

Understanding the US-China Trade Disputes Through the Transformed Relations

Abstract

This article studies the recent escalation in US-China trade disputes and the implications for Sino-US relations. Both structural realism and liberal intuitionism have paid insufficient attention to the evolution of the US-China economic relationships, and this article strives to highlight this crucial factor. This article employs a historical and evolutionary perspective to examine the transformation of US-China economic relations in the twenty-first century. It argues that the US-China economic relations are evolving from a symbiotic but asymmetric relationship between 2001 and 2008 towards a more competitive relationship after the 2008 global financial crisis, especially in the Trump-Xi era. The changing dynamics of US-China economic relations as well as the top leaderships' shifting perceptions of each other create the impetus for the transformed Sino-US relations. This article suggests that the recent trade tension is embedded in the rising strategic competition between the two countries.

Keywords: US-China economic relations, trade disputes, Sino-US relations, historical and evolutionary perspective

Introduction

China's economy has been fast-growing since Deng Xiaoping's "reform and open up" policy in the late 1970s. As the world's second largest economy, China's Gross Domestic Product (GDP) share of global total has continued to grow in the last few decades. One important feature of China's economic rise is that China's trade surplus with the rest of world, especially with the United States (US), increased dramatically after China acceded to the World Trade Organization (WTO) in 2001. While this has helped China to integrate into the world, China has often been criticized for being a neo-mercantilist country that manipulated its currency to boost exports in the twenty-first century [13, 38]. Many US politicians and pundits have blamed China for maintaining the renminbi (RMB) at undervalued exchange rates against the US dollar to gain unfair trade advantages [12, 18].

This dissatisfaction over China's trade surplus has now evolved into a rapid escalation of trade disputes between the US and China in 2018. Under the Trump administration, the US has made a series of trade policy announcements, in particular tariffs on China, that immediately led to China's counter measurements. At the time of writing, both sides are locked in the ongoing trade disputes and remain unclear whether the negative consequences of trade war will spill over into security and ideological domains. The trade disputes have led to serious concerns over the negative impact on both the American and Chinese economies as well as the global economy at large. This article aims to explain the fundamentals of the escalating US-China trade disputes and the implications for understanding the broader Sino-US relations. The article highlights the evolving nature of Sino-US relations, especially the rising strategic competition between China and the US.

Specifically, this article argues that both the liberal and the realist explanations of China's rise cannot fully capture the evolving nature of Sino-US relations. On the one hand, the liberal institutionalists emphasize the positive consequences of the American engagement policy and China's integration into the international liberal order. It is believed that should the US reinforce the rules and institutions that Western countries have established over the last century, it could ensure that China will accept the existing norms, thereby exercising China's economic power in the existing liberal order [22]. On the other, the structural realists underline the inevitable outcome of structural conflict between Beijing and Washington. It is claimed that should China continue to grow economically, it will attempt to dominate Asia and the US will form a balancing coalition to contain Chinese power, which will ultimately end up with intense security competition [35].

Although the existing studies are not without merit, liberal institutionalists and structural realists arrive at vastly different readings of the relationship between China and the US (or the US-led international order). More importantly, it is worth noting that the liberal institutionalist account is only valid under the precondition of a cooperative bilateral economic relationship. The liberal institutionalists overlook the possible evolution of US-China economic relationships from a cooperative one to a more competitive one, thus failing to explain the changing dynamics of Sino-US relations. While structural realists underscore the increasingly conflictual nature of US-China relations along with the power transition between the two countries, they are largely focused on high-politics issues and do not provide nuanced examinations of the changing bilateral economic relations. Therefore, both structural realism and liberal intuitionism have paid insufficient attention to the evolution of the US-China economic relationships.

This article employs a historical and evolutionary approach to examine the transformation of Sino-US relations, emphasizing the continuities and changes in US-China economic relations. We argue that, though the US and China largely formed a symbiotic but asymmetric economic relationship in the early 2000s, the US-China economic relations are evolving into a more competitive relationship under the Xi and Trump administrations. The US is increasingly concerned with China's growing competitiveness in high-tech manufacturing and its global ambition in leadership. This article aims to highlight the changing dynamics of US-China economic relations as well as the top leaderships' shifting perceptions of each other create an impetus for the transformed Sino-US relations, which drive the recent escalation of trade disputes.

The article begins by providing a review of the liberal intuitionist and structural realist accounts of US-China relations and discussing a historical and evolutionary perspective to more closely examine the changing dynamics of the bilateral economic relations. Then, the following two sections elaborate on the symbiotic but asymmetric nature of US-China economic relations from 2001 to 2008 and the increasingly competitive US-China economic relationship afterwards respectively. Based on the above analysis, the article continues to discuss the implications of the evolving US-China economic relations for Sino-US relations, followed by concluding remarks.

Review of the two mainstream IR theories and the evolutionary perspective

The main debate over Sino-US relations is between two mainstream IR theoretical approaches: structural realism and liberal institutionalism. Structural realists believe that Beijing is structurally predisposed to challenge Washington for regional domination, and that the US will respond by forming a balancing coalition to contain Chinese power. In contrast, liberal institutionalists suggest that though the US cannot thwart China's rise, the US-crafted liberal international order will not only survive the power transition but will also be strengthened by it [2].

Mearsheimer [35], as the representative offensive realist scholar, argues that should China continue to grow economically, "great-power politics will return in full force" and "the result will be an intense security competition with considerable potential for war". Allison [1: vii] closely reviews the historical metaphor of "the Thucydides Trap" and further suggests that "China and the United States are currently on a collision course for war – unless both parties take difficult and painful actions to avert it." From this perspective, the Belt and Road Initiative (BRI), as Xi Jinping's signature foreign policy, is not simply viewed as China's promotion of regional economic integration but more importantly as China's response to the US "Rebalance to Asia" strategy and even China's grand strategy to establish a Sino-centric order in Eurasia [15].

