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## Preface

With the rapid development of globalization and the growing economic interdependence among countries, the economic relationship between China and United States is becoming more and more closely. As the first and second largest economies of the world, China and U.S. has become the second largest trading partner with each other. The United States is China's second largest trading partner, largest export market and the first big trade surplus countries; While China is America's third largest export destination and the largest source of imports. But more than plain sailing, there also existed a lot of frictions and conflicts in the process of the trade development between China and the United States. Gradually, trade policy toward China is changing, especially the since China entered WTO, the trade policy of U.S. toward China changes significantly.

Under this background, this paper tries to explain why the trade policy is changing from both economic and politic aspect. From the realism aspects, China's rapid development and fast growing of China's trade surplus against the U.S made the United States to review its overall strategy towards China. From the protectionism aspects, under the condition of the economic recession caused by the financial crisis, United States tended to inflict more intervention in China's foreign trade policy, which cause the increasingly tendency of "politicising" on trade issues between China and the United States.

## **1. Introduction**

### **1.1 Background**

In today's increasingly globalized and economic interdependence, Sino-US economic and trade relations are increasingly becoming an important factor affecting the economy of both countries and the world economy. Over the past 30 years since the establishment of diplomatic ties between China and the United States, the bilateral trade and economic relations have developed rapidly. In 1979 January, the United States established diplomatic relations. In July the same year, the two governments signed the "Sino-US Trade Relations Agreement", giving each other most favored nation treatment, bilateral trade relations from the rapid development (Susan V. Lawrence 2013). According to the National Bureau of Statistics of China, the trade volume has increased from \$ 2.45 billion in 1979 to \$ 557.02 billion in 2015, an increase of nearly 200 times. According to the US Department of Commerce, the United States is China's second largest trading partner, the largest export market and the largest trade surplus country. And the largest source of imports, the United States is China's fifth largest investment market and the third largest source of technology imports.

After China entered the WTO in 2001, the US' export of goods to China has increased more than 5 times, making China the largest export market of the US outside

North America.<sup>1</sup> Correspondingly, the symbiotic degree between China and the United States is also deepening. According to statistics, as of 2008, China's exports to the United States accounted for 36.87% of US residents consumption; China's trade surplus with the United States accounted for 57.46% of China's total trade surplus; 37.38% of China's foreign exchange reserves for the US Treasury bonds, 62% assets (Morrison W M 2011). The status of the United States and China in the global economy is also rising. Such as the United States in 2008 the total import trade accounted for about 14% of global imports, continue to be the world's largest importer; China is more than Germany to become the world's largest exporter, the United States and China's GDP accounted for the global economy The proportion reached 37.32%. As the Sino-US economy between the "symbiotic" level of deepening and its significance to the global economy, the United States Harvard University professor Neil Ferguson and the British economist Moritz Schularick in the February 6, 2007 "The Wall Street Journal" published "Sino-US economic symbiosis awareness," which described the Sino-US economy Together as an economy, and call it "Chimerica".

While the bilateral trade relations between China and the United States have continued to develop rapidly, the problem of trade imbalances has intensified. According to Chinese statistics, the US trade deficit with China increased from 42.72 billion US dollars in 2002 to 143.38 billion US dollars in 2009; according to US statistics, increased from 2002 to 2003.06 billion US dollars in 2009 to 342.6 billion

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<sup>1</sup>Office of United States Trade Representative. 2015 USTR Report to Congress on China's WTO compliance. Washington DC 2015.

billion US dollars in 2014. Although there is a big difference between the US and Chinese statistics, statistics from both countries show that the problem of Sino-US trade imbalances has been increasing since the beginning of the 21st century.

The rapid development of trade between China and the United States is derived from the complementarity between the two countries' industrial structure and trade patterns. It is in line with the typical example of the theory of comparative advantage and factor endowment in traditional trade theory. However, the development of trade relations between China and the United States is not smooth sailing, and its development by the world's overall situation, their domestic political and cultural factors such as the containment and influence (Morrison W M 2017). The US trade policy towards China has been in a dynamic process of adjustment, with its changing policy changes to China. Due to the rapid development of China's economy and the adjustment of US trade policy with China, Sino-US economic and trade relations have shown different characteristics.

With the formal establishment of diplomatic relations between China and the United States, the US trade policy with China has undergone three stages of transformation: the first stage: from "serious confrontation" to "friendly" trade policy period (1979-1989); the second stage: Shift from "sanctions" to "cooperative" trade policy period (1990-2001); third stage: friendly and discriminatory coexistence of diversified trade policy period (2002 to present). (Sun Xiaohang 2013)

In the first stage, the Chinese and American governments signed the "Sino-US Trade Relations Agreement" at July 7 1979. And this agreement decided to begin to give each other MFN (most-favored-nation) tariff treatment at February 1 1980. Since then, the Sino-US trade to achieve normalization. From 1980 to May 1989, the United States had been granted MFN status in China, when Sino-US relations were experiencing a very friendly period of trade relations (Morrison W M 2017). According to the General Administration of Customs of China, the bilateral trade volume between China and the United States increased 600% from nearly US \$ 2.75 billion to US \$ 12.271 billion in the 11 years. China's exports to the United States from 1979 to 595.01 million US dollars to 4390.48 million US dollars, imports from the United States from 185659 million US dollars to 7860.35 million US dollars. The United States has become China's third largest trading partner after Japan, Hong Kong (Wang 2012). Sino-US trade commodity structure highlights the complementary advantages of the two countries: as a rich labor resources in China, exports to the United States mainly agricultural products, textiles and clothing and other labor-intensive products. In 1988, China's exports of textiles to the United States amounted to 1.607 billion square yards, amounting to US \$ 2.24 billion, which was the most export competitive advantage commodity in China (Sun 2013).

After the political turmoil in Beijing in 1989, the views of the international public opinion on China have undergone dramatic changes and the developed countries had imposed severe sanctions and embargo on China. At the same time, the United States

treated the MFN treatment as a tool for trade sanctions against China, which linked the human rights issue with China MFN treatment and reviewed it every year. It had affecting the normal development of Sino-US trade. Although the United States imposed a series of sanctions and embargoes on China in 1989, the sanctions and embargo on China were soon lifted after 1991. Throughout the 1990s, bilateral trade had never developed as a result of the high trade complementarity between China and the United States. According to the General Administration of Customs of China, in 1990 the two countries trade amount of 11.77 billion US dollars, then increased year by year, in 1993 exceeded 10 billion US dollars mark in 2000 reached 22.36 billion US dollars, an increase of 5.3 times. At this stage, China's export growth to the United States was significantly higher than the import growth and gradually generated trade deficit. China and the United States had used their respective comparative advantages, the United States based on technological advantages mainly exported high-tech products, machinery products as the representative of the capital and technology-intensive products to China, and China based on labor cost advantage exported resource-based, labor-intensive products to the US. The trade complementarity between the two countries determines the real basis for Sino-US trade and the space for continued development.

In 2001, the US trade policy with China entered the third stage. In the bilateral trade and investment continue to develop in depth, the Sino-US trade friction and disputes are also continuing. The United States is keeping give pressures to China on opening



markets, appreciating the Renminbi and other issues (Susan V. Lawrence 2013). US also frequently using various trade remedy measures on the implementation of discriminatory trade policy of Chinese products. During this period, the US trade policy with China showed the coexistence of cooperation and pressure, and the trade policy with respect to China was accompanied by conservative or even discriminatory trade measures. In spite of the Sino-US economic and trade exchanges have made great progress at this period, many trade frictions occurs, the various forms of trade friction between China and the United States after another, and has intensified the trend. The global recession triggered by the US subprime mortgage crisis in 2008 has further raised domestic trade protectionism, leading to frequent trade frictions between the United States and China. According to China's Ministry of Commerce statistics, from 2001 to 2013, 13 years of anti-dumping cases filed a total of 81 pieces as much as 2008, 2009, 2010 years for the most concentrated anti-dumping case for three years, more than 10. From 2001 to 2013, China has become the world's 12 years of anti-dumping allegations of the most countries, and the United States is the most frequent anti-dumping measures against China (Wayne M. M 2015).

Trade policy as a government in accordance with their economic and political interests and development goals formulated in a certain period of time the import and export trade activities, the criteria embodied in a country for a certain period of time for its import and export trade activities implemented laws, rules, regulations and measures. Trade policy, as one of the most enduring elements of American foreign policy,

involves not only economic issues but also the same number of political issues. In other words, the US trade policy is heavily dependent on its domestic political environment and is a unique economic policy influenced by domestic political groups (Pastor 1980). In addition, the US trade policy is also constrained by international political factors. In this sense, the United States trade policy is both the result of its domestic economic and political forces, but also the result of the economic and political forces of the international competition.

