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Department of Economic Theory and
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38.04.01 Economics
International Economics

GRADUATION THESIS

on

Development of Chinese foreign economic relations with USA at modern economy

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ASSIGNMENT
FOR THE GRADUATION THESIS OF

Master's degree student Li Rui, group 19ЭЭМ(a)2, full-time mode of study

The topic of the graduation thesis: "Development of Chinese foreign economic relations with USA at modern economy" was approved by the university order dated «___» _____ 20__ no. _____

1 The deadline for the Master's degree student to complete the graduation thesis is 11.06.2021.

2 The input data for the graduation thesis is the regulatory and legal framework, scientific literature and reference books, and Internet data.

3 The list of issues to be studied includes the basic picture of China-US economic and trade relations, analysis of Sino-US trade structure, problems and suggestions in Sino-US trade relations.

4 The list of visuals contains tables and figures.

5 The date of setting the assignment is 29.11.2019.

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The assignment was accepted by Master's degree student _____ / Li Rui /
(signature) (full name)

Schedule for completing the graduation thesis

No.	Content of the thesis	Deadline for completion	Due date, signature of the academic adviser
First year of study			
1	Analysis of scientific literature, choice and updating of the research topic	01.09.2019 – 28.11.2019	
2	Framing the scientific concept of research	29.11.2019 – 12.01.2020	
3	Devising the detailed plan of the first chapter and draft of the thesis	13.01.2020 – 23.02.2020	
4	Conducting theoretical research within the first chapter of the thesis	24.02.2020– 30.04.2020	
4	Substantiating the relevance, concept, and novelty of research	1.05.2020– 30.06.2020	
5	Preparing the first chapter of the thesis		
Second year of study			
6	Collection of statistical data and material for the thesis	01.09.2020 – 30.09.2020	
7	Studying new literature sources within the topic of the thesis	01.10.2020 – 31.10.2020	
8	Conducting research within the first and the second chapters of the thesis	01.11.2020 – 31.12.2020	
9	Preparing the second chapter of the thesis	1.01.2021 – 1.03.2021	
10	Preparing the third chapter of the thesis	2.03.2021 – 2.05.2021	
11	Preparing the introduction and conclusion	3.05.2021 – 16.05.2021	
12	Completing the graduation thesis	17.05.2021 – 30.05.2021	
13	Handing in the thesis for compliance control and antiplagiat	31.05.2021 – 9.06.2021	
14	Getting acquainted with the feedback and review	10.06.2021	
15	Presenting the written thesis	11.06.2021	

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Summary

The graduation thesis comprises 65 pages, 3 chapters, 6 figures, 18 tables, 67 sources.

ECONOMIC RELATIONS, TRADE RELATIONS, TRADE STRUCTURE, EXPORT, IMPORT, ECONOMIC GLOBALIZATION, TRADE FRICTIONS, FOREIGN TRADE, ECONOMIC TIES, TRADING PARTNERS, TRADE DEFICITS, ECONOMIC IMBALANCES, ECONOMIC GROWTH.

The target of research is research of development of Chinese foreign economic relations with USA at modern economy.

The object of research is the Sino-US economic relations. The subject of this article is development of Chinese foreign economic relations with USA at modern economy.

The methodological framework of the paper is formed by the complex of theoretical and practical methods such as dialectical approach, systemic and functional-structural research method, computational and statistical methods of data analysis, method of logical, economic analysis, method of groupings as well as literature analysis method in the study of Sino-US economic and trade relations.

The results of research include: studying the commodity structure of Sino-US trade and changes in it, drawing the problems in Sino-US economic and trade relations, suggesting for dealing with trade frictions in economic relations between the US and China.

The recommendations on disseminating and applying the results are as follows: the theoretical and practical significance of work involves the possibility of using thesis's materials in scientific, pedagogical and practical work.

The theoretical relevance of the thesis is established by processing and analysing a large amount of theoretical works, normative and legal documents governing the processes under study.

The target of research can be further explored through the analysis of resolving trade frictions and disputes in a mutually beneficial manner for the US and China both.

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Introduction

In recent years, frictions in Sino-US trade relations have become one of the focus of attention at home and abroad. The development of Sino-US trade not only concerns the vital interests of the two countries, but also has a greater impact on the smooth operation of the global economy. Therefore, clarifying which factors lead to Sino-US trade frictions and how to ease Sino-US trade relations have become practical issues that urgently need to be resolved in the development of Sino-US foreign trade. That's why the topic of master thesis is significant and urgent. Based on this, this article explores the development of Sino-US trade relations from the perspective of trade structure based on the analysis of relevant researches by domestic and foreign scholars.

The rise of the division of labor in the global value chain has made China's economy an unprecedented integration into the global economy, and the economic ties between China and the United States have also strengthened with the deepening of economic globalization. China and the United States are the two cores in the current division of labor in the global value chain, and are each other's important trading partners. However, the huge deficit in Sino-US trade has led to constant frictions in Sino-US economic and trade relations.

