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U.S. Sanctions Against China During Trump's Presidency

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Declaration

I, Mohamed Yacine Souidi, declare that this dissertation is my own work. It is based on research that I carried out myself, and is written in my own words. With the exception of acknowledged quotations, no part of the text of the dissertation has been copied from any other source, or written by any other person.

Mr. Mohamed Yacine Souidi

(Signature)

Dedication

In the NAME of ALLAH, the Most GRACIOUS, the Most MERCIFUL.

I dedicate this hard work to the closest people to my heart.

*To the late memory of my beloved father **Mohamed Djamel***

*To my beloved mother **Faiza**; the light of my eyes, for her endless
care, love and prayers.*

I dedicate this dissertation to my only brothers and sister

Mohamed Ismail** (may Allah have mercy on his soul), **Mohamed

Aymen and Ines Fatima Zohra** and all family **Souidi

*My special dedication to all cancer fighters. may Allah have mercy on
their soul, my brother and my father.*

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complete this research.*

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Abstract

Trade relations between China and the U.S. are going through a rough patch. The Trump administration said that the unfair Chinese-U.S. trade relationship is to be blamed for significant trade deficits and Americans have suffered greatly because of it, so "rebalancing" should be undertaken. Accordingly, the so-called "trade war" has been set off by the United States just recently. The Sino-U.S. trade relationship should not be held responsible for the large trade deficit that the United States has with China, and there is a compelling rationale behind the most recent American measures related to the trade conflict. The trade war between China and the U.S. is very similar to the so-called "Thucydides Trap," in which two superpowers struggle for dominance of the global economy. The research analyzes how the Trump administration intends to achieve trade relations with China but this latter has refused the reciprocal trade that has been requested by Trump. This research identifies the causes of President Trump's tariffs on Chinese goods. Also, it describes how the trade war is unequal and China will certainly suffer if the conflict gets worse. Trump's real motivation for imposing trade sanctions on China is to decrease the large trade deficits the U.S. has faced with China. Among the findings of this research is that the large trade deficits of the United States are not a direct outcome of China's trading relationship with the United States.

Key Words: U.S. Sanctions, U.S. Foreign Policy, China's Economic Growth, Trump's Presidency.

Résumé

Les relations commerciales entre la Chine et les États-Unis se passent par une période difficile. L'administration de Trump a déclaré que la relation commerciale Sino-américaines inéquitable est à blâmer pour les gros déficits commerciaux et à cause de cela, les Américains ont beaucoup souffert, c'est pour ça un "rééquilibrage" doit être entrepris. En conséquence, la soi-disant «guerre commerciale» a été déclenchée par les États-Unis tout récemment. Les relations commerciales sino-américaines ne devraient pas être tenues pour raison du gros déficit commercial que les États-Unis ont avec la Chine, et il existe une justification convaincante derrière les mesures américaines les plus récentes liées au conflit commercial. La guerre commerciale entre la Chine et les États-Unis est très similaire à ce qu'on appelle le « piège de Thucydide », dans lequel deux superpuissances luttent pour la domination de l'économie mondiale. La recherche analyse comment l'administration de Trump à l'intention d'établir des relations commerciales avec la Chine mais cette dernière a refusé le commerce réciproque qui a été demandé par le président Trump. Cette recherche identifie les causes des tarifs douaniers sur les marchandises chinoises imposée par le président Trump. En outre, il décrit à quel point la guerre commerciale est inégale et la Chine souffrira certainement si le conflit s'aggrave. La véritable motivation de Trump pour imposer des sanctions commerciales à la Chine est de réduire les gros déficits commerciaux auxquels les États-Unis se confrontent. L'une des conclusions de cette recherche est que les gros déficits commerciaux des États-Unis ne sont pas le résultat direct des relations commerciales avec la Chine.

Mots clés : Sanctions Américaines, Politique Etrangère Américaine, Croissance Economique de la chine.

List of Abbreviations

BBC	British Broadcasting Corporation
BIS	Bank for International Settlements
CCP	Chinese Communist Party
CFTNI	Centre for the National Interest
CNN	Cable News Network
COVID-19	coronavirus disease 2019
DOC	Department Of Commerce
EO	Entrepreneurs' Organization
EPZ	Export Processing Zones
FDI	Foreign Direct Investment
FIRRMA	Foreign Investment Risk Review Modernization Act
FTZ	Free Trade Zone
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GOP	Grand Old Party
IEEPA	International Emergency Economic Powers Act
NBC	National Broadcasting Company
NBER	National Bureau of Economic Research
TPP	Trans-Pacific Partnership
U.S.	United States
USD	United States Dollar
USTR	United States Trade Representative
WTO	World Trade Organization
WWII	World War II
ZTE	Zhongxing Telecommunications Equipment

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General Introduction

In the beginning of the twenty-first century, the United States of America remains the world's preeminent power. Even the 2008–2009 global economic crisis, which began in the United States before spreading to the rest of the world, reinforced America's global influence. The United States spends more on defence than the rest of the world combined and is the only country capable of asserting its power anywhere on earth. Unlike any other nations, the U.S. has global interests and is defending them through a global network of alliances and bases. It possesses an unprecedented amount of hard and soft power, including a stronghold on both elite and popular culture, which has led many to equate globalisation with Americanisation.

And yet, the U.S. cannot resolve any major international problem, from environmental degradation and climate change to transnational mega terrorism, without the support and cooperation of other powers. The United States is powerful, but not nearly as powerful as it is frequently believed to be. It is capable of accomplishing many things on its own, but managing and successfully harnessing the forces of globalisation in the direction of stability and prosperity requires Asia and Europe to collaborate. This reality shapes the United States foreign policy as it confronts the challenge of power transition as the rise of China. On the other hand, Americans, find it difficult to cooperate with others after leading and winning all of the twentieth century's major battles. To a successful U.S. foreign policy must first be capable of identifying areas where America should take the lead, others where it should cooperate and share in controlling a rapidly changing world.

The United States found itself in such a dangerous situation should come as no surprise. Throughout the 2016 presidential campaign, Donald Trump made no secret of his "America First" views. Liberals and many conservatives responded casually, declaring him unfit for office and casting doubt on his foreign policy standpoints and credentials.

An open letter signed by fifty former Republican administration senior foreign policy officials, ranging from Richard M. Nixon to George W. Bush. The following is an excerpt:

“ From a foreign policy perspective, Donald Trump is not qualified to be President and Commander-in-Chief. Indeed, we are convinced that he would be a dangerous President and would put at risk our country’s national security and well-being... At the same time, he persistently compliments our adversaries and threatens our allies and friends” (*The New York Times* “A Letter From G.O.P. National Security Officials Opposing Donald Trump”).

While the current economic crisis is causing disruptions on every continent, it is starting to take a broader and more systemic impact on United States government, central banks, and finance, too. So far, foreign policy and the United States government face numerous problems as a result of this crisis, but the first Foreign Policy Intelligence Director of the country has come out in favour with the President's New Economic Policy approach. The President Trump always believed in “America First” that refers to a policy attitude in the United States this quote commonly emphasises on nationalism and isolationism. Moreover, Trump used this against China in his administration, and advocated nationalist, anti-interventionist positions, and hitting with foreign policy. Trump initiated a trade war against China and sanctioned the company ZTE due to the accusations of its probable spying on the U.S. After Trump was quite admiring of China's handling of the COVID-19 pandemic, as a response to a question about the pandemic, he said to an Asian journalist “Don't ask me, ask China”. He later proceeded to criticise the nation. He stated that he had resisted attempting to penalise China for its ethnic minority rights violations for fear of throwing the relationship out of business talks into chaos. In July 2020, the Trump administration imposed higher-approved sanctions and tightened travel restrictions on top Chinese officials as part of a larger plan to combat the creation of more mass detention

camps where nearly a million Uyghurs are being held imprisoned. These conflicting views on this issue include several reasons, such as technology development, human rights, and economic growth. Besides, it exists a relationship between the United States and China. Those issues created to shake the common ground of China.

Assumptions

-The U.S. is actually trying to undermine China's economy by creating political problems in order to make it more unstable.

-If China's economy is undermined by the U.S. sanctions, will this lead to its weakness in world stage?

-If China did not develop technologically, so how the world would be? and does this implicate that the United States will be the only world leader.

Research Problem

The proposed research investigates the major causes that led the United States to put sanctions and declare a trade war against China. It analyses how the economic growth of China in the last five years has alarmed the U.S. and raised its fears of losing its hegemony.

Research questions

This proposed research aims to answer questions related to this issue.

What is foreign policy throughout Trump Presidency?

What were the policies adopted by the United States to maintain China's status?

What are the major causes of trade war between the U.S. and China?

Why is the U.S afraid of China?

Will the rise of China decrease the United States position?

Why does not the U.S cooperate with China?

Methodology

This research is based on two approaches historical and descriptive in which the historical approach will be used to trace back the historical framework of U.S. foreign policy and its

sanctions against China. The descriptive approach will provide a thorough account of the hidden factors that led the U.S to impose sanctions on China. This research relies on critical analysis of primary sources. Thus, what has been said or done before is analysed in depth to construct new ideas and perspectives. It also investigates relevant books, papers and articles related to the research proposed. The study is based on looking for the available studies made by historians and scholars on this subject, U.S. foreign policy and its interrelation with China's economy and technological trade.

Structure of the Dissertation

This dissertation is divided into three chapters; the first chapter is an overview of U.S. foreign policy before the war conflict with China during Trump's presidency. The second chapter examines carefully the motives of China's economic growth. The final chapter deals with the U.S. Sanctions against China's economic growth. It analyses U.S. China Trade deficit, human rights, and Tech war.

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Chapter One Overview of U.S. Foreign Policy Before the War Conflict with China

Introduction

Since Donald Trump became President, the United States has started operating under a new, unfamiliar, unconventional and previously unknown foreign policy. Whereas past presidents have generally advocated a specific agenda, ideology, Trump has no policies or stances on anything in particular. A number of commentators had harsh words to say about him, but others hailed him as a nationalist and a populist at the same time. Still, while making a similar effort, this administration dropped its prior dedication to the Asian-Pacific region for purposes in favour of allying instead on it having a global focus on that location. Additionally, Trump has applied a particular level of pressure on the China Economy Growth, which prior to now has been known as strategic patience, has shifted to 'maximum pressure' policy. This chapter Overview of U.S. Foreign policy before the war conflict with China. It includes Trump's doctrine and discuss about it, as it was prominent in his years of his presidency. Additionally, it will detail the extent to which Trump has been successful in decreasing China's Economy expansion and any significant changes in strategy.

