

Original Paper

The Analysis on Sino-US Development under Trump

Administration

Tianrun Feng^{1*}

¹ Jiangsu University, Lanzhou Gansu province, Jiangsu Province, China

* Tianrun Feng, Jiangsu University, Lanzhou Gansu province, Jiangsu Province, China

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Abstract

The Sino-US relationship was normalized in 1979, and 1st January 2017 marks the 38th anniversary of formal diplomatic relations. Since the US-China diplomatic relationship established, they have been on through zigzags. Two governments seek cooperation in various areas, enhancing close relationships and maintaining a smooth and positive momentum of development, and have achieved a historic progress. With China's peaceful rise and the US's eastward shift, the relations are in face of dramatic structural contradictions and the danger of "Thucydides Trap". Meanwhile, as the core national interests conflict intensified, a new round of strategic suspicion has been stimulated. The "Trump Administration" gives new challenges and opportunities to both countries in economy and security areas, and both government are in face of the co-exist situation of "certainty" and "uncertainty". In the short term, two governments share both conflicts and cooperation, and in the long term, relations are forging ahead in the difficulties.

Keywords

Trump, Sino-US relations, development

1. Introduction

Trump's inauguration on 20th January 2017 marks the start of the Trump's time and the end of the Obama' time. Trump used to hold a negative attitude towards China during his election, he thought, "the tread between China and the US is imbalance, and the trade deficit reaches to 505 billion dollar". He accused China repeatedly that China has manipulated RMB exchange rate to enhance its export product's competitiveness in global market, which may "kill" the US market in tread area. He also declared that he will lead the US defeat China, because "we have lost 50,000 manufacturing work opportunities and up to 7 million working opportunities because of China". He even tried to use "rape"

to describe the trade deficit between the US and China and claimed that he plans to charge 45% punitive tariff from China. Generally speaking, the attitude towards China in his selection can be described as “very tough”. However, his attitude has a sharp change later, he said that “China is a great country and I admire it a lot. We want to do business with China, meanwhile we want to cooperate with China”. He also speaks highly of Chinese people as “Chinese people have great ambitions and they think they are strong enough to overcome all difficulties”. On 27th April 2017, Trump mentioned that the US would step into a prosperous new age, and to fix the relationship with China is one of the most important procedures. The US needs to figure a way to tackle the trade deficit problem with China. He believes that China and the US can establish a friendly relationship and are benefit from the positive cooperation without unnecessary interference. Now, under Trump’s administration, the relationship between China and the US is in face of the co-exist situation including “certainty” and “uncertainty”.

2. The Economy Develop Situation and Trade Relation between China and the US

America’s economy is gradually recovering from economy crisis in 2017, and under Trump’s administration, its policy has a dramatic change comparing with Obama’s administration. Thus, it adds some uncertainties to Sino-US economy relationships. Maintaining a stable and positive relationship is extremely critical to people and global world.

2.1 The Recovery and Current Problems for the US

The worst economic crisis stroke America’s economy in September 2008, and it also did great harm to world’s economic development. In 2009, America’s economy met the worst depression over the past 60 years, and its GDP declined 3.5%. But its economy turned to recover from the second half of 2009. In 2016, the economy went through ups and downs, and America failed to shake off the negative influence. 2017 is also a year combining complex and uncertainty under Trump’s administration.

Firstly, U.S. President Donald Trump has signed an executive action to pull back from the negotiating process of the TPP. Here’s what all that means: TPP (Trans-Pacific Partnership Agreement) aims to employ Pivot to Asia program, it is a controversial international trade deal involving 12 countries located around the Pacific Rim. It’s supposed to encourage more trade, more business between them, partly by getting rid of tariffs, taxes on certain goods that countries import. However, Trump insists that TPP will result in the increase of unemployment, because products will be poured into America and local factory will move to other countries in order to cut down cost. Therefore, he advocates raising tariffs to protect people’s employment. He insists that America will not benefit from TPP thus this agreement should be pulled back. This action is a relief for China as well. Secondly, he plans to adjust the tariff, which may charge 45% punitive tariffs from China. He hopes to relive trade deficit through trade protection policies, and advocates forging America’s manufacturing industry to promote employment in order to revive the economy. The third action is to address “currency manipulator” issue. The United States Senate keep pressing pressure on RMB exchange and accusing China for it “currency manipulator policy” because this policy has exerted a negative influence on America’s export,

leading to serious unemployment, resulting in a imbalance economy and damaging the competitiveness of America's products. All these have given rise to the huge trade deficit and have also provide Chinese government to purchase more bonds.

The feasibility of Trump's economy policy is an uncertainty. Even it is feasible, the contradiction of his policy will restrict its development. The economy policy links two parties, therefore, no party will reconcile to accept the economy loss. If Trump insists to employ his extreme trade protection economy policy, related countries are bound to make retaliatory measures, and America's economy and export will be badly stricken at that time. The country that goes against the history will be knocked out someday. The main reason of the trade deficit is that America's primary industry lies in high-end technology instead of manufacture. Therefore it is impossible for America to monopolize manufacturing industry. Chinese products can be banned, but product cost problems are difficult to solve, many factories will move to Southeast Asia to cut down costs. So trade deficit issues are still there to be settled. Trump's protection policy may exert a negative effect on import, export as well as trade. This policy can hardly solve problems; what's more, it may stimulate other problems.