China and the United States as the two major powers, the trade relationship between the two has the most complex political meaning, through the modern international economic and trade relations, never like Sino-US economic and trade relations with a strong political color. The study attempts to shed light on the complexity of the trade policy regime, in which we argue that foreign policy, mainly of the US, needs to be taken into consideration. In the following, the problem statement, the research question and the methods applied to form the argument of this paper will be introduced.

## **1.2 Problem Statement & Research Question**

Sino-US trade relations have become the most important bilateral trade relations in the global economy. Since the 21st century, the rapid development of Sino-US trade, the profound changes and impacts, has aroused widespread concern around the world. In order to deal correctly, especially the further development of Sino-US trade relations, it is necessary to conduct in-depth research on US trade policy, especially the US trade

policy toward China. In summary, Sino-US trade relations as the current global economic system, the most important bilateral trade relations. The rapid economic development of globalization, especially since China's active integration into the process, has led to the rapid development of this relationship. According to the traditional "comparative advantage" theory of Sino-US economic and trade development model, Sino-US trade should be a win-win game. But from the history, we can see the US trade policy towards China is keeping change. Under this background, formulated the main question 'Why is US trade policy towards China keeping change' can be formulated. Based on the main question, it can be formulated with several sub-questions. What changes have occurred? How is Sino-US trade relation during that time? Why are there are many friction and disputes between United States and China?

## **2. Methodology**

This chapter will describe in what way the main problem will be approached including the core concept, the theories and data will be used in the analytical chapter. This chapter should help to understand the chosen theories of this research work, clarify the structure and explain why this is a possible way to solve the problem and answer the research questions.

### **2.1. Structure of the paper**

In terms of research methods, there are two main research paths in the field of political economy of trade policy: quantitative analysis, and qualitative analysis. The former is mainly represented by the measurement test, while the latter focuses on the case analysis. It is easier to formulate trade policy and get objective conclusion by using quantitative analysis to analyzing and calculating large-scale data, the correlation of different variables, and then found the relationship between explanatory variables and explanatory variables. But the disadvantage of this approach is that it is easy to ignore the study of a particular object, either can not explain the causal relationship, nor make a substitute for a causal error.

In view of this, this paper will use quantitative analysis and qualitative analysis of the combination of research methods on the US trade policy analysis, which is determined by the research orientation. From the historical point of view of the evolution of US trade policy in China, especially since the late 1980s, the US trade policy changes in

China's causes and impact of the analysis and research will help us better understand the US trade with China. The essence of the policy, and to make the right value to judge. As the study of US trade policy with China is a complex system of engineering, this paper will focus on the analysis of trade policy formation mechanism and the reasons for the evolution. This paper mainly adopts the combination of qualitative and quantitative methods, combined with historical and logical analysis, theoretical analysis and empirical analysis, in the process of researching trade policy between China and the United States since the formal establishment of diplomatic relations in 1979. In particular, in the systematic review of the historical evolution of US trade policy toward China, this paper mainly adopts the method of historical and logical analysis to extract the characteristics of different stages of US trade policy toward China from the political and economic background. Which provides a logical starting point for the analysis of the whole text, and provides the theoretical test proposition for the follow-up empirical analysis. When constructing the comprehensive framework and model of the US trade policy decision to China, this paper mainly uses the normative analysis method, Trade policy development of the test, this paper selected two important trade policies to verify.

This research paper consists of seven parts. The first part is an introduction of the background and the explanation of the problem. In the second chapter will explain the methodology in more details. In the third chapter, the theoretical approach of this study will be presented and explained, which will be applied in the analysis.

The foundation of the analysis will be processed in Chapter Five, where the purpose of this study is to explore and analyze the reason that US trade policy towards China changed and what are the impacts of those policies. First, it will introduce a historical background reviews and the US trade policy of China and its main features for the last 30 years. On the basis of the historical tracing of the changes in US trade policy towards China divided the last 30 years into three periods. In each period introduces the development of Sino-US trade relations. Then using realism and protectionism to introduce and analyze the US trade policy and the reason that influenced the US government's trade policy authority from economic and politic aspect. In the politic aspect mainly analyze from the increasing influence of China in international and trade imbalance between two countries. While the in the economic aspect the protectionism is used to analyze the changing structure of goods in the trade between US and China. This research paper will be concluded and the research questions answered in the Conclusion. After that, limitation of this thesis is explained.

## **2.2 Methods**

US trade policy with China as a significant practical research topic, lots of China and the United States academics highly concerned about the issue. Many scholars have carried out a lot of research, and achieved fruitful research results. I not only read the trade policy statistics from its official website, but also find secondary sources, inclusive of articles, journals, and reports of other scholars on this area. Past theses and dissertations related to this topic were also consulted for further information.

Dates used in this thesis are also searched from the National Bureau of Statistics of the People's Republic of China and US Department of Bureau. Previous visits of the database informed our decision to revisit this source.

Most of those theory literatures are from University library and Google Scholar. Some of our sources were from Google Scholars, which contains a lot of scholarly articles and documents on US and China's economic relations. There is a search engine that led us to so many articles, books and other documents on realism, liberalism and other theories. I also read different theory books borrowed from library both in Chinese and English.

### **3. Theories**

This chapter will introduce realism and protectionism theory, which will analyze the main question of this thesis.

#### **3.1 Realism**

Realism, as a dominant group of international relations theory, contains new branches of new realism, defensive realism, offensive realism and neoclassical realism. Realism often can be traced back to intellectual roots to Thucydides, an Ancient Greek historian in the fifth century B.C. Through his study of the Peloponnesian War between the Greek city-states Sparta and Athens, where his main observation was the strategic interaction between states. Within a system of states a hierarchy among the involved states is created, he argues that the will to dominate and the drive for power are primary aspects of human nature (John Baylis 2011). Moreover, in addition to Thucydides, there are other well-known and important theorists when looking into realist theory within realism. Realism is not a single theory, but contains many branches. There have been branches of defensive realism, offensive realism and neoclassical realism. These emerging branches' emphases and the interpretation of the realities of international relations are different.

The main representatives of classical realism are E.H. Carr, Reinhold Niebuhr, Hans Morgenthau, George Kennan and Henry Kissinger. Which Morgan is the most important representative, the development of realism as a mature theory is started from



the Morgan system and his classic discussions. In the 20 century from the late 40s to the early 70s, classical realism has dominated the study of international relations. Classical realism has two basic propositions: first, human has the power desire, so the state dominated by human nature will desire to get power (Hans Morgenthau 1973) . This determines that international politics, like all politics, is to fight for power. Second, there is no ruling authority on the state, so the state can only approach to maintain their security. The starting point is the power and interests. In the view of classical realism, the main driving force of international politics is the inherent will of every country in the system, and all countries are hostile,

In the late 1970s, some scholars argued that the power structure since the postwar period had changed significantly, and began to reflect on the interpretation of realism against international political realities. The publication of Waltz's "International Political Theory" in 1979 marked the emergence of neo-realism theory. Neo-realism inherited the anarchy premise of classic realism, but abandoned the "human nature" hypothesis in the cause of national behavior. In the view of neo-realism, the country's goal is to survive and the pursuit of security is the country's highest priority (Kenneth Waltz 1979). In contrast to Morgan's emphasis on human nature as the underlying cause of safe competition, in the theory of Waltz, the anarchy of the system is the real cause. Unlike classic realism regards power as its own purpose, neo-realism sees power as a means of being used. In addition, neo-realism think national security competition is relatively optimistic, that the international system does not encourage

the country to unbridled security competition. On the contrary, anarchy prompted the state to take preventive measures, the potential injured State often checks and balances the aggressor country by establishing a balance of power and prevents the latter from hunting the power of greed (Kenneth Waltz 1979).

Defense Realism and Attack Realism is the corresponding two emerging in the realist paradigm. Jack Snyder, Stephen Van Evera, Stephen M. Walt, Joseph Grieco and Charles L. Glaser represent defensive realism. As a branch of the realist paradigm, offensive realism and defensive realism have different and common assumptions. In common is that both are structural realism and inherited from Waltz's structural realism theory. It inherited the assumption of human nature: anarchy of the international system and materialism ontology. The question of why the state pursues power and the fundamental logic of the pursuit of power is roughly the same, which is the state pursues power to survive because the anarchy of the international system forces the state to have to worry about its survival. However, due to the different understanding of the international system and the dependence on the material strength of different degrees, so the country wants to how much power on the issue of different views. Defense realism argues that the international anarchy is usually more merciful, and security is often abundant rather than scarce (Jack L. Snyder 1991). The state has little or no interest in military conquest because the "offensive-defensive balance" of military forces is often in the direction of defense a serious inclination makes the conquest extremely difficult (Stephen Van Evera 1999). Offensive realism assumes

that the international system is anarchy and almost no international politics to maintain the status quo of the country (John J. Mearsheimer 1990). Maximizing power is the best choice for a country to survival. The greatest strength can ensure that the greatest degree of security, and the ultimate goal of a country is the system of hegemony (John J. Mearsheimer 1990).