In contrast, Ikenberry, as the prominent liberal institutionalist scholar, has a firm belief that the liberal rule-based order is durable and capable of accommodating the rise of China. Though liberal institutionalists admit that the US will probably decline, they insist the resilience and durability of the liberal international order will not. Ikenberry [23:6] argues that "although the old American-led hegemonic system is troubled, what is striking about liberal internationalism is its durability." Ikenberry [23:9] also claims that Russia and China "may not soon or ever fully transform into liberal states, but the expansive and integrative logic of liberal international order creates incentives for them to do so – and it forecloses opportunities to create alternative global orders." Specifically, liberals suggest that the increasing trade and investment between the US and China promotes the economic development and interdependence, which ensures that both countries will exercise their economic power within the international liberal order [22,25]. In line with this perspective, Henry Paulson [36], then US Secretary of the Treasury, suggests that Washington's engagement policy is successful, and that the US-China economic relations are more productive than ever before. Hence some

liberals view China's BRI as a product of open and inclusive cooperation in the globalization era, which is completely different from the realist account [31].

Although the two mainstream IR theoretical approaches provide critical insights into the future of Sino-US relations and what factors will be influential in determining their course, they remain circumscribed due to their opposite conclusions. More importantly, though the liberal institutionalists recognize the crisis confronting the American-led liberal international order, they claim that it is "a crisis of [US] authority within the old hegemonic organization of liberal order, not a crisis in the deep principles of the order itself." [23] They largely overlook the changing nature of US-China economic relations and China's evolving stance toward the liberal international order. The liberal institutionalist account of China's rise rests on the assumption of a cooperative bilateral economic relationship between the US and China. However, this assumption should not be taken for granted. As this article will suggest in more detail subsequently, the US-China economic relations are not static but dynamic in nature. Moreover, faced with the challenges posed by Brexit and the Trump administration, it becomes less plausible that the liberal world order will simply survive. It is also less convincing that the liberal order is so durable that China simply "does not have the ideas, capacities, or incentives to tear down the existing international order and build a new one." [24] In fact, China has been dissatisfied in many ways with the current global institutional presence, which is particularly evident in China's call for reform of the international monetary system and promotion of RMB internationalization after the 2008 global financial crisis (GFC) [52]. Many liberals also expected an inevitable democratization led by China's economic development and integration into the liberal international order. However, China has been actively exporting its authoritarian values. China's promotion of "internet sovereignty" is a clear example to showcase how China has contested global norms to strengthen its authoritarian rule [59]. As such, China's rise nowadays has led to concerns regarding its impact to undermine rather than strengthen the liberal norms at the global stages.

In contrast, the structural realist account of US-China relations takes into consideration the power distribution of international system, which is actually changing over time. It well explains the increasingly conflictual nature of US-China relations along with the power transition between the two countries. However, the structural realist account is very much focused on security issues and less attention is paid to the changing bilateral economic relations. Shambaugh [40:14] argues that "there is one common dominator across the neorealist spectrum – that contemporary and future Sino-American relations have been, and will continue to be, characterized predominantly by strategic competition, geopolitical rivalry, and the possibility

of military conflict.” This is not claiming that the structural realists downplay the importance of economic issues but suggesting that they have not provided nuanced examinations, which is of necessity because the US-China relationship is a unique combination of deep interdependence, limited cooperation, and increasing competition [40:4-5]. More specifically, how do the bilateral economic relationship evolve from a cooperative one to a competitive one? To what extent does China’s economy grow to threaten American security? How do the top leaderships perceive the evolving bilateral relations? Therefore, the structural realist claim – that should China continue to grow economically, there will be intense security competitions between China and the US – offers limited insights. In a nutshell, it calls for more close examination of the evolving bilateral economic relationships and the implications for the broader Sino-US relations.

Therefore, this article suggests that a historical and evolutionary perspective is helpful to incorporate a dimension of time to further examine US-China economic relations. This article assumes that the US-China economic relations are not static but dynamic in nature. The US-China economic relationship could be adjusted from a more cooperative relationship, such as free trade, investments, and technology transfers, to a more competitive one, such as tariffs and quotas, investment restrictions, and even economic sanctions. Both structural realism and liberal intuitionism have paid insufficient attention to the evolution of the US-China economic relationships, and this article strives to highlight this crucial factor.¹ The evolutionary perspective emphasizes the continuities and changes in the US-China economic relations. The article proceeds in the two subsequent sections to more specifically analyze the evolution of the US-China economic relationships in the twenty-first century.

Furthermore, it is worth noting that the evolving US-China economic relationships from a cooperative one to a competitive one do not directly translate into a more competitive Sino-US relationship. The more intense economic competition needs to be perceived and assessed by the “foreign policy executives” [32], that is, the Trump and Xi administrations in our study. The top leaderships’ perceptions, including Trump’s perception of rising challenge from China’s economic aggression and Xi’s perception of China’s international status in the

¹ There is substantial literature on the history of Sino-US relations. See, for example, Warren I. Cohen, *America’s Response to China: A History of Sino-American Relations* (Columbia University Press, 2010); Henry Kissinger, *On China* (Penguin, 2012); David Shambaugh, Sino-American strategic relations: from partners to competitors, *Global Politics and Strategy*, 2000, 42(1): 97-115; Nancy Bernkopf Tucker, The Evolution of U.S.-China relations, in David L. Shambaugh ed., *Tangled Titans: The United States and China* (Rowman & Littlefield Publishers, 2012); He Kai, Explaining United States-China relations: Neoclassical realism and the nexus of threat-interest perceptions, *Pacific Review*, 2017, 30(2): 133-151. However, they are largely focused on security issues and less attention is paid to the changing bilateral economic relations.

new era, are important intervening variables in the casual mechanism. The analytical framework to understand the US-China trade disputes is shown as follows. The following section will examine how the changing dynamics of US-China economic relations as well as the top leaderships' shifting perceptions of each other create an impetus for the transformed Sino-US relations, which drive the recent escalation of trade disputes.