2.2 Chinese Economy and Related Problems

According to the statistic released by State Statistics Bureau on 17th July 2017, China's economy grew by 6.9% in the first half year, and reach to 38.1490 trillion dollar, operating in a reasonable range. However, with the development of society, China's economy gradually exposes several problems and contradictions. For example, the estate industry occupies more than 45% of total GDP; the continuous inflation increases gap between rich and poor; the slackness of real economy and manufacturing industry lead to over capacity. Another problem is population issue: the demographic dividend is almost over and the percentage of aging is rising. According to the statistic released by State Statistics Bureau, population in 2015 has reached to 1.36 billion, and more than 210 million people are over 60 years old, occupying 15.5% of total population, and 137.55 million people are over 65 years old, occupying 10.1% of total population. These two indexes have crossed the "red line" of world-recognized aging standard. Though the government has employed the selective two-child policy and addressed old-age insurance issue, it is hard to reverse the position. Therefore, most people get old before they get rich. Chin's economy is in face of an important transition, thus needs to promote new normal and shake off poverty, adjusting the gap between rich and poor, completing social security, to adjust industrial structure and supply-side reform. At the same time, we need to stimulate domestic consumption, promote economic growth, push forward the tertiary industry, advocate new technology, and establish newly innovative society because innovation will be extremely important in our society. In terms of now society though has certain social contradictions, it also contains huge potential. Some enterprises rush out in Internet software, consumption and mobile phone areas, for example, Alibaba, Tencent, Huawei and Xiaomi and so on. At the same time, the government greatly encourages innovation policy such as "Internet+" and "mass entrepreneurship and innovation" to push forward the structural transformation and development of China's economy, enhancing systematic innovation and

stimulating social vitality and creation, thus they can positively handle the new condition combined with challenges and stresses. And this will be the unprecedented challenge for China.

2.3 Trade Condition between Two Countries

Now, China is the third-largest exports market for the United States, therefore its importance of being a main export market for America is increasing. In 2015, China jumps to the biggest trading partner for America. In terms of investment, in 2015, China's investment volume in America has overtaken America's investment in China and in this year, China became the second biggest Treasuries holder (and in 2016, China surpass Japan and became the world's largest holding of Treasuries). In December 2016, the total volume of Treasuries reaches to 1060 billion dollars. According to above statistics, China is playing an increasing important role in economy for America and the two countries are closely related to each other.

Cooperation is the most crucial element, instead of conflict, for both two parties to maintain economy prosperity and security. With the spread of globalization, Sino-US relationship has evolved to a new stage where two countries share the gain and lost together, and economy markets between the superpower America and newly emerging power China are tightly tied with each other. America holds an absurd idea that China has taken away job opportunities from Americas. The unemployment is because of the globalization progress leads to some America company's unlimited chase of benefit, and many America workers lost their jobs eventually. At the same time, the idea that China acquired more interests in the trade with America is also unreasonable because in the process of globalization, China helps America to cut down their cost and make America companies more competitive; both China and America should realize that the zero-sum game strategy will do harm to both parties, only win-win strategy brings interests to both parties. If America starts trading war, especially hits China in trading area, all Asia Pacific regions will get hurt. This will not only damage the trade liberalization process, it will also exerts negative impact on global governance system. Being the biggest and the second powerful economies, the cooperation between China and the US has a vital role in stabilizing and enhancing global economy.

3. Sino-US' Cooperative and Conflicting Security Relationship

The security relationship between China and the US is an important part of bilateral relationship. With the development of two country's relationship, the security relationship is increasingly complex; therefore, how to address the security issues between and promote the peace development in Asia area turn out to be a critical problem. China and the US have a wide range of cooperation in nuclear nonproliferation, arm control and anti-terrorism areas. In addition, China and America share the common interests in North Korea and Iran nuclear issue, strongly insisting on denuclearization on Korean Peninsula and resolutely opposed to the nuclear test. However, under the changing condition of global power structure, America's pivot to Asia strategy, geopolitics and goals between China and America lead to a competition situation. America steps up military deployment, which has exerted a

bad influence on political mutual trust and threatened Asia-Pacific area's security, especially America deploys Thaad in South Korea, sells weapons to Taiwan, what's more, their attitudes toward South China Sea issue, Diaoyu Island issue and territorial dispute between China and India has brought more challenges to two countries. Disputes and frictions can hardly be settled at once, and it can hardly go worse either. China and America has formed interdependent strategic partnership in non-traditional areas such as climate environment, public health and so on.

