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Sino-US Trade Relations under the Trump Administration

Abstract

This research is aimed at judging the state of Sino-US trade relations under the Trump administration and the contributing factors of this kind of state. The reason for the study is that a series of trade events between China and the US have aroused wide attention recently, and I want to know why these events happened. I think Sino-US trade relations under the Trump administration can be a good case for the further study on Sino-US trade relations in a long period, or it can also be a perspective of the study on Sino-US relations under the Trump administrations.

In order to study the question above, the hypothesis will be set up based on the core assumption of realism and the idea of neoclassical realism. Then in the background section, the trade events happened under the Trump administration will be introduced.

In analysis section, first of all, the main concerns of US and China in bilateral trade will be analyzed and then the core interests that two countries want to get or defend from the current trade relations will be demonstrated. Based on the concerns and interests of two countries, the contributing factors of current Sino-US relations can be summarized. Then in the discussion, it aims to demonstrate that among those contributing factors, which one fundamentally led to the current trade relations.

Finally, in the conclusion section, based on the analysis, an answer of the research question will be summarized that the current trade behavior of China and US is the reaction to the forces of the international system, and the consideration of national interests and the idea of policy-makers will also have an impact on trade policy.

Table of Contents

Abstract.....	1
1. Introduction.....	5
2. Methodology.....	7
2.1. Research design.....	7
2.2. Data collection.....	8
3. Theory.....	9
3.1. The core assumptions of realism.....	9
3.2. From classical realism to neoclassical realism.....	10
4. Background.....	15
4.1. The benefits that China and US got from bilateral trade.....	16
4.2. The Sino-US trade affairs happened under Trump’s administration.....	19
5. Analysis.....	23
5.1. The state of Sino-US trade relations.....	23
5.2. The major concern of US and China.....	24
5.3. The interests of China and US in current trade relations.....	31
5.4. The contributing factors of current Sino-US trade relations.....	39
5.5. Discussion.....	41
6. Conclusion.....	49
Bibliography.....	51
Appendix.....	59

1. Introduction

After the reform and opening up, the development of China is changing with each passing day. China's economic growth and trade liberalization, as well as comprehensive trade commitments, made China join the World Trade Organization (WTO) in 2001. Since then, the economic and trade relations between China and the United States have developed rapidly, and the trade volume is increasing year by year (Morrison, 2018a). Nowadays, China has become US biggest trade partner in cargo trade (Morrison, 2018a). Although Sino-US trade was growing rapidly, trade frictions also occurred frequently. Currently, those trade affairs happened under Trump's administration have different characteristics with former presidents' administrations.

After Trump coming into power in January, 2017, the US takes lots of actions on trade which is totally different from the former leaders' action, for example, dropping out TPP, raising tariffs on goods imported into US, renegotiating the North American Free Trade Agreement (NAFTA). As one of the biggest trade partner with the US, China has a huge trade surplus with the US every year, which makes Trump really unsatisfied. In addition, Trump accused that China has stolen cyber and intellectual property of US technology. Hence, the US also adopted trade policies to impose tariffs towards China to eliminate the unbalance in Sino-US trade and make sanction to Chinese theft. For example, in August of 2017, U.S. President Donald Trump asked U.S Trade Representative to officially initiate an investigation of China regarding intellectual property (IP) rights and technology transfer under Section 301 of the Trade Act of 1974. In 2018, the trade dispute between China and the US is more frequent. China and the us both made a list to impose tariffs on imported products from each other. Under these circumstances, the following question is put forward:

- What is the state of Sino-US trade relations under the Trump administration? Why do such kind of state take place?

To answer the main question, several sub-questions need to be studied:

- What trade affairs have happened under the Trump administration?

- What are the concerns of both countries in bilateral trade?
- What are the national interests of each country?

2. Methodology

This part mainly introduces the research methods and research framework. Through the introduction of methodology, it explains how the research were processed scientifically, what research methods will be used, and what data will be collected.

2.1. Research design

For social scientific study, there are two different methods: induction and deduction (Bryman, 2012). These two methods show two different relationships between theory and research. In this research, the method that will be used is deduction. In deduction approach, theory is always used to produce a hypothesis, and then data is collected to confirm or reject the hypothesis (Bryman, 2012).

Based on deductive research method, the research starts with a problem formulation and methodology, which is the first two parts of the thesis.

In third part, the theory of research will be introduced, and by comparing classical realism, neorealism and neoclassical realism, why neoclassical realism is used to explain research problem will be clarified. The core assumptions of realism and neorealism's idea are introduced to explain the problem and formulate a hypothesis.

In forth part, related data and information will be collected to introduce the background of the research. The background part mainly includes a brief introduce of Sino-US trade history, the benefits of China and US, Sino-US trade affairs under Trump's administration. Because the trade events are still happening, it is hard to say the final result of Sino-US trade relations. Based on latest news, the time node of the research was set to end of the consultations between China and US on May 17 and 18, the research will focus on the Sino-US trade relations from Trump's coming into power to the consultations between China and US in Washington.

In fifth part, by discussing whether a trade war has taken place between China and US, the status of Sino-US trade relations will have an exact definition. Then based on the data and sub-questions, the main concerns and the core interests of the US and China

will be analysed. Next, the contributing factors of this kind of state will be analyzed according to the concerns and interests of US and China. In the analysis, neoclassical realism also used to assistant the argument. In addition, the analytical method in this part will be qualitative method, because the analysis is conducted on the basis of the background introduced in forth part, and through subjective understanding and reasoning and theoretical support, the contributors are finally analysed.

Finally, a conclusion will be reached based on the analysis to see whether the hypothesis is right.

2.2. Data collection

The data used in this research includes both first and second-hand data. In the background part of the introduction of Sino-US trade facts, the information is mainly collected from the official reports of Chinese and American governments which is first-hand data, and the news reports issued by authoritative media. In qualitative analysis, the data includes reports issued by the government and academic institution and internet news report. Because the trade affairs studied in the thesis happened in 2017 and 2018, most of the data in the thesis was published between 2016 and 2018, which is relatively new. so Besides, literatures written by other scholars will also be collected if their opinions are helpful to the research. The literatures are mainly from professional journals and academic degree dissertations.

3. Theory

This part will introduce the core assumptions of realism and compare several different scholars of realism then choose the most appropriate theory to make hypothesis about the research problem.

3.1. The core assumptions of realism

From the classical realism, neorealism to neoclassical realism, the realism in international politics has a long history. The masters of realism in various times made many incisive discussions on the nature of international politics and the main principles of realism from various angles. Contemporary realists summarized these discussions and extracted some basic assumptions that are considered to constitute the core of realism.

Frankel (1996) thought that though there are many schools of realism, they all share common assumptions. First, the state is the most important actor in international politics. In the study of international politics, the realists generally pay more attention to the interpretation of the state's behavior, but not to individuals and transnational corporations like transnational corporations and international organizations. Second, realists regard anarchy as the main feature of international structure. There is no existence of super state authority that can constrain national behavior. Third, all the states in the system are rational and unitary units. So each state will take their own interests first and occupy as many resources as possible to maximize their own interests. Fourth, the state seeks to maximize its own security or power. Except for the same assumptions, both of classical realism and neorealism are built around the core concept of "power", and both the current situation of international politics in a pessimistic way.

Robert Gilpin (1996) thought that no matter which version of realism, there are the following assumptions. First is the extreme importance of the conflicts between different groups. Human beings are not individually, but always live in a group. The group is the basic unit of social and political life and they are conflicting with each other. In the modern times, the basic form of conflict groups is national state. Second

is the importance of national interest. State behavior is mainly driven by national interests, which can be economic or ethnic and territorial. The national interest itself is changed, its definition is also influenced by subjective and objective factors, so it has some uncertainty, but it is still the primary task of the state to maintain the national interests. Third is the extreme importance of the relationship between big powers. In a world characterized by anarchy and conflict of interests, the relationship between big powers will be the main feature of international affairs and even the whole political life. Military power is always regarded as the final decisive power of political affairs, and at the same time importance is also attached to other forms of power, such as economic power.

From the core assumptions concluded by those realists, we can find that as the main body of international politics, the state will use power to maintain its own security and pursue the maximization of its own interests in an anarchic international system. According to this, the Sino-US trade relations can be explained. The trade behavior of China and US is to safeguard national security and interests.

3.2. From classical realism to neoclassical realism

The realism theory of international relations is the most influential theory in the theory of contemporary international relations. The theory of realism has a profound historical background and political philosophical foundation. On the basis of the insight into the essence of human political life, realism has made a profound explanation of the complicated international political phenomenon.

In twentieth Century, Carr published the book “The Twenty Years’ Crisis” in 1939. As one of the earliest people to use the term “realism”, Carr defined the two schools of idealism and realism and highlighted realism. Carr thinks that idealism is a failure, because it ignores what the real world looks like, while realism is a concept contrary to utopianism, its first element is power, and the core is how to view power and morality (Carr, 1939). No morality in the world is not acceptable, but what is morality and how a country has its own morality is a completely different matter. The reality of World

War II seems to confirm Carr's prediction, and the influence of his book and realism are further increased. In 1948, Hans Morgenthau published his book "Politics Among Nations: The Struggle for Power and Peace", which contributed a lot to the development of realism. Both Carr and Morgenthau are the representatives of classical realism.