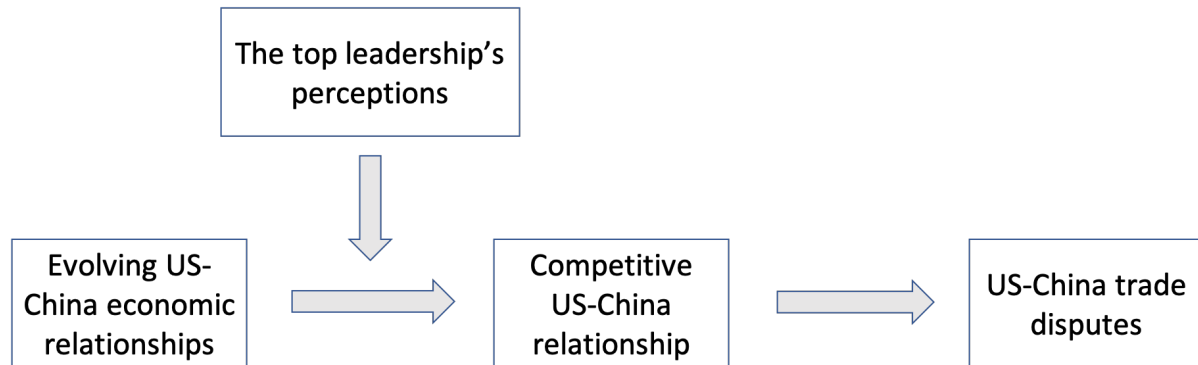


Figure 1: An analytical framework to understand the US-China trade disputes

The symbiotic but asymmetric US-China economic relationship from 2001 to 2008

This section shows that the US-China economic relationship was more complementary and cooperative in nature from 2001 to 2008. The liberal institutionalist account of the relationship between China and the US (also the US-led international order) relies on this precondition. Specifically, the US and China have formed a symbiotic relationship in the capitalist world economy since the late 1990s; the US consumes China's inexpensive exports and pays China in US dollars, and China holds US dollar and Treasury bonds, even providing loans to the US. The foundations of the symbiotic US-China economic relations are two-fold: the dollar's core status in the international monetary system and China's dependence on the dollar and the US market.

On the one hand, the US emerged from the two World Wars to become the economically and politically dominant core state. The US specialized in the production of the most advanced goods, which involves the use of the most sophisticated technologies and capital-intensive production. The dollar has always been the single dominant currency in the international monetary system, both in the Bretton Woods system of gold exchange standard and in the post-Bretton Woods monetary system of fiat currencies. The international role of the

dollar endowed the US with the advantage of issuing dollars as the world trading and reserve currency, the willingness of foreign official institutions to purchase and hold US government bonds, the privilege of running balance-of-payment deficits without implementing structural adjustments like other borrowing countries, and the related and crucial discretion of the Federal Reserve to implement expansionary monetary policy to stimulate recessionary economy or remove debts with inflation [52].

On the other hand, China has followed Japan and the newly industrialized economies to stimulate export-oriented growth since Deng Xiaoping’s “reform and opening up” policy in the 1980s. China took measures to create a favorable environment for foreign investment and business, which facilitated its rapid capital accumulation and export-oriented growth after the 1980s. China maintained a roughly fixed exchange rate against the dollar from 1994 to 2005 and allowed very limited appreciation and flexibility in the RMB exchange rate from 2005 to 2008. After China joined the WTO in 2001, China’s low-cost manufacturing and low-level exchange rate together made Chinese goods particularly competitive in the world market, which generated large amounts of trade surplus. Furthermore, with China’s increasing trade surplus and economic growth, China’s central bank, the People’s Bank of China, faced the enormous pressure for currency appreciation and engaged in sterilized interventions by selling RMB and buying dollars in the foreign exchange market. The result was the continuous expansion of China’s foreign exchange reserves. China also used a part of these foreign reserves to purchase US Treasury bonds in order to finance American balance-of-payment deficits. Figure 1 depicts the symbiotic US-China economic relationship from 2001 to 2008 as follows.

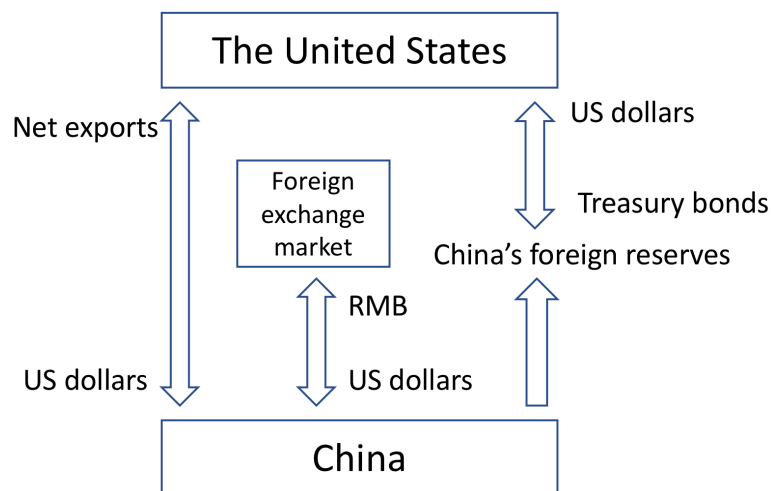


Figure 2: The Symbiotic US-China Economic Relationship from 2001 to 2008

Notably, after China’s accession to the WTO membership in 2001, China further developed its complementary economic relationship with the US and integrated into the capitalist world economy. Figure 2 demonstrates the increasing importance of export-driven growth for the Chinese economy from 2001 to 2008. Figure 3 shows China’s overall trade surplus and bilateral trade surplus with the US from 1994 to 2008. The real turning point in China’s position in global trade and payments took place after 2001. Its trade surplus rose sharply from 2003, as did its bilateral trade surplus with the US. Figure 4 shows the corresponding dramatic increase of China’s foreign reserves in the twenty-first century. Therefore, the symbiotic US-China economic relationship could be seen from the division of labor and the flow of commodities, services and capital between the two countries. Some observers even perceived the two economies as one, “ChinAmerica”, if the political and ideological divergences of the two countries are put aside [27].