1.1. Open-Door Policy

This was an American solution to the maneuvering among all countries to secure China's access to its natural resources. One possible solution to disputes over China is to allow China to remain an open market for all. The Open-Door Policy was implemented to keep China's door open to all countries trade. "A brief Open Door Policy definition: The Open-Door Policy was a trade agreement between the United States, China, Japan, and several European countries. US Secretary of State John Hay created the Open-Door Policy in 1899/1900 in order to allow the US, Japan, and select European countries equal trade access to China, a country that previously had no trade agreements. The Open-Door Policy lasted nearly 50 years, until the communist party's 1949 victory in China's civil war" (Sarikas *Prepscholar.com*).

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1.1.1. Reason of Creating Open-Door Policy

As stated, the United States was concerned that its trading access with China was going to be terminated, and as a result, it wanted a policy in place to ensure it would be able to maintain its ability to trade with the Chinese. More specifically, we will investigate why the United States cared so much about doing business with China, and why they were concerned that their access would be terminated. The Open-Door Policy was developed during the Age of Imperialism, which spanned the late 1800s and early 1900s, during which time European powers as well as other countries like the United States and Japan attempted to increase their global power by dominating and expanding their colonies. Chinese trade was highly sought after, so multiple countries stationed themselves throughout the country, setting up trading posts and sending troops to various locations to ensure they had access to as much Chinese trade as possible.

Although the U.S. is relatively late to the game, it has an enormous advantage due to the advances in technology. The United States only began to become interested in China following the end of the Spanish American War in 1898. America ended up with an enormous amount of Asian land, with the Philippine Islands being the largest part of that. As a result of acquiring this land, the United States investigated China even more, and they found that trading with China would lead to a high return. But this had already been discovered by multiple other countries and as a result, large spheres of influence had been established in China. Because Europe already had well-established colonies and influence in Asia and Africa, Great Britain, the Netherlands, France, and Belgium are commonly regarded as the “old European powers” Japanese power was also prevalent in China. The First Sino-Japanese War (1894-1895) pitted Japan and China against each other in an

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attempt to control Korea. Following Japan's victory in the war, the country quickly increased its influence in both China and Korea. McKinley was concerned that the other foreign powers would interfere with US trade with China and potentially even prevent the US from trading with China at all (Sarikas *Prepscholar.com*).

1.2. The Chinese Perspective

This is quite interesting as far as the Open-Door Policy is concerned; not a single person from the Chinese public or the Chinese government made the decision to open the country. In addition, because of this, Chinese scholars today consider the Open-Door Policy to be an offensive American act. While it is true that the United States imposed this policy on China without asking for permission, their response is that it is unacceptable to do so without even getting their opinion. The Open-Door Policy probably worsened relations between ethnic Chinese and foreigners in China. This uprising, known as the Boxer Rebellion, was started by a secret society called the Righteous and Harmonious Fists in 1900 in northern China, and involved the killing of 300 foreigners and Chinese Christians. The rebellion had to be put down by foreign soldiers, including Russian, British, Austrian, and American forces (Chapel *Study.com*).

However, other scholars contend that while Trump may not be a true isolationist, he is at least not actively involved in fostering global conflict. Primacy is one of the grand strategies that the US follows (Porter *International Security*). The military aims to be strong in specific regions, to contain and reassure allies, to hinder nuclear proliferation, and to adhere to the "Open-Door" foreign policy (Porter *International Security*). Despite that, the Trump administration intends to reverse its course, moving toward a more globalist approach. It is clearly demonstrated in his

military policies with regard to the departure of troops in critical areas of American interests.

1.3. Brief History of U.S. Foreign Policy During Trump's Presidency

“Donald Trump at the age of 70 won his first bid for public office, to be elected the 45th president of the United States, in an upset victory on November 8, 2016. He is the fifth US president to take office despite losing the popular vote, having prevailed in Electoral College votes over Democrat Hillary Clinton. A real estate mogul and reality television star, Trump is the first president without previous service in either elective office or the military, as well as the oldest and among the richest to take office. He holds another distinction as well, Trump took office on January 20, 2017, with the lowest public approval ratings of any president since polling began after his campaign and transition were dogged with allegations of sexual improprieties and Russian meddling in the campaign on his behalf.

Trump was born in the borough of Queens in New York City on June 14, 1946, and raised there. The fourth of five children of Fred Trump, a residential real estate developer and son of German immigrants, and Mary Anne MacLeod Trump, an immigrant from Scotland, Donald took over the family business and expanded it globally, with interests in hotels, casinos, resorts, golf courses, beauty pageants, and Trump-branded products. From the 1970s on, he assiduously promoted the family name as synonymous with business success and the high life, including in bestselling books. While Trump went through a series of bankruptcies in his casino businesses, his branding feats otherwise remained successful and culminated with his years-long run as star of NBC's reality show *The Apprentice*. By the time he ran for president, licensing the Trump name was more important to his financial status than real estate development and ownership.

Married three times and divorced twice, Trump has five children, three of whom Donald Jr., Ivanka, and Eric, his children with his first wife, Ivana joined his businesses. Prior to his inauguration, Trump said Donald and Eric would take over the Trump Organization while Ivanka would come to Washington, DC, with her husband, real estate magnate Jared Kushner; both became senior White House advisors. Trump married Melania Knauss, a former model from Slovenia, in 2005; the next year she became an American citizen and gave birth to their son, Barron.

Trump had dabbled in politics for decades. He contributed to candidates of both parties, registered variously as a Democrat, Republican, and independent, and flirted with running for president in 1988, 2000, 2004, and 2012. In winning the Republican nomination and presidency in 2016, he vanquished two political dynasties, Bush and Clinton, and the billionaire did so as the unlikely tribune of frustrated working-class voters. Trump said during the campaign that his wealth exceeded \$10 billion. However, the accuracy of his claim could not be determined because Trump is the first president in four decades to refuse to release federal income tax returns” (Calmes “Donald Trump: Life in Brief” *Miller Center*).

1.4. Characteristics of Trump’s Foreign Policy

The According to experts, President Trump's background, with its diverse characteristics, clearly influences his foreign policy and decision-making. Trump is a first-rate economist, which invariably affects his policies, whether internal or external. Thus, according to experts in the field, Trump's principles and doctrines primarily influenced his foreign policy decisions. President Donald J. Trump entered the political arena in 2016 as the Republican presidential nominee with a straightforward message. He desired to create a new foreign policy for the United States and frequently set himself apart from Washington's political establishment.

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Trump desired “to shake the rust off America’s foreign policy” (*The National Interest* Trump “Trump on Foreign Policy”).

According to him, post-Cold War policy lacked a clear vision, resulted in frequent policy failures, and had serious flaws such as overstretched resources, unequal burden sharing, unreliability of foreign policy, lack of seriousness, and a lack of clear goals. In terms of trading interest centred policy, Trump wanted to rebalance the financial commitments of its allies, he did not hesitate to do what was necessary, even if that meant the old-fashioned mission and structure could be resorted to using military force. U.S. economic and security are paramount in his thinking: “America First will be the major and overriding theme of my administration,” (*The National Interest* Trump “Trump on Foreign Policy”). And so it was necessary to return to this debate the country's participation in world trade affairs and our role in other countries' relationships, including the economy and defence. Bannon, President Trump's former chief strategist, commented on February 23, 2017 that “Trump is ‘maniacally focused’ on fulfilling his campaign pledges” (Smith, Siddiqui *The Guardian*).

Donald Trump; thus, transposed his campaign promises into legislation and presented his strategy to Congress on February 28, 2017, in a joint speech. With regard to foreign policy, the president reiterated the United States willingness to lead and announced a substantial improvement in defence spending in order to provide the necessary tools for ensuring peace, and in addition, meant to use these resources to prepare for combat and ensure our national security. Trump then continued by saying that “foreign policy calls for a direct, robust and meaningful engagement with the world. It is American leadership based on vital security interests that we share with our allies across the globe” (“*From our Planet.*” Donald J. Trump). In this context, he pledged to seek collaboration in order to put an end to Islamic terrorism.

1.5. Donald Trump's Policies

Following a highly contentious campaign, on November 8, 2016, the president-elect was Donald John Trump. A television personality and real estate investor they saw a businessman with no political experience. Became the 45th President of the United States after joining the White House and the Oval Office. The phrase "grand strategy" was first coined by Sherle Schwenninger, and it is defined as a strategic plan or roadmap that holds the nation's foreign policy goals and objectives and suggests the most effective means to reach these goals. The country may have grand strategies, foreign policy doctrines, and threats that could endanger its national interests, so it should have additionally different perspectives and visions to these situations. This is because most American presidents focused on one crisis, such as the Bush Doctrine and the 9/11 attacks, and thus had the inclination to develop new ideas in reaction to this particular crisis. (Dimitrova 34)

However, when it comes to Trump, the story is quite different. Since its beginning, Trump's administration has been the subject of heated debates among pundits and critics both inside and outside the United States, with the goal of deciphering Trump's approaches, ideology, and intentions. It has been nearly two years since critics began searching for his academic credentials and guiding principles. However, these efforts fell short of providing a clear definition of Trump's catalyst or grand strategy, particularly in foreign policy. As a result, Trump's foreign policy has been interpreted differently. Many people have claimed that he has no ideas or philosophy, and he simply follows his base impulses. Other people, however, disputed and proposed principles and philosophies that characterized the president's foreign policy plans and approaches (Sestanovich *The Atlantic*).

1.6. President Trump's Approach to Foreign Policy: Agenda, Goals, and Objectives

Donald Trump's campaign was characterized by the constant use of one slogan, which was "We Will Make America Great Again." An earlier president, Ronald Reagan, made it popular in the 1980s. The 2016 elections were a referendum on globalism versus patriotism, claims James Dinsdale. Since this was the case, there was growing public support for a foreign policy that put "America First, America Last, and America Always." Trump's chances for election rose accordingly, especially when he promised to end all US interventions abroad, countering unfair foreign trade practices through increasing tariffs on countries around the world (Dinsdale *Sites.Psu.Edu*).

Donald Trump, the Republican presidential candidate, delivered his foreign policy speech on April 27, 2016. He outlined his basic foreign policy beliefs, which would transform the American stance in the world and put "America First" (*Real Washington Post*), is not a recent development in American political discourse. The America First Committee (AFC) was founded in 1940, known for advocating a strategy of strict American neutrality during World War II. It is a patriotic quest, and it's an antithesis to the country's role in World War II. Furthermore, President Roosevelt has been harshly criticized for promoting U.S. involvement in World War II. Presidents Trump rode back to these nationalist sentiments that had flourished over 70 years prior (Calamur *The Atlantic*).

Mike Dubke, who was the White House Communications Director for U.S. President Donald Trump, supported by Richard Haass, president of the Council on Foreign Relations, announced in a White House meeting that there is no Trump Doctrine. In contrast, the Trump staffer says that Trump's doctrine of "America First" is based on his approach. Experts state that this approach to foreign policy suggests internal strife in the White House, which can be characterized as a "nationalist" vs. "globalist" struggle. Due to Trump's controversial ideas and

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paradoxical attitudes, his character and ideology are virtually undetectable. "America First" was included in several speeches, but not everyone got the same amount of attention. Trump spelled out his foreign policy vision in a clear statement published in *The National Interest* on April 27, 2016. He began by giving a gloomy assessment of today's international order, arguing that it is a chaotic and unstable place.