The literature on Sino-US economic and trade relations mostly revolves around trade frictions. Since the resumption of trade between China and the United States, many scholars have studied the trade friction between China and the United States, and the most intense Sino-US trade friction in history provoked by the Trump administration has become the research of domestic and foreign scholars in recent years. Chen Jiyong et al. (2017) believe that the background of Trump's initiation of Sino-US trade frictions is the huge US fiscal and trade deficits and serious internal and external economic imbalances. They intend to enhance the US economic strength by creating more jobs and returning manufacturing industries. Liu Xiangdong (2018) pointed out that the real intention of the United States is to correct the Sino-US trade deficit in order to obtain more benefits and maximize the interests of the United States. Ren Liang (2017) believes that the main economic motivation for the United States to initiate the "301" investigation is to reduce

the trade deficit with China, contain China's industrial upgrading, and slow down China's economic growth. Most scholars have pointed out that the background and motivation for the United States to provoke the Sino-US trade friction is to enhance the United States' own strength and reverse the Sino-US trade imbalance.

To sum up, most of the research literature on Sino-US trade frictions believe that Sino-US trade frictions will continue to exist in the long-term, and the background and motivations of the US-US trade frictions are related to the Sino-US trade imbalance.

Many scholars have also done research on the relationship between the causes of Sino-US trade imbalances and Sino-US trade frictions. Lin Mingzhen et al. (2018) proposed that the imbalance of trade development caused by the changes in Sino-US industrial structure is an important cause of Sino-US trade frictions. Long Guoqiang et al. (2018) proved that the US statistical method on trade data exaggerates the amount of Sino-US trade imbalances. There is indeed an imbalance in the structure of Sino-US trade commodities, but it is not as serious as the US claims. Zhang Xinyu (2012) proposed that Sino-US trade imbalance is the main cause of Sino-US trade friction. Zhao Yong et al. (2018) analyzed through analysis that the Trump administration does not care whether it can truly solve the Sino-US trade imbalance, and its true intention is to contain the further development of the Chinese economy and achieve more interests. Basic studies have shown that Sino-US trade imbalances have led to Sino-US trade frictions. Although Long Guoqiang et al. (2018) believe that Sino-US trade imbalances are not as serious as those claimed by the United States, they still do not deny that Sino-US trade imbalances have contributed to Sino-US trade frictions.

In summary, in the research literature on Sino-US trade imbalances, most scholars have linked trade imbalances with Sino-US trade frictions and proved them. The literature on the different causes of trade imbalances gives different focuses. Research and conclusions, but they do not deny that the imbalance of trade structure is related to the changes in the commodity structure of Sino-US trade.

There have been many literatures on the research of Sino-US trade commodity structure, but the focus is different. Jiang Hao (2010) found through empirical research that SITC7 commodities accounted for the largest share in the commodity structure of

Sino-US trade, that is, Sino-US trade has turned into intra-industry trade, which is highly complementary. Wang Xiaoyan et al. (2018) pointed out that from the perspective of Sino-US trade structure, China's economic growth model of over-reliance on exports needs to be adjusted, and the foreign trade export structure should also be transformed and upgraded. There are also many research documents on the relationship between Sino-US trade friction and Sino-US commodity structure. Ma Chaoji (2015) sorted out the evolution process of Sino-US trade structure and trade friction from the perspective of industrial structure, and proposed that China's trade structure with the United States is gradually optimized, which triggered more Sino-US trade frictions. Liu Hong (2013) believes that the competitiveness of the Sino-US trade commodity structure makes intra-industry trade frictions more common, and the intensification of Sino-US trade frictions is the inevitable result of the industrial transformation and upgrading of the two countries.

To sum up, in the research literature on Sino-US trade commodity structure, most scholars have demonstrated that the Sino-US trade commodity structure has shifted from complementarity to similarity, which makes Sino-US trade shift from inter-industry trade to intra-industry trade. The result of increased friction.

The object of research is the Sino-US economic relations.

The target of research is research of development of Chinese foreign economic relations with USA at modern economy.

Achieving this goal involves solving the following tasks:

- to give basic characteristics of China-US economic and trade relations;
- to highlight stages of Sino-US economic and trade relations;
- to make the analysis of Sino-US trade structure;
- to reveal problems in Sino-US trade relations;
- to offer suggestions for the normal development of Sino-US economic and trade relations.

The subject of this article is development of Chinese foreign economic relations with USA at modern economy.

This article mainly adopts dialectical approach, systemic and functional-structural research method, computational and statistical methods of data analysis, method of logical,

economic analysis, method of groupings as well as literature analysis method and historical analysis method in the study of Sino-US economic and trade relations. This article will analyze China-US economic and trade relations from the perspective of the structure of Sino-US trade commodities by reading and analyzing a large number of relevant documents, and will follow up with domestic and foreign research trends, current news on Sino-US trade frictions and official statistics to assist research. In addition, based on the traditional comparative advantage theory and product life cycle theory, this article uses SITC (International Standard Classification for Trade) codes to classify the structure of trade products since the establishment of diplomatic relations between China and the United States, and clarify the structure of trade products between China and the United States on this basis.

