies is actively involved in a trade war against China. The western world fears that as the world is moving from geo-strategic positioning to the geo-economic, China will grab on maximum influence over the world through its ever-increasing economic strength. United States, which is considered as the super power of the world, can sense that if China's economic growth is not hurdled, it is not far that it shall become an equal to superpower, if not the superpower of the world. Currently, the US is practically engaging China on every aspect. Even in the pandemic, US have influenced its allies to prefer western vaccines over the Chinese and Russian. The travel restrictions to several European, American and Gulf destinations for those vaccinated with the Sinovac are a policy that is influenced by US-China trade war. Premier example of such influence is of Saudi Arabia allowing only those pilgrims to enter and perform Hajj, who have been vaccinated with the western vaccines. Though every country is allowed to make their own choices on vaccines but putting in place the mandatory policies is a clear indication that the western powers are willing to hit China in every way possible.

The US-China relations are undergone a fundamental change. As we know that they are currently involved in a costly and protracted trade conflict which despite being negotiated would not deliver the foundation for longer haul stability. In fact, it could sow the seeds of a possible future conflict. All the more extensively, a significant number of core ideals that historically governed the partnership, like engagement, collaboration, and convergence, are being questioned. The relationship's institutional framework is likewise being examined.

CHAPTER-5

The Prospects of US-China Trade Relations

Trade policy between China and the US has usually entailed a complicated interplay of political and economic issues. However, as the Biden administration takes office, the two nations seem, to have reached an unspoken agreement on one key point: trade strategy would not be implemented in isolation. It is a component of the greater strategic landscape and will be managed accordingly.

The Biden administration has gone against Trump's strategies in numerous spaces, however, not with regards to China. The President Biden has maintained Trump's era levies on China and is presently seeking to implement the former administration's "phase one" trade agreement. His choice to carry out the U.S' departure from Afghanistan, of which the president Trump was the original architect, additionally permits his government to concentrate American resources overseas on fighting China's expanding influence.

The Biden administration is wise as it considers maintenance of good ties with its allies would give the U.S an upper hand in confronting the rapidly increasing influence and power of China. All through the presidential campaign, Biden stated unequivocally that his government will prioritize tight cooperation with established U.S partners. This is already visible in the realm of human rights, as seen by the recent concurrent steps conducted against Xinjiang and Hong Kong as discussed in previous chapter. During his confirmation hearing in the Senate, Antony Blinken, underlined the need of reviving the United States' fundamental partnerships, which he saw as “force multipliers of our power across the world.”¹⁶⁹

Senior officials zealously pursued these aims from the beginning of Biden's government by establishing a unified front to combat China's worldwide push. The visits of state and defense secretary of US to Japan and South Korea, as well as their respective

169 *Confirmation Hearing: Hearing before the Senate Foreign Relations Committee, 117th Congress. (2021), <https://www.foreign.senate.gov/hearings/nominations-011921>*

sessions with the leaders of EU and NATO in Brussels, and Austin's visit to India, all highlight the critical necessity for alliance formation. Notably, the White House likewise convened a “Quad Security Dialogue Summit” through video conference. It was the first ever Quad meeting where top leaders of all member states were present. President Biden and Japanese Prime Minister held a meeting at the White House, in the middle of April, and several media outlets of U.S labelled this US-Japan encounter as “all about China.”¹⁷⁰

The Group of Seven (G-7) meeting was held in June, after which a communique was published that included a distinct section on China. That communiqué emphasizes the group’s collective pledge to respond to “China’s non-market policies and practices which undermine the fair and transparent operation of the global economy.” The G-7 communique explicitly rebuked China on the subject of human rights, “calling on China to respect human rights and fundamental freedoms, especially in relation to Xinjiang and those rights, freedoms and high degree of autonomy for Hong Kong enshrined in the Sino-British Joint Declaration and the Basic Law.”¹⁷¹ Biden lobbied for tougher rhetoric on forced labour practices of China, particularly in the horticultural, solar, and textile industries.

The Biden administration concluded a security pact with U.K and Australia in September 21, 2021.¹⁷² This trilateral security pact is generally dubbed as AUKUS, and it is for the security of Indo Pacific region. This agreement calls for U.S and U.K to share important technology with Australia. This incorporates the partnership's undoubtedly centerpiece goal of providing nuclear-powered submarines to Australia’s Navy. The

¹⁷⁰ David Weiner and Isabel Reynolds, “It’s All about China as Biden, Suga Meet Amid Taiwan Tensions,” *Bloomberg*, April 16, 2021, <https://www.bloomberg.com/news/articles/2021-04-16/it-s-all-about-china-as-biden-suga-meet-amid-taiwan-tensions>.

¹⁷¹ Eli Stokols, “A Contest with Autocrats.’ Biden Lauds Action as G-7 Nations Rebuke China,” *Los Angeles Times*, June 13, 2021, <https://www.latimes.com/politics/story/2021-06-13/g7-nations-condemn-forced-labor-in-rebuke-of-china>

¹⁷² Melissa Zhu, “Aukus alliance: what is it, what does it have to do with China, and why is France angry,” *South China Morning Post*, Oct 10, 2021, <https://www.scmp.com/news/china/diplomacy/article/3151700/aukus-alliance-what-it-what-does-it-have-do-china-and-why>

AUKUS agreement is viewed as a promising endeavor to offset China's expanding military power in the region of Asia-Pacific.

The Biden's Team has characterized the U.S. relationship vis-à-vis China as one of "strategic competition," that includes making domestic investments to obtain an advantage while avoiding outright confrontation with China.¹⁷³ When arguing for the president's economic plan, the White House regularly mentions China, for example, China was cited almost a dozen times in a five-page White House communications paper recently given to Senate Democrats.

5.1 Biden's Trade Policy vis-à-vis China

In a key address made on October 4 by head of USTR, Katherine Tai, presented the Biden administration long-awaited approach for Sino-US trade relations. Tai's statements, while lacking in specifics, presented an overview of an overall plan for managing China's "zero-sum" style to international trade. Katherine Tai reaffirmed the administration's wider trade goals of bargaining from a strong position—that demands significant domestic investments—and guaranteeing that the trade policy of the U.S. fosters worker well-being and the resilience of crucial supply networks.