Morgenthau established the theoretical system of realism, and systematically expressed the holistic thoughts, basic principles and ways of application of realism. Therefore, Morgenthau is known as the founder of classical realism. He put forward six principles of political realism in his book, which embodies the philosophy of political realism. The philosophy of political realism is shown in the following three aspects (Xu & Xue, 2009): first, the pessimistic attitude to human nature is the starting point of the theory. Politics is dominated by the objective law rooted in human nature. In order to improve the society, we must first understand the law of the existence of society. Second, power politics is the foundation of political realism philosophy, and the concept of "interest defined by power" is the core of Morgenthau's classic realism theory. This concept makes it possible for people to evaluate the behavior of political leaders in different historical periods, making the seemingly different foreign policies of different ethnic countries with an "amazing continuity". The third one is the morality. The successful political action is based on the moral principle of national existence. When judging political actions through political morality, it should depend on its political effects (Morgenthau, 1978). Generally, the characteristics of humanity triumph over morality in political realism, in a world of multiple interests, moral principles can never be realized.

Although Morgenthau's thought made great contributed to the development of realism, some critics also believed that his theory is not scientific enough. Some contents of his theory were difficult to test, for example, the invariance of human nature (Wasserman, 1959; Algozaibi, 1965). In view of the weaknesses and criticisms of Morgenthau's theory, Kenneth Waltz revised it and put forward his own opinions. According to the philosophy of science, Waltz built his own theory based on the theory of natural science

and economics. By simplifying the real world and putting forward the theoretical hypothesis, based on the system method and combining the inductive method and deductive method, Waltz constructed a clear and concise structural realism, which is also called neorealism. Neorealism seeks for the essence of international political phenomena and the source of state actions from the anarchy of the international system. Waltz raises that international is more complex, it should be analyzed not only from the national level but also from the super-national level. He thinks that international politics has been driven not by human nature but by the effects of the international system or structure. The international system is a set of interacting units, which has behavior regularity and time consistency. International politics is a dynamic place where major changes take place, and countries change their form and purpose (Waltz, 1979). Waltz argues that international politics should be more focused on the dynamic structure of the international political system rather than the human nature, that is, he shifts the focus of realism from the unit level to the system level.

After the popular of neorealism, it was evolved into two different branches which are offensive realism and defensive realism (Snyder, 1991). They are called the branches of structural realism, because both of them agree with the basic hypothesis of structural realism, that is, in the state of international anarchy, security is usually the primary goal of the state. The differences between the two are mainly reflected in the disagreement on the nature of the international anarchy, the possible response of the state to the international anarchy, and how the state can obtain security.

As a branch of realism, neoclassical realism has an increasing influence in western international politics. It critically inherited the theory of structural realism and classical realism, and gradually formed its own theoretical characteristics. First, for the character of international system, neoclassical realist thinks that it is neither Hobbesian nor benign but unclear, so the state in an anarchy system do not know whether security is sufficient or scarce. They can only interpret the uncertain international political reality based on their own subjective experience (Rose, 1998). Second, for the primary determinants of foreign policies, the neoclassical realism absorbed the idea of structural

realism. However, unlike the structural realism, neoclassical scholars believe that the primary goal of the state's foreign policy is to maximize their own national interests but not ensure security. The state will try to create a favorable international environment and pursue its "maximum influence" in the scope of its power: the country's relative strength rises, and it seeks greater influence abroad; with the decline of the country's relative strength, the country's aspirations and actions will shrink accordingly (Zakaria, 1992; Rose, 1998). Third, another important feature of neoclassical realism is that it inherited the tradition of classical realism and attached importance to unit level analysis. Although system factors are the most important determinants of international politics and foreign policy, if a theory is limited to the system level, in most cases this theory will not be able to make a correct interpretation of the reality, which is precisely the weakness of the offensive realism. To understand how the country understands and responds to the external environment, it is necessary to analyze how the pressure of the system is passed through the middle variables of the unit level, such as the idea of the decision-makers, the ability of a state government institution and the relationship between the government and the society, and ultimately determine the foreign policy of a country (Rose, 1998). In summary, the main idea of neoclassical realism is that the foreign policy of a country is basically shaped by the forces from system level, while the factors from unit or country level act as an intervening variable (Rose, 1998).

After the description above, we can find that neoclassical realism has several differences with classical realism and neorealism. Comparing to classical realism, neoclassical realism also analyzes from unit level, but the starting point of analysis is relative power, which is similar to neorealism. While in contrast with neorealism, neoclassical realism thinks the states in the international political system are heterogeneous, and except for the relative power, other domestic constraints and elites' cognition also have influence on foreign, but neorealism simply explains international political results by relative power.

As for the current tension between China and US in trade relations, taking everything into consideration, neoclassical Realism is more suitable for explaining the present

situation and making hypothesis. First, for China and the US, a series of trade policies they have adopted recently should be basically due to systematic forces. Second, for both sides, the international system is uncertain and unclear, they do not know others' intention clearly. When they make policies to deal with each other's behavior, they do not take others' experience as defensive realism says, but rely on their own judgment based on their innenpolitik and other domestic level variables including the will of the leader.

Based on the core assumptions of realism and the thoughts of neoclassical realism, following hypothesis can be set up. The current trade behavior of China and US is the reaction to the forces of the international system, and the consideration of national interests, and the idea of policy-makers will also have an impact on trade policy.

4. Background

Since the establishment of diplomatic relations between China and the US, Sino-US trade relations have taken a normal track of development, especially after China joined the World Trade Organization (WTO) in 2001, and the trade between China and the US has been developing fast. Despite the twists and turns of Sino-US trade during this period, the overall development is fast and the scale is expanding. Looking back on the history of Sino-US trade, it can be roughly divided into three periods: the tortuous development stage from 1979 to 1992; the stable development stage from 1993 to 2001; the all-round development stage from 2002 to the present.

After more than 20 years of estrangement and tough negotiations, China and the US formally established diplomatic relations in January 1, 1979, which achieved the normalization of the political and economic relations between China and the United States, and also made fundamental changes in the Sino-US trade relations (efr, 2018). Since then, Sino-US trade had become increasingly institutionalized and standardized. In the first stage, the signing of the Sino-US trade agreement in 1979 (Stratfor, 2007) and the visits between Chinese and American leaders after the establishment of diplomatic relations made Sino-US trade enter a new pattern. At the same time, China had officially established the development strategy of reform and opening up, which also provided great driving force for the development of bilateral trade relations.

For the second stage, until the easing of relations among the US, China, the Soviet Union and the disintegration of the Soviet Union, China-US trade relations were truly on the normal track, and the focus of their development was returning to the economy. Although Sino-US relations had been constantly disturbed during this period, the economic relations of the two countries were increasingly close. Both countries can start from the national interests and push forward the development and cooperation in economy and trade. Hence, the Sino-US trade relations in this periods developed smoothly.

In December 2001, China became a member of the World Trade Organization and

opened a new chapter of Sino-US trade (Morrison, 2018b). China has expanded the scope of opening to the outside world. Not only the tariff was decreasing, the non-tariff barriers were restricted, but also the market of goods trade was further open. After China's entry into WTO, according to the basic principles of WTO, China enjoyed unconditional MFN treatment among members of WTO. Other countries, including the US, further opened markets to China, which expanded China's export market. Therefore, China's entry into WTO expanded Sino-US trade development and cooperation at a deeper level and wider scope. At the same time, the scale of trade has also expanded.

4.1. The benefits that China and US got from bilateral trade

Through trade cooperation, China and US can integrate their resources and complement each other. Both sides have already benefited a lot from bilateral trade.

4.1.1. The benefits of US

For trade in goods, China is the largest export market except for north American area, and is also one of the fastest growing market for US (Ministry of Commerce of China, 2017). In 2016, US aircraft and soybeans are mainly exported to China, and China is also the second largest market of US automobiles, integrated circuits and cotton (Ministry of Commerce of China, 2017), and the situation in 2017 was also almost like this (see Table 1). As for US import from China, China is the largest import market of US merchandise in 2017, which imported 506 billion dollars (Morrison, 2018b). The top five products that US imported from China were electrical machinery and equipment and parts; nuclear reactors, boilers, machinery and mechanical appliances; furniture and bedding, cushions etc.; toys, games and sports equipment; plastics¹(see Table 2). Actually, a large part of Chinese exports to US are processing trade. In this processing trade, China is in the low end of the value chain such as processing and assembling, and the US companies have mastered the high value-added links such as product design, core components manufacturing, transportation, storage and marketing, and gained most of profits from it (Ministry of Commerce of China, 2017).

¹ Counted by USITC.

For trade in service, US has always got surplus from China. According to US statistics, in 2016, China was the third largest export market with 53.5 billion dollars and the service trade surplus with China was 37.3 billion dollars, which made China the largest service trade surplus partner (Morrison, 2018b). However, according to Chinese statistics, US service trade exported to China was 86.9 billion dollars, and the trade surplus was 55.7 billion dollars (Ministry of Commerce of China, 2017). The statistics of two countries is really different a lot.