The United States has borne the entire financial, human, and political cost of the security burden, which is why our allies aren't paying their fair share. This, in turn, empowered those who opposed the U.S. Trump's view of international relations is in opposition to the post-World War II internationalist consensus held by liberals and conservatives. According to Dimitrova, a professor of international affairs, U.S. hegemony has been evident throughout the current consensus. To this end, Trump aims to supplant America's previous role of being the world's policeman with a new strategy that focuses on securing global stability rather than nation-building. (Dimitrova 35)

Conclusion

Trump's character flaws showed when he was elected as president of the United States. Despite possessing numerous abilities that allowed him to sell himself and draw attention, his general ignorance of challenges, distrust of genuine expertise, short attention span, and perpetual dishonesty prevented him from effectively advancing his goals. Actually, in my opinion, it's the truth that Trump has faced numerous challenges from the beginning. Because of his critical remarks on U.S. foreign policy, a large number of well-known Republicans and experienced government staffers lost their jobs.

This didn't meet expectations; Donald Trump's presidency fell short of it. Following his predecessors' mistakes, Trump had the opportunity to devise a more effective foreign policy for the United States. Instead of fighting to dismantle the World Trade Organization. In theory,

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the implementation of grand strategy would have ensured the country's security and prosperity, enabling resources to be distributed to different priorities, including domestic issues.

Ultimately, Trump's foreign policy stands in contrast to the previous two presidents liberal grand strategies, which were all directed at securing the economy and preserving the country's well-being. His "America First" strategy and his "neo-isolationist" approach are combined to create a neo-sovereigntist viewpoint. He has devised a new strategy which also dismisses the two central elements of the liberal grand strategy, multilateralism and globalism. Trump doubted "international ties up" that causes the United States to fall. In the case of the Trans-Pacific Partnership (TPP), the United States withdrew after he criticized unfair deals like The North American Free Trade Agreement (NAFTA), which is widely regarded as a total disaster (Trump *The National Interest*).

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Introduction

In the last four decades, China's liberalisation has taken place in three waves: the extensive margin of liberalisation (from 1978 to 2001), the intensive margin of liberalisation (from 2001 to 2017), and all-around liberalisation (since 2017). This Chapter looks at the country's stage economic reform: Reduction in Tariffs, The processing of International Trade. Chinese Economy benefits from trade which have been heavily influenced by a variety of economic factors. By the turn of the century, the volume of trade was due to a better understanding of comparative advantage, in which countries attribute their resources to factors. Nonetheless, as a result of China's entrance into the World Trade Organization (WTO), the country's gains from trade have been almost entirely attributable to the fact that the country's economy has gained the scale effects associated with a larger market.

2.1. Economic Growth Theory

Prior to the implementation of trade liberalization and economic reforms, China experienced decades of economically underdeveloped policies, slow growth, highly centralized management, inefficient operations, and limited global exposure. China has been among the world's fastest-growing economies since it opened up to foreign trade and investment and implemented free-market reforms in 1979. During the transition era in China, the pace of agricultural, industrial, and total GDP growth increased at an unprecedented rate. The most astonishing aspect of the Dengist growth experience is how the relatively slow growth of late Maoism gave way to the explosive growth increase in Deng's popularity (Prybyla *jstor.org*).

The extent to which theories of economic growth can explain this transformation. There are numerous theories of growth. Adam Smith first developed the concept, and David Ricardo further popularised it. It was further developed by Karl Marx. During the years leading up to and following World War II, John Maynard Keynes (1939) theories were given a Keynesian

slant; on the other hand, many of Karl Marx's ideas were developed in the Soviet Union by G. A. Feldman. But the approach that is most well-known today is neoclassical. Solow (1956, 1957) provided support for growth accounting in the form of his work on one-sector models, and Solow's work laid the groundwork for a major research initiative launched in the 1960s, which was eventually supported by pioneering work on growth accounting by E. F. Denison. Although neoclassical economists had abandoned research by the early 1980s, classical economists did not give up completely.

Such criticism coming from a leading neoclassical practitioner

"The theory of growth is now definitely somewhat in eclipse and I am not sure that this fate is not deserved. The major part of this theory was concerned with steady states and it was never clear why, even given the commitment to equilibrium analysis, this particular equilibrium should be of central interest. Moreover the models invariably failed to show concern for the real engines of growth: innovations and perhaps population growth. Indeed most of them are simply mechanical toys sans history and sans human ingenuity" (Hahn, F. H 1986 p379).

This indicates just how well-established growth theory was at the start of the 1980s. However, growth theory has undergone a significant revival since. A factor contributing to this is the requirement for economists to adequately explain the most significant economic development of the post-war era: the rise of East Asia. In other words, while economists had begun to doubt the growth theories put forth by classical economists, interest in growth theory was revived due to some researchers, which seeks to answer head-on the central features of neoclassical theory, including predictions of diminishing returns to capital and the absence of a theory of technical progress. Although this was to be expected, the recent emergence of

endogenous growth theory has unleashed a tide of new research, as well as a new growth journal, as well as an extensive amount of critique (Bramall Chris. *Sources of Chinese Economic Growth*).

Neoclassical responses can be found in many different ways. However, several theorists have argued that endogenous growth theory does not explain the most notable occurrence that demands an explanation of the rise of East Asia. When discussing the long-term factors that influence growth, economists agree on the proximate factors that cause growth, such as the level of initial conditions, capital accumulation, and technological advancement. However, there is extensive disagreement about which factors are most critical. This is of significant policy significance. Consider, for example, if capital and labour accumulation could sustain growth for long periods of time, which means we must seriously question whether governments in the least developed countries should spend money on research and development. On the other hand, there is a strong case for increased government spending on education because education is critical to human capital growth (Bramall Chris. *Sources of Chinese Economic Growth*).

In contrast, it shows that equipment supports are crucial when there are significant externality benefits. If closing the ideas gap is critical, then it should strongly support free trade and multinational investment. There are clear implications for apparent and competition policy when the incentive to produce new blueprints only arises when quasi-rents based on neoclassical economic theory. The impact on patents and competition policy is evident.

Nevertheless, there is much that is superficial in this growth theory. Growth is, in essence, little more than a simple description. To better understand the underlying factors behind growth, we need to go further and look at the institutions that support it. As economies transition from an economy characterised by growth and lack of stagnation to one featuring rapid growth, from this perspective, a thorough understanding of the growth process leads to

hotly disputed territory: the roles of the private and public sectors in growth promotion. To be sure, this is merely a trivial debate; few would dispute the importance of effective private and public institutions. State activity in promoting economic growth is a very small portion of the job; in particular, the state is only a direct producer of goods and services. Many governments in the West believed that the proposition was self-evident, as they had helped to build the master discourse in the first place. However, it needs to be critically examined in light of the previously-encountered situations in East Asia and Europe (Bramall Chris. *Sources of Chinese Economic Growth*).

2.2 Extremely Wide Opening Up Era (1978-2000)

In 1978, China launched the long-term economic reform process. Reform and opening-up have been two main components of China's economic progress during the last four decades. While opening-up had a more essential role in the first two decades, economic reform had a more significant impact in the first two decades. Most experts agree that opening up to international commerce, often known as globalisation, is regarded to have been a more outstanding contributor to economic development in China the last two decades, namely from 2001 when it joined the World Trade Organization (Watson et al. *Journal of the Association for Information Systems*).

As a result of its pro-market policies, China has risen to become the world's most extraordinary trade power. In 2017, China's total trade value amounted to \$27.79 trillion, which consisted of \$15.33 trillion in exports and \$12.46 trillion in imports. China has since 2009 supplanted Germany as the world's top exporter. Furthermore, China has also surpassed the United States as the world's top importer during the last several years. Although the amount of international commerce in China has expanded by 204 times, the Gross Domestic Product

(GDP) has only expanded by 34 times. Thus, China has successfully shown the world how international commerce is possible (The People's Republic of China Ustr.gov).

The trade miracle of China has been well-studied; it can be considered to have three distinct phases: the massive opening up (1978 to 2001), the wide-ranging opening up (from 2001 to 2017), and the intense engagement with the world (starting in 2017) following the China's Communist Party CCP's announcement of the "new era of opening up" in China in its 19th National Congress. China's import and export trading interests have gone through three distinct phases in the nation's history. In particular, before the new century began, the international trade boom that took place during the first half of the new millennium was attributable to a trade advantage resulting from the country's financial development. Although China is a labour-abundant nation, its labour expenses are inexpensive compared to those of other countries. A consequence of this is that China has moved from producing labour-intensive items to becoming the world factory.

Unfortunately, China became a member of the WTO, and so labour costs have increased dramatically. Because of this, other nations like Vietnam and other East Asian countries may now compete on labour costs, despite the savings on overall costs. China's massive export surge is due in large part to China realising greater returns-to-scale. After China officially began its ongoing comprehensive economic liberalisation and opening-up, the scale impact has been magnified (The People's Republic of China Ustr.gov). Before it joined the World Trade Organization (WTO), China implemented essential moves to open up its economy: reducing tariffs and fostering processing trade.

2.2.1. Reductions In Tariffs.

China implemented an import substitution strategy prior to the country's economic reform, in which a significant percentage of import taxes and non-tariff barriers were set against foreign

products. The 14th Congress of the Chinese Communist Party (CCP) established a free-market economy in 1992. Starting around that time, China began reducing its import taxes. Despite a 42% import tariff imposed in early 1992, that rate was reduced to 35% by the WTO at the conclusion of the Uruguay Round in 1994. **(Figure 1)**. China cut import tariffs another 50% or so in the next three years. The simple import tariff was reduced to 17% by the end of 1997. In 1994, China was still only an observatory member rather than a formal member of the WTO.