In this background, the trade plan of Biden administration' vis-à-vis china aims to correct the economic relation in a manner that is away from reliance on China and toward an equilibrium state where trade is balanced and advantageous to the interests of U.S. As laid out in the Oct. 4 discourse, center components of the Biden's policy would incorporate implementation of China's current trade commitments, including those in the "phase one" arrangement; direct discussions with China on problems that are past the extent of the existing trade agreement; closer collaboration with partners; and new approach devices to confront loopholes in current investment and exchange rules.

¹⁷³ Paul Haenle, "Setting the Table for U.S.-China Strategic Competition," *Carnegie Endowment for International Peace*, April 27, 2021, <https://carnegieendowment.org/2021/04/27/setting-table-for-u.s.-china-strategic-competition-pub-84378>

5.1.1 Enforcement of Phase One Deal

The phase one understanding gives the lawful structure to the progression of investment and trade among China and the US, notwithstanding the responsibilities that both parties have pledged under the WTO. The phase one deal, on the other hand, isn't organized as a standard economic deal, which would generally incorporate a wide scope of complementary exchange liberalization responsibilities that are eventually enforceable by arbitration before an impartial board. As discussed earlier in chapter three that the phase one deal was haggled explicitly to address concerns raised by the U.S in its 2017-2018 examination concerning Chinese actions, practices and strategies identified with the forced transfer of technology, IPR theft etc., which was led according to "Section 301 of the 1974 Trade Act" and is known as "301 investigation." Instead of making broad reciprocal market access pledges, the phase one deal incorporates explicit promises, most notably from China, for monetary services and agribusiness market access, as well as limits on forced transfer of technology, IPR, and currency policies. There is no time limit on these obligations. Furthermore, China also agreed to buy a certain number of American items and services within a two-year timeframe. The dispute resolution methods of phase one deal do exclude an autonomous mediation board, rather allowing either side to react to a supposed infringement by "suspending a commitment under the Understanding" or "embracing a remedial measure," on the off chance that endeavors to participate in discussions fail to bring goal or settlement.¹⁷⁴

This distinctive structure restricts the Office of the USTR as it evaluates how to enforce China's obligations, because enforcement is fundamentally restricted to the particular commitments and implementation systems of the arrangement. The USTR has already begun to consult with Chinese officials. The more difficult question would be what corrective steps the U.S may be able to take legally and politically if the USTR determines that China is not completely complying with its commitments under the "Phase One Deal". Activities approved under Segment 301 are restricted to a four-year time frame, missing a USTR assurance to reactivate a lawsuit, and it is uncertain whether the USTR has a right

¹⁷⁴ Simon Lester and Huan Zhu, "The U.S.-China Phase One Trade Deal: On to Phase Two, or Time to Phase It Out?", *CATO Institute*, March 22, 2021, <https://www.cato.org/blog/us-china-phase-one-deal-phase-two-or-time-phase-it-out>

to force further duties as a "remedial measure" under the agreement's dispute settlement system.

5.1.2 Maintenance of Tariffs Under 301 Section

The Biden administration affirmed that the current 301 duties will not be removed. Following the results of the 301 inquiry in 2018, the U.S has slapped four rounds of levies over the next two years, each of which was met with retaliatory duties from China, resulting in large tariff hikes across roughly 50% of respective trade flow. The duties, according to former head of USTR, Robert E. Lighthizer, were essential to counter Chinese practices distinguished in the 301 inquiry and to encourage corporations to alter network of supply chains to lessen reliance on Chinese-sourced items.

The "Phase One" deal forestalled further levy escalation past the four rounds, yet it didn't prompt a reduction of the duties, since authorities at the time were planning more rounds of talks. Maintaining the tariff system gave the U.S negotiation strength while also encouraging businesses to diversify their supply networks away from China. Katherine Tai stated during her confirmation hearing that tariffs give bargaining leverage and has expressed a considerable lot of similar serious worries as Former USTR in regards to reliance on China.

Secondly, given that the US is pressuring China to make "structural changes," the Biden team is less likely to lift extra duties on Chinese imports. The trade war between China and the U.S is being waged mostly via the imposition of additional levies. Despite the fact that both nations have concluded a phase one trade agreement, the American administration still retains levies on Chinese imports worth of 360 billion dollars. This shows that this trade war is not only because of Trump's "Alt Nationalist" point of view but also other factors like American national interest as well as other political factors plays major role in this trade war.

Firstly, the Biden and his team views trade and economic ties between US and China similarly to their predecessor, Trump. On July 9, 2020, Biden announced his economic strategy, criticizing China for anti - competitive practices such as currency

manipulation, anti-competitive dumping, misuse of power by SOE's, unjustified subsidy policy, overcapacity, IP theft, and government-supported cyber espionage.¹⁷⁵

Biden's depiction is identical to that of the Trump. According to some trade experts both US administrations i.e., Biden and Trump, have correctly identified the issues with US-China commerce, yet have presented different remedies for pushing China to modify its trade conduct and balancing trade between them. It means that, both, previous and current administrations, have presented comparable diagnoses but distinct treatments.

The US Secretary of State Antony Blinken remarked that president Trump was correct to take a harsher stance with China. The Commerce Secretary Gina Raimondo told to the Senate Commerce Committee on 26 January that the U.S must “take aggressive trade enforcement actions to combat unfair trade practices from China and other nations that undercut American manufacturing”.¹⁷⁶

Secondly, as long as China is not serious about making fundamental reforms, the Biden team would keep on constraining China with extra duties. The essence of the China-US trade conflict is not the US asking China to purchase American's products, but rather the U.S pressing for so-called "structural adjustments" involving enormous-scope funding from the Chinese authorities and special consideration for SOE's. As a result, tariffs are likely to stay in to remain set up for a long time to come, especially in case the USTR determines that Chinese government is not fulfilling its commitments under the phase one deal.

China, however, sees these requests as an attempt by the U.S to limit its development. The declassified Strategic Framework for the Indo-Pacific by the United States lends more credence to this perspective. The paper outlines seven objectives aimed

¹⁷⁵ Joe Biden, “Economic Recovery Plan,” transcript of a speech delivered at Dunmore, Pennsylvania, July 9, 2021, <https://www.rev.com/blog/transcripts/joe-biden-speech-transcript-on-economic-recovery-plan-july-9>

¹⁷⁶Ronn Blitze, “Biden commerce pick promises 'aggressive' stance against China when asked about aluminum, steel tariffs” FOX Business, January 26 <https://www.foxbusiness.com/markets/biden-commerce-pick-promises-aggressive-stance-against-china-when-asked-about-aluminum-steel-tariffs>

towards China. Three of these objectives are strong signs that the United States want to restrict China.¹⁷⁷

- “Prevent China’s industrial policies and unfair trading practices from distorting global markets and harming US competitiveness”;
- “Maintain American industry’s innovative edge vis-à-vis China”;
- “Promote US values throughout the region to maintain influence and counterbalance Chinese models of government”.