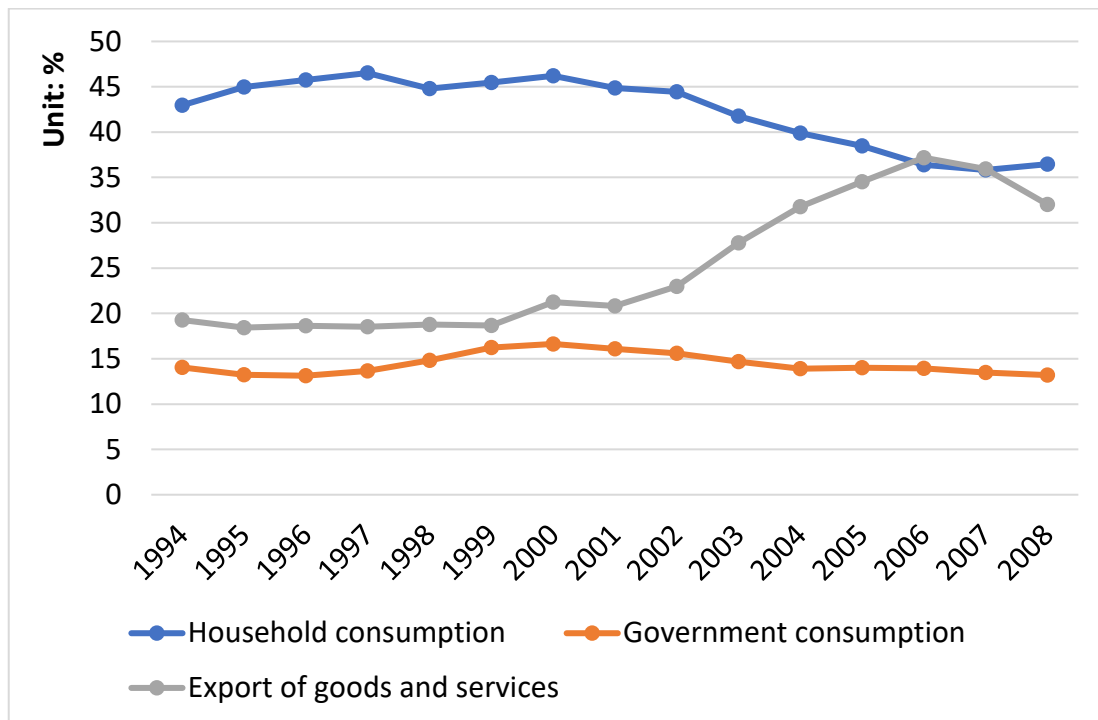


Figure 3: China’s Consumption and Export as Percentages of GDP, 1994-2008

Source: World Bank Data, <<http://data.worldbank.org/country/china>>.

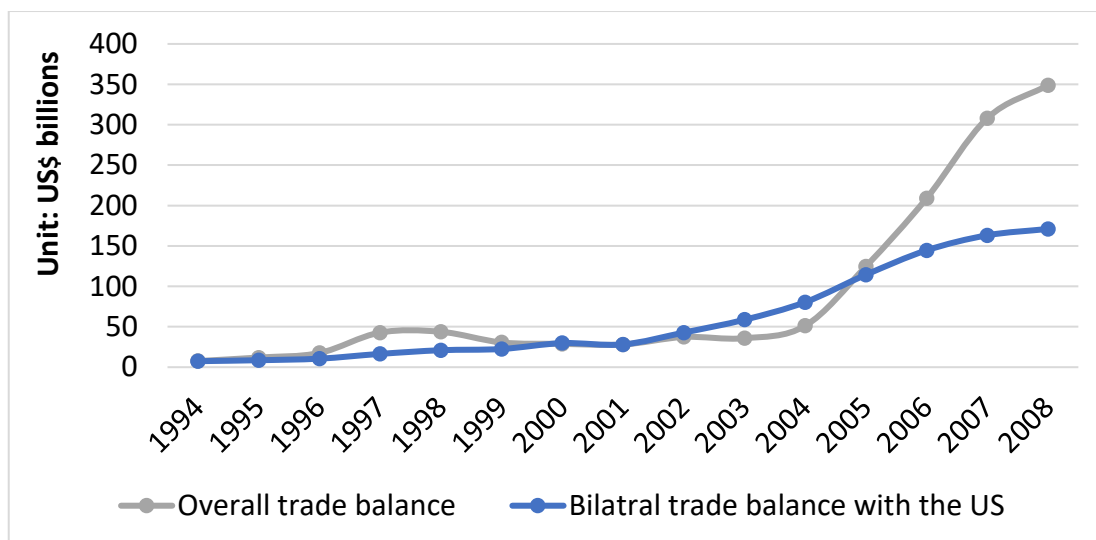


Figure 4: China's Overall Trade Surplus and Bilateral Trade Surplus with the US, 1994-2008
 Source: IMF Direction of Trade Statistics, <<http://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85>>.

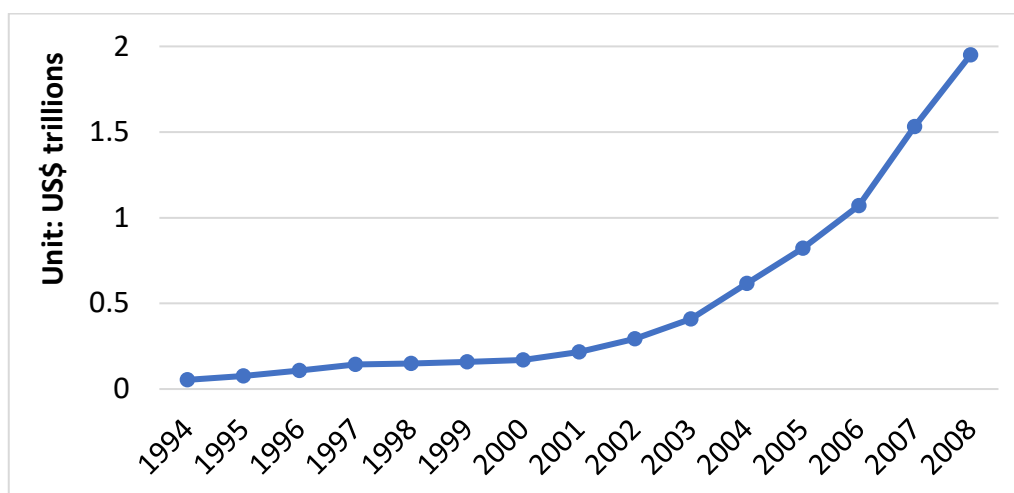


Figure 5: China's Foreign Reserves, 1994-2008

Source: IMF International Financial Statistics, <<http://data.imf.org/?sk=5DABAFF2-C5AD-4D27-A175-1253419C02D1>>.