The core concept of classic realism is power. “States act to maximize what is often called the national interest, which at times may require the use of force. States try to maximize the likelihood that they will achieve whatever objectives they have set”(John Baylis 2011). Morgenthau defines power broadly as “anything that establishes and maintains the control of man over man” (Hans Morgenthau 2005). The state’s behaviors are rational in order to maximize their power. From the realist perspective, the international political system is anarchic that on states that can force other states to obey rules. Due to the anarchic situation, states need to maximize their power in order to survive. These objectives include high political concerns - security matters, or low-political objectives in such areas as finance, trade, monetary exchange and health. The states seek power and they calculate their interests in terms of power. Realism view of politics is concerned with power and power politics among nations. (Raul R. Viotti 2012)

Realists define and understand the concept of power as sum of military, technological, economic, and diplomatic and some other capabilities. Realists believe that it is a state’s material power capacities that give it the ability to pursue its national

interests and guard itself against enemies, so “states must be continuously making decisions on whether their actions increase power or not” (Raul R. Viotti 2012). The gains of a state makes relative to other states; for one state to get more of it, which means that other states will have less. The concept of power from realist view is not as some absolute value determined for each state as if it were in a vacuum but rather as the capabilities relative to the other states, that is “states care more about relative gains than absolute gains” ( Joseph Grieco 2014). Absolute gains is the total sum of benefits that a certain agreement or action yields, as the gains a state makes relative to other states. From this viewpoint, the absolute versus relative gains is very important in the debate of US policy towards China. An alternative to the dynamic definition of power “focuses on the interaction of states” (Paul R. Viotti 2014). A state's capacity is not only determined by its capabilities but also by its willingness to use these capabilities and its influence or control other states.

Using power can be legitimate or illegitimate, which depends on the moral and legal justification. Also power can be connected to all social relationships and can be used from everything from strong physical violence to almost invisible psychological mind control. Morgenthau based on the human nature of this evil as a philosophical basis, based on power and power to define the national interests as the core concept, the construction of his realism balance of power theory system. He argues that politics, like the general society, is dominated by objective laws, and that the root of this law exists in human nature (Hans Morgenthau 2005). The key of ongoing of power-seeking

actions of states is ingrained in the biological elements of human nature. The drive for power and the desire to dominate are held to be the fundamental characteristics of human nature.

Although the branches of the realist paradigm of the existence of differences, but often with an overall appearance and adhere to some common theoretical core and assumptions. There are six fundamental principles that characterize political realism.

First is the state-centric assumption: in world politics states are the most important actors. The international system is country-based, which means the state is the main and unified actors in international system. In the study of international relations, the state is the basic unit of analysis, whether they refer to the Greek city or modern nation-state, international relations research is the relationship between these units. There are also a large number of non-state actors in the international system, such as multinational corporations, terrorist groups and other transnational and international organizations, which play a role in international politics. But in the realist view, the status of non-state actors is always secondary, and the state is a dominant actor (John A. Vasquez 1996). International politics is understood as an area of interaction between sovereign states, separated from domestic politics. Realists believe that a country's political differences and conflicts in the country can eventually be the authoritative solution, so a government can represent the country as a whole. Thus, the state is a unified act that means that there is only one policy on any particular event and problem. Of course, the exception will happen from time to time, but in the realist's view, these

exceptions are only exceptions to the rules, and ultimately support the state as a general assumption of a unified act (Robert L Rothstein ed 1991). Even in the event of an exception, for example, the policy expressed by a foreign ministry is different from the policy statement of the Ministry of Defense, and higher authorities will intervene to exclude bureaucratic or non-governmental actors.

Second, realism assuming that the nature of a country always has a fixed conflict goal. The realist paradigm assumes that national preferences are both conflicting and immutable. Inter-State politics is a bargaining game between countries that bargain about scarce resources. Morgenthau and Waltz argue that the power in realist theory stems from the assumption that national preferences are fixed and do not accept ideas, common rules, and systems over power politics (Kenneth N.Waltz 1979).

Third, in the international structure every country will consider the material capacity first. Realism emphasizes that the results of transactions between countries are directly linked to the distribution of material resources. The core of realism is the control of material resources in world politics. The ability of the state to compel or bribe the opponent by controlling the resources is the power and material resources that constitute a basic "reality" that imposes an external influence on the state's conduct, regardless of what the state pursues, believes or constructs (Benjamin Franke 1996).

Fourth, the state will seek to maximize its power or security. Some realists focus on power, believing that it is the goal itself. Morgan is a prominent example of this

realism. While other realists regard power as a means of security. Waltz emphasizes power as a means of achieving security goals.

Based on the assumptions of the realist theory, it is possible to set up the following hypothesis. The US declining power and the rise of emerging powers might explain the US trade policy towards China is changing. It will be investigated in the follow chapter whether the realism theory supports those assumptions.

### **3.2 Protectionism**

Trade protectionism refers to restraining trade between states on imports to protect their domestic goods in the domestic market from foreign goods competition, and policies provide concessions to domestic companies enhance their international competitiveness (Johnson H G 1965). In the methods of restricting imports are mainly to take tariff barriers and non-tariff barriers two measures. The former is collecting high import tariffs to prevent the import of foreign goods; the latter methods include the import license system, import quota system and a series of non-tariff measures to restrict the free import of foreign goods. Countries use a variety of restrictions on imports of measures to protect their markets from foreign goods competition, and encourage exports by giving domestic goods preferential treatment and subsidies (Salvatore D 1993) . Protectionism is mainly to protect the domestic market to promote the development of domestic productivity. The development of protectionism has gone through five basic stages: mercantilist stage, naive industrial protection stage,

Keynesian stage, strategic policy stage and new protectionism stage.

Mercantilism originated in the mid-16th century, prevailing in the middle of the 17th and 18th centuries. Its main point was to believe that the importance of money and treat the precious metal gold and silver as a sign of wealth, because gold and silver (especially gold) can exchange things at that time (Suranovic S 2010). Mercantilists believe the more gold and silver that a country has, the richer the country will be. Thus a country will do everything possible to obtain gold and silver, so mercantilism is also known as "money". Mercantilists believe if there is no gold and silver can be mined in the country, the country have to follow other ways to get gold and silver, which mainly rely on foreign trade. Because the domestic trade cannot make foreign gold and silver inflow, only engaged in foreign trade, foreign gold and silver can come from by the imbalance of trade. In order to maintain the trade out, the country has to reward the output limit input by subsidies to the export and adopt a higher tariff. The development of mercantilism has two historical stages, one is the early "monetary difference"; the second is the late "trade difference". Whether it is early or late mercantilism, they all emphasize that money is the only form of wealth, a country can get monetary wealth from foreign trade balance, but also for domestic protection policy has not changed.

The theory of naive industrial protection was proposed by Alexander Hamilton and later elaborated by German economist Friedrich Lister. Hamilton clearly put forward the importance of levying tariff, and the purpose is to protect the country's industry. In



Hamilton's view, the manufacturing industry is of particular importance to the development of the national economy (Harlen C M. 1999) . It not only enables the development of specific production sectors, but also produces joint effects, so that the relevant departments have also developed, so as to bring productivity to a country or the development of production technology (Friedrich List 1885) . However, the protection is not only restricted in some specific industry, there are time constraints. He argues that when a particular industry grows up, it is necessary to dismantle barriers to trade protection (Harlen C M. 1999) .

The Keynes trade protectionism that is completely different from naive industrial protection. Naive industrial protection is based on a country that in the process of industrialization, but on Keynes trade protection theories are based on countries that have achieved industrialization and are trying to seek stable economic growth (Suranovic S 2010). The Keynes argues that the level of demand determines a country's national income. However, private consumer and investment demand is not enough to maintain the full employment of economic resources. The marginal propensity to consume, the marginal efficiency of capital, and the flexible preference of money make it impossible to achieve full employment. Based on this starting point, Keynes believes that the government should not only use macroeconomic policies to intervene in the domestic economy to achieve internal balance, but also to intervene in foreign trade, so that the import and export is conducive to the stability of the national income level. Keynes argues that mercantilism is reasonable as the country

can increase domestic employment by protecting trade.

In the world of Keynes, tariffs can make imported goods more expensive than domestic products, thus guiding people's needs from imports to domestic products. When income levels in certain conditions, the income will be more spent on domestic products. Tariffs through the transfer of foreign products to the domestic product transfer, it will be able to stimulate the demand for domestic products, increase domestic national income (Suranovic S 2010). It can be seen that in the Keynesian economy, tariffs become a tool for mediating aggregate demand: tariffs increase and stimulate the economy; tariff cuts will curb the economy; tariffs tend to increase domestic incomes and jobs while reducing foreign incomes and employment level.