Meanwhile, the US trade representative and other government authorities have expressed worry regarding the tariffs' domestic economic consequences. To tackle these issues, the office of USTR would start the process of restoring exceptions on a restricted set of levy sections. This exclusion procedure would be restricted to 549 duty lines that had previously been allowed protracted exclusion periods but have now beyond their expiration date. An applicant for a renewed exclusion supposed to show that the particular item is only accessible from China, the degree of the applicant's endeavors to obtain that item from countries except China, as well as the "overall impact of the exclusions on the goal of obtaining the elimination of China's acts, policies, and practices covered in the Section 301 investigation," among other things. Maybe because of pundits, including Lighthizer, who contend that restoring this process of exclusion would subvert the adequacy of the tax strategy, this approach permits the USTR to tightly restrict the scope of renewed exceptions.

5.1.3 Moving Ahead of Phase One Deal

The Biden administration stated that the office of USTR intends to start talks with Chinese colleagues on "state-centered and non-market trade practices" that were not covered in the phase one deal. Worries with regards to Chinese industrial subsidies policy are prone to be at the heart of American list of priorities. Chinese industrial subsidy policy is extremely trade distorting, resulting in excess volume in world markets and adding to

¹⁷⁷ “U.S. Strategic Framework for the Indo-Pacific,” The White House, declassified January 5, 2021, <https://trumpwhitehouse.archives.gov/wp-content/uploads/2021/01/IPS-Final-Declass.pdf> pg.6

the loss of industrial capacity in afflicted industries in the United States. According to the USTR, China has spent 150 billion dollars in the semiconductor business, as part of its aim to lessen reliance on international sources for essential chips.¹⁷⁸ The US has tried to tackle worries about Chinese subsidies, since China's WTO accession treaty, but have had little achievement in persuading change in this key zone of China's industrial strategy. WTO standards are often seen as inadequate to confront China's entire spectrum of subsidy abuses.

It would be difficult to make even minor progress in bilateral negotiations with China. While the USTR was cautious not to "inflare trade tensions" with China, the overall relationship between the two countries is still tense. Although it was not highlighted in Tai's statements, the U.S continues to employ a variety of defensive mechanisms that are properly advocated by national security concerns, yet can exacerbate tensions, such as export limits, investment screening, and new trade and investment restrictions. The United States' stance might likewise be muddled by increased interest in the country's own industrial strategy, which could include the utilization of commercial incentives and subsidies. While the U.S. impetuses are probably not going to cause similar kinds of market-mutilation issues as China's endowments, the requirement for the US to guard developing American practice while establishing a buffer between the two sides' strategies would make for a far more difficult conversation.

These issues are most likely one of the reasons why the US Trade Representative is allegedly considering launching a fresh 301 probe against China's subsidy policies. A 301 probe will empower the office of USTR to build a thorough case regarding China's subsidy policies, laying the groundwork for unilateral US action, including more penalties. From a strategic standpoint, it's uncertain whether the Biden team is willing to take additional tariff action; and, finding assistance through the WTO or bilateral negotiations is a challenging proposition, as indicated previously.

¹⁷⁸ Karen M. Sutter, *China's New Semiconductor Policies: Issues for Congress*, CRS Report No. R46767 (Washington, DC: Congressional Research Service, 2021), 4, <https://crsreports.congress.gov/product/pdf/R/R46767>

A 301 probe into subsidy policy may have the genuine advantage of signaling to China the serious nature of American worries, providing a structured local procedure for exploring the damage brought about by Chinese subsidies, and motivating nations with comparable worries to collaborate with the US in constraining China to lessen the unsafe impacts of its subsidies policies.

5.1.4 Working with Allies

The Biden administration, in a marked split with the Trump administration, underlined the need of working intimately with partners. Biden stated in his trade and economic strategy that his government, along with its partners, put pressure on China to follow the standards and hold them accountable if they did not. They would retaliate against discriminatory trade policies and attempts to rob their IP in particular. Biden appears to be attempting to break the Trump team's propensity to act alone.

The Biden administration has effectively started working on overcoming issues in economic relationships with crucial accomplices. The USTR, for example, secured accords with the EU and the U.K to put an end to continued trade conflict over big civil aircraft.¹⁷⁹ The Biden team is also in talks with the EU to remove levies on the imports steel and aluminium, that were levied on the basis on national security authority and generated substantial strain in the “transatlantic relationship”.

As its increased engagement with the EU indicates, if the Biden team addresses these concerns, it could proceed towards closer coordination with partners to attack the trade strategy of China. Plans to work on China-related subsidy concerns are included in the big civil aircraft accords with the EU and the U.K. The newly formed US-EU “Trade and Technology Council” intends to combat “non-market, trade-distortive policies and practices ... [and to] improve the effectiveness of EU-US respective domestic measures that address those policies and practices.”¹⁸⁰ Earlier Trump administration's work sheds

¹⁷⁹ “Government Reaches Historic Deal on US Tariff Dispute,” GOV.UK, June 17, 2021, <https://www.gov.uk/government/news/government-reaches-historic-deal-on-us-tariff-dispute>.

¹⁸⁰ “EU-US Trade and Technology Council Inaugural Joint Statement,” European Commission, September 29, 2021, https://ec.europa.eu/commission/presscorner/detail/en/statement_21_4951

light on the reforms of WTO, that might be of shared interest, such as outright restrictions on the most detrimental sorts of subsidies. These sorts of measures enable the US as well as its partners to prevent clashes and instead focus on countering China together. This collaboration would be of crucial importance for any future WTO endeavor, however success in the WTO is a long shot given the requirement for agreement among the participants of WTO, and the wide variety of reforms that are now required throughout the WTO framework.

5.1.5 Creating New Trade Tools

The USTR stressed the necessity for additional policy instruments, stating that current trade regulations are inadequate to address the entire spectrum of Chinese trade practices that hurt American interests. This mostly refers to work done outside of the WTO framework. Instruments executed locally or in collaboration with allies might be the most plausible near-term answer. For instance, new laws to govern outbound investments by US, EU, and UK enterprises into the aerospace sector of china are being considered as part of the big civil aircraft accords. Independently, the EU has published a “competition white paper” for new principles for subsidized international investments in its market.¹⁸¹ Such kind of measures do not involve China's consent, and they can be served as a tool beyond the scope of WTO to punish China for continued pursuance of detrimental industrial strategies. However, it is unclear what additional instruments are being considered.

