US-Chinese Economic Relations
ECON 3100

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Introduction

During Trump's first presidency, he imposed tariffs on hundreds of billions of dollars' worth of imports (particularly China). He is continuing to do this during his second term.

Goal: Protect US industries, reduce the trade deficit and counter alleged unfair trade practices.

Who was Impacted by the Problem (negatively)?

- US consumers: Prices rose on many everyday goods, as business passed tariff costs onto buyers
- Businesses and manufacturers: Many rely on imported materials (steel, electronics, etc) but tariffs increased their costs
- Exporters (especially farmers): China retaliated with tariffs on US goods, especially soybeans and pork, cutting off a major market
- Stock market: Tariff announcements caused uncertainty and drops in sector stock prices (tech, industrials, etc)

Who was Impacted by the Problem (positively)?

- Some domestic producers: A few steel and aluminum companies temporarily benefited from reduced foreign competition

Are US-Chinese Relations Moving Towards Cooperation or Conflict?

- **Strategic Culture**
  - Western strategic culture Is influenced by Hellenic rationalism, Judeo-Christian ethics, and the Enlightenment philosophy
  - Chinese strategic culture is influenced by Daoism, Confucianism and contemporary nationalism
- **Economic Dynamics**
  - China's stability has greatly relied on their sustained economic growth which aligns with maintaining peaceful U.S. relations
    - China's extensive holdings of U.S. debt and mutual dependence on trade relationships (e.g., Walmart's role in China's economy) incentivize cooperative economic policies.
  - China formed exclusive technological and trade partnerships with Europe and Japan, isolating the U.S. economically
- **US Policy Makers MUST:**
  - Understand and respect China's unique strategic culture
  - Monitor China's actions closely in the areas of economic policy, cyber operations, and military modernization
  - Prepare for scenarios where China perceives strategic opportunities to enhance its global status at the expense of U.S. influence

Understanding the US-China Trade Disputes Through Transformed Relations

- **Evolution of US-China Economic Relations**
  - Symbiotic but Asymmetric Relations (2001-2008)
    - China's WTO Accession (2001): China's official joining into the global economy deepened significantly which has led to cheap exports, thus gaining a larger trade share
  - Post-2008 Global Financial Crisis
    - Chinese policymakers began to shift their strategies:
      - **Internal reforms:** China began transitioning from labor-intensive industries towards high-tech manufacturing and innovation-driven growth
      - **"Made in China 2025"** strategy signaled China's ambition to become a global innovation leader
      - **External economic governance:** The Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB) were indicative of China's growing international ambitions, promoting regional integration and financial influence independent of Western-dominated institutions
  - Increasingly Competitive Economic Relationship (Trump-Xi era)
    - US perception shift: The U.S. became increasingly worried about China's competitive edge in tech and global governance ambitions

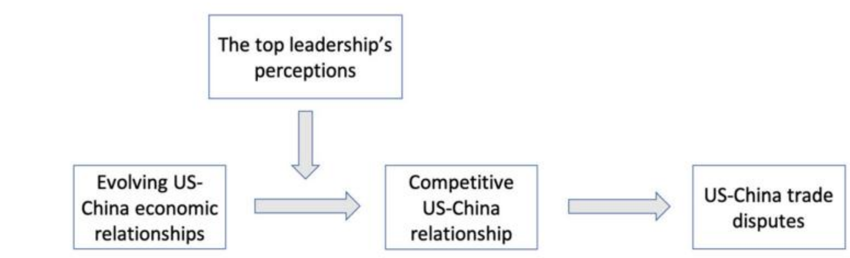

Fig. 1 An analytical framework to understand the US-China trade disputes

US-China Trade Relations and Economic Distrust

- **Key Issues of Economic Distrust:**
  - Intellectual property rights (IPR)
    - Despite joining the WTO in 2001, China's enforcement of intellectual property rights remains weak, making China a leading global source of counterfeit goods and piracy
  - Currency manipulation
    - The U.S. perceives China as deliberately undervaluing its currency, the Renminbi (RMB), to boost exports at America's expense
  - Market access and investment restrictions
    - China maintains extensive restrictions on foreign direct investment (FDI), particularly in industries where American firms excel, such as financial services and technology sectors
- **US Perspective and Chinese Perspectives Differs!**

China States its position on Opposing US Abuse of Tariffs - Global Times

- On April 5, 2025, the Chinese government issued a statement that strongly opposes the US's recent imposition of tariffs
- The CCP criticizes the US for using tariffs as tools as protectionism, unilateralism, and economic coercion under the guise of "equality" and "fairness" (Global Times, 2025)
- The statement highlights again that the WTO's rules that foster economic globalization and rules-based multilateral trade
    - Concludes that economic development is a universal right

US Forges Ahead with 104% Tariffs on China- Reuters

- On April 8th, 2025, the US decided to escalate its trade measures against China by imposing a 104% tariff on Chinese imports that are effective at midnight (Heavy Et al., 2025)
  - This is in response to China's earlier implementation of a 34% tariff on American goods
    - China exports $438.9 billion from the US and the US exports $143.5 billion from China
- This tariff escalation has led to an increasingly volatile global financial market
- After these tariff increases, it will be likely to experience higher prices

China Is Committed to Open Trade - Op Ed 1

- China's State Council Information Office on April 8th released a white paper regarding US-Chinese trade relations
    - The trade war has existed since 2018, with over $500 billion in tariffed goods (The Daily Monitor, 2025)
        - Since Trump's second presidency he has continued to increase tariffs
- The white paper reaffirms that China-US trade relations are mutually beneficial
    - Important to set aside differences for achieving economic growth

China is Imposing 34% Tariffs on all US Goods - Op Ed 2

- On April 4th, China hit the US with a 34% reciprocal tariff on US imports
  - The CCP Council Tariff Commission States that "The US practice is inconsistent with international trade rules, seriously undermines China's legitimate rights and interests and is a typical unilateral bullying practice" (Timotija, 2025)
- The CCP said they will also put export controls on 7 rare earth minerals
- Economists warn of financial market dips and warnings of a potential recession due to surges in prices

Conclusion

What are the Possible Solutions?

- Renegotiate trade deals multilaterally instead of using aggressive tariffs
- Invest in domestic innovation and supply chains to reduce dependency on imports long-term
- Support affected industries with transitional aid and retraining programs

Who will Benefit from the Solution?

- Consumers and Businesses: Lower costs from more predictable trade flows
- Exporters: Restored access to foreign markets like China
- The Global Economy: Less uncertainty and fewer trade distortions

What are the Potential Roadblocks?

- Political Resistance: Some leaders and voters support protectionist policies
- Negotiation Challenges: China may be hesitant to re-engage or make concessions
- Global Instability: Ongoing geopolitical tensions can undermine trade stability

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