Furthermore, it is worth noting that China was more vulnerable in the symbiotic relationship than the US, which was particularly evident with the outbreak of the 2008 GFC. Figure 5 shows the export propensity index of China and the US before the 2008 GFC. The index measures the degree of a country's reliance on the foreign market. China's export propensity index was well above 20% in the twenty-first century and reached 30% from 2004 to 2008. With a considerably higher export propensity index, the Chinese economy was more vulnerable to external shocks, which can be seen from the enormous difficulties faced by its manufacturing exports after the 2008 GFC. While its exports had been growing by an average

of more than 20% month-by-month for most of 2008, they fell dramatically by 2.2% in November (see Figure 6). China’s export-oriented industrialization encountered the external shock of the GFC at the end of 2008 and experienced negative growth in 2009. Under the severe circumstances, the Chinese government rolled out a series of *ad hoc* rescue policies, including the mega fiscal stimulus plan and expansionary monetary policy in 2009.

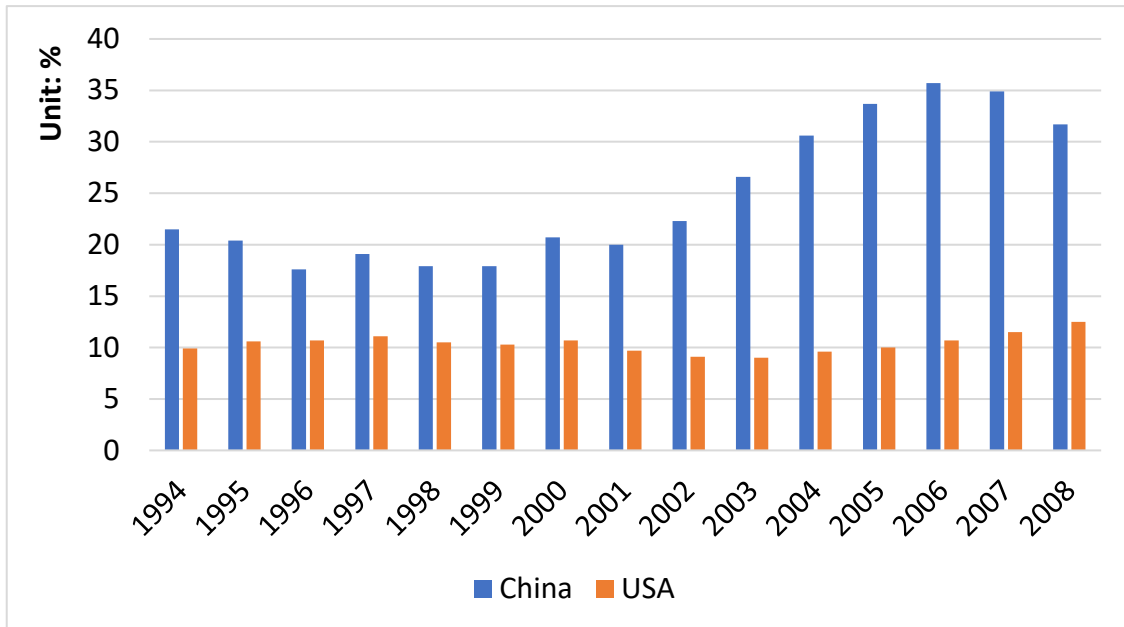


Figure 6: Export propensity index of China and the US, 1994-2008

Source: UN Comtrade Database, <<https://comtrade.un.org/>>

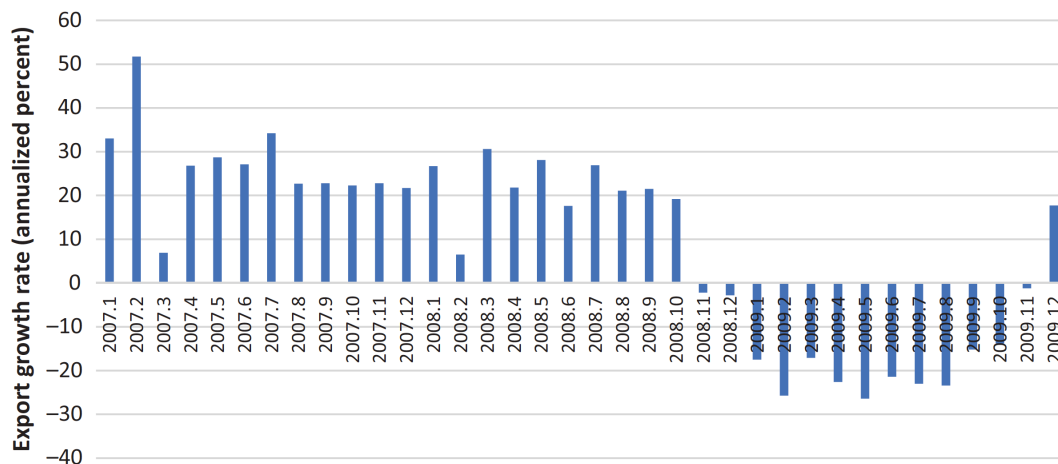


Figure 7: China’s Monthly Export Growth Rate, 2007–2009

Source: National Bureau of Statistics, People’s Republic of China,

<<http://data.stats.gov.cn/english/easyquery.htm?cn=A01>>.

Above all, it reflects the symbiotic but asymmetric nature of US–China economic relationship from 2001 to 2008. China’s export-driven growth and its accumulation of dollar reserves and US debts are closely intertwined with the dollar hegemony in the international

monetary system and America's increasing over-drafting consumption and trade deficit. Keynes once suggested that "when you owe your bank manager a thousand pounds, you are at his mercy; when you owe him a million pounds, he is at your mercy." [19] This logic applies to US-China economic relations as well. China was more vulnerable in the symbiotic relationship of its owning making. Chinese leaders were more aware of China's disadvantaged position in the asymmetric US-China economic relationship and intended to make some changes after the crisis was relieved.

The US-China increasingly competitive economic relationship after 2008

The 2008 GFC marked an important turning point of US-China economic relations, shifting the original symbiotic relationship between 2001 and 2008 towards a more competitive one after 2008, especially in the Trump-Xi era. This article argues that this is a result of a variety of factors including China's domestic economic reforms and growing ambition in global economic governance. The ambitious economic transformation plans at home and abroad put forward by the Chinese government have contributed to the growing competing nature of US-China economic relations.