Novelty of research undertaken in the master thesis consists of:

- studying the changes in the structure of Sino-US trade commodities
- drawing the problems in Sino-US economic and trade relations;
- suggesting for dealing with trade frictions in economic relations between the US and China.

This thesis starts with the basic picture of Sino-US economic and trade relations, and takes the establishment of diplomatic relations between China and the United States as a starting point, and divides the Sino-US economic and trade relations into three stages to study the changes in the structure of Sino-US trade commodities. From this, it draws the problems in Sino-US economic and trade relations and gives China's suggestions for dealing with trade frictions.

The target of research can be further explored through the analysis of resolving trade frictions and disputes in a mutually beneficial manner for the US and China both.

Chapter 1 The Basic Picture of China-US Economic and Trade Relations

1.1 The three stages of Sino-US economic and trade relations

Due to differences in geographical environment, climate factors, and natural resources between China and the United States, there are large differences in resource endowments between the two countries, making trade between the two countries possible. Also, due to the differences in production technology and labor quality between the two countries and the evolution of the global industrial division of labor, the products produced by China and the United States have their respective advantages in different periods of development. China has undergone earth-shaking changes in the late period of reform and opening up in 1949 [8, 10, 11, 51], and productivity and production technology have been greatly improved. Therefore, Sino-US trade since the establishment of Sino-US diplomatic relations is divided into three stages:

- the first stage is the establishment of diplomatic relations between China and the United States before China's accession to the WTO;
- the second stage is after China's accession to the WTO and before the subprime mortgage crisis swept the world in 2008;
- the third stage is from the subprime mortgage crisis to the present.

The period of rising volatility in Sino-US economic and trade relations (1949-2000).

After the founding of New China on October 1, 1949, with the intensification of the Cold War between the United States and the Soviet Union, the United States used political strikes, economic blockades, military threats, and diplomatic non-recognition in an attempt to strangle New China in its cradle [51]. In December 1950, the United States declared China a "hostile country" and ordered a ban on imports and exports to China. Since then, China and the United States have begun a 21-year trade isolation period. From 1949 to 1970, Sino-U.S. economic and trade relations were basically in a period of freezing and isolation of "old and dead without contact".

At the end of the 1960s, the United States was deeply mired in the Vietnam War, and domestic anti-war voices were one after another, and the US-Soviet struggle for hegemony

was in a stalemate. The United States began to change its foreign policy toward China and eased diplomatic relations with China, hoping to use China to fight the Soviet Union. After the Zhenbao Island incident between China and the Soviet Union in 1969, Sino-Soviet relations further deteriorated. China also hopes to unite with the United States to put pressure on the Soviet Union. After Kissinger secretly visited China in July 1971, the trade volume between China and the United States reached nearly 5 million U.S. dollars that year. In February 1972, US President Nixon visited China at the invitation of Premier Zhou Enlai. The two sides issued the Sino-US Joint Communiqué in Shanghai on February 28, 1972, marking the beginning of the normalization of Sino-US relations. The volume of Sino-US trade that year immediately approached 100 million U.S. dollars, achieving a historic breakthrough since 1949. On December 16, 1978, China and the United States issued the *Joint Communiqué on the Establishment of Diplomatic Relations* between China and the United States, and officially established diplomatic relations on January 1, 1979. China and the United States ended their long-term confrontation, laying a solid foundation for the development of economic and trade relations.

On January 1, 1979, China and the United States formally established diplomatic relations, and Sino-US economic and trade relations have rapidly risen as an important part of bilateral relations. In July 1979, China and the United States signed the "*Sino-U.S. Trade Relations Agreement*", which took effect on February 1, 1980, and the establishment of a framework for economic and trade cooperation between the two countries gradually began. In 1980, the trade volume between China and the United States exceeded the trade volume between the United States and the Soviet Union for the first time. In July 1985, Chinese President Li Xiannian paid a state visit to the United States. The two sides signed the Sino-US Peaceful Use of Nuclear Energy Cooperation Agreement, Cultural Agreement, Education Cooperation and Exchange Agreement, and Fisheries Agreement, which promoted the further development of Sino-US economic and trade. In 1987, China and the United States held the largest Sino-US Investment and Trade Law Seminar in history in Beijing, which was called a new milestone in Sino-US economic and trade relations [8].

In the late 1980s, Eastern Europe changed drastically, the Soviet Union disintegrated, and China lost its value as a counterbalance to the Soviet Union. In addition to the political

turmoil in China in 1989, the United States accused China of human rights, cancelled a series of proposed agreements, and announced a series of sanctions. The relationship between China and the United States fell from its peak to its lowest point since 1972. In 1993, Clinton politicized the trade issue for the first time, linking the issue of human rights with the issue of extending China's most-favoured-nation treatment. In November 1999, China and the United States signed a bilateral agreement on China's accession to the WTO in Beijing after negotiations. In October 2000, Clinton signed the Permanent Normal Trade Act with China. On December 11, 2001, China formally joined the World Trade Organization, and on December 27 of the same year, the United States officially announced that it would grant China permanent normal trade relations status.