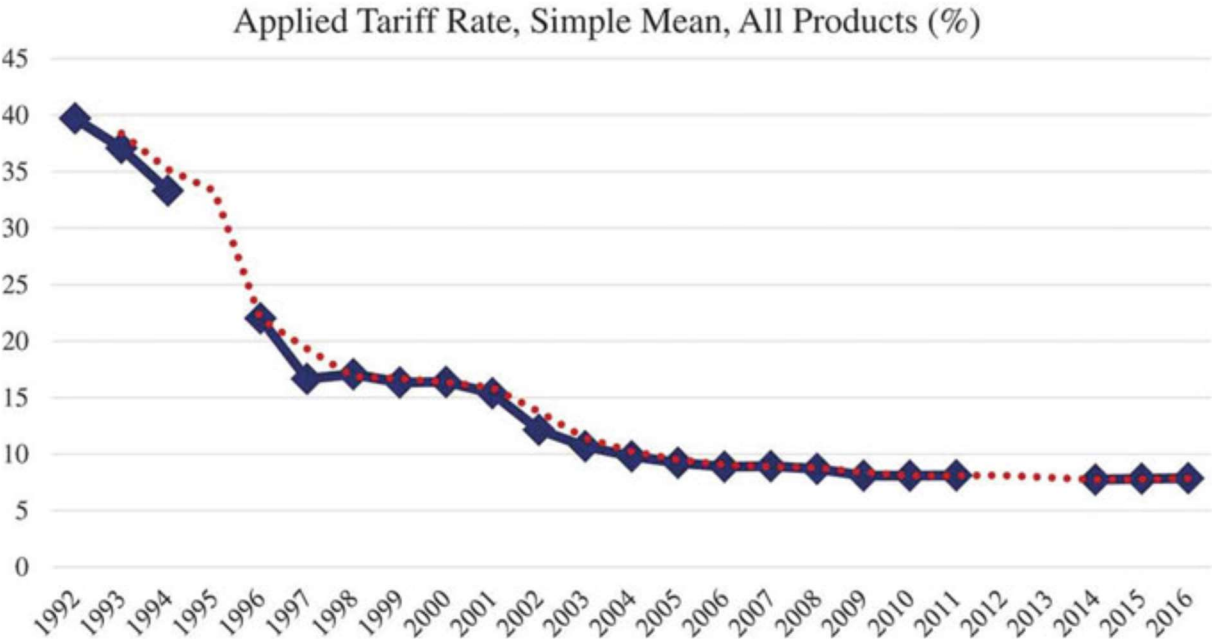


Figure 1 China's Simple Import Tariffs Rate. *Source* (worldbank.org)

China lowered its import tariff from 15% to 10% in 2006. An import tariff can be placed on either the quantity of products imported or the inputs required to import those products. Import values were used to determine the weight of imported materials, which led to a decrease in industrial input tariffs from 15.73% in 2000 to 7.71% in 2016. When China cuts import tariffs, other WTO members cut theirs as well. Only from 7.71% in 2000 to 6.90% in 2005 did firm-level foreign external tariffs decrease. Exporting goods to high-income countries

was of crucial importance to China. Countries in this category are more often found with low tariffs already applied (Chen et al. *The Economic Journal*).

The more liberal trade has contributed to 14.5% of firm productivity growth in the new century for Chinese companies. Firm Productivity has been widely agreed upon to be positively correlated with the degree of trade liberalisation. Input tariff cuts have twice the impact on business productivity as output tariff cuts. Due to the Chinese government's preferential treatment, processing firms in China do not have to pay the import duty (Chen et al. *The Economic Journal*).

The most significant thing about the Chinese economy in recent years has been traded liberalisation. It is imperative to understand how important firm productivity is to the country's overall economic growth since "Productivity isn't everything, but, in the long run, it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker" (Paul Krugman *Southern Economic Journal* 58).

2.2.2. The Processing of International Trade

According to Dai et al, the iPhone is a prime example of China's processing trade. The manufacturer Foxconn purchases most of the components used in iPhones from Japan, Korea, and the U.S. After manufacturing the final products domestically, Foxconn exports to other foreign markets. Over many processing trades can be found in China. The benefits of having the library integrated into the application include increased execution speed and overall reduced costs. If the assembly line goes with the same intermediate input providers as the final assembly companies, then they will only buy from those same suppliers. The 1980s was a decade that witnessed the rise of the particular processing. Alternatively, importers might resell

their products to a foreign company that is not the intermediary source of supply. Processing became widespread after the 1980s, mainly due to the innovation of new technologies. It has recently been reported that nearly half of China's total trade is made via processing trade (Rajesh *Journal of Applied Economic Sciences*). China's increasing labour costs have made processing trade less of a percentage of global trade. China's total trade in 2017 was two-thirds trade related to processing. **Figure 2.**

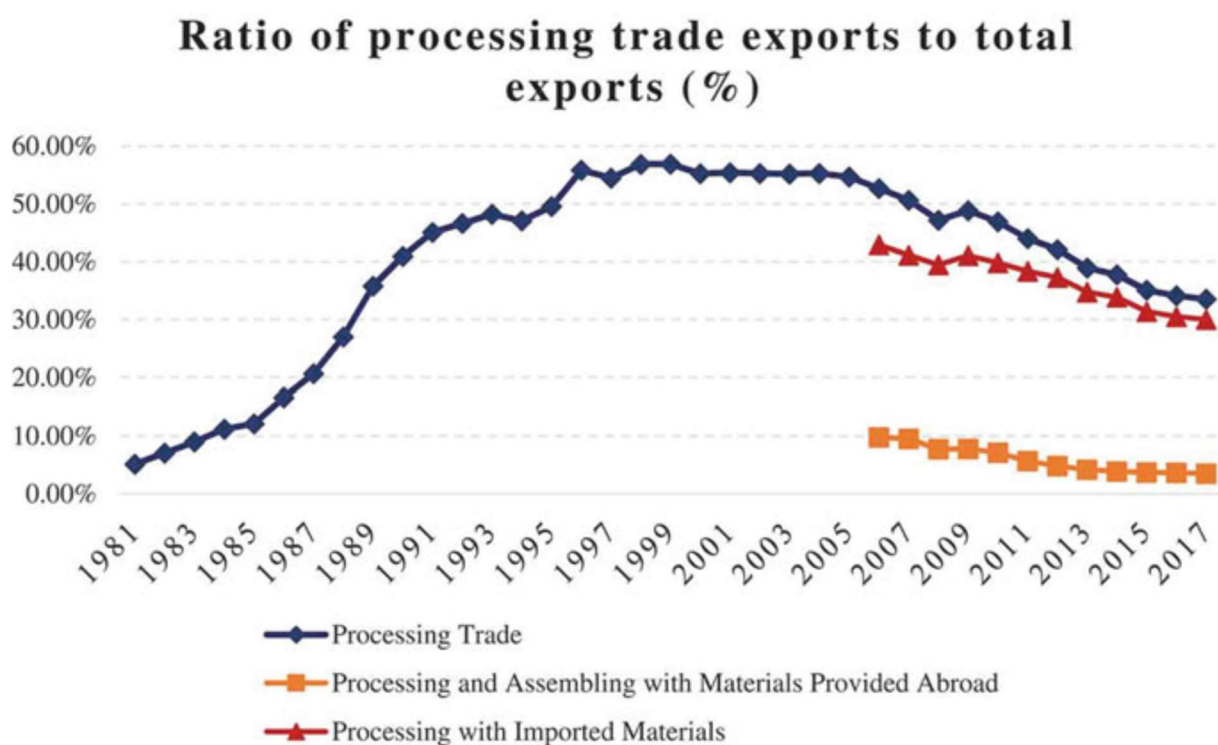


Figure 2 Ratio of Processing Trade. *Source* (China's Trade researchgate.net)

Due to the increased processing trade, China's development over the last four decades has been helped. A lot of good-paying jobs were created by the trade processing industry. Because processing firms do not require any technology to perform activities of assembly, processing exporting firms are less productive. There are many fewer processing exporters than non-exporters. The Productivity of Chinese exporting firms is lower than non-exporting firms. Chinese exporting firms refer to the "puzzle" of exporting. China sends out

half of its total exports through processing. In terms of the contribution to the economy, processing firms are the least productive, followed by non-exporting companies (Dai et al. pp. 177-189). (Figure 3).

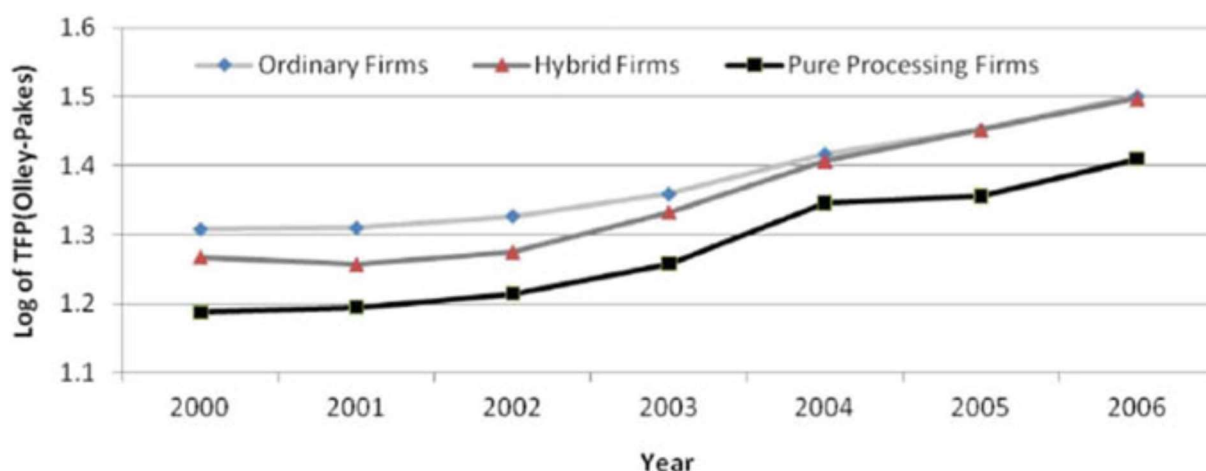


Figure 3 Chinese Exporting Firms. *Source* (Dai et al. Total Factor Productivity).

Labour-intensive industries include those that process commerce. Numerous people are employed in the processing industry. In 2008, China employed approximately 780 million people. One hundred three million were employed in manufacturing, while 231 million worked in secondary industries. The four primary processing industries were toys, clothing, footwear, and hats. In 2009, 13.2 million people were employed in the four industries, up to 16.2 million in 2014. Second, China's global division of labour has benefited from processing trade. As a result, China has been an indispensable world factory. This is why China has always maintained a sizable trade surplus with the rest of the world. Processing trade accounts for the vast majority of China's trade surplus (Dai et al. pp. 177-189).

2.3 An Intense Margin of Opening-up Era (2001-2017)

During the past decade, China has given more attention to improving its intensive margin of opening-up. To put it another way, as China's special economic zones, industrial

parks, and other areas of expansion expand, China has shown little interest in maintaining an extensive margin of its opening-up. Rather than that, it is more interested in experimenting with new liberalisation policies. Events that characterised the intensive margin in the first decade of the 21st century include China's accession to the World Trade Organization (WTO), the creation of Export Processing Zones (EPZs), the creation of the free trade pilot zone, and the introduction of the new economy pilot cities (Yonghong *Economic and Political Weekly*).