5.2 The Rising Threat of Non-Tariff Barriers

In contrast to taxes, which impose an immediate duty on imported merchandises as they cross the boundary, NTBs influence the flow of investment and commerce either by technical obstacles (guidelines and limitations imposed on imported items and services) or non-technical techniques, for example, quotas and by and large imports/export boycott in specific areas to different nations (or to companies partnered with that state). NTBs work in an unexpected manner in comparison to levies and they might have diverse transient

¹⁸¹ European Commission, *WHITE PAPER on Levelling the Playing Field as Regards Foreign Subsidies*, COM 253 Final (Brussels: The publication office of the EU, 2020), 4-6.
https://ec.europa.eu/competition/international/overview/foreign_subsidies_white_paper.pdf

ramifications. A tariff is basically a kind of taxation that impacts import costs more quickly, but the macroeconomic effects of boosting NTBs are equally destructive in the long run. Restricted flows of investment and trade with China and other countries will result in significantly higher costs of production, decreased innovation sharing, and poorer total factor productivity in the long run. NTBs, in fact, have been shown in certain studies to have a greater impact on overall factor productivity than taxes.¹⁸²

With regards to the US-China trade war, national security and exchange strategies have grown entwined. Export controls in the United States, for example the "Entity List," place direct limitations on American exports in specific industries and on working with specific companies. The most severe restrictions have been placed on military items and high-tech industries such as aviation and semiconductors. Simultaneously, China has recently revamped its export control system, threatening to put corporations on an "Unreliable Entities List" if they shut off supplies. While the two nations might have real security fears, the overuse of export bans is detrimental to American enterprises. Chinese semiconductor supply chains have started to move away from the United States, harming American industry and jeopardizing the country's long-term strategic standing in the worldwide business sectors.¹⁸³

The US administration has additionally raised its investigation of inbound Chinese venture by allowing expanded authority to CFIUS. This has made it harder for China's enterprises to invest straightforwardly into the US market, since more investments have failed to gain clearance, and surprisingly more organizations quit thinking about the U.S as a potential investment destination. In 2019, China's direct inward investment (first-year direct investment expenditures) was \$585 million, down 98 percent from 2016. China has likewise started to overhaul its regime of national security evaluations for international investment, announcing fresh plans in December 2020 that specify sweeping investment-screening powers.

¹⁸²Abdurohman A. Hussein et al, "Does Trade Policy Explain Total Factor Productivity Differences Across Countries?" *Current Research Journal of Economic Theory*, 4 (2012): 108, https://mpr.ub.unimuenchen.de/86594/9/MPPA_paper_86594.pdf.

¹⁸³ Kathrin Hille, "Huawei invests in China chip groups as US curbs strangle supplies," *Financial Times*, December 7, 2020, <https://www.ft.com/content/7913e2ad-78b9-4d32-874b-f63980a15d26>

More recently, the US Congress has taken steps to delist Chinese corporations from the stock markets of U.S unless they comply with American accounting transparency laws. While requiring Chinese companies to adhere to the similar accounting values as those listed on the American stock markets is a worthy goal, delisting companies entirely will jeopardize Chinese investment in the US markets. persistent limitations on access to US technological know-how and the investment of China in America, may prompt China to respond by tightening limitations on American investment in Chinese markets, putting the US at a competitive disadvantage. Similarly, an attempt to eliminate integration of supply chain would raise long-term manufacturing costs.

5.3 Trade War and Impetus from Military Insecurity

From the lens of military competitiveness, the Biden government is not going to bring a stop to the ongoing technological struggle. This technical struggle is connected to the outcome of the strategic conflict among the two states, notably in the military realm. The national security of both China and the United States is predicated on military might, and the United States is doing everything it can to prevent American sophisticated technology from reaching China in order to maintain its military edge over China.

The US CRS observed in its study "Artificial Intelligence and National Security" that China is the US's main rival in sophisticated military technologies such as AI and quantum computing. The report stated, "China is by far the United States' closest competitor in the international AI market... Recent Chinese achievements in the field demonstrate China's potential to realize its goals for AI development."¹⁸⁴ According to the report, Artificial intelligence applications of Military might be employed for counter-espionage as well as to enhance military purposes.

China's concept of "military-civilian integration" was viewed by the US as a manner of blurring the barriers between the civilian and military economies, as well as a method of focusing on new markets and sophisticated technology, particularly AI, in order to construct the planet's most technologically sophisticated armed forces. As a result, much

184 Kelley M. Saylor, *Artificial Intelligence and National Security*, CRS Report No. R45178 (Washington DC: Congressional Research Service, 2020), 21, <https://crsreports.congress.gov/product/pdf/R/R45178/3>

of the trade war between China and the US is about the American administration's export control regulations, which have targeted major corporations of China with an "Entity List" that now includes more than 275 Chinese firms and associate firms, including technical giant Huawei and its 150 subsidiaries. All these Chinese firms are involved in the military sector of the country.

According to a report published by Stanford University's Hoover Institution in August 2020, collaboration among academia and R&D organizations of the U.S and China's has boosted military modernization of China. According to the report, working with Chinese military was "unwise and counter to US national interests," because large-scale collaboration may increase Chinese power as a military adversary of the U.S.¹⁸⁵ The study recommended that American research organizations use risk management and due diligence when collaborating with Chinese counterparts in order to avoid possible helping authoritarian governments or infringement of democratic norms.

5.4 Seeking to Narrow the Gap between Military Capabilities

How does the Biden administration see the link between advanced technologies and the military? On 19 January 2021, "Committee on Armed Services held a confirmation hearing for Biden's nominee for Defence Secretary Lloyd Austin", who saw "China, in particular, as the pacing challenge" for the US, so the US administration should change its strategies to keep up with its edge in crucial strategic regions. He further said that the U.S would need to be able to pose "a credible threat, a credible deterrent" to China and improve in domains like "the use of quantum computing, the use of AI, the advent of connected battlefields, the space-based forums" in order to "hold large pieces of Chinese military inventory at risk".¹⁸⁶ Austin made it plain that the future goal will be to widen the military gap between China and the United States.