In the 1970s and 1980s, structural changes in the international trading system led to the emergence of new protectionism. From the point of protection object, traditional trade protectionism protects the naive industry or the weak new industries, and the new trade protectionism also protects the industrial sectors that fall into the structural crisis, such as agriculture, textile, clothing, steel, automobile, and other industries (Horstmann I J, Markusen J R 1986). Another focus of protection is cutting-edge technology. The most important manifestation of the new protectionism is that the government uses voluntary export restrictions and orderly sales arrangements (Horstmann I J, Markusen J R 1986). Voluntary export restrictions are often concentrated in several key sectors, such as textiles, electronics, leather goods, steel, especially the automotive industry sector, which are generally characterized by global

overcapacity. The comparative benefits of these labor-intensive sectors, which used to be the source of economic growth in developed countries. And now those industries are rapidly shifting to emerging industrialized countries, where they provide important export opportunities. New protectionism has also spread to the service industry and high-tech industries.

Another impact of the new protectionism is to change the mechanism of trade negotiations and to increase the scope of discrimination, which is contrary to the principle of unconditional most-favored-nation treatment (Ethier W J, Fischer R D 1987) . In the 1990s, with the restrictions on voluntary export restrictions and orderly sales arrangements, protectionism shifted to more use of anti-dumping, countervailing and technical barriers. In nature, it is a shortsighted policy that has a great deal of harm to international trade and the world economy. And it will ultimately undermine the economic development of the countries.

Compared with the traditional protectionism, new trade protectionism has the following characteristics:

First, the main means of protection is transferring from tariff to non-tariff measures. Traditional protectionism is mainly through the restriction of imports to protect domestic industry, and the measure is to build high tariff barriers. The new protection is more focused on non-tariff barriers. While traditional tariff and non-tariff measures are being cut, countries have adopted non-tariff protection measures that are more covert, less transparent, and less predictable and predictable, such as green

environmental standards, health and quarantine regulations, anti-dumping, countervailing, intellectual property rights, differentiated domestic consumption policies, technical and health standards (Lang T, Hines C 1998). Some non-tariff barriers have now become the main measures for governments to intervene in foreign trade and restrict import and export. A series of international trade and tariff negotiations has greatly reducing the level of tariffs, and then countries turn to adopt non-tariff measures to implement protectionist policies. These measures are flexible, covert, restrictive, and more than half of the world's total trade is subject to various non-tariff restrictions.

Second, new protectionism has diversification of protection purposes. Traditional protectionism policy is mainly to protect the country has just started and in a weak competitive position of the naive industry. When these industries mature, the country will abolish those protection policies following the basic principles of the WTO. However, the purposes of the new protectionism tend to diversify, like to protect the domestic sunset industry, to promote domestic employment, to contain competitors and so on (Ethier W J, Fischer R D 1987) .

Third, the new protectionism policy is more and more targeted on specific industry. Such as restrictions on industrial products is decreasing, while the protection of agricultural products is still strict, the restrictions on different commodities in industrial products are also very different. The scope of protection of trade protectionism to further expand to the entire contents of trade in goods, trade in

services and intellectual property trade from the traditional trade in goods

Fourth, countries are transferring from severe restrictions on imports to actively encourage exports. Due to restrictions on imports of trade protection measures is a double-edged sword. It is easy to cause the other countries to take the same measures to implement retaliation. Under the WTO rules, countries will focus on the protection of trade policy to encourage the export such as the large number of export subsidies, production subsidies, price support and consumption tax, in order to increasing exports to obtain transaction profits.

Fifth, the distinction between countries and regions targeted for protection policy has been strengthened. New protectionism is increasingly manifested as group and regionalization (Lang T, Hines C 1998). Generally speaking, a country is always against their own direct, strong competitors to strengthen the protectionist policy, while the rest countries are appropriate to relax. Most countries in the world are based on their own national conditions and the situation of competitors, respectively using free trade and protectionist policies to protecting the sustainable development of their economies and enhance their competitiveness in the international market (Ethier W J, Fischer R D 1987) . With the international economic competition more and more intense, some countries have formed a variety of economic and trade alliance, group and regional trend to strengthen their relations. Groups and regions to cancel tariffs between each other in order to achieve the free flow of goods and factors of production. At the same time, those countries implement the trade protectionism

policies towards countries that of the group or regions. The original intention to establish those groups and regional organizations is to deal with foreign competition and protect the interests of member countries (Suranovic S 2010). As a result, groups and regional organizations have natural exclusivity and trade protection. In the case of the European Union, for example, the EU's constant exclusion of trade outside the country in 1958 led to an increase in internal imports: 33.8 per cent in 1958, 51.0 % in 1971, 57.0 % in 1985 and 58.9 per cent in 1992, 63.2% in 2000 and 79.2% in 2000 (Zhang Ningjun 2015).

Sixth, new protectionism is under the cover of free trade. In order to maximize the benefits of their own countries, governments have resorted to various non-tariff barriers and other ways to achieve trade protection and even to hold the banner of free trade to achieve the purpose of trade protection. The development trend of the world economy is more and more open, various trade organizations such as GATT and WTO lead negotiations to reduce tariffs. After the Tokyo round, average tariff of European Union, Japan and the United States is 6.0%, 5.4% and 4.9%. After the Uruguay Round, the average tariffs in developed countries fell further to 4%, but non-tariff barriers continue to increase. Until the Uruguay Round, the non-tariff barriers had reached more than 2,700 kinds (Zhang Ningjun 2015). Many economic groups using the virtue of GATT exemption clause and gradually created bilateral and discriminatory trade policies ,have been engage in collective trade protection policy, , formed a set of system protection system and mechanism eventually. The scope of

restrictions has been extended to the field of labor and high technology.

Last, The new protectionism further politicized trade issues. The trade relations between countries are not only affected by economic factors, but also by many non-economic factors (Lang T, Hines C 1998). In the formulation of foreign trade policy, whether to improve the level of social welfare is not in the first consideration, but to consider the needs of political interests. For example, the United States linked trade issues to human rights issues and political issues. The US economic recession, high unemployment and the US trade policy linked to China, that China's huge exports to seize the US domestic market share, and the competitiveness of Chinese products is based on the violation of human rights and so on

From the development of trade protectionism, it is very clear that whether the old trade protection or new trade protectionism, the essence is to maintain its own trade status in the international market. Countries use foreign trade to adjust their economic imbalances and increase national welfare.

## **4. Analysis**

This chapter mainly using realism and protectionism to analysis the why the US trade policy towards China is changing. Based on the two theories, the analysis is from economic and politic aspects.

### **4.1 Three periods of US Trade policy towards China**

With the formal establishment of diplomatic relations between China and the United States, the US trade policy with China has undergone three stages of transformation: the first stage: from "serious confrontation" to "friendly" trade policy period (1979-1989); the second stage: Shift from "sanctions" to "cooperative" trade policy period (1990-2001); third stage: friendly and discriminatory coexistence of diversified trade policy period (2002 to present).

In the first period, the Chinese and American governments signed the "Sino-US Trade Relations Agreement" at July7 1979. And this agreement decided to began to give each other MFN tariff treatment at February1 1980. As we can see from the Chart 4.1, between 1979 and 1989, bilateral trade between China and the United States jumped from US \$ 2,316 million to US \$ 17.7 billion, more than seven times. China's imports to the United States from 1979 to 592 million US dollars to 11990 million US dollars, exports from the United States from 1724million US dollars to 5775 million US dollars. According to Chinese statistics, the United States has become China's third largest trading partner after Japan and Hong Kong, while China's trade position



in the United States has risen from No. 24 to No. 6 in 1980 ( Sun 2013).

Table 4.1 Sino - US Trade Volume(1979-1989)

Units: Million US dollars

Year	Exports	Imports	Volume
1979	1724	592	2316
1980	3754	1058	4812
1981	3603	1865	5468
1982	2912	2284	5196
1983	2173	2244	4417
1984	3004	3065	6069
1985	3858	3862	7720
1986	3106	4771	7877
1987	3487	6293	9780
1988	5021	8511	13532
1989	5775	11990	17765

Source: Wang Yong. *Round of MFN treatment*. Beijing: China Compilation and Translation Press, 1998: 45.