The most notable feature of Sino-US economic and trade relations in the 1990s was the continuous conflicts and disputes between China and the United States, and the continuous expansion of cooperation areas; the enthusiasm for Sino-US political relations declined, and economic and trade exchanges continued to increase. This benefited from the "pressure" of Sino-US economic and trade relations. The "cabin stone" plays an important role, and the two sides have huge room for economic cooperation.

The golden period of China-US economic and trade relations for China's accession to the WTO (2001-2007).

In 2001, Bush Jr. of the Republican Party was elected president of the United States. As a representative of American neoconservatism, Bush Jr. tried to substantially adjust the China strategy of the original Clinton administration and position China as a strategic competitor [8]. However, even if Bush Jr. positioned China as a competitor before and when he took office, he still supports the development of trade relations with China and China's entry into the World Trade Organization. It is the consensus of the two governments that Sino-US economic and trade cooperation is beneficial to the interests of the two countries. In October 2001, China and the United States took the Shanghai Asia-Pacific Economic Cooperation (APEC) summit as an opportunity, and the two sides agreed to establish a constructive partnership. From December 11, 2001, China formally joined the WTO to Bush's second term, economic and trade relations have further promoted the maturity of the overall Sino-US relations. By the end of the Bush

administration, more than 60 exchanges and cooperation mechanisms had been established between China and the United States. The communication mechanism opened up by economic and trade relations has made the overall relationship between China and the United States mature. This does not mean that the differences and frictions between China and the United States have decreased. The friction between China and the United States in the economic field has even increased with the deepening of interdependence. Although geopolitical and ideological conflicts such as the Taiwan issue, human rights issue, and Tibet issue still often interfere with Sino-US relations, they are no longer the main agenda of Sino-US relations. A more institutionalized and mature Sino-US relationship can effectively manage contradictions and differences, thereby helping to avoid the huge risk of political and military misjudgment between the two countries.

From 2001 to February 2006, the Office of the United States Trade Representative issued a comprehensive assessment report on US-China trade relations, which was a period of growing Sino-US economic and trade frictions. From December 2006 to December 2008, five China-US Strategic Economic Dialogues were held. Sino-US economic and trade relations are in a situation where competition and cooperation coexist, friction and dialogue coexist.

The confrontation period of Sino-US trade (2008-present).

Against the backdrop of the financial crisis, the Obama administration has focused its work on recovering the domestic economy, attaching importance to economic cooperation between major powers, and highlighting international economic governance. Economic cooperation has become an important area of Sino-US economic cooperation during the Obama administration [6]. Soon after Obama took office, the first China-US Strategic and Economic Dialogue opened on July 27, 2009. China and the US have made tangible progress on economic and trade, financial, climate and emission reduction issues. In July 2009, the China-US Strategic Dialogue and the China-US Strategic Economic Dialogue were merged into the China-US Strategic and Economic Dialogue, and eight rounds of negotiations were conducted in the middle of June 2016. In terms of international finance, the Obama administration fulfilled its 2010 commitment to reform the International Monetary Fund (IMF), persuaded Congress to remove obstacles, and

promoted the 2015 IMF's decision to increase China's voting quota and include the renminbi in the special mention. Disbursement rights (SDR), the renminbi has become the third-largest international currency with the weight of the SDR after the US dollar and the euro.

The deepening of interdependence is not only reflected in cooperation, but also in increased friction [5, 9]. With the improvement of China's economic size and industrial value chain status, China's relative position in Sino-US relations has risen, the right to speak has increased, and the Sino-US interdependence has become more balanced, but it has also intensified the competitiveness between China and the United States [13]. Sino-US trade disputes [15], exchange rate disputes, and intellectual property disputes are increasing unabated. In the context of the overall rise of the Asia-Pacific, the Obama administration has pushed for the US's "Asia-Pacific rebalancing" strategy, announced a high-profile military and economic return to the Asia-Pacific, and promoted the establishment of a high-standard Trans-Pacific Partnership (TPP) to lead the power to formulate international economic rules has objectively increased China's strategic pressure. The interdependence between China and the United States tends to be balanced, which is also a process of power transfer between China and the United States. During the Obama administration, Sino-US economic cooperation and economic competition have been greatly strengthened, which shows that the interdependence between China and the United States has entered a deep water zone.

The 15-year buffer period for China's accession to the WTO ended in 2016. Western countries led by the United States conducted a comprehensive assessment of my country's accession to the WTO, believing that China has not fully fulfilled its promises and denied China's status as a full market economy country [35]. Since U.S. President Trump took office in 2017, he has pursued the "America First" policy, began to adopt a series of protectionist and unilateral measures, withdrew from various international institutions one after another, and clearly defined China in the National Security Strategy Report. Defined as a "strategic competitor" to contain China's rise, China-US economic and trade relations have entered a period of confrontation.