The 2008 GFC had an immediate negative effect on Chinese exports and thus threatened China's economic trajectory significantly, revealing the vulnerability of China's export-oriented economic growth model. The Chinese leadership recognized the negative consequences of excessive external dependence on the dollar and the foreign market. As such, a series of domestic economic reforms has been announced to transform the Chinese economy. According to Wen Jiabao, the Premier at the time, the Chinese economy was "unbalanced, uncoordinated and unsustainable," and thus, China needed to restructure and rebalance its economy for sustainable growth after the crisis was relieved [53]. Under the current Xi Jinping-Li Keqiang administration, China has put forward comprehensively deepening reforms, including market-price mechanisms, fiscal and taxation systems, land and residence registration systems and financial liberalization, all of which aim to enhance China's economic transformation and improvement [54]. Xi also elaborated that the Chinese economy has entered a "new normal" that allows a medium-to-high growth rate with more balanced and sustainable growth. He clearly aimed to change China's growth model to one driven by domestic consumption and innovation, instead of inexpensive exports and low-efficiency investments

[55]. China's lower target of economic growth, announced by the top leadership, reduced the obsession with the GDP and gave more leeway for economic transformation and improvement. If successful, this implies that China's economic growth will become less reliant on the US market, or in other words, it may become less "dependent" on the US. To some Chinese scholars, this will help to make China less vulnerable when dealing with the US and thus, more capable of taking harsh actions towards the US [8, 9].

More importantly, China's reform plans reveal its ambition in competing with global leading innovators such as the US. For example, China's State Council released a national blueprint for promoting manufacturing innovation called "Made in China 2025" on 19 May 2015. The plan identified ten key sectors for China's innovation-driven development, such as new information technology, numerical controlled machine tools and robotics, aerospace equipment, and ocean engineering equipment, for China's innovation-driven development [56]. Not only did China demonstrate its plan to steer away from labor-intensive industries to higher-tech manufacturing but it also shows its ambition to become a global leader in innovation. The guideline pledges that "China will be an innovative nation by 2020, an international leader in innovation by 2030, and a world powerhouse of scientific and technological innovation by 2050." [42] To employ the terms of world-system theory, China has upgraded from periphery to semi-periphery after three decades of "reform and open up" policy and is further proceeding to semi-core (and even core) in the three decades after the 2008 GFC. Therefore, China's manufacturing products are expected to have more intense competitions with advanced industrial countries like the US, Germany, and Japan.

In the currency domain, the rise of China also represents a challenge to American hegemony. China's concern with the dollar hegemony and intention to reform the international monetary system were evident in the landmark essay titled "Reflections on the Reform of the International Monetary System" by Zhou Xiaochuan [61], then governor of China's central bank, in March 2009. Though Zhou's call for the Special Drawing Right (SDR) eventually lost momentum as the super-sovereign reserve currency², the Chinese leadership turned to promote the diversification of the international monetary system by pushing the internationalization of the RMB, thereby reducing reliance on the dollar. Since 2010, the RMB has played increasing roles in cross-border trade and investment settlements. China has also signed a number of

² There are several institutional limitations and political obstacles that prevented the SDR from challenging the dollar. See, for example, Minh Ly, Special drawing rights, the dollar, and the institutionalist approach to reserve currency status, *Review of International Political Economy* 19:2 (2012): 341–362. Gregory Chin, China's Rising Monetary Power, In *The Great Wall of Money: Power and Politics in China's International Monetary Relations*, ed. Eric Helleiner and Jonathan Kirshner (New York: Cornell University Press, 2014).

bilateral currency swap agreements with other central banks or monetary authorities to help the RMB become an international reserve currency [37]. Starting from 1 October 2016, the RMB is included in the SDR basket, which reflects China's expanding role in global trade and the substantial increase in the international use of the RMB [26]. With the rapid development of RMB internationalization, large amounts of literature have shed light on the evolution of the international monetary system from a dollar-based monetary system into a multipolar currency system [3]. Although the dollar will remain at the apex of the currency pyramid for some time, it will not be as dominant as it was in the past, for the same reason that the US will not be as dominant economically as it once was in the world economy.

Moreover, driven by China's dissatisfaction within its limited power within the IMF, China has put forward the Asian Infrastructure Investment Bank (AIIB) to fund infrastructure projects in Asia. While China claims the AIIB has a supplementary nature, many consider the AIIB as China's challenge to the pillars of the US-crafted global financial order: the IMF and the World Bank.³ The story of how China built an alliance to create the AIIB and the US's failure to contain it is another example to highlight the strategic competition between China and the US for leadership in global economic governance [11].

Along with the AIIB, China under Xi Jinping put forward the initiatives of "the Silk Road Economic Belt" and "the 21st-century Maritime Silk Road" in Kazakhstan and Indonesia respectively in 2013. To Beijing, China's BRI is expected to serve the function of bridging the reforms across the domestic and international domains. Domestically, it aims to relieve the two problems in the Chinese economy, overcapacity and excessive foreign reserve [51], and internationally, it aims to further promote the internationalization of the RMB [30]. With deepening regional economic integration, not only will the BRI provide new markets for China's manufacturing goods but also boost the RMB internationalization by increasing RMB denominated investments and trade. This is not to say that the BRI will necessarily unfold according to Beijing's plan. Nonetheless, the point to emphasize is that this kind of plan creates anxiety over China's global ambition and contributes to the competitive elements of Sino-US relations. Under these circumstances, the US-China economic relations are evolving from a

³ For those who view AIIB as challenge to IMF and World Bank, for example, see Paola Subacchi, The AIIB is a threat to global economic governance, *Foreign Policy*, 2015, <http://foreignpolicy.com/2015/03/31/the-aiib-is-a-threat-to-global-economic-governance-china>. For those who regard AIIB as supplement to IMF and World Bank, for example, see Ren Xiao, China as an institution-builder: the case of the AIIB, *Pacific Review* 29: 3 (2016): 435-442. For those who take an evolutionary perspective and provide more nuanced analysis, for example, see Jeffrey D. Wilson, The evolution of China's Asian Infrastructure Investment Bank: from a revisionist to status-seeking agenda, *International Relations of the Asia Pacific*, 19:1 (2019): 147-176; Shahr Hameiri and Lee Jones, China challenges global governance? Chinese international development finance and the AIIB, *International Affairs* 94:3 (2018): 573-593.

symbiotic relationship between 2001 and 2008 towards a more competitive relationship after the 2008 GFC, especially in the Trump-Xi era. The reasons behind the on-going evolution are largely from a series of China's domestic and global economic plans.