Table 1: Major Products US Exported to China (million dollars)

Products	2016	2017
Aircraft, spacecraft, and parts thereof	14206.6	15714.4
Oil seeds and oleaginous fruits ²	14866.1	12957.1
Automobiles ³	10886.3	12797.5
Electrical machinery and equipment and parts ⁴	8234.9	7904.7

Source: USITC DataWeb⁵

Table 2: Major Products US imported from China (million dollars)

Products	2016	2017
Electrical machinery and equipment and parts	128951.2	146997.2
Nuclear reactors, boilers, machinery and mechanical appliances	97415.5	109628.7
Furniture and bedding, cushions etc.	29049.4	31919.7
Toys, games and sports equipment	23786.9	25524.0
Plastics and articles thereof	14492.8	16334.3

Source: Source: USITC DataWeb⁶

The indirect interest of Sino-US trade mainly displayed on following aspects. First, the trade with China contributed a lot to American GDP. According to the statistics of the US-China Business Council (2017), US exports to China directly and indirectly produced 165 billion dollars in GDP in 2015, and the investment between the two

² The full name of this item in USITC Dataweb is oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder.

³ The full name of this item in USITC Dataweb is vehicles, other than railway or tramway rolling stock, and parts and accessories thereof.

⁴ The full name of this item in USITC Dataweb is electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories.

⁵ Access from: https://dataweb.usitc.gov/scripts/cy_m3_run.asp?Fl=x&Phase=HTS2&cc=5700&cn=China

⁶ Access from: https://dataweb.usitc.gov/scripts/cy_m3_run.asp?Fl=m&Phase=HTS2&cc=5700&cn=China

countries amounted to 216 billion dollars of US GDP. Second, the bilateral trade created more jobs for US. Sino-US trade has created 2 million 600 thousand jobs for the United States, equivalent to 4% of Trump's votes in the general election (Wang, 2017). Third, the trade improved the welfare of US residents. Many cheap but high-quality goods with the mark of "Made in China" has been imported into US, and these goods raise the purchasing power of American residents, especially middle-low income communities. Finally, the trade with China promoted the industrial upgrading. With China entering into global value chain, some parts of the global value chain are transferred to China to produce. Hence, US can take fully advantage of capital and technology to develop advanced manufacturing and modern services, which can promote the industrial structure to higher value-added and high technology levels.

4.1.2. The benefits of China

Like the US, the Sino-US trade also bring lots of direct economic interest to China. In 2016, the bilateral trade accounted for 14.1% of China's total trade, and if entrepot trade is added, the US market provide China with nearly 1/5 of external demand (Ministry of Commerce of China, 2017). Because China and the US have complementary industries, US has become an important overseas market for many Chinese products. As the ministry of commerce of China said that US is China's largest export market for mechanical and electrical products. For trade in service, US has been the second largest partner countries for China. US is always welcomed by Chinese tourists, and is also the first destination country for Chinese students to study abroad, and American movies also accounted for about 1/5 of all the movies that China imported from other countries (Ministry of Commerce of China, 2017).

For indirect interests, the trade with US helps a lot on China's economic growth. Except for economic growth, China's economic transfer and upgrading also benefit a lot from bilateral trade. US capital, advanced expertise and technology can improve the development of relevant sectors, bring more opportunities for those enterprises, optimized the product structure and increase their competitiveness. Similar to the US, the bilateral trade also brings more job opportunities and tariff revenues for China.

4.2. The Sino-US trade affairs happened under Trump's administration

When Trump ran for president, he made four promises on trade, which were reversing China's entry into the WTO, stopping TPP, renegotiating NAFTA and raising tariffs on goods imported into the US. (Appelbaum, 2017) When Trump was a presidential candidate, he presented at a rally in Tampa, Florida, and said that he would add tariffs on Chinese products. In addition, he also said he would prosecute China in WTO and in the US (The Guardian, 2016). Judging from Trump's campaign speech, he may have big moves in trade after he is in power, and there may be some changes in Sino-US trade relations.

After Trump was in power in January 2017, a series of policies in the field of trade came out. In March 2017, the White House introduced to Congress the outline of the new trade mode, including a sharp change in the current trade policy. The White House has promised to ignore the WTO if necessary, so as to promote the interests of the US and promote the commodity trade in the US (Heigl, 2017). In this case, the US can unilaterally impose tariffs on the countries that they consider unfair trade practices, and punish companies that move overseas but sell products in the US. This action foreshadowed a more adversarial trade relationship between the United States and China and other trading partners (Paletta & Swanson, 2017), aiming to decrease US bilateral trade deficits.

During Trump's first meeting with Chinese president Xi Jinping, the leaders of two states announced the establishment of a "100-day plan on trade" and a "US-China Comprehensive Dialogue" which is a new high-level forum (Morrison, 2018a). On May 11, the 100-day plan on trade had a result, the two countries opened the market to each other. US beef, biotechnology products, credit rating services, electronic payment services, and bond underwriting and settlement can enter Chinese market, and the US also opened its markets to Chinese cooked poultry (Morrison, 2018a). However, the Comprehensive Dialogue between the two countries had no results after the meeting in

July (Morrison, 2018b).

Despite the dialogue between the two sides of the US and China, the US issued several unfriendly trade measures to China in April. Trump asked the Department of Commerce to investigate if the imported steel from China and other countries had a threat to national security (Iyengar, 2018). In August, Trump launched a Section 301 investigation against China (Morrison, 2018a). The US always thinks that China theft their intellectual property (IP). The Section 301 investigation mainly aimed at technology transfer, intellectual property right (IPR) and innovation (Morrison, 2018a). Then, the Chinese government accused the Trump's administration of unilateralism and trade protectionism (Iyengar, 2018).

In November, 2017, Trump had a second meeting with Xi Jinping when having a state visit to China. Trump said that he was trying to make Sino-US trade relations fair and reciprocal (Morrison, 2018a). Because of the US trade deficit with China, he put forward that China and the US need to solve the unfair trade practices leading to this deficit immediately and overcome the obstacles of market success (Morrison, 2018a). Besides, he claimed that he did not blame China for the unfair and unbalanced Sino-US bilateral trade relations, but blames the former US government who should be responsible for the current situation (The White House, 2017a).

On November 28, 2017, the U.S. Department of Commerce announced the self-initiation of antidumping duty (AD) and countervailing duty (CVD) investigations of imports of common alloy aluminum sheet from China, which is the first self-initiated investigation by Commerce since 1985 (Morrison, 2018a). On December 12, 2017, in an apparent reference to China, the trade ministers of the United States, European Union, and Japan at the WTO issued a joint statement expressing concerns over “severe excess capacity in key sectors exacerbated by government-financed and supported capacity expansion, unfair competitive conditions caused by large market-distorting subsidies and state owned enterprises, forced technology transfer, and local content requirements and preferences” (Morrison, 2018a).

In 2018, Sino-US trade relations were more intense. The US began to take more

measures to impose sanctions on China, and China began to fight back. On January 17, US firstly imposed countervailing duties on imported stainless steel from China and India (Bloomberg News, 2018) after the Department of Commerce submitting Section 232 Report on January 11 (The Department of Commerce, 2018), then US imposed safeguard tariffs on imported washing machine and solar panels, though it was not aiming at China, China is the most important role in the global supply chain, and China was very unhappy about this and accusing the US of damaging the international trade environment (Iyengar, 2018). In February, China firstly launched a one-year anti-subsidy investigation into grain sorghum imported from the US. Then the US imposed anti-dumping and countervailing duties on cast-iron pipe and aluminum foil from China, and China also expressed dissatisfaction (Bloomberg News, 2018).

In March, the US increased tariffs and duties on China more frequently. On March 7, Trump wrote on his Twitter that China had been asked to reduce 1 billion dollars in a year (Brice, 2018). However, two days later, a white house official said that Trump asked China to make a plan to cut 100 billion dollars' trade deficit annually (Sink & Mayeda, 2018). On March 20 and 22, US imposed anti-dumping duties on stainless steel flanges and carton-closing staples from China (Rossman, 2018). At the same time, US trade representative proposes 25% duties on Chinese products under Section 301 to compensate for the harm caused to the American economy from China's trade and economic policies. On March 23, US complains to the WTO about protection of intellectual property. Then, as the response to the steel and aluminum duties, China tried to impose tariffs on 3 billion dollars of US imports and it came into effect on April 2.

On April 3, the U.S. releases a list of targets for proposed tariffs on \$50 billion worth of imports, aiming to recoup losses from China's alleged abuse of IP. The list is dominated by high-tech industrial products. In response to proposed American duties on its high-tech goods, China said it would levy an additional 25 percent tariff on imports of 106 U.S. products including soybeans, automobiles, chemicals and aircraft. At the same time, China complaint to the WTO about the section 301 tariff action by the US, but the US said that China's complaints were unfounded. In view of a series of

responds from China, Trump said that he had asked the United States Trade Representative (USTR) to consider whether it is appropriate to add 100 billion dollars' tariffs on China. In response, Chinese government said that the state as always will spare no efforts to make new comprehensive counter measures to firmly defend national interests and its people. (Bloomberg News, 2018) On April 16, another startling news about Sino-US trade is that US ban on ZTE, which is one of largest smartphone and telecom equipment maker in China. Because ZTE violated the U. S. sanctions restrictions on selling American technology to Iran, US would ban any American company from selling parts, goods, software and technology to ZTE for seven years (Stecklow et al. 2018). This ban may lead to the bankrupt of ZTE.