After the political turmoil in Beijing in 1989, the views of the international public opinion on China have undergone dramatic changes and the developed countries had imposed severe sanctions and embargo on China. Throughout the 1990s, bilateral trade

had never developed as a result of the high trade complementarity between China and the United States. According to Chinese statistics, in 1990 the two countries trade amount of 11.8 billion US dollars, then increased year by year. In 1993, China imports from the US exceeded 10 billion US dollars mark in 2000 reached 22.4 billion US dollars, an increase of 5.3 times. China's export growth to the United States is significantly higher than that of imports, which in 1993 was the beginning of a trade surplus with the United States, while the US statistics came from China in 1983, according to which country's statistical standards were calculated. By the surplus to the deficit, and the trade deficit increased year by year ( Xiangqian L, Guoqiang D A I 2005).

Table 4.2 Sino - US Trade Volume(1990-2001)

Units: Billion US dollars

Year	Exports	Imports	Volume
1990	5.2	6.6	11.8
1991	6.2	8.0	14.2
1992	8.6	8.9	17.5
1993	17	10.7	27.7
1994	21.5	14.0	35.5
1995	24.7	16.1	40.8
1996	26.7	16.2	42.9
1997	32.7	16.3	49.0
1998	38.0	17.0	55.0
1999	42.0	19.5	61.5
2000	52.1	22.4	74.5
2001	54.3	26.2	80.5

Source: Consolidated by relevant statistics from China Customs and the Ministry of Commerce

In 2001, the US trade policy with China entered the third stage. In the bilateral trade and investment continue to develop in depth, the Sino-US trade friction and disputes are also continuing. China's accession to the WTO, the Sino-US trade has entered a stage of rapid development. According to the China statistics, as of the end of 2015,

the United States and China bilateral import and export volume of 557 billion US dollars. US exports to China 147.8 billion US dollars, accounting for 7.7% of US exports, up 0.6 percentage points; US imports from China 409.2 billion US dollars, accounting for 19.4% of US imports, up 0.7 percentage points. According to China National Bureau of Statistics, the trade imbalance between China and US was \$ 318.42 billion, up 1.1%. China is the second largest trading partner of the United States, the third largest export market and the largest source of imports.

Table 4.3 Sino - US Trade Volume(2001-2015)

Units: Billion US dollars

Year	Exports	Imports	Volume
2002	70.0	27.2	97.2
2003	92.5	33.9	126.4
2004	125.0	44.7	169.7
2005	162.9	48.7	211.6
2006	203.5	59.2	262.7
2007	232.7	69.4	302.1
2008	252.3	81.4	333.7
2009	220.0	77.0	290.0
2010	283.2	102.1	385.3
2011	324.4	122.1	446.5
2012	351.8	132.8	484.6
2013	368.4	152.3	520.7
2014	396.1	159.1	555.2
2015	409.2	147.8	557.0

Source: Consolidated by relevant statistics from China Customs and the Ministry of Commerce

With the process of economic globalization, the rapid economic development of countries makes the gap between countries in the world continues to be narrowed. The

pattern of the world continues to undergo subtle changes after the "cold war", and the status of the United States as the world's number one power is gradually loosening. China's sustained and rapid economic development. China's sustained and rapid economic development, GDP growth year after year to maintain a high level of 8%, a serious threat to the US economic strength and world status, the United States in capital, market and other aspects of the dominant advantage gradually reduced, so through trade friction, Conducive to maintaining the international advantages of the United States and the steady development of the local economy. The United States is afraid that China threatens its global economic interests and is not willing to lose China's huge market, so the United States has adopted bilateral and bilateral policies.

The development of Sino-US trade relations is both a process of increasingly bilateral trade relations and a process of increasing bilateral trade frictions. In fact, since 1979, China's reform and opening up, bilateral trade friction has been accompanied by the development of bilateral trade relations between the United States and China (Sun 2013). Unlike most bilateral trade frictions, Sino-US trade frictions have a very striking feature that the United States is the initiator of trade frictions, while China is a passive recipient of trade frictions. This is mainly because the United States and China in the bilateral trade interdependence in the status of unequal (Anderson, J.E.and P.J.Neary 2003). This feature also determines the Sino-US trade friction and the evolution of US trade policy in China has a very close relationship. In other words, although the ultimate manifestation of Sino-US trade

friction is nothing more than the United States to take tariff barriers, trade quotas and technical barriers and other obstacles to bilateral trade development measures. But the 1970s since the mid-US trade friction development and evolution of the process can find that with the US government trade policy changes to China, the Sino-US trade friction in the specific form of expression also will change. Therefore, since 1979, Sino-US trade friction can be divided into three stages according to the different stages of trade policy development (Wang 2013).

In the first stage, China began to reform and opening up the process. As a result of just resuming foreign trade and economic exchanges, during this period China's foreign trade, especially the trade volume to the United States is very small. China's statistics show that China in this period of trade with the United States has been in the deficit side, but the deficit is not large. Although the US statistics showed that the US trade with China since 1983 has been a deficit, but this period of trade deficit with China is very small, accounting for the proportion of US GDP are below 0.1% (Xu Xianquan 2001). All in all, this period of Sino-US trade imbalance is not obvious. China and China have a relatively stable political foundation, and the US trade policy with China is relatively mild, due to the recent establishment of the reform and opening up strategy. Thus, at the national level, Sino-US trade did not show significant friction, and most trade frictions are confined to some technical areas and are mainly manifested by US accusations of China's anti-dumping issues (Susan V. Lawrence 2013).

The second stage is 1990-2001. The Sino-US trade relations during this period were disturbed by a series of political factors. Compared with the previous stage, Sino-US trade friction has entered a politicized stage. Specifically, there is a series of obvious changes in the form of Sino-US trade friction, that is, the United States has changed the way China launched a single anti-dumping investigation, and gradually take "economic sanctions" and other new forms, so as to limit the high-tech products export (Anderson, J.E. and P. J. Neary 2003). In this context, the scope of trade frictions initiated by the United States has gradually expanded, the means adopted are increasingly hidden, and the interference in bilateral trade between the United States and China tends to be serious. This period of Sino-US trade friction gradually extended to intellectual property disputes, MFN treatment, China's accession to the World Trade Organization and even human rights issues and many other aspects (Morrison W M 2011). This typical economic problem of politicizing the practice to a considerable extent affected the development of Sino-US trade. In short, on the one hand, this stage of the Sino-US trade friction has a strong political color, and still take the initiative to initiate trade friction with China, China passive acceptance as the main form; the other hand, China's economic opening up which has led to a gradual increase in the sense of self-protection in China-US trade friction. The rapid growth of bilateral trade volume and the rapid development of China's economy have improved the interdependence of the Sino-US economy.

The third stage is since 2002. After China's accession to the World Trade



Organization, the bilateral trade volume between China and the United States has increased rapidly. At the same time, the US trade deficit with China has continued to increase substantially (Crutsinger, M 2006). In fact, since 2000, China has been the largest source of trade deficit in the United States. In this context, the Sino-US trade imbalance and the resulting Chinese market economic system and the RMB exchange rate issue has become the main cause of Sino-US trade friction (Bin Y 2006). To this end, the Sino-US trade friction from the previous micro-friction stage and a strong political stage of the gradual transition to the macro-trade friction stage (James A. Nathan, Charles Tien 2003). The growing Sino-US trade imbalance has not only aroused widespread concern in the United States, but has also become the United States Congress and part of the interest groups to safeguard their narrow political and economic interests and encourage the US government to carry out trade frictions and trade protection policies ruthless (Bown C P, McCulloch R 2005). Compared with the previous stage, the United States at this stage of China's anti-dumping investigations the number and frequency of a substantial increase, and influenced Sino-US trade relations. The RMB exchange rate issue has gradually become the focus of Sino-US trade friction during this period. As the United States insists that the Chinese government has weakened the competitiveness of US products and squeezed the jobs of American workers by depressing the Chinese export enterprises by depressing the RMB exchange rate, and since 2003, The United States by the RMB exchange rate issue politicized and a series of means to the Chinese government pressure, trying to

force the appreciation of the renminbi to reverse the growing Sino-US trade imbalance problem (Bin Y 2006). In short, the RMB exchange rate issue is always the core issue of Sino-US trade friction and disputes. In addition, because China has formally joined the World Trade Organization, for this reason, the United States in the trade frictions with China in addition to the traditional anti-dumping, countervailing and special safeguard measures, but also gradually increased the technical barriers to trade and green trade barriers and other means (Wang 2013). The use of clean energy and other high value-added emerging industries as the main trade protection.