¹⁸⁵ Glenn Tiffert et al., *Global Engagement Rethinking: Risk in the Research Enterprise*, (California: Hoover Institution Press Publication, 2020), 6, https://www.hoover.org/sites/default/files/research/docs/tiffert_globalengagement_full_0818.pdf

¹⁸⁶ Confirmation Hearing: Hearing before Senate Armed Services Committee, 117th Congress. (2021), <https://www.armed-services.senate.gov/hearings/21-01-19-nomination>

The maritime "flexing" displayed by US and China and in 2020 revealed a shrinking gap in the American and Chinese maritime power. In August 2020, the military of China launched "aircraft-carrier killer DF-21D rocket and the DF-26B 4,000-km medium-range rocket", as a notice to the US not to face any military challenges.¹⁸⁷

The US Armed forces published video evidence of a hypersonic missile launches the same month. In accordance with numerous accounts, this new "C-HGB missile" can hit its target with pinpoint accuracy at speeds of up to "Mach 17". The Aegis battle system of American Navy launched, in November, an "SM-3 Block IIA missile" that struck an ICBM target, a feat recognized by the American military as a "milestone."

According to a CRS assessment, the Chinese naval force had 333 combat force ships as of 2020, whereas the American Naval force had "296", a disparity of "37 ships".¹⁸⁸ (Note that the Chinese figure excludes some ship categories, such as auxiliary and support ships, whereas the US military figure includes auxiliary and support ships but does not include patrol vessels). The Chinese naval force's fight power ships dwarf those of the US naval force, however are the biggest number on the planet and multiple times the vessels in the Russian naval force. In addition, on October 6, 2020, former "US Defense Secretary Mark Esper" advocated establishing a fleet of 500 combat task vessels by 2035, with 355 manned ships and the rest automated, in order to control China's operations.¹⁸⁹

In 2020, China and the United States conducted several military drills in the SCS, constantly warning one another of their presence and flagging a rush to beef up their militaries. On December 17, 2020, the chief of naval operations and the commandants of the Marine Corps and Coast Guard issued a tri-service maritime strategy titled "Advantage

¹⁸⁷ Kristin Huang, "Chinese military fires 'aircraft-carrier killer' missile into South China Sea in 'warning to the United States'," *South China Morning Post*, August 26, 2020, <https://www.scmp.com/news/china/military/article/3098972/chinese-military-launches-two-missiles-south-china-sea-warning>

¹⁸⁸ Ronald O. Rourke, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, CRS Report No. RL33153 (Washington DC: Congressional Research Service, 2021), 10, <https://sgp.fas.org/crs/row/RL33153.pdf>

¹⁸⁹ Jon Harper, "Esper Calls for 500-Ship Navy to Counter China," *National Defense*, July 10, 2020, <https://www.nationaldefensemagazine.org/articles/2020/10/6/esper-calls-for-500-ship-navy-to-counter-china>

at Sea; Prevailing with Integrated All-Domain Naval Power," which stated that the US must inspect China's swiftly expanding military capability and acts of aggression in the Pacific region, or it will end up losing its position as the globe's most powerful maritime force.¹⁹⁰

It's undeniably true that the American and Chinese militaries are mutual "imagined enemies," and their rivalry is extensive. Although the navy is only one part of the military, the contrast between the two naval forces is as of now making the U.S anxious. Is the Biden government willing to ease limits on exports of sophisticated technology export to China? Those limitations will remain in place for quite a while, until a victor arises among them, and those long-haul constraints signal that the trade war's tech battle would not end.

5.5 China is Determined to Bide its Time

The question is whether the structural reforms on the discussion table are compatible with a market economy or not. While the American attempts to control China are concealed behind the discussions, China cannot keep away what is being openly discussed. Because China has embraced the market economy, it must follow the laws of that system as recognized by the West. Obviously, China can dismiss these principles and create its own financial globalization structure, to impact the globe with its own set of laws. China's dilemma, in the face of US pressure, is that it must participate in the present globalization paradigm while simultaneously demanding an economic system with Chinese features.

On 18th December 2020, Wang Yi, "Chinese Foreign Minister" stated, "If the US policy toward China were to remodel or even subvert China, it would not be achievable." He further said that, "China has no intention to pick a fight with the United States either in diplomacy, media or other fields." Wang's statements reflected the Chinese government's policy and position on US repression. On 11 January 2021, Chinese President Xi Jinping said, "The world is undergoing profound changes unseen in a century, but time and the

¹⁹⁰ US, Department of the Navy, US Marine Corps, and US. Coast Guard, *Advantage at Sea: Prevailing with Integrated All-Domain Naval Power* (Washington, D.C.: Department of the Navy, US Marine Corps, US Coast Guard, 2020) <file:///C:/Users/HP/Downloads/2020%20Dist%20A%20Tri-Service%20Advantage%20at%20Sea%20Dec%202020.pdf>

situation are in our favor. This is where our determination and confidence are coming from.” China is firmly convinced that the East is ascending and the West is descending. So, why should China modify its economic model when "time and situation" are on its side?

How could the Biden government eliminate extra duties that have already been placed on Chinese imports, given Biden's assessment of a Sino-US economic and trade relationship is consistent with Trump's, and China's unwillingness to come to an agreement with the Biden administration on vulnerable concerns like subsidy policies and SOEs? These new tariffs are negotiating pieces for the Biden government as it prepares to begin trade and economic talks with China.

The Biden has transferred the buck to China, and expects that the leadership of China will offer compromises in future talks. If China wants the U.S to cancel more taxes on Chinese imports, it must first offer compromises. However, Chinese self-proclaimed “time and the situation are in our favor” as of now suggests that the leadership of China would not offer any compromises. For them, to compromise with the US will be the same as "surrendering," "kneeling before," or "worshipping" the US, or “having no backbone”.

Furthermore, Katherine Tai's comments while explaining Biden's trade strategy expressed low but reasonable assumptions for China's willingness to implement major changes. The administration's perspective on future trade discussions with partners, after the president's domestic program has progressed adequately, was conspicuously lacking. While talks with China are required to correct a huge imbalance, talks with allies can improve economic integration of U.S with important trade partners, notably those in the Pacific area. Negotiations with allies, for example, can help the US to implement innovative solutions to worker rights and supply chain resilience, among other administration initiatives.

5.6 Future Possible Scenarios

From the current circumstance, we can extend three potential situations for the fate of China-US trade relations.