On May 3 and 4, US sent a delegation to visit China. From the official statements of US and China, the two sides did not reach an agreement and the visit did not achieve constructive success (The White House, 2018a), but it was said that in the visit, the US proposed to reduce China's trade deficit of \$200 billion by 2020 (Wildau, 2018). On May 13, the situation of ZTE seemed getting better. Trump wrote on his twitter that US and China were working to get ZTE back because China would lose many jobs if ZTE go bankrupt (Wattles & Pham, 2018). Recently, on May 17 and 18, US and China had a constructive consultations about the bilateral trade in Washington (The White House, 2018b). According to the statement of the White House (2018b), the two sides reached consensus on many issues: First, China agree to take measures to cut US trade deficit in goods with China, which will support growth and employment of US and improve the live quality of Chinese people. Second, China will increase the import of agriculture and energy from US. Third, two sides will also expanding trade in manufacturing good and services. Fourth, China promised to improve the protection of IPR.

5. Analysis

In this part, first of all, based on the description in background, the state of Sino-US trade relations will be defined. Then based on the major issues in Sino-US trade and the interests that China and US want to get from current bilateral trade, the contributors to this kind of state will be analyzed.

5.1. The state of Sino-US trade relations

Seeing from the description above of the Sino-US trade condition under Trump's administration, Sino-US trade relations are becoming more and more tense in the past one year. From the section 301 investigation in July 2017 to the several rounds of tariff struggle in 2018, both countries have made several policies to impose tariffs on the goods imported from each other, and both sides declare to defend their national interests. Some medium even boldly asserted that the trade war between China and US had begun (The Economic Times, 2018). The trade war describes a situation where a country retaliates against another country by tariffs, quotas and other trade barriers. This will start a series of tit-for-tat responses, aggravating global tensions (Horowitz, 2018). Actually, it is hasty in saying that the trade war has begun. Trump sent a twitter which insisted that US were not in a trade war with China on April 4, 2018 (Rossman, 2018). Seeing from the trade interaction between China and US, those tit-for-tat responses between the two countries are mostly verbal and the added tariffs were not put in reality, so it looks more like a "public opinion war" rather than a "trade war" (Tu & Lou, 2018).

Though there is not a trade war yet, both China and US have "fired open shots and issued warnings about an escalation of hostilities" (Kao et al. 2018). Hence, for the characteristic of current Sino-US trade relations, though there has been no trade war yet, the tension trade relation cannot be denied, so there is a trade friction or trade dispute between China and US. According to the description in background, after Trump's coming into power, he has always wanted to stimulate economic growth through trade. It is the US who initiated the trade investigation and levy on tariffs first, so the US is the initiative of the trade friction, and China is a passive party to return to

the action of US for its own interests. According to the latest news that US and China had reached consensus on many trade issues, the trade friction between the two countries may gradually subside. Although the tense trade relations between China and US have eased, the reason for this trade friction is worth studying.

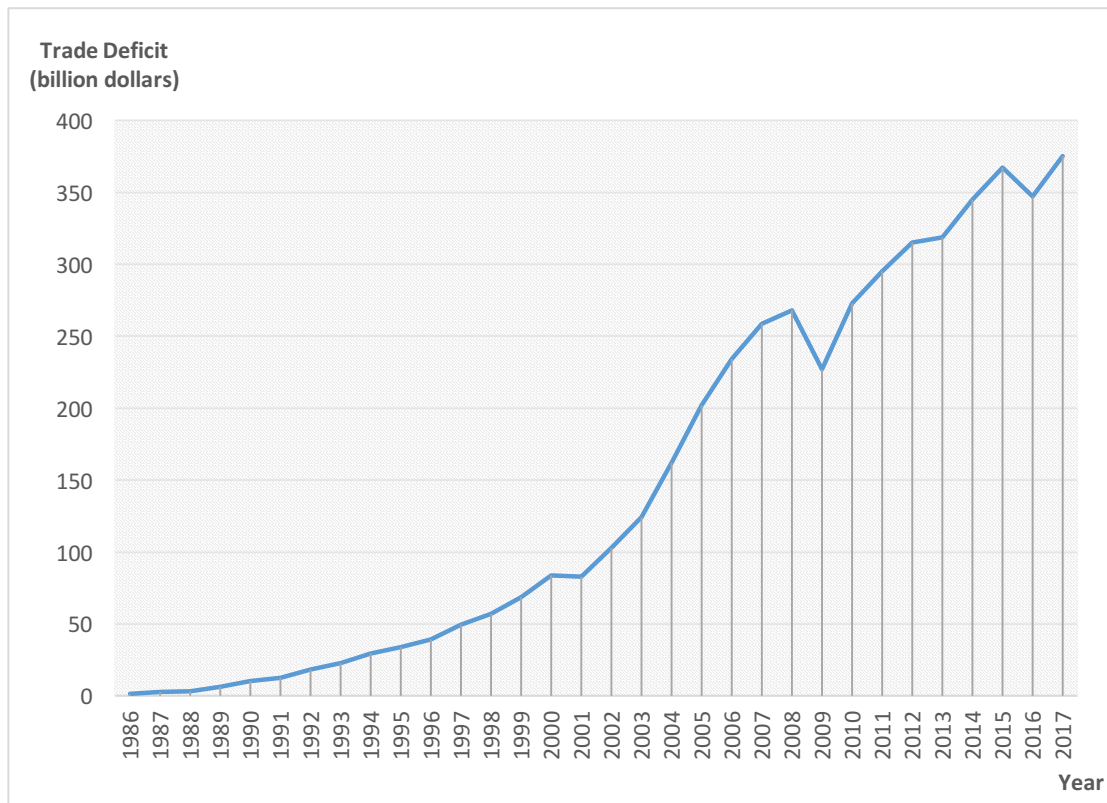
5.2. The major concern of US and China

5.2.1. The major concern of US

5.2.1.1. Trade deficit

The trade deficit has been mentioned by the US many times in the Sino-US trade friction, which can be said to be one of the most important concerns of the US. Since the establishment of diplomatic relations between China and the US in 1979, only in the first few years, Sino-US trade has achieved a surplus for the US, and the US has been in a trade deficit from the middle of 1980s, and the deficit was growing rapidly (See Figure 1). By 2017, the trade surplus between China and the US reached an all-time highest point of more than 375 billion dollars, which prompted Trump impose tougher trade action towards China (Swanson, 2018). Actually, US has trade deficit with many trade partners, but the deficit with China is larger than any other trade partners (Morrison, 2018b). It can be known from the background part that US asked China to cut trade deficit several times.

Figure 1: US-China Deficit of Trade in goods from 1986-2017



Source: United States Census Bureau⁷

Why does the United States have such a huge trade deficit? By looking through literatures, there are three reasons. First, when a country cannot produce all the goods and services that it needs, it will import from foreign countries, and a trade deficit will occur (Amadeo, 2018a). Second, when domestic enterprises manufacture or process abroad, trade deficit will also occur. Because when the raw materials are shipped outside, they are recorded as exports, and when the raw materials are processed to be finished products and shipped back, they are recorded as imports, so processing trade increases the trade deficit (Amadeo, 2018a). Third, for the US, its economic strength is strong, and the consumption capacity of its residents is also strong, so they can afford more imported electronics, clothes, and appliances (Swanson, 2018). Fourth, Chinese commerce minister Zhong Shan said that if the US can relax the block for exporting high-tech and military-use items, the deficit can be cut by one-third (Hornby & Donnan, 2018).

⁷ Data can be found at <https://www.census.gov/foreign-trade/balance/c5700.html>

How should we treat the trade deficit in Sino-US trade? Some people think that the trade deficit shows the Sino-US trade is unbalance, unfair and even harmful to American economy, but others think that trade deficit is a normal phenomenon of economic and trade globalization (Morrison, 2018b). Because US companies take advantage of Chinese low labor prices, loose environmental regulations and increasingly improved supply chain and logistics infrastructure (Hornby & Donnan, 2018). However, it is also because of the low cost of China and production transferring of American companies, that the jobs of American manufacturing are largely lost (Amadeo, 2018b). It is obvious that Trump agrees with the first opinion that the huge trade deficit is harmful to American economic growth, especially for the aluminum and steel industry (BBC News, 2018).

Besides, US trade deficit in goods with China was exaggerated. In 2016, China reported that its surplus in trade in goods with the US was US\$254 billion, and the US reported that its deficit in trade in goods with China was US\$366 billion; therefore, trade deficit in goods between the two sides recorded a difference of US\$112 billion (Ministry of Commerce of China, 2017). The reasons for the difference between the two statistics were complex, including statistical differences, entrepot trade and re-exports. The deficit calculated by US from 2008 to 2014 were overestimated by an average of 19% (Ministry of Commerce of China, 2017).

Actually, the trade deficit is a common result of globalization and the triffin dilemma. The US trade deficit is essentially contributed by the utilization of excess savings of other countries to maintain the level of consumption beyond its own production capacity. The Sino-US trade deficit is ultimately determined by the economic structure, industrial competitiveness and international industrial division of labor of the two countries, rather than human factors.