Trump's Asia strategy contains both opportunity and challenge for China. Trump insists that military expenditure accounts a relatively low rate of total GDP, so he hopes to increase military expenditure to rebuild America military's leadership status. Trump will impose strict economic sanction on North Korea nuclear issue and hopes China and South Korea can play a positive role in this process; and he also makes use of the South China Sea issue and Taiwan issue to give a press to China in trading issues. While at the same time, he tries to employ strategic contraction around the world and focuses on domestic issues. For example, cooperating with Russia on cracking down ISIS and addressing Japan and South Korea to share the cost of security insurance. The relation and regional power are changing; therefore, Sino-US relationship is in face of brand new challenges. In addition, if Trump insists to quit the Paris Climate Change Agreement, all the results achieved in previous two years will be in vain.

In order to build a comprehensive structure and promote the common development of Asia and Europe countries, Chinese government puts forward "one belt, one road" and Asian Infrastructure Investment Bank conception. "One belt, one road" refers to the Silk Road Economic Belt and the 21st Century Maritime Silk Road. This conception is a new economic cooperation model around world regions, which aims to help China to deepen economic globalization, advocating "common development, win-win progress". At the same time, this initiative targets on equal cooperation with all participants joining in "one belt, one road" under the principle of "achieving shared growth through discussion and collaboration". This strategy has entered an advanced stage. "One belt, one road" initiative involves various countries and regions; therefore it has a complex situation. But this initiative will bring common development and prosperity to Asia and Europe countries, especially bringing cultural and political exchanges, free trade, reasonable allocation of resources, and further cooperation to nations along the Silk Road, and jointly advance the economic development of the world.

The Asia Pacific rebalancing strategy was initiated by America in the face of China's peaceful rise. Because of the difference between ideologies and strategies, it is hard for China and the US to build mutual trust. Though China and the US promote different policies, great cooperation potential are rooted between two countries. They should abandon zero-sum game and seek common grounds while reserve differences under the present condition where economic growth rate is relatively slow.

4. The Future of Sino-US Relationship

The Sino-US relationship was normalized in 1979, and 1st January 2017 marks the 38th anniversary of formal diplomatic relations. Since the US-China diplomatic relationship established, they have been on

through zigzags. Two governments seek cooperation in various areas, enhancing close relationships and maintaining a smooth and positive momentum of development, and have achieved a historic progress. With China's peaceful rise and the US's eastward shift, the relations are in face of dramatic structural contradictions and the danger of "Thucydides Trap". Meanwhile, as the core national interests conflict intensified, a new round of strategic suspicion has been stimulated.

President Xi Jinping sent a message of congratulations to Trump's election victory on November 9th 2016 (Note 1). President Xi Jinping stressed in congratulation call that "a healthy, stable and long-term Sino-US relationship not only conforms with the fundamental interests of the two peoples, but also conduces to international community's expectation. Our government attaches a great deal of importance to China-US relations and we are looking forward to make joint efforts with you, following the principles of no conflict, no confrontation, and mutual respect as well as win-win cooperation, to promote the cooperation in bilateral, regional, and global areas. We aim to control divergence and promote progress of Sino-US' s new start, and create greater benefits to the two peoples and people around the world". President Xi Jinping has fully expressed his attitude on behalf of Chinese government in his congratulation call. President Xi Jinping arrived in Mar-a-Lago resort, which Trump calls "the Southern White House" in Florida on 6th April 2017 for the meeting with US counterpart, Donald Trump, it is also the first meeting for them. Before this, Trump received a phone call from Tsai Ing-wen, which has casted a shadow on Sino-US relationship.

A famous politician (Note 2) Joseph Nye once said that: "China and America should jointly endeavor to produce global public goods, and as a result, not only these two countries shall benefit from it, as well as other countries of the world. However, the biggest threat in this cooperation is the misunderstanding of their power. Actually, no one poses a realistic threat to each other, neither China, nor America. Comparing with competition, they may gain more benefits from cooperation". It is not an absolute decline for America; it's just a relative decline on the basis of the increasing power of other countries. America's economic power, military power and soft power cannot be matched by China. China's rise takes a long-term process which economy development is not mature. Therefore there's a long and hard way for China to catch up to America, and China is in face of unbalanced development: such as the huge gap between the rich and the poor; the per-capita income accounts only 20% of that of the Americans; the environment condition is worse; the inadequate institutions and laws. Complex domestic issues will have a negative effect on both domestic development and international community relationships. China and America are closely depending on each other, though the relationship is unbalance, the two parties should eliminate misperception and miscalculation as much as possible, and make the wise choice, enhancing mutual trusts and communications, and at the same time, two countries should avoid Thucydides Trap and abandon zero-sum game and establish new great power relationship. As we look to the future, Sino-US relationship contains challenges and opportunities, conflicts and cooperation. Though we are confronted with difficulties, we need to hold on because benefits outweigh divergences. The complex and changing great power relationship and situation

increase the uncertainty and complexity, but viewing from the overall picture, a new great power relationship for China and America complies with the trend of the times and serves the fundamental interests of both sides, what's more, it will also promotes the world economic development and prosperity.

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Notes

Note 1. “President Xi Jinping sent a message of congratulations to Trump's election” was published on Foreign Office website, 10th February 2017.

Note 2. Joseph Nye: Is the American Century Over? (Polity, 2015).