China was one of the 23 founding members of the General Agreement on Tariffs and Trade (GATT). It took China 15 years to accede to the WTO, the world's largest multilateral agreement. After China gained political independence in 1949, mainland China lost its membership (Wong *Review of Development Economics*). China has waited since 1996 to join the WTO. Economic growth, time of application, and market economy status all contributed to the outcome. Larger countries need to negotiate longer. Whether a market economy exists influences the members to accept the applicant. Most importantly, if an applicant has a similar political regime as the United States, the country will join the GATT/WTO much faster (Wong *Review of Development Economics*)

Despite that, China's membership in the WTO has been hugely beneficial to both China and the rest of the world. The price of labour in China has increased dramatically, and since 2004, population dividend contraction has accelerated. Comparing China to East Asian countries, China's competitiveness has reduced significantly due to the country's heavy reliance on labour. Bangladesh and Vietnam historically have controlled the country's foreign markets. With China's accession to the WTO, the global market has expanded. Lowering fixed costs has allowed Chinese businesses to increase their profits. China will retain its position as the factory of the world in the twenty-first century. As a result, the rest of the world benefited from lower

prices of Chinese-made products of China's accession to the WTO (Wong *Review of Development Economics*).

Before China's WTO accession, the government established Export Processing Zones (EPZs) to help the country promote processing trade. Since then, China has established 60 EPZs. These EPZs were dispersed throughout the country rather than established in one specific area like the earlier industrial parks and special economic zones. Kunshan Zone in Jiangsu is the largest EPZ in terms of trade volume. This only applies to processing firms, not to retail or wholesale operations (Yonghong *Economic and Political Weekly*). Also, they are offered an advantageous tariff regime. Manufacturing companies in EPZs, specifically, are seen as on the territory of the customs because they are exempt from duties.

2.4 New China's Economy (2017 to present)

The emerging economy Pilot Free Trade Zone (FTZ) are regions where foreign businesses are permitted to engage in illegal economic activities usually prohibited elsewhere in the country. They are unlike the regular FTZs because the general public is not aware of them. The government has chosen twelve cities and coastal cities for a new-economy pilot that will launch in 2015. The recent reform will allow the experiment to go on for a while longer. Various municipal governments, the Ministry of Commerce and National Development and Reform, and the Ministries of Commerce and Tourism and National Reform Council all advise on the experiment. Jinan is the most populous of the twelve Shandong cities. So, because of this, Zhangzhou was selected because of its strong links to Taiwan. Fang Chenggang, Vietnam's Special Economic Zone coastal city, was chosen because it is close to one of the country's Special Economic Zones. In order to foster increased trade with other countries, the government has established a new economic zone (Wong *China Briefing News china-briefing.com*).

The experiment will take place in six distinct locations. Also, it emphasises on the examination of the brand-new administration approach. The goal is to make it easier for various industrial parks to integrate. It hopes to increase the number of foreign direct investment approaches. It boosts domestic exports of top-quality goods. It is involved in financial services business development. Lastly, the zones should have the goal of becoming established in all regions. The school at Peking University is pleased with the cities new-economy reforms after two years of implementation. According to the panel, the reforms have helped promote local economic development while also facilitating supply-side structural reform. It is also worth mentioning that the reforms are supportive of the one belt, one road initiative (Wong *China Briefing News* china-briefing.com).

This pilot reform focuses on the creation of a new market mechanism for distributing resources, establishing a new economic, management, and openness models, also creating new benefits in international cooperation and competition. There are no specific regulations or laws the central government gives to new-economy zones, unlike FTZs. In this way, cities can pursue a special policy treatment even if it is not directly authorised by the city.

2.5 China's Free Trade Ports

China Free trade ports were first mentioned in a report to the CCP's 19th National Congress, published prior to the 19th Party Congress. To underscore China's commitment to FTZ reform and the establishment of free trade ports, Xi Jinping publicly pledged to expand the boundaries of the Chinese FTZs. "definition, a free trade port is a port area within the territory of a country or region that is not subject to the usual customs control, with free access to overseas goods and funds. The main feature of a free trade port is that it is outside the control of the customs authority of a country. It has the features of a port and an FTZ, with many trade-related functions, including product processing, logistics and warehousing. Geographically, a

free trade port is part of the territory of a country, but from the perspective of administrative supervision, it is outside the customs jurisdiction of the country." (Tian et al. *China & World Economy*)

Trade-related functions, such as product processing, logistics, and warehousing, are typical in free trade ports. It is open to competition, however, as an FTZ is not. Although Free Trade Zones (FTZs) may have an impact on FTZs moving closer to institutional environments like Singapore and Hong Kong, free trade ports will aid FTZs in the process. Free trade ports are only made possible by the existence of trade facilitation measures, fuel prices, financial support, customs supervision, and inspection and quarantine. Changes in the global environment will enable trade ports to adapt quickly. (Tian et al. *China & World Economy*)

Free trade ports can highlight common characteristics to illustrate their success in international markets. Transit shipments and multimodal transportation travel to and from a free trade port because of the increased trade facilitation and streamlined legal system. Industry and trade upgrading has been performed on most free trade ports, allowing them to diversify their trade. Additionally, free trade ports are also economic centres that host multiple functions. Free trade ports are developed in accordance with the industry structure in the area. Trade port administrations are empowered by central governments once free trade ports are operational.

There is still a lot of room for China to improve in attracting trade, talent, and finance, as well as trade itself, for the country's free trade ports. First, it is imperative to increase the exportability of companies' ports. A secure and effective electronic system is required to reduce customs clearance time while also simplifying procedures. In order to promote free trade ports, it is necessary to increase the liveability of cities and improve the services that businesses and international talent need. Finally, the ports should comply with open-market principles and improve foreign exchange settlement efficiency in border trade. Encourage foreign corporations

to base themselves in the free trade ports and support re-export trade by providing credit. (Tian et al. *China & World Economy*)

It is critical to grasp the essential drivers of China's recent global trade. In recent years, China's labour costs have been increasing. Even though labour costs in developed countries like the U.S., E.U., and Japan are still lower, China's labour costs are rising. Prior to the recent global financial crisis, China surpassed the Lewis turning point. Before China's admission to the WTO, China's growing involvement in international trade was driven primarily by China's realisation of comparative advantage resulting from low labour costs. Because of this, labour-intensive industries have particularly large expenditures on labour as one of their most important input costs. Not only did cheap labour affect incremental exports of machinery and transport equipment, but so did cheap labour to some degree. As a result, China relies mainly on processing trade, which relies on the low cost of labour for its machinery and transport equipment exports (Yu *China Economic Journal*).

The global financial crisis, coupled with China's weak export demand and export credit constraints, may have had a severe impact on China's global trade. Nevertheless, China surpassed the United States as the world's leading exporter. Though there are many competing forces at work, the biggest driving force of China's incremental international trade is, in large part, the realisation of scale economics, which provides large scale demand for China's products (Yu *China Economic Journal*).

2.6 Economic Globalization

Globalisation is a term that refers to the process by which economies, cultures, and populations have become linked through the movement of goods, services, and people, as well as the flow of investment capital, people, and information. For centuries, governments have

developed economic alliances to aid in the facilitation of these migrations. In Shangquan's opinion, it is defined as:

"Economic globalisation refers to the increasing interdependence of world economies as a result of the growing scale of cross-border trade of commodities and services, flow of international capital and wide and rapid spread of technologies. It reflects the continuing expansion and mutual integration of market frontiers, and is an irreversible trend for the economic development in the whole world at the turn of the millennium. The rapid growing significance of information in all types of productive activities and marketisation are the two major driving forces for economic globalisation." (Shangquan Gao. *Economic Globalization: Trends, Risks and Risk Prevention*. 2006.)

Thus, according to this idea, global trade and the development of science and technology are interlinked, and both happen rapidly because of the existence of a competitive market economic system. Transportation and communication costs have been significantly reduced as a result of new scientific discoveries and technologies, facilitating global economic integration.

The recent global financial crisis, which included the Great Recession, has generated a new wave of trade protectionism under the Trump administration, which has impacted the global economy. Due to the lack of progress on the Doha Round, the failure of the Transatlantic Trade and Investment Partnership, talks between Western countries, Brexit negotiations, the Trump administration's removal of the Trans-Pacific Partnership, and re-negotiation of the North American Free Trade Agreement, it has resulted in the current circumstance. Protectionism around the world could result in a reduction in global output, making economic recovery harder around the world. (Yu *China Economic Journal*).

There will be significant effects around the world due to Trump's trade war. According to a research multi-sector, multi-country general equilibrium model with inter-sectional linkages to project how the level, direction, and composition of exports, imports, total output, and wages would change if President Trump carries out his threat of imposing 45% tariffs on a variety of products. To evaluate the various possibilities, they consider the situation where the United States unilaterally takes action, as well as a scenario where China imposes a 45% tariff on U.S. imports in response. Although each of the scenario experiments shows that a trade war that is triggered by high U.S. import tariffs results in a significant reduction in U.S.–China bilateral trade, the calibration exercise strongly suggests this outcome. Depending on the extent to which the trade war reduces the U.S.–China trade balance, the U.S. may experience large social welfare losses while China will only loss or gain slightly. From a global perspective, there are instances where smaller open economies benefit and other instances where larger economies are negatively affected. (Guo et al. 2018)

Another strategy that China has used to cope with the impact of Trump's trade war is to actively open up their borders to the rest of the world. This first project is the construction of the free trade port. Free trade ports are defined as ports that are exempt from conventional customs controls and are available to the general public. A free trade port is a port that is exempt from the customs authority of the country. In order to provide numerous trade-related services, it combines the characteristics of a port and a free trade zone, providing, for example, product processing, logistics, and warehousing. (Yu *China Economic Journal*).

Conclusion

As the U.S and China have become closer because of commercial relations, those bonds have strengthened over time. But in the last few years, many U.S workers and corporate leaders alike have started to notice a worsening relationship in which they hold each other in a more disadvantageous position. Many people have concerns because the situation in China has

worsened; with the government becoming more state-controlled and adopting a series of prejudicial measures favouring state-owned businesses, there has been a decrease in progress on market reforms. U.S companies find that in China's increasingly robust economy, there is an increasing imbalance in the playing field regarding technological sectors, where Chinese protectionism has significantly intensified.

China's trade commitments should be enforced, and the enforcement of U.S. laws should be enhanced in order to counteract unfair trade and investment practices. While an increase in emphasis is recommended on the enforcement of rules against specific Chinese policies that harm U.S. companies, as well as the impact of sector-wide subsidy programs on American competitiveness, enforcing international and domestic laws on all relevant Chinese policies, should also be pursued. National security reviews by the federal interagency Committee on Foreign Investment in the United States should be met with an increase in enforcement power in order to combat unfair Chinese trade practices.

Chapter Three: U.S. Sanctions Against China.