5.2.1.2. Intellectual Property

The US has always taken innovation as its most powerful competitiveness (Scissors, 2016), and the theft of intellectual property has made the US lose its competitiveness. According to the report by the Commission on the Theft of American Intellectual

Property (2017), US costs about 600 billion dollars in theft of IP annually. *“The estimated low-end value of counterfeit and pirated tangible goods imported and exported, based on a conservative estimate that 20% of the cost of these goods detracts from legitimate sales, is \$29 billion. The high-end estimate for counterfeit and pirated tangible goods imported and exported is \$41 billion. The estimated value of pirated U.S. software is \$18 billion. The estimated low-end cost of trade secret theft to U.S. firms is \$180 billion, or 1% of U.S. GDP. The high-end estimate is \$540 billion, amounting to 3% of GDP”* (the Commission on the Theft of American Intellectual Property, 2017). In addition to direct economic losses, IP theft will cause a large number of job losses. Because IP-intensive jobs have a greater effect on employment than other kinds of jobs, each high-tech job can create five jobs in local economy (the Commission on the Theft of American Intellectual Property, 2017).

Under the grim situation of intellectual property theft in the US, China is regarded as “the world’s principal IP infringer”, which accounts for 87% counterfeit goods flowing into US (the Commission on the Theft of American Intellectual Property, 2017). The US government and enterprises are increasingly worried about the economic losses caused by China's infringement on intellectual property rights of American enterprises, including those by cyber-attacks. Why does this happen? First, China's laws and regulations on intellectual property protection are relatively weak. China built IP courts in 2014 and is still carrying out the reform of laws and regulations, for example, China's State Council promulgated a new action plan in 2016 to build a stricter IPR regime (the Commission on the Theft of American Intellectual Property, 2017). Besides, lack of IP protection is also a serious problem for domestic companies. If China wants to be the leader in innovation, it should improve its IP laws and regulations. Second, American companies complained that they often faced the pressure from Chinese governments to ask them to share IP and high-technology with Chinese partners (Morrison, 2018b). Such an action of Chinese government is obviously aimed at protecting domestic companies and promoting the development of IP intensive industries in China. However, the Commission on the Theft of American Intellectual Property (2017) thinks that

China's improving IP regulations also aims to developing IP-intensive industry but not improving the rule of law. Third, China is accused to be major source of cyber economic espionage against U.S. firms. Those cyber attacks have raised the concerns of American companies about the theft of IP (Morrison, 2018b).

5.2.1.3. Market Access and protection at home

Although China has been fulfilling its promise to open up the market gradually after joining the WTO, the US is still dissatisfied with investment access in the fields of banking, securities, insurance, culture, and manufacturing (Ministry of Commerce of China, 2017). Morrison (2018b) mentioned China's access restrictions on its information and technology market. For the sake of national information security, China believes that important information infrastructure must be safe and controllable (Morrison, 2018b). In order to promote the construction of local IT industry, the Chinese government put forward the request of foreign companies to submit patent information (2018b). Therefore, China's market is not totally accessible, and there are explicit and implicit barriers.

In addition, though some trade items are open to the outside, their treatment for domestic and foreign companies is different, and China has obvious tendency to protect their own companies. In government procurement, China had a first-buy policy for those domestic high-tech equipment and products (Morrison, 2018b). As Trump wrote in his Twitter, when US imports a car from China, it will pay a tariff of 2.5%, but when China imports a car from US, China asks a tariff of 25%, which is really unfair (Motley, 2018). Hence, China's protection of domestic industries shows that government plays an important role in economic decision making, which is also the concerns of US.

5.2.2. The major concern of China

5.2.2.1. US export control against China

Although the US is dissatisfied with China's huge trade deficit, the export control of the US on some items, especially high-tech products, is also one of the reasons for the expansion of the trade deficit. According to the report of Ministry of Commerce of

China (2017), high-tech exports to China in 2001 accounted for 16.7% of China's import of similar products, however, in 2016, it is only 8.2%, which is very disproportionate to the Sino-US trade volume that has been growing rapidly in this period. Moreover, China believes that the US on the one hand controls the export of high technology to China, and on the other hand accuses China of indigenous innovation, which is unreasonable (Ministry of Commerce of China, 2017). In addition, the United States has strict restrictions on arms exports. For goods that may be used for military purposes, if a country is perceived by US to have military threats, it is hard for it to buy items with military applications from US (Li & Yang, 2017).

China hopes that the United States can relax its export control in China, especially the export of civilian goods, which will also help to narrow the trade deficit (Chinadaily, 2017).

5.2.2.2. Fair treatment of Chinese enterprises

In recent years, more and more Chinese enterprises have gone abroad to participate in transnational investment, and those investment in US has also increased rapidly. For the sake of national security, the Committee on Foreign Investment in the US (CFIUS) will check those foreign mergers and acquisitions (M&As), and Chinese enterprises have always been its observation objects, which impedes the investments of Chinese enterprises in US. Since the establishment of CFIUS, the president of US has ceased three M&As, and each case is related to Chinese companies (Ministry of Commerce of China, 2017). According to the survey of China General Chamber of Commerce - U.S.A. (CGCC Foundation) (2017), many Chinese enterprises think the review of CFIUS is politicized and opaque. Except for security reviews, some people in US are prejudiced against China's state-owned enterprises (SOEs). In the view of US, the SOEs of China have the participation of the government, the boundary of state behavior and enterprise behavior is not clear enough (Morrison, 2018b), those companies may be controlled by the government, and the motivation of investment in US should be suspected (Ministry of Commerce of China, 2017). Under this circumstance, Chinese government hopes that US can treat fairly to Chinese investors.

5.2.2.3. Abuse of trade remedy measures

China has been the country suffering most US trade remedy measures. From 1980 to 2016, the US has launched a total of 262 trade remedy investigations against Chinese products, amounting to US\$28.22 billion (Ministry of Commerce of China, 2017). According to the US International Trade Commission, as of the end of March 2017, there had been a total of 153 duty orders under implementation involving Chinese products. US has a tendency to use alternative state, separate rates, public institutions, external benchmarks and other unfair approaches, with the intention to impose abnormally high tax rates on Chinese products, which has definitely hindered Chinese exports to the US.

These issues have occurred in the past Sino-US trade frictions, but they are somewhat different from those in the past. For the US, the past trade issues are also manifested in its dissatisfaction with the RMB exchange rate and China's obligations to the WTO, but those issues have not been emphasized by the US side in this trade friction. China's concerns are roughly the same as those in history, perhaps because the changes in China's leaders are not frequent, and there is no major change in trade concerns. From the previous description, we can see that for this trade friction, the US is the initiative, while China is a passive counterattack, so the American concerns may have a greater impact on the occurrence of this trade friction, and should be analyzed emphatically.

Comparing with the concerns of two sides, though US believes trade deficit hurts its economic growth, China thinks US exports control against China also increased the trade deficit. US accuses China of IP theft, while China thinks US not only restricts the export of high technology, but also opposes China's indigenous innovation. US dissatisfied with China's protection at home, but it also treats Chinese companies unfairly and takes trade remedy measures. According to Neoclassical Realism, the starting point of the consideration of a country is national interests, so for different economic interests and security considerations, China and US have different position and different concerns. Therefore, based on the concerns of two countries, the interests of two countries should be analyzed to show why these concerns occur and what the

state can get if the concerns were solved.

5.3. The interests of China and US in current trade relations

5.3.1. China's interests in bilateral trade

Because China is the passive counterattack in this trade friction, it just wants to defend its original interests. Hence, China's interests in this trade friction are almost the same as before.

5.3.1.1. Economic growth

In 1970s, after the cultural revolution, China urgently needed to develop the domestic economy. Hence, in 1978, after the third Plenary Session of the 11th CPC Central Committee, China began to implement the policy of internal reform and opening to the outside world. At that time, the Chinese leaders realized that only economic growth could make China get rid of difficulties, and only economic growth was the way of existence for fragile countries. Since reform and opening up, China has focused on developing economy. Before 2008's global financial crisis, China had always kept the rapid growth of GDP, which was largely benefited from China's export-oriented development strategy. In 1979, exported only accounted for 5% of GDP, while in 2007 the percentage increased to 36%, which increased more than six times (Roach, 2014). In China's economic structure, foreign trade grew fast and always accounted for a huge part (see figure 2). In 1979, the share of trade, which is the sum of export and import volume, accounted for only 11.087% in total GDP, but in 2006 it reached 65.619% which means trade occupied nearly 2/3 of the total GDP. In recent decade, with the implementation of MLP and "Made in China 2025", China tried to transfer its economic growth path and structure, so there was a decrease on the share of trade in GDP. Just as the introduction in background part, US has been China's biggest foreign market and the volume of exports to US accounted for more than 16% of China's total exports from 2008 to 2016 (Ministry of Commerce of China, 2017). China's economic growth is always driven by foreign trade and the trade with US is the most important part in China's foreign trade, so the Sino-US trade contributed a lot to China's economic

growth.