#### **4.2 Economic effects in Sino-US trade relations**

From the protectionism perspective, using the trade policy can protect the country industry. For the last 30 years, the Sino-US trade commodity is keeping change. From the raw material, labor intensive products gradually became the high-tech products. In the first stage, from the establishment of diplomatic relations to 1989, the Sino-US trade commodity structure highlights the complementary characteristics of the two countries: as China's abundant labor resources, exports to the United States are mainly agricultural and sideline products, textiles and clothing, ceramic products and other labor-intensive products. Before 1985, only China's imports food from the United States each year reached millions of tons. With the continuous development of China's industrialization process, to the late 80s, imports of goods from the United States began to change the structure of food imports began to decline, machinery and

equipment imports began to increase. And China's domestic material is extremely scarce, technical equipment behind, so the need for imports from the United States a large number of agricultural products, chemical raw materials and timber to support the people's livelihood. From 1984 to 1987, China's imports of machinery and equipment from the United States increased from 24% to 42.2%, the main varieties are also concentrated in high-tech products, such as civil aircraft, electronic computers, oil exploration equipment and mining, chemical and power generation equipment capital and technology - intensive goods (Morrison W M 2011).

Since 1987, China's exports to the United States of mechanical and electrical products, light industrial products, non-ferrous metals, also have a greater growth. The goods China imported from the United States, which including both bulk agricultural products and raw materials, including large electronic computers, such as high-tech products such as. Which textiles and clothing for China's exports to the United States the largest commodity. In 1988, China's exports of textiles to the United States amounted to 1.607 billion square yards, amounting to US \$ 2.24 billion, which was the most export competitive advantage commodity in China (Sun 2013). Crude oil and refined oil is China's exports to the United States the second largest commodity, the annual export volume of crude oil amounted to 300-400 million tons, and export a certain amount of refined oil (Sun 2013).

In the second stage, the trade structure between China and the United States has undergone great changes. For the bilateral trade structure, the international trade

standard classification (SITC) is used to analyze the import and export commodity structure between China and the United States. According to the classification criteria, the 0th class of SITC is defined as primary product, category 5 is chemical product, category 6 is finished product classification, category 7 is mechanical and transportation equipment, class 8 is miscellaneous products, category 9 for unclassified other products (Wang 2013).

As shown in the table 4.4, in the 1990s, China's exports to the United States the highest proportion of goods is clothing, footwear, furniture, miscellaneous goods (SITC8 class goods), is labor-intensive products, accounting for 50% of China's exports to the United States, (SITC7), capital and technology-intensive products; and the proportion of primary products (SITC0-4) in the export of goods to the United States is further reduced by 1990 9.4% fell to 2.49% in 2000. SITC6 products accounted for the proportion of China's total exports to the United States has been ranked third, are the main US products. In the decade from 1990 to 2000, the share of US imports from China rose from 9.72% to 10.61%. Since 1990, SITC7 goods China's exported to the United States had expanded, the share of computers and electronic products rose the fastest. Changes in the commodity structure of the two countries can be seen, the export of goods to the United States than the previous decade has been greatly improved.

Table 4.4 China's exports to the United States in 1990-2000 Structure of the constituent

Units: %

Year	Primary products			Industrial Products		SUM	Else
	SII4	SII5	SII6	SII7	SII8		
1990	9.4	2.21	9.72	15.92	61.71	89.56	1.04
1991	6.69	2.07	9.14	17.17	63.92	92.30	1.01
1992	5.15	1.98	8.92	17.46	64.94	93.30	1.55
1993	3.33	1.85	8.66	19.24	66.10	95.84	0.83
1994	2.99	1.86	8.62	23.35	62.35	96.18	0.83
1995	3.08	1.92	9.31	26.38	58.29	96.07	0.86
1996	3.20	2.02	9.04	26.65	58.46	96.00	0.81
1997	3.12	2.03	9.41	27.58	57.04	96.06	0.82
1998	2.48	2.04	10.01	29.86	54.59	96.05	1.01
1999	2.08	2.05	10.46	31.60	52.73	96.84	1.08
2000	2.49	1.82	10.61	34.11	49.90	96.44	1.07

Sources: According to UN ComTade Database (<http://comtrade.un.org/db/>) calculated

As shown in the table 4.5, the US exports to China mainly concentrated on the SITC5, SITC6 and SITC7 products. Plus SITC8 products, the total share of these four industrial finished products accounted for about 95% of all imports of US products,

while the sum of several other categories less than 5%, which can be seen from China's imports of goods from the US structure concentrated features.

Table 4.5 China's imports to the United States in 1990-2000 Structure of the constituent

Unit: %

Year	Primary products			Industrial Products		SUM	Else
	SII4	SII5	SII6	SII7	SII8		
1990	26.03	21.94	5.13	40.40	5.22	72.69	1.01
1991	20.47	26.64	6.59	40.07	5.47	78.76	0.77
1992	16.31	16.22	6.05	53.99	6.23	82.48	1.20
1993	11.89	9.60	4.75	66.32	6.34	87.00	1.11
1994	17.57	16.24	4.33	55.12	5.48	81.22	1.21
1995	29.10	17.14	5.73	41.09	5.66	69.60	1.30
1996	23.77	14.42	6.59	46.50	7.40	74.91	1.32
1997	19.12	15.11	6.33	50.93	7.31	79.68	1.20
1998	14.20	13.84	6.02	57.78	6.72	84.36	1.44
1999	13.08	15.93	6.86	54.50	8.06	86.35	1.60
2000	19.23	14.31	7.83	49.64	7.63	79.41	1.37

Sources: According to UN ComTade Database (<http://comtrade.un.org/db/>) calculated

Based on the above analysis, we can see that in the Sino-US bilateral trade between 1990 and 2000, China and the United States have fully exploited their comparative advantages. The United States is based on technological advantages mainly to China to export high-tech products, mechanical products as the representative of the capital And technology-intensive products, while China's main export-oriented advantage to the United States is mainly resource-based, labor-intensive products (Morrison W M 2015). The trade complementarity between the two countries determines the real basis for Sino-US trade and the space for continued development.

Since the total Sino-US bilateral trade volume has grown rapidly since the 1990s, the structure of bilateral trade in commodities has also been continuously optimized (Morrison W M 2013). From the perspective of China, since the 1990s, with the changes in the pattern of international industrial division of labor, especially developed countries to China as the representative of the emerging market countries a large number of processing and manufacturing, China has become an important export processing base. In this context, China's exports to the US commodity structure also showed a more obvious change. Specifically, until the early 1990s, China's exports to the United States are still textile, toys and footwear and other traditional labor-intensive products (Xu Xianquan 2011). According to the Ministry of Commerce of China, textiles and raw materials accounted for 27% of China's total exports to the United States in 1990, and 13% of shoe and umbrella and other light industrial products accounted for 40% of China's total exports to the United States.

However, since then the proportion decreased year by year. In 1995, the proportion of China's total exports to the United States fell from 40% in 1990 to 29%, especially the proportion of textiles and raw materials fell by more than half ((Ministry of Commerce of China Website). The proportion of raw material in China's total export further declined to 18%. Until the global financial crisis in 2008, the proportion of raw material in China's total exports to the United States is further reduced to 15% (Ministry of Commerce of China Website).

Similarly, China's exports to US resource-based products also showed a clear decline. In 1990, mineral products accounted for about 5% of China's total exports to the United States; by 2008, its share of China's total exports to the United States is less than 1% (Ministry of Commerce of China Website). With the traditional labor-intensive products and resource-based products on the US exports continue to reduce the corresponding is to mechanical and electrical products as the representative of the capital-intensive and technology-intensive products on the US export volume is growing rapidly. In 1990, mechanical and electrical products accounted for 16% of China's total exports to the United States, ranked third; and by 1995, mechanical and electrical products will jump to the largest export products to the United States, its share of China's total exports to the corresponding increased to 26%; in 2000, the proportion further increased to 35% (Ministry of Commerce of China Website). At present, the mechanical and electrical products account for about half of China's total exports to the United States, and thus become China's exports to the United States the



first major categories of goods. At the same time, furniture, toys and miscellaneous goods as the representative of the export of durable consumer goods accounted for China's total exports to the United States has been stable in the proportion of about 20% (Ministry of Commerce of China Website). Thus, since the 1990s, China's labor-intensive products and resource-intensive products, the proportion of exports continue to decline at the same time.

On the one hand, China has continued to maintain the export advantage of labor-intensive products, and gradually formed the comparative advantage of technology-intensive and capital-intensive products. In other words, the structure of China's exports to the United States is constantly optimized. Since the total Sino-US bilateral trade volume has grown rapidly since the 1990s, the structure of bilateral trade in commodities has also been continuously optimized. From the perspective of China, since the 1990s, with the changes in the pattern of international industrial division of labor, especially developed countries to China as the representative of the emerging market countries a large number of processing and manufacturing, China has become an important export processing base. In this context, China's exports to the US commodity structure also showed a more obvious change. Specifically, until the early 1990s, China's exports to the United States are still textile, toys and footwear and other traditional labor-intensive products.