In 2017, US President Trump signed a memorandum to launch a "301 investigation"

against China to examine what the United States believes is China's unfair trade practices, such as forced technology transfer, illegal acquisition and use of American technology. As of January 31, 2020, although China and the United States have signed the first phase of the economic and trade agreement, the trade friction has not yet subsided. On the whole, the Sino-US trade friction has a long duration, a wide range, and a strong impact. Nevertheless, the process of Sino-US trade frictions is not always in tension, and Sino-US relations are in a transition of tension and relaxation. The tension in Sino-US relations at this stage can be divided into the following periods:

1.2 Basic characteristics of China-US economic and trade relations

The long-term politicization of Sino-US trade relations.

The volatility in Sino-US trade was interrupted or violently fluctuated due to political events. From 1950 to 1970, China and the United States had almost no direct or indirect trade, because the United States supported the Kuomintang government to separatize Taiwan and block China's reunification; the United Nations, led by the United States, invaded North Korea and threatened my country's security. China organized volunteers to participate in the Korean War, and diplomacy turned to society. The capitalist camp led by the United States imposed a blockade and embargo on China. The trade between China and the United States is also due to political issues. After the deterioration of Sino-Soviet relations, the US-Soviet struggle for hegemony was at a stalemate. The United States and my country urgently needed to deal with the Soviet Union. The two countries began to break through the encirclement of the Cold War, gradually alleviate political conflicts and establish diplomatic relations, thereby promoting economic and trade exchanges and cooperation between the two countries. The U.S. sanctions against China is also due to political issues, linking most-favored-nation treatment with human rights issues, resulting in extremely unstable China-U.S. economic and trade environments. The United States' support for China's accession to the WTO also has a common need for anti-terrorism. The United States creates trade frictions and disputes [16, 19]. There are often political factors behind the Taiwan issue, the North Korean issue, and the Iranian

nuclear issue [52]. The Sino-US trade war is precisely due to the political considerations of the United States to contain China's rise and the strategic need to maintain a superpower.

There has always been asymmetry in Sino-US trade.

China has a huge goods trade surplus, the United States has a huge service trade surplus + currency trade surplus, China has a current account surplus + a capital account deficit, and the United States has a current account deficit + a capital account deficit. U.S. investment in China is far greater than China's investment in the United States. U.S. investment in China has driven a huge amount of trade. The effect of China's investment in the United States has not yet appeared. That is, the United States has a surplus in investment income and China has a deficit in investment income. The United States has international competitive advantages such as brand, quality, technology, service, and standards, while China has a cost advantage.

Complementary competition has always existed in Sino-US trade.

China and the United States are at different stages of economic development: As the world's number one power-the United States is a mature and advanced economy, and China has only embarked on the normalization of economic and social development after reform and opening up. It is in and will be in Socialism Primary Stage for a long time. IMF statistics on the GDPs of countries around the world show that in 2019, the US GDP ranked first in the world with 21,433.23 trillion U.S. dollars, and China ranked second with 14279.9 trillion U.S. dollars, accounting for 67% of the total U.S. GDP; China's per capita GDP was 1.11 in the same year. Million US dollars, ranking 66th in the world, with a per capita GDP of 65,400 US dollars, ranking seventh in the world, 6 times that of China. The huge gap between the stage of economic development and the strength of the two countries makes the production and demand of domestic commodities between the two countries quite different, and there is a strong complementarity between the two countries' trade. First, the United States has always been a world leader in terms of technology and innovation capabilities, and its ability to transform technology into production is extremely strong. Second, from the perspective of industrial structure, for a long time, with abundant labor and natural resources, China has mainly developed primary and secondary industries, and has developed a large number of resource-intensive and labor-intensive industries. In

order to attract investment and set up factories in China, China has given the favorable conditions for foreign investment have become the target of industrial transfer in developed countries. The United States relies on its advanced technology and management level to optimize its domestic industrial structure, and its domestic production structure is reasonable, and it has always been at the world's leading level. Third, China's economic development has been driven by the "troika" for a long time, but the boost to domestic demand has not yielded significant results for a long time, highlighting the important role of exports in economic growth. The United States has been actively expanding its domestic market since World War II, and its economic growth has focused on expanding internal demand. The United States is also the world's largest consumer market. According to China Customs statistics, China's total foreign exports in 2019 were US\$2.3866 billion, of which US\$418.6 billion was exported to the United States, accounting for 17% of China's total foreign exports. China's active demand for exports and the extremely strong consumption power and demand in the US domestic market have formed a good complementarity.

Long-standing friction disputes in Sino-US trade.

The Sino-US trade friction has a long history and has begun to appear since the normalization of economic and trade relations between the two countries [20, 36, 38]. However, after the financial crisis, the Sino-US trade friction showed new characteristics, and it continued to develop in both depth and breadth, indicating that the Sino-US trade friction has entered a new stage. These characteristics are embodied in the increase in the number, amount, and frequency of Sino-US trade frictions, diversification of friction forms, expansion of the range of products involved, increased areas of friction, and China's strong tendency to counterattack [17, 23].