5.6.1 Status Quo

The first scenario, the ideal of the three, status quo is maintained. While the Biden government would undoubtedly face criticism from both sides for being inadequately ideological, Katherine Tai's approach (discussed earlier) makes some sense. Re-joining the CPTPP, which Trump rejected, seems politically unattainable in the present US Congress. Standing pat now buys time to ease ruffled feathers among US allies and ultimately collaborate a more efficient way without adding to the inflationary forces that undermine Biden's presidency before 2022 midterm elections. By retaining the existing levies, the Biden team additionally avoids politically damaging allegations of being "soft on China" while safeguarding leverage for future talks.

Considering the administration's numerous distractions, domestic and overseas, it's difficult to contend that this is a good time for another "trade war". The US is dealing with clogged supply chains, higher inflation, and Asian power outages, which could additionally exacerbate cost pressures. China, right now, is not the largest danger to economic plan of Biden, it's actually inflation and the disruptions caused by pandemic. Democratic Senator Joe Manchin is blocking the "signature social spending bill" of Biden in Congress, citing concerns about skyrocketing inflation. And if worldwide supply chains are further disrupted, the Federal Reserve may be forced to increase interest rates quicker than anticipated, jeopardizing the President's desperately needed strong recovery.

Not by chance, the US Trade Representative restated that the main feature of Biden's China strategy is increased domestic investment, to uplift American competitiveness. She likewise underlined the importance of working with partners. Considering the ongoing disagreements over WTO reforms, and the aftermaths from the latest "nuclear-submarine deal," which reprimanded France, that could be a tall order. Nevertheless, launching one more round of unilateral China levies presently would just reinforce European perceptions of Biden as a Trump-lite, potentially sabotaging new joint initiatives focused at China, for example the TTC, which met without precedent, in October last year, in Pittsburgh.

So, we can say that high inflation since 2008, record breaking approval ratings for the Biden administration, 2022 midterms, the voter's affectability, particularly among liberals and free movers, to the impact of extra duties on prices would probably make the Biden team to reconsider imposing extra levies. So, given all these factors, the status quo would be maintained in the short term. Except if the inflation picture changes or something unusual occurs to overturn China strategy more comprehensively, the Biden government is probably going to stay on a middle path for the time being.

5.6.2 The Escalated Trade War

The trade dispute between China and the US can escalate in this situation, as both countries could not reach to a trade deal yet. Extra tariffs have been imposed and new trade threats have been announced. The US intensifies attacks on China's intellectual and industries rights, political and social issues, and military modernity. According to analysts, US-China trade dispute is an important issue and cannot be solved easily. The global economic dominance is the main motivator behind this trade war. Therefore, the US would never want China to win this war, but will go to any lengths to maintain its supremacy. There are many ways to put this scenario into practice, but the phase one deal is the most manageable.

According to agreement, China will carry out structural reforms, open up its financial services, and strengthen the protection of IP along with other things. Increased purchase of US agricultural, energy and manufacturing products by an extra 200 billion dollars over 2020 and 2021 were the main thing of this agreement. But there are complains that China have not fulfilled its obligations even after two years have passed under the "Phase One deal". This agreement between both countries is very unique in nature and according to a report of Peterson Institute for International Economics, as of October 2021 China could achieve that target to 62 percent only.

It allows either side to speak out in practice, and in particular the US to individually react for alleged breaches of the contract by suspending any liability or taking "proportional" corrective action. The reaction is believed to be aimed at "preventing the situation from escalating and standardizing bilateral trade relations" and the party to which the complaint is being made is not allowed to retaliate unless the action is taken in "good

faith". The language used allows for a broader interpretation of the sentence, such as "proportionate method" and "good faith". On the contrary, achieving the desired goals of Phase-I Deal, managing trade peacefully, is the language of dispute resolution that could increase trade tensions between both the countries. This is impaired by the fact that, under the Phase 1 Deal, it is the complaining party that makes the final decision that the agreement has been violated. There is no tribunal or an independent panel to decide this. It is not clear in "Phase One deal" whether the corrective action taken by the complaining party, whether it is suspension of tariff or quota concessions, and these measures can be taken for how long. Overall, the US can individually decide whether a breach has occurred, decide on retaliatory measures, and set a time limit for suspending concessions in the Phase One agreement.

This raises the question of whether we expect both sides, but primarily the US, to take one-sided steps to implement the deal. US official Statements specify that this is likely to happen. So far, however, the evidence suggests that implementation under Phase One Deal could not take place for a number of reasons. When the United States takes action, China has two options, it can accept the measures or can leave this agreement. The latter option is more harmful than self-medication.

Matter of the fact is, there were no commitments regarding the involvement of Chinese SOEs and subsidies by China in the phase-I agreement. This agreement also does not offer any option that can assist the US to remove the retaliatory tariffs imposed by China. In addition, an exclusion process is implemented by China that decides the imports from the US, and this process strengthens the Chinese SOEs, thus contributes for growth of Chinese economy. These Chinese policies have compelled the USTR, allegedly, to start a 301 probe against the subsidy policies of China. This probe will strengthen the USTR's office to build a strong case against Chinese subsidy policies. For instance, the penalties by the US. No announcement has come from Tai, but she has stated that all tools will be deployed by the US to defend its economic interests.

5.6.3 The Return to Cooperation Scenario

The trade war between both countries will not come to an end without a compromise in this scenario. Both the US and China have agreed to set up working groups

to phase out extra tariffs, eliminate trade risks and reduce potential friction in intellectual property rights, industrial, political and social issues and other issues related to military. This is only possible if the United States starts respecting the fundamental interests and major concerns of other parties. China already has announced its willingness to open up its car market, liberate the banking sector, strengthen the intellectual property rights security and restrict the US technology transfer to market of China.

Both nations are keen on bilaterally exporting goods and services as well as creating worldwide supply chains. As both nations would lose beyond what they can acquire because of the conflict, so a negotiated settlement deal and the finish of the conflict is conceivable. Despite the trade war, the US and China conducted 625 billion in trade in 2020. A study commissioned by the "US-China Business Council" in January discovered that due to trade conflict the US lost 245,000 occupations, whereas lowering levies on the two sides will generate 145,000 occupations by the year of 2025. The Oxford Economics report likewise anticipated that a "significant decoupling" of the economies of both nations will decrease US GDP by \$1.6 trillion throughout the following five years. China would then purchase more food stuff, LNG, and agrarian unrefined items. The US government would keep a trusting relationship with significant trading accomplices and refrain from forcing one sided penalty, consequently getting back to WTO rules compliance. The biggest US corporations would assume a significant part in this interaction by campaigning and advancing deregulation and passing on the possibility that a trade battle against the entire world isn't in the best interest of the US. For example, different big businesses including "US-China Business Council and the U.S. Chamber of Commerce" wrote a letter to Biden informing the adverse effects of extra levies along with the all-time high inflation. They asked Biden to eliminate those levies.