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Introduction

It is critical to inquire whether the U.S. will initiate a trade war with China, its country's most important trading partners, given the administration's protectionist policies. President Trump has repeatedly targeted China as a top threat to the United States. After denouncing China's entrance into the WTO as a disaster for American manufacturing workers, Trump gave a speech in Monessen, Pennsylvania, on June 28, 2016. He mentioned the idea of imposing 45% import tariffs on China's exports to the United States to the editorial board of The New York Times in January 2016. After having defined China as the “grand champions” of currency manipulation, President Trump tweeted that China was guilty of currency manipulation to boost its exports. With the recent rise in trade tensions between the U.S. and China, it is now feasible to hypothesise about the outbreak of a trade war between the two countries.

Hence, it is essential to conduct a study on how such a conflict would affect the U.S. and China, as well as other countries. the United States is trying to achieve by implementing a trade war and why China has so far refused President Trump's request for reciprocal trade relations. These results illustrate President Trump's efforts to place tariffs on Chinese goods in response to new economic and social factors in American society. The trade war emphasises that the impact on China will be significantly greater than the impact on the U.S. if the trade war intensifies. After the media reported that the Trump administration was considering a plan to investigate China's unfair trade practices, the sanctions were made public a few days later. Therefore, the aim of this chapter is to discuss the beginning of U.S. China conflict and investigate the factors behind the recent trade war and its impact on China.

3.1. The Beginning of U.S.-China's Trade War

The Forecast for the future of U.S.-China relations is likely to be similar to that of Thucydides, who held a crystal ball handed down from antiquity or in the offensive realist tradition: the two superpowers are destined for conflict. Not all those who have concerns about historical analogies or theoretical models will see the Chinese leadership as being full of optimism. Still, those who have a sceptical viewpoint will receive a dose of optimism. Beijing has, on several occasions, publicly and explicitly stated its intentions to follow a peaceful and constructive developmental path. A new model of major-country relations was first proposed in 2014. This model was described as one in which there is no conflict, no confrontation, mutual respect, and win-win cooperation. According to Xi Jinping, President of China,

"Ladies and gentlemen, friends, China is ready to work with the United States to make efforts in a number of priority areas and putting into effect such principles as non-confrontation, non-conflict, mutual respect, and win-win cooperation. And with unwavering spirit and unremitting efforts, we will promote new progress in building a new type model of major-country relations between the two countries so as to bring greater benefits to our two peoples and two countries" ("Remarks by President Obama and President Xi Jinping in Joint Press" Whitehouse.Gov).

President Xi Jinping can feel assured that his political activities will go more smoothly. But with this new President in the White House; Although he had often criticised China while running for President, Trump actually had a large following on China.

Several openly pro-Trump microblogs began appearing on Sina Weibo as soon as he started to become more well-known "a Chinese social media tool that combines functions of Twitter and Facebook". While Trump Fan Club did exist, there were a variety of other groups

“named after Trump in addition to Trump the Great Man from Heaven and Trump Goes to the White House” that attracted thousands of followers (Li Cao *The New York Times* nytimes.com).

After Trump's electoral victory in November, the New York Times published an op-ed titled, "How Trump Is Good for China." In it, several Chinese officials and analysts discussed the prospects for bilateral cooperation under Trump. Although the author had suggested that "trade relationships may suffer in the short term," he believed that in the long term, the United States and China would cooperate with each other more than in any additional time in recent memory (Eric Li *The New York Times* nytimes.com).

Tensions in the trade war have increased under Trump's administration. In a well-known analogy, Uncle Sam is in his midlife crisis, and China is going through a rebellious adolescent phase. In this case, it's a pretty good description of the relationship on the psychological level, but it does not apply to the connection on the physical level. Even though China is rapidly closing the gap with the United States in terms of economic influence and military capabilities, the United States will retain its position as the world's most powerful nation. A key factor is how prepared the United States and the American people are to adjust to China's rising power psychologically and how willing China is to accommodate the U.S. to help realise the "China dream." We must prepare for the worst-case scenario, as neither side has shown willingness to come to an agreement (Da Wei *Wilson Quarterly*).

The Trump administration announced plans to charge a 25% tariff on \$50 billion in Chinese imports, which took effect on July 6, 2018. As a result of the American measure to impose new tariffs, China announced it was increasing existing tariffs on \$50 billion worth of U.S. imports, in accordance with the principle of "Equal-sized and Equally Distributed." The Trump administration issued a tariff threat on July 24, which increased tariffs on \$200 billion in Chinese imports. Following threats to implement a 25% tariff on all Chinese imports, on August 1, the Trump administration reiterated its plan to place tariffs on \$510 billion worth of

Chinese imports approximately \$510 billion in value, according to U.S. statistics. A 10% tariff on \$200 billion worth of Chinese imports was announced by the Trump administration on September 18. After the U.S. began putting tariffs on Chinese goods, China announced punitive tariffs of 5-10% on \$60 billion in U.S. imports and filed more trade complaints with the WTO against the U.S. trade measures targeting Chinese goods. Now that the trade conflict has escalated, discussions on a trade deal between the United States and China have resumed since Trump and Xi met at the G-20 summit on December 1st. Although all of these trade measures between China and the United States have erected significant barriers to trade and cooperation between the two countries, the current global trade system is enveloped in darkness (“USTR Issues Tariffs on Chinese Products in Response to Unfair Trade Practices” ustr.gov).

There has been an increase in the overall level of conflict between the United States and China due to President Trump's attempts to narrow the U.S.-China trade deficit. To comprehend the nature of the trade imbalance between the two countries, it is essential to evaluate prospective trade conflicts for both China and the United States. By starting with a positive perspective on Sino-US trade relations and by examining the validity of the Trump administration's claims and arguments, we will better understand Sino-US trade relations and the causes of the conflict.

3.1.1. The Trump administration's assessment of the U.S. China trade imbalance

Despite The volume of trade between China and the United States has continued to expand since China joined the WTO in 2001. Therefore, this agreement will be profitable for both China and the United States, as greater trade openness has dramatically benefited both nations. However, the United States has maintained a trade deficit with China even after reaching an overall trade balance with the country.

According to President Trump's administration, there are different perspectives on the trade imbalance between China and the United States. The U.S. has a trade deficit with China,

which gives China an economic advantage over the United States. The primary cause of the Sino-U.S. trade imbalance is China's export subsidies and the non-competitive tariffs it imposes on U.S. products. "We have almost an \$800 billion a year trade deficit with other nations," Trump said in November 2017, following his first visit to Asia as President. "Unacceptable. We are going to start whittling that down and as fast as possible" (Palmer *POLITICO*).

The only way to stop the United States from running a trade deficit with China is to increase tariffs on Chinese exports to the United States. China needs to continue specialising in low-value-added sectors in order for the United States to maintain its monopoly market power in high-value-added sectors.

When a rising power threatens to displace the existing power, war is almost inevitable, according to the Greek historian Thucydides. This is what's known as "the Thucydides Trap." It is estimated that of the 16 cases in which a rising power has challenged a ruling power over the last 500 years, 12 of those ended in war. Even with a GDP of \$19.4 trillion, the United States remains the world's top economic power. Following a very rapid growth period in the previous decades, China has finally started to catch up to the United States. About 60% of US GDP, China's GDP was approximately \$12.8 trillion in 2017. It is highly likely that if China maintains its high economic growth, it will overtake the U.S. and become the world's largest economy in 20 years (Allison foreignpolicy.com). "Made in China 2025" is intended to bolster China's economic strength and position. The primary reason for the U.S.'s escalation of the trade conflict with China is to obstruct China's achievement of its objective. It is critical to note that this is one of the Trump administration's fundamental beliefs, that it is possible to prevent China's economy from surpassing the U.S. economy (Cyrill *China Briefing News*).

U.S. officials argue that the country has been significantly impacted by the trade imbalance between the U.S. and China. Trade between China and the United States has been

on the rise since China's accession to the WTO. Chinese trade with the United States saw a year-over-year increase of 14% over the course of the last decade, growing from \$98 billion in 2001 to \$524 billion in 2016. Each other's most important trading partners are China and the United States. While U.S. China's trade deficit have continued to grow, China's overall trade balance has remained positive. According to the General Administration of China, the U.S. trade deficit with China was \$275.8 billion in 2017. The U.S. trade deficit with China, according to U.S. data, is significantly larger. In 2017, the United States imported \$516 billion from China and exported \$150 billion to China, resulting in a \$370 billion trade deficit (*Amadeo The Balance*). As shown in (Figure 4)

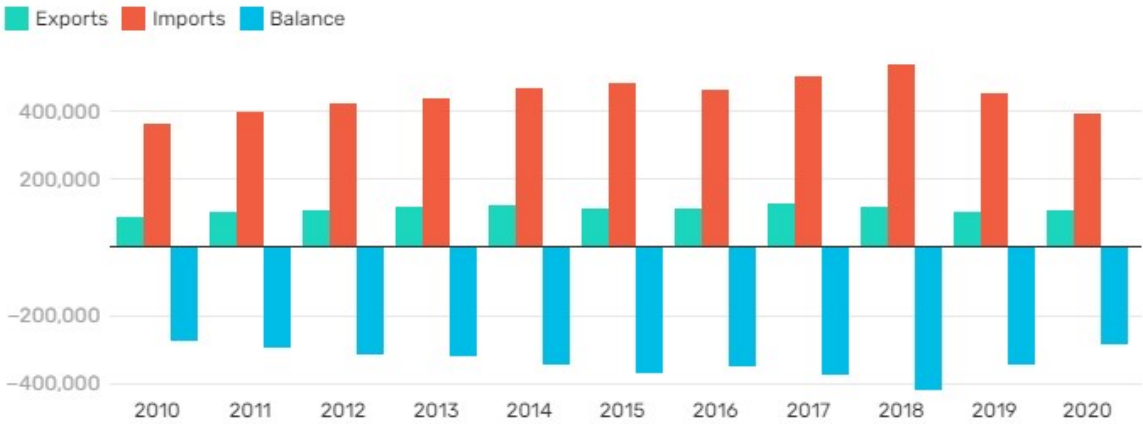


Figure 4: Annual U.S. Trade Deficit With China. *Source (The Balance, thebalance.com)*

The two countries deficit measures differ because of their methods for counting China's exports. According to China's statistical agency, Hong Kong's exports to the United States are not included in China's total exports to the United States. Because the vast majority of exports from Hong Kong originate elsewhere, Hong Kong mainly re-exports to countries throughout Asia and some extent to the U.S. to put it differently. The U.S. statistical agency includes all of Hong Kong's exports to the United States in calculating China's total exports to the United States, despite the fact that a large percentage of those exports is re-exported. This exaggerates the U.S. trade deficit with China. Still, as the share of the Sino-U.S. trade imbalance in the total

U.S. deficit does not change because of different statistical accounting practices in China and the United States, the Sino-U.S. trade imbalance does not account for a substantial part of the total U.S. deficit. The remaining U.S. trade deficit is made up of the deficit with China, and two-thirds of this trade deficit is the result of the deficit between the U.S. and China. Steel and aluminium come from two industries that have extremely large Sino-U.S. trade imbalances. Also, those industries are frequently targeted by anti-dumping and countervailing investigations. Additionally, the Trump administration is concerned about the impact of the Sino-U.S. trade imbalance on the American labour market (Autor nber.org).