In addition, there have always been differences in ideology and governance systems between China and the United States. It is bound to have various interpretations and contradictions to China due to political party elections and the interests of economic consortia behind them. This is reflected in the Sino-US trade friction dispute in the economic field continuously. Although the Sino-US trade structure is highly complementary, the US has a "2/3 psychology", which means that countries with GDP

reaching 2/3 of the United States will have fears and will instinctively implement suppression and containment. Therefore, in 2018, the United States successively initiated "301" Various investigations such as "337", the escalation of friction disputes, and the emergence of large-scale tariff wars, eventually evolved into a comprehensive contest of technological innovation and exchange rate finance. With the optimization and improvement of China's foreign trade structure, competition between companies from both sides will inevitably occur. For example, Huawei has an impact on the US chip industry; the internationalization of the RMB continues to advance, and the exchange rate competition between China and the United States is inevitable. The United States is the largest currency manipulator. It will inevitably label China as exchange rate manipulation, which will lead to fierce confrontation.

Table 1.1 – 2017-2018 China-US trade relations events

Sino-US relations	Date	US	China
1	2	3	4
Tension	2017.8.19	U.S. President Trump signs memorandum to conduct 301 investigation into China	
	2018.3.23	The United States announces the results of the 301 investigation (China is forcing technology transfer to the United States, and plans to impose 25% tariffs)	It is proposed to impose additional tariffs of 10% and 25% on US\$977 million and US\$1.992 billion of U.S. goods, respectively
	2018.4.4	According to the 301 investigation, the United States released a list of US\$50 billion of goods subject to 25% tariffs on China	China announces a list of 50 billion US imports and plans to impose 25% tariffs
Relaxation	2018.4.10		Xi Jinping put forward four important measures for further opening up at the Boao Forum
	2018.4.11	Trump tweeted to thank President Xi Jinping	
Tension	2018.7.6	The U.S. imposes 25% tariffs on China's 34 billion U.S. dollars	China imposes 25% tariffs on 34 billion U.S. dollars of goods into effect
	2018.3.23	The US imposes 25% tariffs on the remaining part of US\$50 billion of Chinese goods (US\$16 billion) to take effect	China imposes 25% tariffs on US\$16 billion of goods to take effect

Table continuation 1.1

1	2	3	4
	2018.9.24	An additional 10% import tariff on 5745 items of approximately US\$200 billion originating in China takes effect	The additional 10% and 5% tariffs on U.S. imports involving 60 billion U.S. dollars take effect
Relaxation	2018.12.24	The time for imposing additional tariffs on China's 200 billion U.S. dollars products from 10% to 25% was changed from January 1, 2019 to March 2, 2019	Starting from January 1, 2019, the levy of additional tariffs on automobiles and parts originating in the United States will be suspended for 3 months, involving 211 projects
	2019.3.5	Officially postponed again the deadline for raising tariffs on China's 200 billion U.S. dollars products from 10% to 25%	
	2019.3.31		Measures to extend the suspension of tariffs on automobiles and parts originating in the United States
Tension	2015.5.10	The tariff rate on the US\$200 billion list of goods imported from China will be increased from 10% to 25% to take effect	
	2019.6.1		The additional tariffs of 25%, 20%, 10%, and 5% of the US\$60 billion list of U.S. products that have been subject to additional tariffs are effective.
Relaxation	2019.6.29		President Xi Jinping meets with U.S. President Trump at the G20 Summit in Osaka
	2019.7.9	As part of the 301 investigation, tariffs on 110 Chinese products of about 34 billion U.S. dollars exported to the United States from China were cancelled (25% tariffs were previously imposed)	Liu He spoke with U.S. Representative Lighthizer and Secretary of the Treasury Mnuchin at the appointment
Tension	2019.8.1	It is planned to increase the tax rate on US\$250 billion of Chinese goods exported to the United States that has imposed 25% tariffs by 30% from October 1st; on September 1st, an additional tax rate of US\$300 billion on Chinese goods exported to the United States will be imposed 10 % Tariff (later increased to 15%)	

Table continuation 1.1

1	2	3	4
	2019.8.23		Impose additional tariffs ranging from 10% to 5% on approximately US\$75 billion imported goods originating in the United States, which will be implemented in two batches from September 1st and December 15th, 2019
	2019.9.1	15% tariffs on some US\$125 billion of Chinese goods exported to the U.S. take effect	Additional 5%-10% tariffs on approximately US\$75 billion of goods take effect
Relaxation	2019.9.11		Announced the first exclusion list of the first batch of tariffs imposed on the United States and Canada
	2019.9.12	The increase of tariff rates on approximately US\$250 billion of Chinese exports to the United States from 25% to 30% was postponed to 2019.19. Effective on the 15th	
	2019.12.13	Suspend the additional tariffs on China originally scheduled for October 15th, 2019, and plan to reduce the 15% tariff rate on Chinese goods that has been imposed on the US\$300 billion portion to 7.5%	
	2019.12.15		The suspension was originally scheduled to be implemented on 12.15. The levy of tariffs ranging from 10% and 5% to approximately US\$75 billion imported from the US
	2020.1.15	China and the United States sign the first phase of economic and trade agreement	