As inflation reduces the purchasing power of American buyers, authoritative voices both inside and outside of government have said that ending the trade battle might help. For example, Secretary of the Treasury Department stated that bringing down duties will have a "disinflationary" impact. On November 10 last year, Trade Representative Tai stated that the US was gaining "traction" with the China on adherence with "the Phase One agreement". Such remarks eliminate the possibility of further escalation and "create

space for an eventual announcement for both sides to remove full or a portion of the tit-for-tat tariffs" imposed by Trump. Katherine Tai also stated that the United States does not want to "inflame trade relations," but rather wants to re-couple.

Conclusion

The US and China established their diplomatic relations again by signing a bilateral trade agreement in 1979. Trade between both countries increased quickly after this, in that year from just 4 billion to greater than 600 billion U.S dollars in 2017. China remained the largest American trade accomplice till the start of 2019, and currently it is at the number third. The first two trading partner of US are Canada and Mexico. However, China is still the largest source of American imports.

There are many unresolved issues regarding bilateral trade between the U.S and China. Their trade relationship is characterized by competition as well as cooperation between them and their trade competition is determined by economic, political and strategic factors, as the US is the world's largest economic and political power and China is the second largest economic power and an emerging political power. The dispute between China and the US over trade issues traces all the way back to a period before Donald Trump had ever considered running for president of the United States. China has been repeatedly challenged under the Obama presidency, but at that time the way to solve these trade dispute issues was very different from now. Former president Obama has backed the Multilateral Trade Agreement, which includes new guidelines on government agency laws, currency manipulation issues, and new environmental and labor standards. But the strategy used by Trump, was totally opposite, he launched a trade war against China in early 2018. This put China and US in an unending tariff threat.

Our analysis reveals that one of the primary drivers of the present trade war among the US and China is really not trade itself, yet the prospective struggle between the U.S and China for global economic and technical domination. This rivalry, whether explicit or tacit, deliberate or not, is not going away anytime soon. It was not started by Donald Trump. President Barack Obama initiated both the "pivot to Asia" and the "Trans-Pacific Partnership" as policies geared, in part, at controlling China.

China's economic development is certainly a milestone of this century. China has gone through huge development lately and has secured itself as a significant economic force. The production volume of China, for example, is presently second on the planet, and

its GDP has indeed exceeded that of the US in PPP terms. The significance of its currency, RMB, in global commerce and transactions has been gradually increasing, presenting a threat to the US dollar's hegemony. China's latest developments of a slew of strategic program, extending from the BRI to the AIIB to "Made in China 2025," may have bolstered the China's view as a challenge to the U.S supremacy. Hence, trade war between US and China is essentially a contest for global economic dominance.

There is more continuity than change from Trump to Biden because there is wholesale structural change in which the relationship is much more competitive but it is also more securitized. Trump team was long on attitude but short on strategy so American policy was not that systematic. when Biden team came in, they share the same basic zeitgeist which is a more competitive approach to China. They are institutionalizers and multilateralist so for that reason they have leverglized a lot of the same administrative and regulatory that the trump team to give them credit pioneered. The Biden team is more multilateralist by instinct which means they'd like to pressure china and sometime coerce china to be blunt about it in partnership with other countries. And so, they reached out to a lot of allies across the Atlantic in Europe, across the pacific in Japan, South Korea and elsewhere in Asia to try to build a coordinated approach.

The American push to "isolate Chinese technology" from the remainder of the globe appears set to proceed in the future, with US not hesitating to make it hard for Chinese enterprises to obtain critical US technology. The Biden government is not probably going to ease customs duties and restrictions in the short term. Furthermore, Donald Trump based part of his "presidential campaign" on blaming Biden of taking a "conciliatory stance" toward China while faulting the liberals for disregarding the working people of US. Mindful of the shift in perception among individuals from the United States' elites and disapproval of Obama's approaches, Biden would avoid making any choices that will provide a convenient reason to Republicans to assault. The current president's stance "on processor chips and the transfer of sensitive technologies" may become even more stringent. Whether or not customs levies are lifted would be determined by advancement in discussions on "structural issues" that presently can't seem to be settled.

This economic confrontation between these two largest economies is also affecting their political relations. As the tension between US and China increasing more and more issues are emerging. The recurring Taiwan issue, militarizing of South China Sea are the most prominent or dangerous flashpoints. Their economic rivalry has hindered their ability to cooperate on important issues like nuclear nonproliferation, climate change etc.

Further escalation of trade war in terms of tariff increase is less likely in future but existing trade war or tariff hike will perhaps continue. The economic and commercial ties between these two nations would be strained for a long time in the future. Since the current conflict is about deeper structural concerns rather than trade. Both countries are embroiled in a quest for economic and technical superiority, that ultimately yields to political and military dominance or power, in the long-run. To resolve this new contest, both parties must establish a commonly agreeable middle ground.

Specific findings based on the discussion of the chapters are as follows.

1. The economic relation between US and China is very complex and trade is one part of that complicated relationship. Diplomatic relations were resumed by U.S and China in 1979. Both countries concluded a bilateral trade agreement, which sparked a tremendous increase in trade among the two nations. Domestic changes in China coincided with its opening to the rest of the world, and the Chinese market was, bit by bit, drawn to American companies that deal with the consumer products. Over the years, Chinese export to the U.S have turned into more capital goods than low-cost, labor-based products. China's economy was already growing rapidly prior to WTO era and continued to rise even after entering the WTO. The sustained and swift development of China's economy, combined with a change in manufacturing of highly advanced industrial items, has put China's firms in a contest with the U.S firms to a level never witnessed previously. The Bush government had to make a hard choice on how to react. However, the 9/11 attacks and following war on terror, as well as other variables, shaped Bush's approach toward China, making comprehensive balancing vis-à-vis china impossible.