The US exports to China has been technology-intensive and resource-intensive products. Specifically, in 1990, the United States exports to China mainly to

mechanical products, aviation aircraft, crop fertilizers and cotton and other agricultural products. US exports to China's electromechanical and audiovisual equipment products increased from US \$ 260 million to US \$ 11.38 billion during the period 1990-2009, accounting for the corresponding increase in the proportion of US exports to China from 5.5% to 16%. While exports of oilseeds and medicinal plants to China increased from \$ 760,000 to \$ 7.36 billion, and the share of total exports to China increased to 10% (Morrison W M 2017). In 2011, the top 5 categories of goods imported from United States were for crops, computers and electronic devices, chemicals, transportation products and waste utilization and development products. The total exports of these five categories of products to China amounted to 66.7 billion US dollars, accounting for more than half of US exports to China (Morrison W M 2017). This shows that the current US exports to China is still its comparative advantages of technology and capital-intensive products and its strong competitiveness of agricultural products.

The comparative advantage of trade between the United States and China is very strong. Therefore, in the process of rapid growth in bilateral trade between China and the United States, the degree of dependence on bilateral trade has been increasing, which has become a prominent feature of the rapid development of bilateral trade between the United States and China since the 1990s. The US trade in China was only 2.3% in 1990, while in 2009 it rose to 13.7%. The US dependence on exports and import dependency were 1.2% and 3.1% rose to 6.6% and 19% in 2009 (Sun 2013).

Correspondingly, China's dependence on US trade also rose from 10.2% to 13.5%, especially for US exports from 8.3% in 1990 to 18.4% in 2009 (Sun 2013). Thus, with the growing Sino-US trade relations, bilateral dependence on bilateral trade continues to increase. In other words, the United States and China are increasingly relying on bilateral trade to promote their respective economic growth.

However, it is worth noting that, on the one hand, since the 1990s, the growth rate of US imports to China is much higher than its dependence on China's export dependence (the difference between the two is nearly 11 percentage points); on the other hand, US imports are declining (from 12.4% in 1990 to 7.7% in 2009) (Sun 2013). This explains to some extent why the US trade deficit with China continues to expand.

It is necessary to further point out that the imbalance between US and China trade also has obvious structural characteristics, that is, the bilateral trade in bilateral dependence on trade and trade structure there is a more obvious imbalance. China's dependence on US exports is not only far higher than its dependence on US imports, but also far higher than the US dependence on exports to China. Similarly, in 2009, for example, China's dependence on US exports is about 11 percentage points higher than that of US imports, and nearly 12 percentage points higher than US exports to China (2006, the difference between the two Respectively, up to 13.5 and 14.8 percentage points) (Sun 2013). This also shows that China's dependence on exports to

the United States is much higher than its dependence on US imports and US exports to China.

In other words, China's dependence on bilateral trade in the United States is mainly dependent on exports to the United States. In addition, from the bilateral trade structure, the United States from China's imports (that is, China's exports to the United States) to labor-intensive products, while China's imports from the United States are resource-intensive and technology-intensive products. This trade structure determines that China's vulnerability in Sino-US bilateral trade dependencies is significantly higher than in the United States (Xiangqian L, Guoqiang D A I 2005). This shows that once the United States and China interrupted trade, imports of resource-based products and technology-intensive products in China will suffer greater losses; and imports of labor-intensive products mainly in the United States can be dispersed through imports Source of the way to reduce the loss. In other words, the structural differences in imported products lead to China's vulnerability in Sino-US bilateral trade dependence is much higher than the United States.

The industrial structure of the United States is transforming from traditional industries to innovative industries (Susan V. Lawrence 2013). The United States in the process of its traditional advantages of the industry gradually transformed into a low competitive sunset industry, and with the international economic freedom of competition, making the United States part of the sunset industry to a competitive advantage in China. Thus reducing the United States in the level of output in these

industries. China in the steel industry, textile and other sectors due to resources, labor costs and other advantages, gradually replaced the status of the United States, to seize the US market. From the protectionism perspective, The United States would like to protect its own enterprises, and do not want Chinese enterprises to occupy the US market. So through anti-dumping, countervailing and other trade protectionism means to weaken the competitiveness of Chinese products, which will inevitably lead to friction intensified. On the other hand, if the United States in the innovation industry is not a breakthrough in the progress, and its traditional industries have been replaced by China, then the economic status of the United States than before will inevitably decline.

Although the US economy relies on the IT industry and other high-tech industries to obtain up to 10 years of rapid growth, but in the next few years the rapid growth of high-tech industry. At present, the proportion of high-tech industry in the US economy is low, its status is far less important than the traditional industries such as agriculture in the United States. In fact, the changes in the structure of a country's industrial structure will inevitably lead to changes in the relative income of the sector, and cause unemployment and other issues, so the US economy is still to maintain a relatively large traditional sectors, such as agriculture, textile industry, steel industry, which is the United States One of the internationally competitive industries. The current US trade policy also includes opening China's agricultural market. Moreover, due to the financial crisis, the US unemployment rate soared, and the United States of

these sunset industry is the basis of the United States to ensure employment, so they must become the US trade protection industry.

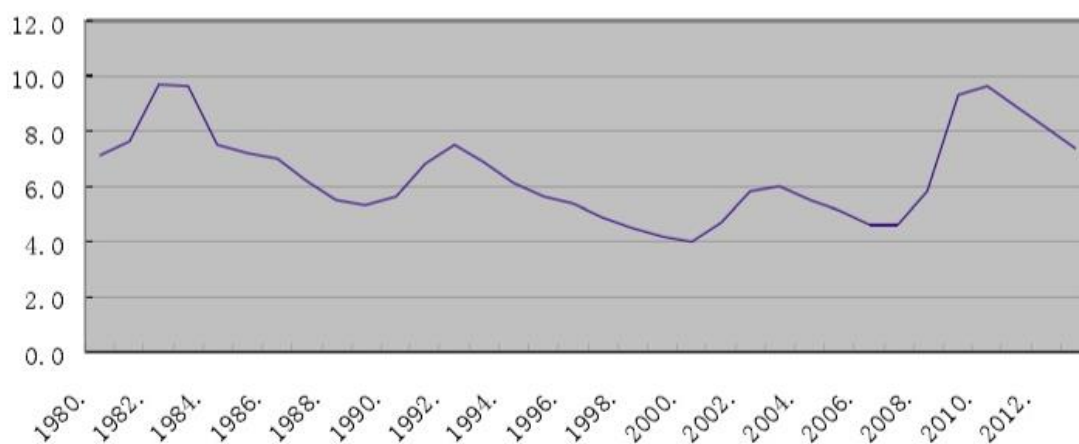
#### **4.3 Politic effects on China and US trade relations**

After 30 years of reform and opening up, the Chinese GDP growth rate of nearly 10% of the annual growth rate of the world's economic history to create a miracle (Wayne M. M 2015). China's world economic aggregate ranking in the rapid rise, ranking now the world's second. China's economic scale has been positioned itself in the territory of the world economy, the impact on the world economy plays a decisive role. More importantly, the rapid growth of China's import and export trade has become an important engine of global economic growth and has made a significant contribution to the steady growth of the world economy. According to the World Trade Organization released in 2013, China ranks first in the world's largest trade in goods. China's foreign trade has become the most active force to promote economic and social development. According to statistics, in recent years, the contribution of foreign trade to economic growth averaged about 18%, directly and indirectly led the domestic 180 million people employed, nearly 10 years of China's economic growth rate of the world's contribution rate of about 20% (Wayne M. M 2015). At the same time, China is more than 120 countries and regions, the largest trading partner (Bai 2012).

The 2008 financial crisis triggered a deep recession in the US economy, the US

GDP growth rate has experienced a sharp decline. In 2003, the average annual growth rate of US GDP reached 3.0%. Affected by the outbreak of the subprime crisis, US GDP growth in 2007 fell to 1.9% (Wang 2013). As this time from the crisis began in the US financial sector, and then swept into the world, and therefore hit the US economic center, which led to its economic growth rate was hit nearly 30 years of low, the unemployment rate has hit record highs. The unemployment rate is the most important economic development target of the US government. Since the financial crisis, the US unemployment rate has risen continuously. As we can see from the figure 4.1, before 2007 US unemployment rate was keeping down to 4.3%. While since 2008, the unemployment rate was increased. The worst case occurred in 9.6% of the unemployment rate in 2010, 8.9% in 2011, and 8.1% of the unemployment rate in 2012 pushed the US recession into the bottom, the worst unemployment record in the United States since 1980.