Chapter 2 Analysis of Sino-US Trade Structure

For a long time, Trump has launched a Sino-US trade war on the grounds that the United States has a trade deficit with China [2, 12, 22]. However, at this stage, due to the narrowing of the economic development gap between China and the United States and the changes in international economic status, trade issues are still one of the fuse points of the trade war and the focus of economic and trade relations. This section examines the industry distribution of Sino-US trade from the perspective of industry classification, so as to grasp the changes in the Sino-US trade structure in the development of Sino-US economic and trade relations.

China has undergone earth-shaking changes in the late period of reform and opening up, and productivity and production technology have been greatly improved. Therefore, Sino-US trade since the establishment of Sino-US diplomatic relations is divided into three phases. The first phase is the establishment of Sino-US diplomatic relations before China's accession to the WTO; The second stage is after China's WTO accession and before the subprime mortgage crisis swept the world in 2008; the third stage is the analysis from the subprime mortgage crisis to the present.

Since Sino-US trade in services accounts for a small proportion of total trade, the Sino-US trade frictions that the United States has provoked over the years have only emphasized the trade deficit in goods with China and seldom mentioned the surplus in trade in services [18, 34]. Therefore, this article only considers the history of trade in goods between China and the United States.

There are differences in the statistical calibers of Sino-US trade volume between China and the United States. China uses FOB statistics and the United States uses CIF statistics. Therefore, the US-China trade balance will be more severe than the China-US trade balance. The China-US trade volume in this chapter uniformly adopts the statistics of the General Administration of Customs of China.

This chapter quantifies the Sino-US trade structure based on the proportion of the Sino-US trade product structure based on the SITC code. The Standard International Trade Classification (SITC) is a standard classification method commonly used in the statistics

and comparison of international trade commodities. Therefore, this article uses SITC codes to classify the trade in goods between China and the United States. The United Nations' *International Trade Standard Classification* divides international trade products into the following categories:

Table 2.1 – Classification of International Trade Standards [60]

SITC0	Food and Live animals	SITC5	Chemicals and related products
SITC1	Beverages and tobacco	SITC6	Manufactured goods classified chiefly by material
SITC2	Crude materials, inedible	SITC7	Machinery and transportation equipment
SITC3	Mineral fuels, lubricants and related materials	SITC8	Miscellaneous manufactured articles
SITC4	Animal and vegetable oils	SITC9	Uncategorized other products

2.1 Analysis of the first stage of Sino-US trade structure (1979-2000)

Overview of the first stage of Sino-US trade.

The article divides the first stage from the establishment of diplomatic relations between China and the United States in 1979 to before China's accession to the WTO in 2001. In fact, China and the United States began to have trade exchanges as early as 1949 after the founding of New China, but the Sino-US trade exchanges were not frequent at that time. In 1949, the total bilateral trade between China and the United States was only 200 million US dollars. Moreover, due to political reasons, Sino-US trade exchanges began to be restricted or even interrupted in 1950. It was not until Nixon visited China in 1972 that Sino-US trade began to return to life, but it was still severely restricted until the establishment of formal diplomatic relations between China and the United States in 1979. Therefore, the starting year of the first phase was set as 1979, until 2001 before China joined the WTO. The first stage is up to 2000. According to China Statistical Yearbook data, the largest trading partners with China in total trade are Japan, the United States, South Korea, and Germany. The trade volume between mainland China and Hong Kong far exceeds South Korea and is second only to the United States. Therefore, in the first

stage, the trade exchanges between China and the United States have gradually become closer.

Table 2.2 – China-US trade import and export value in the first stage (\$100 million) [61]

	China's imports from the U.S.	China's exports to the U.S.	China's surplus with the U.S.
1979	18.60	5.95	-12.65
1980	38.24	9.62	-28.62
1981	43.28	15.05	-28.23
1982	37.16	16.20	-20.96
1983	23.21	17.06	-6.15
1984	0.57	23.01	22.44
1985	43.73	26.52	-17.21
1986	35.27	24.66	-10.61
1987	38.09	29.62	-8.47
1988	66.31	33.80	-32.51
1989	78.60	43.90	-34.70
1990	65.90	51.80	-14.10
1991	80.10	61.90	-18.20
1992	89.00	85.90	-3.10
1993	106.90	169.60	62.70
1994	139.70	214.60	74.90
1995	161.20	247.10	85.90
1996	161.50	266.80	105.30
1997	163.00	327.00	164.00
1998	169.60	379.80	210.20
1999	194.80	419.50	224.70
2000	223.60	521.00	297.40

Statistics from the General Administration of Customs of China show that the total import and export volume of China and the United States was only US\$2.455 billion in 1979. Before joining the WTO in 2000, the total import and export volume increased to US\$74.46 billion, a 30-fold increase. In 1979, the trade volume between China and the