2. When Obama came into office the U.S and china relations became more complex than ever before both economically and strategically. The Obama administration was equally unable to confront china since its initial term was preoccupied recuperating from the devastation of the economic catastrophe. In spite of the fact that Obama sought to neutralize the problem by suggesting a deeper partnership with China, which seemed to be “group of two”, he gradually reached the conclusion that Chinese influence should have been opposed, in this manner leading to the idea of “Rebalance to Asia” in his subsequent term.
3. The Obama's strategy of "pivot to Asia" entailed a greater emphasis on the region of Pacific, with the TPP as a crucial component. The TPP has a number of objectives, one of which was to react to the rise of China. The Obama administration has used safeguard mechanisms under special 421 law, to impose tariffs on Chinese products, notwithstanding the TPP strategy to resolve problems with China. He was likewise a regular client of the dispute settlement system of the WTO, filing several cases against China over his two mandates. Simultaneously, the Obama and his team attempted to involve China through dialogue.
4. The Obama proceeded the Bush administration's bilateral negotiating style, replacing the “Strategic Economic Dialogue and Senior Dialogue with the U.S.-China Strategic and Economic Dialogue”. Unfortunately for the US, Obama lacked the resources needed to make the rebalancing an effective response to China's expanding influence. He couldn't find a way to stop China's greater relative benefits because of its economic integration with the U.S, and couldn't stop the deindustrialization process of the U.S industries to the extent that it was driven by China. The issues of Chinese intellectual property theft, structural barriers to investments of U.S in Chinese markets (such as forced transfer of technology as well as inadequate market exposure), and the problems created by Chinese state subsidies to governmental as well as private firms have all managed to evade substantive remedies other than a commitment to seek solutions by a continuing S&E dialogue platform.
5. The President Trump was considered a trade “hawk” even before his entry in to politics. America first was the basic pillar of his election campaign and

administration agenda. The White House took a firm position on trade issues when he assumed office, and China was the major target. Trump claimed that Chinese biased trade policies were to blame for the massive trade deficit of the U.S and subsequent unemployment. So, in order to bring trade relations back into balance, he launched a trade war against China. Though US-China trade war reasons seem to be economic in nature, they are actually political in nature. The American internal politics as well as President Trump's personality might altogether affect trade war in the context of expanding US-China competitiveness, but our study reveals that trade tensions are anchored in pre-existing structural changes or geopolitical competition between the two countries. According to our analysis, this trade conflict can be compared to the outer layer of the water, because it addresses just 10 percent of the concerns between the two nations, whereas the geopolitical contest between the nations is more central and addresses 90 percent of the concerns, addressing the mass of the chunk of ice that is submerged.

6. The bilateral trade between the US and China is considered a foundational arrangement that helps to reduce tensions between them. However, the eruption of a trade conflict between them implies that commerce between these two countries has lost its potential to calm bilateral ties. The deterioration of Sino-US commercial relations has exacerbated US-China tensions. To begin with, the Sino-American commercial relationship is becoming increasingly militarized, as the US is connecting trade restrictions to military growth of China. The US has used trade restrictions to stifle the development of China's military industry. To begin with, the Sino-American commercial relationship is becoming increasingly militarized, as the US is connecting trade restrictions to military growth of China. The US has used trade restrictions to stifle the development of China's military industry. Most notably, the recurring Taiwan issue exacerbates the bilateral conflict.
7. In recent years, the United States has progressively utilized human rights issues to target China, amid ongoing economic conflict, over Hong Kong and the Xinyang issue. In fact, the United States has inextricably connected human rights with trade. This pattern hasn't been witnessed since Bill Clinton delinked human rights from trade issues in 1990.

8. Analysis of the statements by the US and senior Chinese officials reveals that oral competition has become more intense, and that the ideological conflicts are also more apparent.
9. Tensions in the US-China relation has remained high during the 1st year of the Biden administration with Washington labelling the overall relationship as one of strategic competition. A tariff regime and counter tariff regime remains in place as U.S seeks China to curb what U.S asserts are state driven, non-market approaches and practices that hurt U.S laborers, ranchers and organizations.
10. From the military competitiveness the Biden government is not going to bring a stop on the ongoing technological struggle as this technical struggle is connected to the outcome of the strategic conflict among the two states, notably in the military realm. The US is simply starting to execute more tight limitations on innovation move to China, and there would be more advances taken in near future.

Recommendations

- The US has not outlined a “clear coherent” strategy for resolving persisting commerce concerns with China. Indeed, even following quite a while of what they call an audit on US trade arrangements toward China, US authorities are as yet conveying conflicting messages. Along these lines, US need to foster a “Coherent strategy” on commerce concerns with China.
- To save its innovative and moral power, US should initially manage monetary and political shortcomings at home. Weeping over China's unjustifiable arrangements and its dictator system won't take care of this issue. Therefore, the US should zero in on fortifying its “own economic competitiveness”, fashioning inward political attachment, and collaborating with “European and Asian” accomplices to establish long-lasting international organizations.
- The Biden government didn't need exchange issues among China and the US to interfere with the continuous financial recuperation. America enrolled 5% Inflation, the most noteworthy starting around 2008. To keep inflation under control, the US expected to trade more to China while proceeding to receive low-estimated products consequently. So, US should extend “Phase One deal”. An

expansion of that understanding for at least one year is in light of a legitimate concern for the two nations. To unsettle China's otherwise calm disposition at this specific moment was not reasonable. It would almost certainly make new monetary unsteadiness with the potential wreck the Biden organization's homegrown projects.

- Conflict over inbound and outbound portfolio investment is becoming routine in the US-China trade war. It's in the interest of both countries especially for the security regulators in both countries to collaborate on auditing procedures and standards. China cannot grow to be poll in a multipolar world if its companies are delisted from the broadest most liquid financial markets. And American investors will pour funds on overseas markets if the smell growths in Chinese stocks that they can't buy in US. Americans want to invest everywhere; Chinese want to get investment from everywhere so there the common ground.
- Deal with the TRIPs Plus IP issues both countries should establish a bilateral advanced technology group. That group would consist of senior IP, military and national security decision makers assisted by technical staff for reports and recommendations and both stood by legal panel for non-binding dispute resolution. The group could work point by point unbiasedly, strengthened in the knowledge that its American and Chinese members share a common goal, neither wants to be ripped off blind or hacked to death by the other, and because China and US respectively account for 23 ad 12 percent of cross border data flows their collaboration can prevent the internet from fracturing into two different oligopolists data spheres.

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