The rapid economic development has brought a lot of benefits to China. First, from an external perspective, the enhancement of economic power has greatly enhanced China's international status and greatly increased its regional influence. According to neoclassical realism, as the relative strength of the country rises, it will pursue greater influence abroad. Hence, with the increasing economic power, China are gradually expanding its influence in international system, for example, actively responding to and participating in the establishment of BRICs cooperation, proposing One Belt One Road initiative and setting up Asia Infrastructure Investment Bank.

From internal perspective, second, needless to say, with the growth of GDP, national wealth is accumulated and the living standard of the residents has been improved. Third, the economic growth can also promote social progress. National prosperity will raise the level of education, thereby improving the quality of the population and promoting social progress.

Figure 2: The share of trade in GDP of China, from 1979-2016 (%)



Source: World Bank Data⁸

⁸ <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=CN>

After focusing on rapid economic growth, general level of social productivity and the quality of people's life has been improved significantly. However, only focusing on the speed of economic growth is unilateral, China's economic goal has been changing in recent decades. In general, factors that influence China's policy adjustment can be sorted into external factors and internal factors.

For external factors, though the global financial crisis in 2008 has not directly hit China, China's exports have been in recession for a long time due to the global economic downturn. The global financial crisis made China clearly aware of the instability of the global financial system and the vulnerability of the export-oriented economy. Hence, China need to find a new way to boost its economy and maintain its prosperity.

For internal factors, First, China's economy is slowing down after rapid growth, indicating that the original economic growth pattern is insufficient. China's economy has entered a new normal state. Second, some adverse consequences brought about by the rapid economic growth are gradually emerging. Though China has gained unprecedented prosperity from export oriented growth in a short time, it also leads to internal imbalance which caused many problems, such as excessive resource demand, soaring prices, environmental destruction, pollution, widening income gap and so on. Before 2008, these problems had already begun to emerge, and the government also planned to carry on economic transformation. Third, with the improvement of the living standard of the people, the consumptive structure of Chinese urban residents has deeply affected the country's industry structure, which promotes the economic transition.

Faced with such changes inside and outside, how should China deal with them? According to neoclassical realism, because the change of relative power and those factors in unit level, China need to adjust its policy to gain more national interests. As Xi Jinping pointed out in the report of the 19th CPC National Congress of China, China's economy has shifted from high speed growth stage to high quality development stage (Xi, 2017). The strategic goal of China's economic development is to build a modern economic system to improve the total factor productivity, and to constantly enhance the economic innovation and competitiveness. The construction of modern economic

system means that first the structural reform of the supply side should be adhered. Second, real economy, technological innovation, modern finance and human resources should develop coordinately. Third, China will accelerate the establishment of a market economic system, that is, the market mechanism is effective, the micro body is dynamic, and the macro-control is moderate.

Under such a strategy, trade is still an important part of China's economic growth, but domestic demands and investment will also play a more and more important role. And with the development of technology and innovation, China will also provide more high-quality or original products for the world. Chinese products will be more competitive in global market.

5.3.1.2. Development of technology and management

As mentioned above, China is devoting itself to economic transformation, so in order to achieve high-quality development, it is of great importance to develop science and technology and improve innovation ability. In addition, there are also some other reasons that China need to develop technology and improve innovation.

First, seeing from the level of international system, though China has been the largest developing countries and the relative power has increased a lot, there is still a big gap between China and the advanced developed countries. Nowadays, more emerging economies have accelerated the pace of industrialization, taking advantage of their labor cost advantages to absorb manufacturing investment and joining the world market competition. China needs to find innovative ways to enhance its competitiveness. Second, Because of the backward technology and the advantage of labor price, China has long been in the low end of the global value chain and engaged in labor intensive and resource intensive industries. This production model has a large consumption of resources, low profit and low overall benefit. To gain more economic benefits, it is imminent to improve technology and promote technology.

Seeing from theory aspects, China's action accords with neoclassical realism. In an international system, developed countries are pursuing scientific and technological

progress, and other developing countries, on the one hand, have exerting their own labor advantages, and on the other hand, they are intensifying their industrialization. In such a competitive environment, it is particularly important for China to strengthen its own strength, scientific and technological strength is also a manifestation of national power.

In Sino-US trade relations, the US has advantages in technology and China has advantages in labor and production costs. China and the US can form complementary advantages. The high-end products, equipment and technology imported from the US have promoted the upgrading and development of China's manufacturing sector. The manufacturing enterprises invested by the US in China have enhanced the overall technological level of the manufacturing sector in China.

In addition to technology, improving management ability of modern enterprises is also important for China's economic transformation. Modern managerial expertise can improve enterprise productivity and help improve the overall economic operation efficiency. The trade and investment with US can also improve Chinese managerial expertise. Expect for foreign enterprises investing in China, the exchange of talents is also helpful to improving managerial expertise of Chinese enterprises. Multinational enterprises represented by US-funded enterprises are always the first choice for university graduates in China, and those Chinese students who have received higher education in the US are also one of the sources of high-quality talents in China (Ministry of Commerce of China, 2017). Such exchange of talents has promoted the flow of advanced management experience to China.

5.3.2. The interests of US in this trade frictions

5.3.2.1. Economic and business interests

From the introduction of US interests in Sino-US trade in background part, US imports cheap products from China can improve national welfare, and bilateral trade brings more jobs for US. In this case, why Trump imposes trade sanctions towards China? According to neoclassical realism, the primary goal of the state's foreign policy is to

maximize its own national interests. Hence, US may get profits from imposing tariffs against China.

First, Trump thinks that increasing tariffs can reduce trade deficits. He said that US lost 500 billion dollars a year on trade to China (Tankersley, 2018). Although it is hard to know how the “500 billion dollars” was calculated, we can deduce that Trump believes that the trade deficit has brought American wealth into China, and US can gain economic benefits by increasing tariffs and asking China to make a plan to reduce trade deficit.

Second, Trump thinks reducing trade deficits can revive American manufacturing and create more jobs. “Trump has long argued that the trade deficit hinders economic growth, and that reducing it will accelerate American job creation.” (Tankersley, 2018) As the introduction about the benefits of US in background part and the analysis about American concern in trade deficit, there is dispute over Sino-US trade contributing the increase of jobs or loss of jobs in US, however, it is obviously that Trump believes that the trade deficit leads to unemployment.

Third, US trade sanctions against China are designed to safeguard the interests of US companies. As the introduction in background part, Trump launched section 301 investigation for the sake of China’s theft of intellectual property. So US unilaterally launching investigations and sanctions against China is to protect intellectual property rights of American enterprises. US is opposed to China’s encouragement of indigenous innovation policy and China’s requirement of US companies to transfer technology to Chinese joint venture partners (Lawder, 2018). And this is also because US wants to protect the competitive advantage of American Enterprises.

5.3.2.2. Leader’s political interest

Under the current western political system, the main purpose of politicians is to win the election. Different interest groups will have different impact on the election results because of the different standpoint, and its impact depends on the mobilization ability of the group and the enthusiasm of participating in the political process (Fang, 2018).

For example, there are votes in the hands of consumers, who benefit from cheap imports, so they support free trade, but their organizational ability is poor and their participation is low, so politicians are often ignored by politicians. There are also votes in the hands of labor, which will be threatened by the competition of imported products, especially the low and medium skilled labor force, so they often oppose free trade, and they have a certain organizational capacity, and have a strong motivation to participate. The enterprises, which affect the election through the political contribution, always have the strongest organizational ability and participation power. Those big enterprises who have the international competitiveness and allocate the resources around the world support the free trade. While those traditional enterprises who lack of international competitiveness support the protectionism. As for Trump, he advocated protectionism when he ran for president and won voters' support, so under his administration, he should fulfill his campaign promise to gain voters' support.

5.3.2.3. National political interests

As mentioned above, with China's development, China's international status has been promoted. According to neoclassical realism, the change of relative power may lead to different foreign policy, so US may attempt to contain China's international influence by change its trade policy towards China. Trump's administration released 2017 National Security Strategy Report in December 2017, in which not only pointed out the need to protect the homeland, but also stressed to advance American influence (The White House, 2017b). When it comes China, it said that China and Russia are expanding their influence and gaining competitive advantage by investing in developing countries, which challenges the power and interests of US (Morrison, 2018b).

The US believes that some of China's actions and ambitions have challenged its national security. *“China's infrastructure investments and trade strategies reinforce its geopolitical aspirations. Its efforts to build and militarize outposts in the South China Sea endanger the free flow of trade, threaten the sovereignty of other nations, and undermine regional stability.... China presents its ambitions as mutually beneficial, but*

Chinese dominance risks diminishing the sovereignty of many states in the Indo-Pacific” (Morrison, 2018b). Seeing from this word in US national security strategy report, US believes that China's actions in the South China Sea threaten regional peace and stability, which is inconsistent with the national security interests of the US. Besides, US thinks China's One Belt One Road initiatives indicates its ambitious in Asia, which makes US anxious.

From the above two points of view, the United States believes that China has threatened their international influence and national security. Under this circumstance, US may make measures to contain China's power, and trade sanction is such a measure. Hence, US can gain political interests though imposing trade barriers to China to weaken China's power and contain China's expansion.