With China's continued economic transformation, China has been upgrading its exports from labor intensive to more capital and technology intensive products, which finds more competition with products manufactured in advanced industrial countries like the US, Germany, and Japan. With the internationalization of the RMB, China reduces its dependence on the US dollar to some extent, at least in regional trade, investment, and reserve currency arrangements. The growing roles of the RMB in the global economy indicate that the unipolar, dollar-based monetary system is evolving into a multipolar currency system that will exercise better discipline over the US dollar. The unfolding of the BRI is claimed to facilitate regional development and cooperation to create a favorable environment for China's economic transformation and RMB internationalization. Should the BRI be carried out according to Beijing's plan, there might exist a Sino-centric regional order in Asia. It does not suggest that there is guaranteed success for China's developments in the above three programs, but that the process will be accompanied by more intense economic competition between the US and China.

This growing competitive nature of US-China economic relations after the 2008 GFC has also been captured by empirical studies. Caporale, Sova, and Sova confirm the significant change in China's trade structure associated with a shift from labor intensive to capital and technology intensive exports [4]. Hamia [20] finds that the competitiveness indices of China's manufactured goods have increased quickly after 2010, surpassing those of US industries in international markets. Should "Made in China 2025" be implemented successfully, the gap is expected to be further widened. Kwan [29] finds that owing to China's increasingly sophisticated trade structure in recent years, China's complementarity with the industrialized countries (United States, Japan and Germany) has been diminishing while competition with the newly industrializing economies (India and Indonesia) and resources countries (Australia and Russia) has been decreasing.

This is, of course, not to say that the US and China have no or little economic complementarity presently. Economic indicators such as US-China bilateral trade volume and China's holdings of US Treasury bonds suggest that the two economies are still very important economic partners to each other. It would be mistaken to say, at least too early, that the nature of US-China economic relations has fundamentally changed at this stage. The emphasis of this article is not placed on the transformed consequence but the evolutionary process, in which the

US experiences intensified anxiety regarding China's growing competitiveness. There have been several key US government agencies and think-tanks expressing such concerns in 2017.

For instance, the US-China Economic and Security Commission (USCC) [50] declared that "the Chinese government is implementing a comprehensive, long-term industrial strategy to ensure its global dominance". In the USCC's 2017 annual report submitted to the US Congress, "Made in China 2025" is considered to be Beijing's strategy to make China's companies unfairly more competitive than foreign companies, first at home and then abroad. The USCC also views China's BRI as having strong strategic intentions to expand China's leverage and influence over the strategically important places. Like the USCC, the US Trade Representative (USTR) [49] attributed the rising US-China economic competition to China's state-directed approach to achieve dominance in advanced technology. The USTR's 2017 annual report to the US Congress raised serious concerns with Made in China 2025, which included state intervention and support to promote China's high-tech industries at the expense of foreign enterprises. Members from other government associations and think-tanks, such as the National Defense Industrial Association and the Center for Strategic and International Studies, also accused China of stealing American intellectual property, which unfairly erodes US competitiveness and weakens US industries [45].

Above all, China's growing economic competitiveness has increased the consideration of China as a significant threat to the US. As suggested by realists, statesmen are unlikely to avert relative-gain considerations, particularly in the process of an economic relationship evolving from a symbiotic one to a more competitive one, "each side not only considers its individual gain, but also how well it does compared to the other side." [34] As the following section will discuss, this growing American concern with China's economic competitiveness gives rise to a more strategically competitive Sino-US relationship, which sows the seed of trade tension between the two countries.

Strategically competitive Sino-US relationship taking shape

With US-China economic relations evolving from a symbiotic relationship towards a more competitive relationship, the Sino-US relationship is undergoing some significant transformation as well. While the Bush administration focused on both economic and strategic engagement with China, the Obama administration maintained the economic cooperation with

China but made some strategic adjustments (“Asia Rebalancing” and then “Pivot to Asia”). In contrast, the Trump administration criticized his predecessors for the false premise that engagement and cooperation with China would be conducive to productive Sino-US relations. The Trump administration is presently concerned with China’s growing economic strength and military capability that could erode American prosperity and security; thereby, the administration is taking strategic actions to compete with China.

The 2017 US National Security Strategy (NSS) report represents a significant shift of America’s China policy. The White House [46] released the Trump administration’s first NSS report in December 2017, and Trump declared that the publication was a milestone for his presidency. China was mentioned thirty-three times in Trump’s NSS in 2017, compared with twelve times in Obama’s NSS in 2015 (no NSS was produced in 2016). In Obama’s NSS in 2015, although the US recognized that there would be some competition between the two countries, the Obama administration welcomed “the rise of a stable, peaceful, and prosperous China” and sought to “develop a constructive relationship with China”.[43] However, Trump’s NSS in 2017 clearly pointed out that the US should change the Obama administration’s strategy with China:

“For decades, U.S. policy was rooted in the belief that support for China’s rise and for its integration into the post-war international order would liberalize China; contrary to our hopes, China expanded its power at the expense of the sovereignty of others.”[44]

Instead, it clearly defined China as a revisionist power with the ambition to expand its economic and military influences regionally and globally. The NSS declared that the US must be fully prepared to compete with China: “we will raise our competitive game to meet that challenge, to protect American interests, and to advance our values.”[44]

Furthermore, the US Department of Defense issued the National Defense Strategy (NSD) in January 2018 to support Trump’s NSS in 2017. The NSD identified China as a “strategic competitor that uses predatory economics to coerce its neighbors” and defined “the reemergence of long-term, strategic competition by China as the central challenge to U.S. prosperity and security.”[48] Accordingly, the NSD declared that “long-term strategic competitions with China are the principal priorities for the Department”.[48]

It is evident that both the NSS and the NDS reveal that a more strategically competitive Sino-US relationship is taking shape under the Trump administration. China’s incremental reforms after the 2008 GFC reflect China’s desire to stimulate industrial and technological upgrading domestically, to promote the diversification of the international monetary system,

and to establish a Sino-centric regional order internationally. From Trump's perspective, China's economic development and expansion substantially undermines American influence and interests in the global political economy. Both the NSS and the NDS suggest that the Trump administration will not stand by and let this power transition continue. Instead, Trump has overturned his predecessors' strategy with China and taken a more assertive stance on China.