Figure 4.1 Unemployment rates of the United States



Sources: According to Bureau of Labor Statistics of the United States

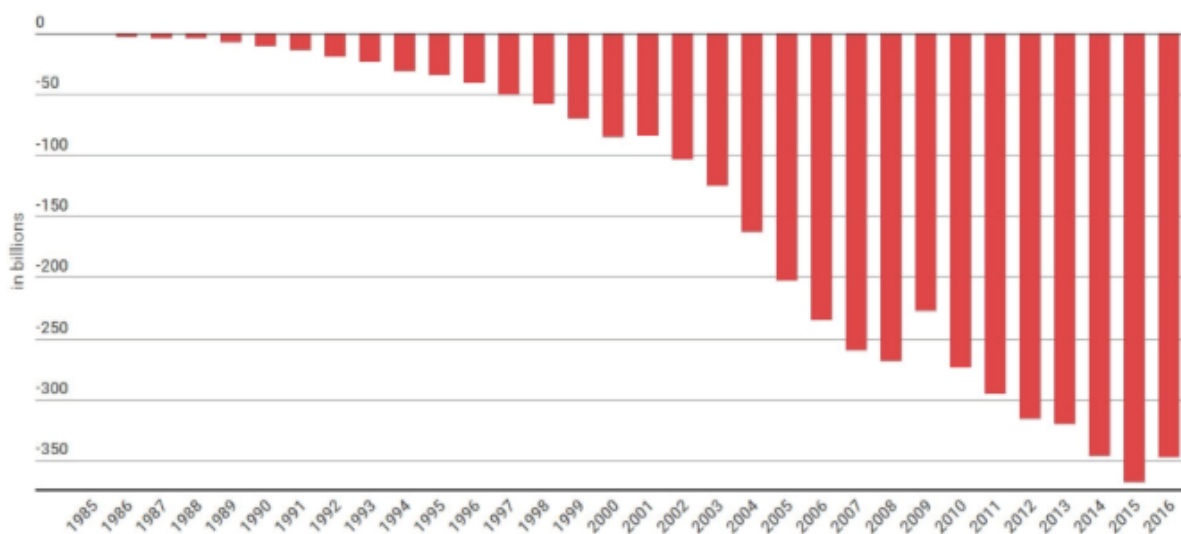
At the same time, the US dependence on foreign trade increased. Export trade for the US industrial and agricultural products to provide a broader market, the US manufacturing production of 5 US dollars each product, there are 1 US dollar output; agricultural exports accounted for 20-30% of US agricultural production. Import trade provides raw materials and fuels for the US manufacturing industry, and 20% of the raw materials needed for the US manufacturing industry are imported from abroad. The dependence of the US economy on foreign trade gradually increased from 10.4% in 1980 to 13.2% in 2000 and 14.7% in 2007 (Wayne M. M 2015). This shows that the US economy's dependence on overseas markets continues to deepen.

The trade imbalance between China and the United States during this period is also an important issue in trade between the two countries. As shown in the figure 4.2, according to Chinese statistics, since 1993, China and the United States have experienced a 15-year trade surplus with China for the United States, while the United States statistics from 1983 onwards began such a trade imbalance. Although the difference between the statistical differences between the two sides and the transfer of trade through Hong Kong is the main reason for the trade balance between China and the United States, the technical imbalance between the two countries has been taken into account. As of 2012, the Chinese side of the Sino-US trade balance of 2189.2 billion US dollars, while the US side of the balance of trade between the two reached 315.5 billion US dollars, far greater than the Chinese statistics. From the perspective



of international economics, the Sino-US trade deficit caused by the international industrial transfer and the global economic imbalance is in line with the economic law, and it is also the inevitable result of the development of the advantages of China and the United States. But the trade deficit problem is politicized by the United States, the United States a series of trade politics of China's behavior, including pressure on the appreciation of the RMB, anti-dumping countervailing and other trade protection means of use, mainly from the Sino-US trade deficit.

Figure 4.2 Sino-US Trade Deficit



Sources: China National Bureau of Statistics

Sino-US trade relations have developed rapidly since the 1990s, the scale of bilateral trade has been expanding, the structure of bilateral trade has been optimized day by day, and the dependence on bilateral trade has been rising. The China and United States are increasingly relying on bilateral trade to promote their respective economic

growth. However, while the rapid development of trade relations between the two countries, the Sino-US trade imbalance problem has become increasingly prominent. Specifically, both United States and Chinese statistics show that since the 1990s, especially since China's accession to the WTO in 2001, the US trade deficit with China has increased significantly year after year, corresponding to China's US trade surplus rose rapidly (Crutsinger, M 2006).

First of all, from the Chinese Customs statistics, China's trade surplus with the United States in general can be divided into three stages. The first stage was from 1993 to 2001 before China joined the World Trade Organization. Before 1993, China's trade with the United States has always maintained a small deficit, which is accounted about 1 percent of the China' GDP. Since 1993, China's trade with the United States for the first time got surplus of \$ 6.3 billion, which accounting for 1% of China's GDP. Since then, China's trade surplus with the United States has expanded year by year, and the proportion of GDP is also rising. In 2001, China's trade surplus with the United States in 1993 on the basis of more than quadrupled, that is, from 6.3 billion US dollars to 28.1 billion US dollars, an average annual growth rate of about 20.6%, the proportion of GDP from 1993 1% rise to 2.1%. The second stage is from 2001 to 2008. After China's accession to the World Trade Organization in 2001, the scale of foreign trade grew rapidly. Correspondingly, the growth of China's trade surplus with the United States has also accelerated significantly. In the seven years between 2001 and 2008, China's trade surplus with the United States increased from US \$ 28.1

billion to US \$ 170.9 billion, an increase of more than 5 times. The average annual growth rate was 29%, accounting for 2.1% Rose to 3.9%. The third stage is from 2008 to the present. The global financial crisis that broke out in September 2008 has dealt a severe blow to the consumer demand in developed economies and has led to a global recession. In this case, the United States and China have begun to adjust the economic structure and trade policy. Affected by this, China's trade surplus with the United States has declined. In 2009, China's trade surplus with the United States fell from \$ 170.9 billion in 2008 to \$ 143.4 billion, down 16%.

The imbalance between China and the United States has had a profound impact on Sino-US trade frictions (Crutsinger, M 2006). Because when the trade balance between the two countries is too large and the bilateral trade volume is seriously unbalanced, the party of the deficit will inevitably question whether the trade is fair and will do everything possible to take trade protection measures in its own country. In recent years, China's trade surplus with the United States continued to expand, according to Chinese statistics, only 2008, 2009 two years, China's trade surplus with the United States as high as 170.86 billion US dollars and 143.4 billion US dollars.

According to the theory of realism, countries to safeguard their own interests to maximize the consideration will inevitably maintain its own economic strength and international status on the national development of the core position. It is the root cause of trade frictions. The imbalance in the development of national strength has always been the beginning and end of the development of the world. Due to the

influence of various factors such as history, nationality and civilization, there will be a certain gap between the levels of each country, but in different historical periods, The speed of the same, the strength of the shift, when the backward countries to rise after the development, and the original level of developed countries gradually close, it will affect the development of the international pattern, the country is in the protection of their international status and economic strength point of view, In order to continue to pursue its national interests to maximize the effect of the purpose, will be in the economy and trade, to strengthen the economic activities of other countries to intervene, so these "malicious" activities in the form of trade friction to be reflected.

The trade imbalance between China and the United States in recent years is an important reason for the intensification of trade frictions between the two countries. As China's economy continues to evolve, China's trade with the United States is in a perennial surplus, while the United States is due to cost disadvantage Many factors in the trade deficit, so the United States on China's exports hampered, hoping to reverse its long-term deficit situation.

As the global financial crisis in 2008 originated in the United States, the United States suffered heavy losses in the crisis, the domestic economic development is almost stagnant, the unemployment rate is high, its domestic market is extremely sluggish, so the US government to control the scale of imports, Local economy, trying to achieve rapid recovery of economic strength.

## 5. Conclusion

The US trade policy with China is a system of political and economic integration. The political economy of trade policy is a powerful theoretical tool to reveal the decisive factors of trade policy making. The model of trade between China and the United States is based on the complementarity between the two sides' industrial structure and trade methods. It is in line with the typical example of the theory of comparative advantage and factor endowment in traditional trade theory. However, the formulation of US trade policy is subject to the political economy and international system. The reality of the reality and the theory of the contrary only with the political and economic perspective of the trade policy and realism under the framework of a better analysis.

In the first and second stages of the US trade policy development in China, the United States has a relatively stable dominance in the global dominance, and at that time, the US trade relations between China and the United States, so the US trade policy to China to restore contacts, friendly trade policy, This period more by its global development strategy and economic factors; in the third stage, due to the status of the two countries in the international system and the dramatic changes in the role of the US hegemony relative decline, so the US trade policy with China More and more tend to contain and pressure, the US domestic economic situation and political factors directly affect the US trade policy with China, so at this stage, the US trade policy

toward China presents a friendly, discriminatory, competition and cooperation, The  
coexistence of complex patterns.

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