Expect for weakening China's power, trade policy may become the bargaining chip of the United States in negotiations with China on the Korean issue. On the Korean issue, the United States has been hoping that China could exert greater pressure on the North Korean. “Trump has suggested he would be more amenable to going easy on China over trade if it were more aggressive in reining in North Korea” (Martina, 2017). In this case, US may use trade pressure to get China's more efforts on the Korean issue.

5.3.3. Conclusion of China and US interests in bilateral trade

After analyzing the interests of two countries, a short conclusion about the interests of two countries should be made to prepare for the further analysis about the contributors of current bilateral trade relations. First, China's interests could be summarized as follows:

1. The trade plays an important role in China's economic growth.
2. By impacting on economic growth, the trade contributes to the increasing of China's power in international system.
3. The trade contributes to China's national wealth and social progress.

4. China can acquire advanced technology and managerial expertise from the trade with US, which can promote its economic transformation.

The interests of US are summarized as follows:

1. By imposing tariffs, US wants to cut deficits with China.
2. By cutting trade deficit, US can improve economic growth and create more jobs opportunities.
3. By launching trade investigation and sanctions against China, US can protect the interests of American enterprises, especially the interests related to IP issues and market access.
4. By improving trade deficit and other trade issues, Trump can get more supports from US residents.
5. US can contain the expansion of China's influence by trade sanctions.
6. US can urge China to exert more power on the Korean issue through trade.

Considering the interests of two countries, China's interests are more related to economic development and social progress, but the interests of US are more political. From the perspective of domestic politics, the United States hopes to get more public support. From the perspective of international politics, the United States hopes to improve its relative strength in the international system.

5.4. The contributing factors of current Sino-US trade relations

Based on the main concerns and core interests of two countries, it is possible to analyze the reason why China and US has a friction in bilateral trade.

First of all, two countries are trying to defending their economic interests. In traditional Sino-US trade, US occupies the upper part of its industrial chain with its technological and managerial advantages, while China mainly engages in labor-intensive and capital-intensive downstream industries. In this pattern of trade, US and China reached a balance. However, with China trying to developing advanced technology and shifted to

the upstream of global value chain, the interests of two countries will be opposite. After the 2008 global financial crisis, the problem of high consumption in the United States is unsustainable, the loss of manufacturing industry and the unemployment of workers are also more critical. Therefore, the United States hopes to improve the employment rate and revitalize the manufacturing industry, but the manufacturing industry has become the dominant industry in China, so the economic balance between the two countries is broken and the economic benefits are in conflict. In addition, US concern about market access also showed the conflict on economic aspect. With Chinese government promoting indigenous innovation, domestic enterprises will have policy preferences and protection, while foreign companies will lose technology and talent, and will face higher barriers to Chinese market.

Although the economic factor has been emphasized by US side when it imposed tariffs on China, things are not as simple as they seem. If only to gain economic benefits, then several rounds of tariff contest did not make US get too much economic interest, on the contrary, the tense trade relations between China and US have caused the negative impact of the stock market plunge. According to the general idea of economics, free trade and reduction of trade barriers can make two sides gain more interests, and many economists are opposed to Trump's action (Tankersley, 2018). The current trade friction between China and US are obviously not in line with this mainstream idea. Why did the US still provoke the trade friction? There must be other reasons.

According to neoclassical realism, in an anarchy international system, it is difficult for a country to know whether the system is safe or unsafe, so the international system is uncertain for a country, then facing with the change of relative power and the raising of another country, it will feel that its own interests is threatened. For US, it has always had a hegemonic idea, so China's development and expanding its influence make it feel unsafe, and then trade friction has become a way to suppress China's rise. Neorealism realists hold the idea that relative power is the starting point of foreign policy, so for China, it is more powerful than ever before, and it is more resolute and uncompromising in defending the national interests, so China choses to return to US directly with

imposing tariffs as well. The change of relative power and US want to contain China's influence should be another contributing factor of this trade friction.

Moreover, there are another two contributing factors in political aspects. First, leader's political interests should be considered. Trump can get more support by imposing tariffs on aluminum and steel, so for his own political interest Trumps adopt severe trade measures against China. Second, US can take advantage of trade pressure to get China's more efforts on North Korean issue.

In summary, the contributing factors can be roughly economic factors and political factors. For economic factors, US hopes to reduce the trade deficit, revitalize the manufacturing industry, expand market access of China and protect its IPR, while China hopes to maintain economic development and develop high technology. There is a conflict of economic interests between the two countries. For political factors, US hopes to contain China's expanding international influence, get China's efforts on North Korean issue and Trump wants to get more support from voters.

5.5. Discussion

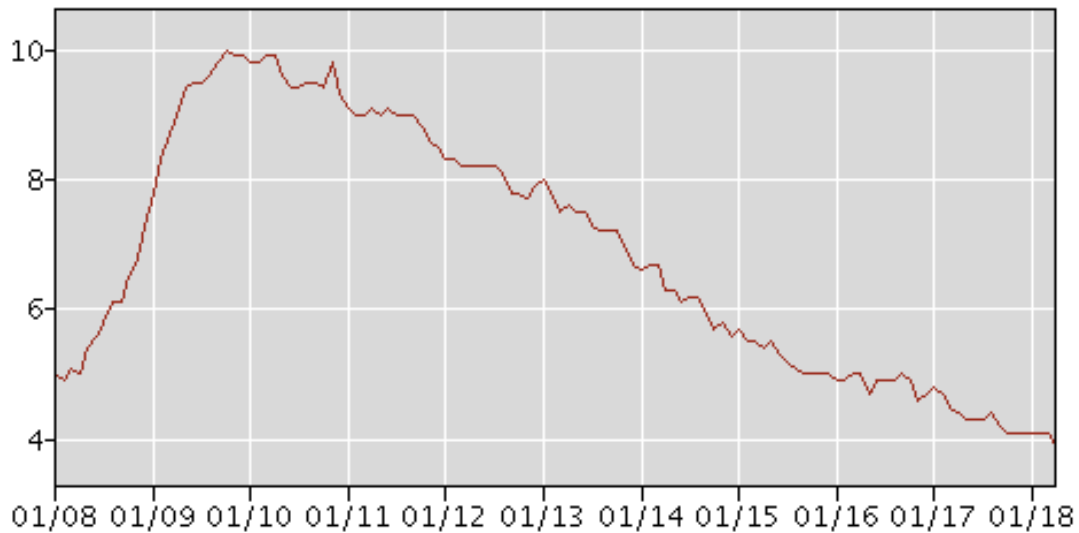
After analyzing, we know that the contributing factors of trade friction are economic and political factors. Which of these two factors is the dominant one?

From the analysis above, we know that in economic and business aspects, US initiated the trade measures against China mainly for trade deficits, market access, and violations of US IPR. However, these problems have existed for a long time. What's the difference between the present situation and the past?

First of all, analyze the trade deficit. Seeing from figure 1, after coming down a little in 2016, the deficit of trade in goods reached the highest point in history in 2017. This may urge the us to take trade measures to control the growth of the trade deficit. But is the trade deficit really as bad as the figures show? I think the answer should be "no" for four reasons. First, as the analysis above, the statistics of two countries are fairly different. In US, the Bureau of Economic Analysis defines imports as goods and services produced in foreign countries and consumed by US residents (Amadeo, 2018),

so if an American company sends raw materials to China for processing and then returns to the United States for sale, the products will also be included in the import. So there will be repeated calculations in US import data. Second, US export control against China also contributes to trade deficit, so the trade deficit should not be only attributable to China. Third, some American people think that one reason for the trade deficit is that some American companies transfer production to China and this leads to the loss of jobs in US. However, the figure3 shows that the unemployment rate in recent years has been declining. Finally, it should be objectively realized that the trade deficit is a common result of globalization. As Triffin dilemma describes that “*the U.S. needs to run trade deficits, because the rest of the world wants to hold U.S. dollars as a safe asset, and the way the rest of the world gets U.S. dollars is when the U.S. economy buys imported products*” (Taylor, 2013). Although the Bretton Woods system has been disintegrated, the Triffin dilemma not been eliminated, because emerging economics need to reserve US dollars to prevent sudden capital outflows (Taylor, 2013), that will cause financial turbulence and even economic crisis. Based on the above four reasons, although the US trade deficit with China reached the highest point in 2017, there should be space for negotiation. The trade deficit is not entirely the result of China, I think the contradiction between China and the United States on the trade deficit is not so sharp. The trade deficit should not be the main reason why the US initiated trade measures against China.

Figure 3: Unemployment rate of US from January 2008 to January 2018 (%)



Source: United States Department of Labor, Bureau of Labor Statistics⁹

Second, US also accuses China that the market is not open enough. But in recent years, China's pace of opening to the outside world is accelerating. Compared with the previous period, China's opening degree must be greater than before. According to the report by the Ministry of Commerce of China (2017), in recent years, China has taken following measures to expand its opening up:

- Eleven pilot free trade zones have been set up successively, and the negative list of foreign investment is continuously cut to further reduce the access threshold of value-added telecommunications, new energy vehicle batteries and gas station construction and operation.
- In December 7, 2016, the Catalog of Industries for Guiding Foreign Investment was revised and released to solicit public comments. In the new version, restrictive measures were reduced from 93 to 62, and restrictions on access of foreign investment in services, manufacturing, mining and other fields were further relaxed.
- In January, 2017, the Circular of Several Measures for the Expansion of Opening-up and the Active Use of Foreign Investments was issued. In the circular, twenty precious measures were put forward, which mainly include three aspects: opening

⁹ <https://data.bls.gov/timeseries/LNS14000000>

wider to outside, creating fairer competition environment and further attracting foreign investment.