The U.S. manufacturing industry has lost over two million jobs due to China's increased competition for exports in various zones across the country.

As has become common practice in the Trump administration, the Chinese government's generous subsidies for exports and high tariffs are assumed to be the cause of the massive bilateral trade imbalance between the U.S. and China. According to the Trump administration, the Chinese government has given export firms a significant amount of export subsidies. On the other hand, China's industrial policy, known as "Made in China 2025," is quite clear-cut, and that is why the country provides significant financial support for a range of cutting-edge technologies, especially for semiconductors and machines and equipment production for integrated circuits. This makes U.S. firms uncompetitive within the same product segments on the international market because the subsidies effectively lower the production costs of these industrial products. The Trump administration points to the significant impediments to U.S. exports to China that result from China's high import tariffs. Moreover, the Trump administration has asserted that China limits the maximum foreign investor share, especially those from the United States. Trump's fourth point claims that China does not effectively protect intellectual property and encourages state-owned companies to take over Multinational companies by "plagiarising" their technologies (Cyrill *China Briefing News*).

According to these assumptions, the Trump administration has decided to raise tariffs on Chinese imports to balance and compensate for the United States trade deficit with China. The United States will continue to occupy the most profitable segments of the global value chain because by being in this position. With this goal in mind, the United States wants to keep China at the low-value-added ends of the global value chain.

The Trump administration's arguments on the current trade imbalance between China and the U.S., as well as its initial point of design for trade and diplomatic policies, are encapsulated in those arguments. Trump administration's first three core beliefs are held by the administration and a small group of supporters. These views are widely rejected by most economists around the world because they are clearly contrary to facts or economic rationales (BBC News "Trade War: U.S. Hits China with New Wave of Tariffs").

While the Trump administration agrees on this last core concept, other U.S. economists believe that China should be restricted to lower-value-added parts of the global value chain. At the same time, the United States should concentrate on the highest-value-added aspects of the global value chain. Therefore, analysis and evaluation of the causes and consequences of the Sino-U.S. trade imbalance are absolutely essential in order to separate facts from opinions. As part of his campaign for the U.S. presidency, Donald Trump made it clear that he was going to raise tariffs on Chinese imports to the United States. We examine a hypothetical situation where the United States takes action on its own and one where China retaliates by imposing a 45% tariff on all of its U.S. imports (BBC News "Trade War: U.S. Hits China with New Wave of Tariffs").

The U.S. trade deficit with China is a crucial contributing factor to calls for tariff action. If this deficit is reduced, as well as a scenario in which the trade balance remains unchanged, then U.S. tariffs will be required. In all of the scenarios, an American trade war sparked by higher U.S. import tariffs will lead to a U.S.-China trade war and the total collapse of bilateral

trade between the two countries. Trade war on the U.S.- China trade balance may result in either gains or losses for China. There will be positive and negative effects around the world, though, for some countries, the collateral damage will be enormous.

3.1.2. The Ramification of Trade Deficit

Scholars and government officials in China take issue with the concept “Triffin Dilemma”. They assert that it is the structure of China's trade policies, rather than China's protectionism and mercantilist trade practices, that are contributing to the colossal trade imbalance. The “Triffin Dilemma” and the comparatively low savings rate in the United States are the two most commonly cited reasons for the instability of the U.S. financial system. In other words, it is expected that Americans will rely on consumption; which leads to them spending beyond their means, and the “Triffin Dilemma” indicates that the U.S. trade deficit should be permanent and continually rise because Americans are assuming they will be supplying sufficient dollars to the international financial system through trade deficits (Bordo bis.org).

Yet, when the U.S. trade deficit with China is explained using the low savings rate and "Triffin Dilemma," it is a fundamentally flawed argument. Low savings rates are theoretically thought to be a primary cause of the US-China trade deficit, but it is not clear that they are the sole cause. Trade deficits with China cannot be explained by the country's low savings rate. It can be interpreted to mean that because the U.S. has a relatively low savings rate, this does not account for the disproportionately high share of the U.S. trade deficit with China. The amount of the U.S. trade deficit compared to the country's total economic output changed little from 2001 to 2017. The rate rose from 4% to 4.2% after 16 years (Bordo bis.org).

The trade deficit with China would be expected to increase in proportion to U.S. GDP if a low savings rate was one of the main factors behind it. This growth accelerated more than fourfold from 2001 to 2017, far outpacing GDP growth in the United States. Triffin's dilemma

calls into question the ideas behind the Breton Woods system. The Breton Woods system made it official that only the U.S. dollar could be used as currency in international transactions. The entire world except the U.S. adopted the practice of fixing their currency's value to the U.S. dollar at \$35 per ounce of gold. Thus, the United States had a duty to financially support the rest of the world's economy by providing dollars. Without a doubt, the United States would end up having a current account deficit. If it could fix the imbalance in payments without worsening the trade deficit, it would deprive global trade of international liquidity (Bordo bis.org).

When it comes to global value chains, nearly half of the U.S. trade deficit originates from trade with China. Recently, China has served as a production base for numerous manufactured goods that are then sent to the United States for final assembly. Another good example of this is that all iPhones sold in the U.S. are manufactured in China before they are shipped to the country. Many intermediate inputs are imported from other countries such as Germany, Korea, Taiwan, and Japan when assembling iPhones in China. As a result, the value of these intermediary goods is included in China's total trade surplus with the United States. In terms of volume, a sizable percentage of China's current trade surplus with the United States is actually a transfer from other countries (*Xing Asian Development Bank*).

During his presidential campaign, Donald Trump called for protecting American industries and workers. Trump made his initial speech about "America First" and "Buy American, Hire American" (Diamond *CNN*) following his election. At the same time, he began to carry his campaign pledges to break down the U.S. trade links with the country's surrounding nations and key trading partners. Also, in light of the President Trump's withdrawal from the Trans-Pacific Partnership (TPP), the United States has formally withdrawn from an agreement that included twelve countries and three continents across a period of nearly ten years, which was negotiated under President Obama, the previous U.S. president. In addition, he signed an

executive order calling for the construction of a wall along the Mexican border and made threats of tax increases on Mexican exports to the U.S.

3.2. U.S. Declaring Trade War on China

The Office of the United States Trade Representative (USTR) recently issued a list of \$50 billion worth of Chinese products that face a 25% punitive tariff on the order of President Trump. In addition to the usual consumer goods, the list covers a wide range of high-tech and other goods, including smartphones, automobiles, televisions, and dishwashers. The proposed actions stem from the Trade Representative's Ambassador Robert Lighthizer:

“We must take strong defensive actions to protect America’s leadership in technology and innovation against the unprecedented threat posed by China’s theft of our intellectual property, the forced transfer of American technology, and its cyber attacks on our computer networks,” “China’s government is aggressively working to undermine America’s high-tech industries and our economic leadership through unfair trade practices and industrial policies like ‘Made in China 2025.’ Technology and innovation are America’s greatest economic assets and President Trump rightfully recognises that if we want our country to have a prosperous future, we must take a stand now to uphold fair trade and protect American competitiveness” (ustr.gov).

This is an examination of China's unfair trade practices, which he headed on behalf of the President of the United States, there has been a notable amount of American technology and intellectual property forcibly transferred to the host country.

The beginning of the trade war with China has now been documented as an official action taken by the USTR. Shortly after the USTR published its tariff hit list, the Chinese government retaliated by slapping \$50 billion worth of American goods, including soybeans, cars, and chemicals, with retaliatory tariffs. Because the positive response was immediate, it appears that Sino-US trade relations have shifted to a give-and-take system. This is the first round of a trade war that is just getting started. Although the two countries trade delegates met in Washington DC and Beijing in May and June of 2018, there was no significant progress in negotiations. President Trump sent a formal notification to the USTR on September 17, ordering the administration to implement a 10% tariff on another \$200 billion in Chinese goods. The Chinese government decided to fight back by using both quantitative and qualitative measures customs delays, licensing requirements, the application of regulatory rules that penalize companies based on where their products are manufactured or sold on the mainland is discriminatory, controls on outbound tourism. in response to a previous wave of tariffs. Imposing additional tariffs on \$60 billion of American goods set to go into effect on September 18, 2018, China has announced a new charge of 10% to 5% for those products. In the midst of a trade war, this was the second round (“Statement from the President” trumpwhitehouse.archives.gov).

It is, in fact, an asymmetric trade war. The United States exported \$130 billion worth of products to China in 2017. The Chinese government had designated \$110 in American products for countermeasures, with the second round of fighting resulting in an increase in the overall value of the tariffs. In the third round of the tit-for-tat trade war, American goods worth \$20 billion would be targeted (“Foreign Trade - U.S. Trade with China” *Census.gov*). Conversely, \$505 billion USD worth of Chinese products were imported by the U.S. in 2017. President Trump has declared, “We’re down a tremendous amount,” “I’m ready to go to 500.” About half of all of the U.S. imports from China to be subject to tariffs. It is hard to deny that the U.S.

government has a greater amount of control in a trade war with China. President Trump has said that he will raise tariffs on all imports from China if they fail to make compromises with the U.S. There are two leading economies in the world, China and the United States. The two nations exchange of goods totalled \$635 billion. While the scale of the Sino-US trade war is substantial, it is dangerous in a way that can do damage to both the U.S. and Chinese economies and could probably destabilise the world economy (Lambert *Reuters*).

It is possible that, if the war continues, it could put an end to the current period of growth in China, during which rising home prices, public-sector debt, and weak consumer spending have posed a significant challenge.

3.3. U.S. Sanctions against China's Economic Growth

The Trump's administration reawakens the U.S.-China trade dispute in 2017, which worries investors about the prospect of a trade war between the world's two largest economies. The end of "economic surrender" is declared in President Trump's first State of the Union address, delivered on January 30.

“From now on, we expect trading relationships to be fair and to be reciprocal.” -President Donald J. Trump

As of one week earlier, Trump initiated new trade measures against China, as well as several Asian and European economies, over imports of solar cells and modules and washing machines.

3.3.1. Tariffs

US tariffs on Chinese products are far lower than China's own tariff charges on American products. The United States charges a 2.5% tariff on Chinese-made cars, while China imposes a 25% tariff on American-made vehicles. Due to this asymmetric tariff structure, Chinese exports into the U.S. market have had an advantage, but U.S. products have been

restricted from entering the Chinese market. What this means is that the two markets are unbalanced in their openness. There is somewhat more restriction in the Chinese market than in the American market. One of the significant factors behind the growth of the U.S. trade deficit with China is the negative trading relationship between the two countries (“President Donald J. Trump Is Confronting China’s Unfair Trade Policies – the White House.” Trumpwhitehouse.archives.gov).