The shifting American perceptions of China have not happened in a vacuum. China has also gradually changed its US policy because of the shifting international landscapes. Since the late 1980s and early 1990s, Deng Xiaoping's "keeping a low profile and never seeking for leadership" principle has been hailed by the Chinese government as a fundamental principle of its foreign policy. This is particularly applicable to (if not specifically designed for) the Sino-US relationship. On the one hand, maintaining good relations with the US is considered crucial to practice this principle. On the other hand, China's priority lies in domestic economic development with little interest in seeking global economic leadership. This has contributed to the cooperative nature of Sino-US relations in global governance.

This principle of "keeping a low profile and never seeking for leadership", however, has been increasingly challenged within China. Many argue that this principle no longer suits China's national interests due to the shifting international landscape [16]. It is argued that the size of the Chinese economy has become so large that it has to take on more international responsibilities. Thus, China should adopt the principle of "striving for achievement", which suggests a proactive approach to seek global leadership [57]. The financial crisis has advanced the debate by giving more credit to those who advocate for abandoning the "keeping a low profile" strategy. It has led to an intense debate over the strength of the capitalist world economy and the future liberal international order with and without China. The crisis led to the reflection of China's strategic community on China's role in the global order and the future of US leadership.

Combined with the domestic leadership change, China has gradually indicated increasing interests in global economic governance. The idea of a "New Type of Great Power Relations" pushed by Xi Jinping's leadership is a clear example. Arguably, it is "G2" with Chinese characteristics in which China plays an equally powerful role with the US in the global governance architecture [58]. This is an idea that was clearly rejected by China in 2009. After the 2008 GFC, many expected China to play a larger role in global economic governance to prevent another global financial crisis. The ideas of "G2" and "Chimerica", for example, were highlighted at the time as alternative global governance models. However, guided by the principle of "keeping a low profile", China clearly rejected those ideas at the time as many

argued that China was not ready for global leadership [7]. Nonetheless, the financial crisis led to China's domestic reflections on its limited role in global economic governance. Many argue that global economic governance would be very ineffective if China continues its "keeping a low profile" approach and remains limited in its contribution or participation in the international stage [19]. Since China became the second largest world economy in 2010, the size of the Chinese economy determines that it can no longer be a "free rider." This domestic reflection combined with China's leadership change has led to Xi Jinping's push for a "New Type of Great Power Relations" in 2012. This Chinese-coined concept based on an equal power status of bilateral relations marks a different Chinese understanding of Sino-US relations, which focused more on asymmetric elements of this bilateral relationship.

While the idea of a New Type of Great Power Relations failed to win enthusiastic response from the US, it did not prevent China from realizing its ambition in global economic governance. Following the shift of its foreign policy principle from "keeping a low profile and never seeking for leadership" towards "striving for achievement", China has gradually become an active participant in global economic governance as demonstrated by the aforementioned case of the AIIB. This marks a clear departure from Deng Xiaoping's doctrine of "never seek for leadership." Xi even declared that "we are unprecedentedly close to the center of the world stage, unprecedentedly close to achieving the goal of China's great rejuvenation, and unprecedentedly equipped with the ability and confidence to achieve this goal" after 2015 [5]. All of these reflect China's top leadership's perception of China's international status as well as China's global ambition shifting from a norm/system taker towards a norm/system maker [60]. The increasingly competitive US-China economic relations as well as the top leaderships' shifting perceptions of each other contribute to the growing competitive nature of Sino-US relations in the international stage.

Returning to the recent US-China trade disputes, the US domestic politics and Trump's personality could have important influences on the trade disputes under the rising US-China competition, but the article suggests that the trade tension is embedded in the strategic competition between the two countries. Based on the above analyses, the US-China trade tension is ten percent of an iceberg above the surface of water, as the strategic competition between the two countries is the more fundamental ninety percent under water. Garrett [17] provides insightful comments that "recent trade skirmishes between China and the United States are less about steel and soybeans and more about which country will be the leader in global innovation in the 21st century." Although it remains unclear whether the two countries will further escalate the trade war to other issue areas, it can be confidently expected that the

trade tension will not be simply resolved by a few rounds of negotiations. A few rounds of further escalation are very likely to be on the way. It will be a prolonged and complicated task for both Washington and Beijing to put the trade disputes on hold and prevent a broader trade war.

Conclusion

The recent intensified trade tension between the US and China has once again heightened global concerns that a trade war between the two largest economies would have serious consequences for the world economy. This article has explored the fundamentals of the rapidly escalating US-China trade disputes and the implications for Sino-US relations. Based on a critical review of the two mainstream IR theories, liberal institutionalism and structural realism, this article suggests a historical and evolutionary perspective to incorporate the dimension of time to examine US-China economic relations. It shed light on the historical evolution of US-China economic relations from a symbiotic relationship between 2001 and 2008 towards a more competitive relationship after the 2008 GFC. It shows that the driving factors largely come from the Chinese government's ambitious economic transformation plans at home and abroad. The Chinese leadership, especially under the Xi administration, also demonstrates the confidence in China's leading role in global economic governance. The evolutionary process intensified America's concern with China's growing economic competitiveness in high-tech manufacturing and its ambition of leadership in global economic governance. There was a clear shift in America's stance toward China at the end of 2017. The latest NSS and NDS clearly demonstrated that the Trump administration regarded China as more a strategic competitor than an economic partner.

In this sense, the rapid escalation of trade disputes could be better understood in the context of such a more strategically competitive Sino-US relationship. The high-level trade talks between the two countries turned out to be quite difficult and inconclusive, and it is expected that the trade dispute will not simply be resolved by negotiations. In light of rising US-China competition, trade frictions between the two countries are likely to increase under the Trump-Xi administrations.

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