At the opening ceremony of the Boao Forum for Asia Annual Conference 2018, China's president Xi Jinping made a speech, and the key message conveyed in his speech is opening-up, he vowed to take new steps to open China "wider and wider" (An, 2018). Xi also put forward some specific measures about further opening-up. The measures are mainly in four aspects: market access, investment environment, IPR protection and import (Jin, 2018). For market access, China will raise foreign equity caps in the financial industries, accelerate the opening-up of insurance industry, accelerate the easing of foreign equity restrictions in automobiles, ships and aircraft. From these measures, we can find that China is focusing on increasing the openness of the financial sector, and it is a good news for US. From the efforts made by China in market access, we can know that the degree of market access in China has been improved a lot, and the attitude of Chinese government also indicates that China will adhere to the opening-up policy, but the opening-up takes times and needs to be carried out step by step. Under this circumstance, it is not appropriate for US to take market access as an excuse of taking trade measures against China as before.

Third, when it comes to IPR, China is also trying to improve IPR protection. In terms of legislation, China has established various laws and regulations related to the protection of intellectual property rights, and the Anti-Unfair Competition Law, the Patent Law and the Copyright Law are also being revised; in regard of jurisdiction, the people's courts, in accordance with the law, are fair and efficient in dealing all kinds of intellectual property cases, increasing the intensity of criminal crackdown, and forming a strong deterrent to illegal and criminal acts; for administrative law enforcement, China's administrative organs at all levels have taken a variety of special actions to combat violations. China also plans to strengthen cooperation with the US intellectual property rights, customs, homeland security and police departments to combat piracy by joint enforcement action (Ministry of Commerce of China, 2017). Therefore, China's intellectual property rights protection is much better than before.

From the analysis of three aspects above, we can find that China has made great progress in market access and intellectual property protection. Although the trade deficit between US and China reached the highest point in 2017, the cause of the deficit is multiple and the deficit should not be entirely attributable to the large export of Chinese goods. So why did US still launch trade investigation and impose tariffs against China for these reasons?

According to neoclassical realism, the distribution of power is the primary determinant of international politics and foreign policy, and a state's foreign policy is fundamentally shaped by the forces from the systemic level, and this is also the starting point of neorealism. Hence, when considering the reasons for us trade measures, the change of relative power and the forces from the international system is such an important perspective that can not be ignored. First, the power of China is growing. The rising of Chinese power can be reflected from following four aspects. First of all, China's economic strength has been growing rapidly after the initiation of economic reforms and trade liberalization. China is the fastest growing economy in history, and the average annual growth rate of gross domestic product (GDP) was 9.5% by 2017. (Morrison, 2018d). *“China has become the world’s largest economy (on a purchasing power parity basis), manufacturer, merchandise trader, and holder of foreign exchange reserves”* (Morrison, 2018d). The economic foundation determines the superstructure. China's economic achievements provide strong backing for its development of international influence, military and technology. Second, China’s military force is also increasing. From 2005 to 2014, China's official military budget increased by an average of 9.4% annually, and the Chinese people's Liberation Army (PLA) has increased its military strength from all dimensions. (Rinehart, 2016). *“PLA naval forces feature quieter submarines, large surface combatants with improved air defenses and long-range anti-ship cruise missiles, and a nascent aircraft carrier program. New air power capabilities include modern fighter aircraft, more supporting platforms and a variety of unmanned aerial vehicles (UAVs) in production and under development. The PLA has increased the number and accuracy of its ballistic missiles for both nuclear and*

conventional strike missions. China has launched numerous satellites for military communications, surveillance, and navigation, and also has developed a variety of counter-space capabilities” (Rinehart, 2016). In the 2018 military strength ranking that issued by GlobalFirepower.com, China is ranked 3 out of 136 countries in the world, just following US and Russia. Third, China is devoted to developing high-tech. In May 2015, China’s State Council issued the "made in China 2025", which is the first 10 years of action plan for China to implement the strategy of manufacturing power (Fang, 2017). This plan is really comprehensive in enhancing Chinese manufacturing sector, which is mainly focused on the intelligent information and communication technology (ICT) based machinery, system and network management industrial processes (Morrison, 2018b). Fourth, China’s international influence is expanding. Based on the economic power, military strength and high-tech development, China is becoming more and more active on the international stage in recent years, for example, implementing the internationalization of RMB, proposing One Belt One Road initiative and establishment of the Asian Infrastructure Investment Bank and the New Development Bank.

Then, second, though the growing of China’s power not means that the fall of US. It can be said that in all respects, the United States remains the most powerful country in the world. But the rise of China has changed the relative power between China and the United States, and the United States will feel threatened by the rise of China. On November 14, 2017, the second annual Chinapower conference was held by the center for strategy and international studies (CSIS). At the conference, Senator Cornyn J. expressed his concern about China's power. *“China poses a security threat, and a serious one. In fact, General Joe Dunford, chairman of the Joint Chiefs of Staff, has said that by 2025 China will pose the greatest threat to U.S. national security of any nation. And you may have heard CIA Director Mike Pompeo echo that view last summer when he said that over the long term China represents a graver security risk than Russia or Iran”* (CSIS, 2017). He summarized China's threat to the United States from three aspects. First, he said that China’s economy was controlled by state, so China's business environment is mixed with a lot of political factors and national resources can be

gathered to serve political purposes. Second, China's military buildup is provocative, especially China's military posture in South China Sea has destabilized the region and violated the sovereignty of many US allies or partners. Besides, he thought that US allies, Japan and Taiwan, are also confronted with China's aggressive conduct. Third, China's efforts in developing technology also made him worried. Together with the previous mention that American concerns about China's ambitions in the US national security report, we can deduce that for the sake of national security, the suppression of China's expansion is really an important reason that US provoked trade friction.

Moreover, according to neoclassical realism, the idea of decision maker is also a variable at the unit level, which will affect the country's foreign policy. Because Trump failed to follow his campaign promise to build a wall along the border of US and Mexico and strengthen infrastructure construction, confronted with the pressure of mid term election, Trump and the republican must take actions to get more votes, and the trade friction with China can form his image as a tough leader that fight for American interest (Zhao, 2018). Besides, because imposing tariffs on steel and aluminum, Trump may get more votes from those workers.

By analyzing the economic interests and the national security interests of US, I think that the American demand for economic interests is not so strong, and economic interests should not be the main purpose of the trade friction. However, with the increasing of China's power, to contain China's power and deal with the potential threat from China's growing are the deeper and more important contributing factors for provoking the trade friction.

6. Conclusion

The purpose of the research is to evaluate the state of Sino-US trade relations and to find the contributing factors to this kind of state. At the beginning, according to the core assumptions of realism and the idea of neoclassical realism, I made the hypothesis that the current trade behavior of China and US is the reaction to the forces of the international system, and the consideration of national interests, and the idea of policy-makers will also have an impact on trade policy. Then after analyzing the trade affairs happened under Trump administration, it is can be found that the state of Sino-US trade relations is tense and there was a trade friction happened. In order to find the contributing factors of the trade friction, the concerns and interests of China and US was analyzed, and then find that the contributing factors can be divided into economic factors and political factors. For economic factors, US hopes to reduce the trade deficit, revitalize the manufacturing industry, expand market access of China and protect its IPR, while China hopes to maintain economic development and develop high technology. There is a conflict of economic interests between the two countries. For political factors, US hopes to contain China's expanding international influence, get China's efforts on North Korean issue and Trump wants to get more support from voters. For these factors, which is the dominant one for US to launch the trade measures against China? After the discussion I think that US believes that China's growing threatens its national security, that is, the increase of China's power makes it feel the forces from the system level and makes US issue such trade policies. Comparing with gaining economic benefits, the forces from China can make US more likely to provoke the trade friction. Therefore, the hypothesis is correct. For the current trade friction between US and China, US launching trade investigation and imposing tariffs against China is fundamentally driven by the forces from system level, which is China's development and growing influence. Trump's personal will and the interests of republican also account for the beginning of trade friction. Then a series of tit-for-tat responses between China and US is because both two countries want to protect and maximize their national interests, which includes economic interests and political interests.

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Appendix

US-China Trade Deficit: 1986-2017

Year	Trade Deficit (billion dollars)
1986	1.6647
1987	2.7963
1988	3.4893
1989	6.2343
1990	10.431
1991	12.691
1992	18.309
1993	22.777
1994	29.5051
1995	33.7895
1996	39.5202
1997	49.6955
1998	56.9274
1999	68.6771
2000	83.833
2001	83.0961
2002	103.0649
2003	124.0682
2004	162.2543
2005	202.2781
2006	234.1013
2007	258.506
2008	268.0398
2009	226.8772
2010	273.0416
2011	295.2497
2012	315.1025

2013	318.6838
2014	344.8177
2015	367.2567
2016	347.016
2017	375.2275

Source: United States Census Bureau, 2018