The World Bank predicts that China's average tariff in 2016 was 10.9 percent, whereas the U.S. level was only 3.57 percent. The tariffs that apply to various consumer products in China are much higher, reaching 15 percent before China cut tariffs on July 1, 2018. China has used standards, licenses, and other forms of non-tariff trade barriers to discourage the importation of foreign goods. At an event to announce a new infrastructure plan, Trump told reporters, “We cannot continue to let people come into our country and rob us blind and charge us tremendous tariffs and taxes and we charge them nothing” (Shepardson *Reuters*).

On his way out of the White House, Trump went on to tell reporters that he expected reciprocal treatment, which would mean that China should not impose higher tariffs on American goods than those imposed by the United States on Chinese goods. The Chinese government made a change to its tariff schedule in response to the new U.S. demand, with tariffs on a large number of goods being reduced on July 1, 2018. The fact that the Chinese tariff on automobiles is higher than the U.S. tariff on similar products still stands. On November 1, 2018, the Chinese government decreased tariffs on thousands of semi-processed goods without approval from other countries (Morgan *Reuters*).

3.3.2. Fair Trade

While many other nations, including China, reject the idea of "fair trade" as defined as reciprocity, the Chinese government disagrees, pointing out that tariffs should be designed according to a country's level of economic development. The government of China argues that

China is still developing, and so their tariffs should therefore be higher. Tariffs that match those of the United States are “unreasonable and unrealistic” to demand of China. China, as a member of the WTO, owes nothing to developed countries when it comes to offering reciprocity (Ying International.caixin.com).

Another point of Trump's stepped approach "If China does not stop its illegal activities, including its theft of American trade secrets, I will use every lawful presidential power to remedy trade disputes, including the application of tariffs...", " to make China aware that the U.S. government was prepared to enact harsh economic restrictions if China manipulated the Chinese currency for the purposes of U.S. economic disadvantage. He said he would have the U.S. Trade Representative direct the country to file trade lawsuits against both China and the World Trade Organization. Donald Trump recently declared that China should stop its "illegal activities," he will act in the role of the president using all of his legal powers to assist the United States with trade disputes with China. (Worstall Forbes.com)

A point of contention is the fact that the WTO agreement does offer "special and different provisions" that afford developing countries greater rights. The WTO establishes trade principles according to which developed countries should not demand tariff reductions from developing countries in trade negotiations. Tariffs in developing countries are generally higher than in developed countries because the need for more raw materials is greater in developing economies. Developing countries were specifically incorporated in order to help them become more active participants in global trade and provide them with easier access to the global market. (“WTO | Development - Special and Differential Treatment Provisions” Wto.org).

However, the WTO does not define "developing country," since the terms developed and developing country are ambiguous. Developing status can be declared by any WTO member, including non-members. When a country is declared “developing,” it will stay developing for the rest of its history, no matter how well it develops economically. "What this

shows is that even today, in 2013, places like Korea, Singapore, and Israel still have 'developing' economies under the WTO." China's GDP in 2001 was \$1.34 trillion, and GDP per capita was \$1,000. In 2007, China officially adopted the idea of “developing country membership” and became a member of the WTO as a developing country. It has taken nearly two decades of steady growth for China to rise to second place as the world's second-largest economy with a GDP of \$12.8 trillion and the world's largest exporter. Whether China should continue to be considered a developing country in the global trading system is a highly relevant (“WTO | Development - Special and Differential Treatment Provisions” Wto.org).

Once more, the Trump administration and Congress plan to apply further restrictions on investments and exports to intervene about technology transfer. The Trump administration charged that China was taking advantage of America by using stolen or unfair trade practices to force U.S. companies to transfer their technology to Chinese partners. Many U.S. sanctions programs are implemented via the International Emergency Economic Powers Act (IEEPA) which was signed into law in 1977 (O'Brien et al. BakerMcKenzie.com).

Rather than going through the complicated process of filing transaction-specific government applications like the current system implemented by the Committee on Foreign Investment in the United States since this will force private parties to bear the burden of compliance, this approach shifts the compliance risk entirely to the private sector. Export controls are imposed on new technologies on an individual basis at the Commerce Department.

Additionally, because Foreign Investment Risk Review Modernization Act (FIRRMA) mandates different restrictions for different countries, rules that apply to countries in a position of vulnerability due to U.S. arms embargoes or economic sanctions will be more stringent than rules that apply to countries that are not in that position. With this process in place, certain countries such as China which currently do not need a Commerce Department license to transfer

American technology, may have to seek permission e.g., license exception; export license (O'Brien et al. BakerMcKenzie.com).

3.3.3. Zhongxing Telecommunications Equipment (ZTE)

One notable victim of the trade war is ZTE, China's second-largest telecommunications equipment manufacturer. The Trump administration posted a ban prohibiting American companies from selling components to ZTE, amidst rising trade tensions between the U.S. and China. It had a negative impact on ZTE stock trading because the prohibition of American-made microchips and software caused a closure to production at ZTE. The Commerce Department has reached a new settlement with ZTE to suspend the denial order placed on the Chinese company (McMillan et al. bakermckenzie.com).

The U.S. Department of Commerce (DOC) announced on June 7, 2018, that ZTE Corporation and ZTE Kangxun had agreed to additional penalties and compliance measures to have them removed from the Bank for International Settlements (BIS) Denied Persons List, to be able to purchase US-made products and components. Under the new agreement, ZTE must pay significantly higher fines, undergo management changes, and adopt strict compliance standards. To be clear, ZTE is still listed on the Denied Persons List, which still includes certain restrictions, and does not yet include an exception for ZTE. Even so, the agreement maps out a pathway that will allow ZTE to quickly re-start operations which had otherwise been put on hold because of the lack of U.S. components (McMillan et al. bakermckenzie.com).

The U.S. government worked out a settlement with the governments of both countries after numerous negotiations. It lifted the ban on ZTE except for the \$1 billion penalties, which were kept in escrow. It required the Chinese firm to place \$400 million in an American bank and to allow a team of American compliance monitors to oversee ZTE's operations for ten years (Ballentine *The New York Times*, nytimes.com).

3.3.4. President Trump's Legislative Sanctions on Hong Kong

The two bills “S. 1838, the Hong Kong Human Rights and Democracy Act of 2019” and “S. 2710, To Prohibit the Commercial Export of Covered Munitions Items to the Hong Kong Police Force” signed by President Trump on November 27, 2019, imposed further sanctions and export control restrictions on China. This legislation was highly supported by the U.S. Congress, as it was enacted in response to recent political protests in Hong Kong. While President Trump was engaged in negotiations with China regarding a trade deal, he voiced concern over the legislation, but eventually signed the bills as a show of good faith, hoping that China's leaders and legislators will settle their differences and pave the way for long-term peace and prosperity for all. Along with export control and sanctions-related developments, the Hong Kong Normalization Executive Order outlines a number of other changes to US law and policy, including the termination of several extradition-related agreements, the cessation of training provided to the Hong Kong Police Force and other Hong Kong security services, and the cessation of the Fulbright exchange program in Hong Kong and China (Contini et al. bakermckenzie.com).

3.3.5. Uyghur Human Rights Policy Act of 2020

President Trump signs law legislation on June 17, 2020 aimed at human rights violators in China named the Uyghur Human Rights Policy Act of 2020; becoming official U.S. legislation for the first time on that date. Sanctions may be imposed on persons, including Chinese government officials, determined to be responsible for abuses of human rights committed against Muslim minority groups, as well as on other countries or entities found to be assisting such acts. Under the terms of the law, the administration must prevent those individuals from obtaining visas or entry to the US by blocking their assets and declaring them ineligible. The President may grant a waiver if he or she determines that doing so is in the national interest. As a result, the Trump Administration must, within 180 days of the law's

enactment, submit a report to the US Congress identifying foreign individuals to be sanctioned, and then annually thereafter. Such reports also have to be issued by the US Department of State, the Federal Bureau of Investigation, and the Director of National Intelligence. This was done with the signing of the bill, as well as the White House issuing a statement. The bill received official agreement in both chambers of Congress. (Lamy bakermckenzie.com)

Conclusion

U.S. Sanctions that are meant to have an impact on China's economy are questionable in their effectiveness. The United States uses economic sanctions as a tool for communicating its foreign policy. Though U.S. norms may not view sanctions as being confrontational and insulting, they can have a strong impact on other countries. Human rights issues are less of a confrontation for China, so a softer and less confrontational approach is preferred.

For many Chinese, sanctions imposed by the United States are seen as a symbol of disrespect and humiliation. In response, China often expresses displeasure about U.S. sanctions but exhibits flexibility in creating incentives. Rather than provoking China, it should implement policies that would alter Chinese behaviour. In order for sanctions to be more effective, cooperation may be necessary. By pursuing sanctions that have clear, precise, and measurable goals, Trump should also impose sanctions that have no hidden political purposes.

General Conclusion

The relationship between the United States and China is in a critical state. Today, the two countries are more interdependent, but at the same time, there is more contention. While China has recently become more defensive in Asia, more mercantilist in its economic policies, and more authoritarian in its domestic politics, it remains to be seen if this will change in the future. Meanwhile, the incoming Trump administration has shown that it is considering a wide range of policies that could put a fundamental shift in long-term strategy.

In order to reduce trade deficits, the Trump administration is imposing trade sanctions on China. Despite this, the large U.S. trade deficit should not be placed on the shoulders of Sino-U.S. trade relations, and there is a compelling rationale behind the recent measures undertaken by the United States to reduce the trade deficit, particularly on “trade war” against China.

Sino-U.S. trade has not caused the large U.S. trade deficits. Trade sanctions were imposed on China in order to reduce the large trade deficits that the United States has with that country. The trade deficit between the United States and China is significantly more complicated than the media and general public understand. As long as it understands that engagement from a position of strength in Asia has generally served the country's interests, the U.S. should continue its engagement with China. However, the Biden administration should also recognize that new Chinese actions are now having a significant impact on a variety of important US interests.

The existing international system offers the US greater relative benefits than China, and those relative gains include shrinking economic power, growing military

power, and diminishing soft power. This gap between China's rising global power and the United States' hegemonic status is narrowing, putting America's position as the world's leading power in question. The United States, rising critical attitude towards globalization has emerged since the 2008 financial crisis, due to the numerous problems caused by globalization.

The thesis as a whole clearly indicates that the two countries do not have to confront each other. Until recently, this has been the reality of the relationship between the US and China. It is not clear whether this will improve in the future, but, if anything, this relationship is the best currently available option.

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