United States only accounted for 8.36% of China's total foreign trade, which shows that the trade exchanges are not yet close. By the end of the first stage, the United States had become China's second largest trading partner, after Japan; China became the fifth largest trading partner of the United States, and the remaining four major trading partners of the United States were Canada, the European Union, Mexico, and Japan. In the first stage, the trade between the two countries is playing an increasingly important role in their foreign trade. Table 2.2 summarizes the volume of China-US trade imports and exports from 1979 to 2000. It can be seen from the table that the Sino-US trade balance in the first stage was relatively small. It was not until 1984 that the surplus began to show a positive value, but it became negative again the following year, until 1993 when the surplus became positive again and continued to rise. No longer shrinking, the surplus began to exceed 10 billion U.S. dollars in 1996 and 20 billion U.S. dollars in 1998.

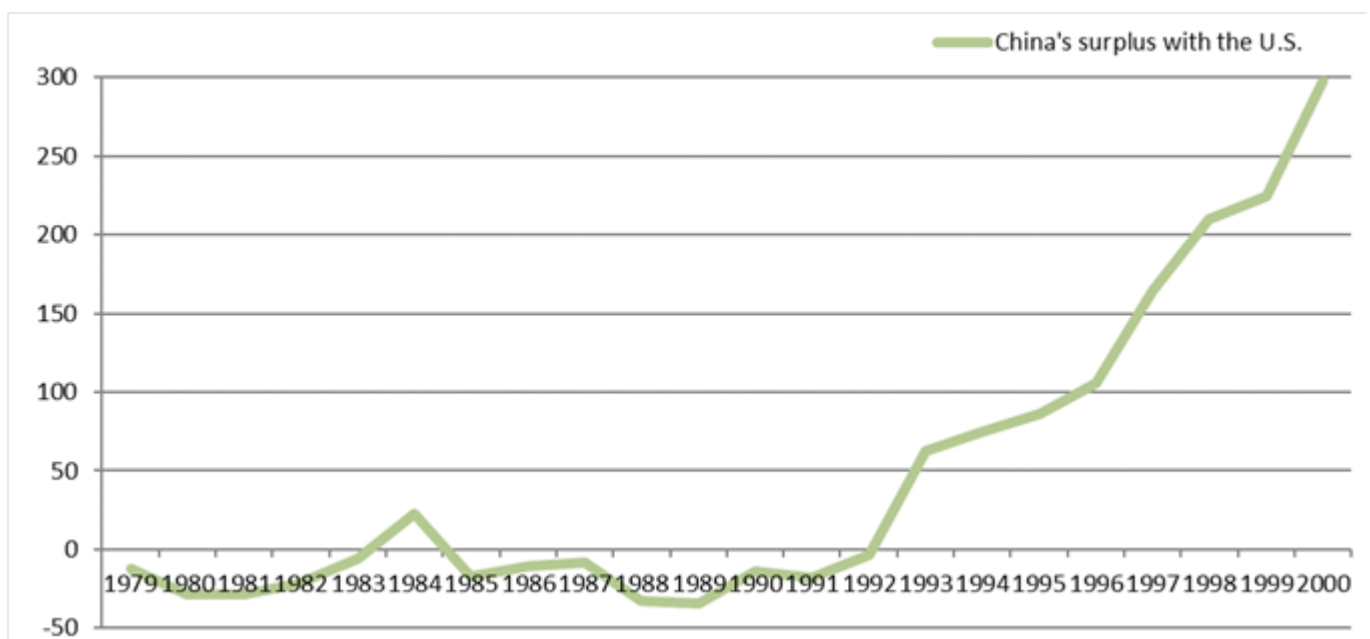


Figure 2.1 – China's trade surplus with the United States in the first stage (unit: US\$100 million)

According to the data of China's trade surplus with the United States in Table 2.2, the trend chart 2.1 is made. From the general trend, it is obvious that the Sino-US trade balance in the first stage fluctuated before 1992. The surplus was almost negative. Since 1993, the surplus has risen to a positive value and increases year by year. The maximum value is at 2000, the last year of this stage, China's surplus with the United States reached

US\$29.7 billion, which is about to exceed the US\$30 billion mark. Therefore, from the perspective of the surplus, Sino-US trade was relatively balanced in the early and mid-stage of the first stage, with a small balance. The problem of Sino-US trade imbalances began to appear in the middle and late stages, and the balance increased rapidly.

In the first stage, the trade friction between China and the United States was mostly due to intellectual property issues. For example, on CD records, CDs were popular all over the world at this stage. China has a rich and relatively low-cost labor force, but the lack of intellectual property management makes CD. The factories are flooding. As a result, China and the United States have repeatedly had frictions on intellectual property issues.

The characteristics of the first stage Sino-US trade commodity structure.

The industrialization and modernization process of the United States started later than Britain and France, but it started earlier than China, and because of its faster speed, it quickly surpassed Britain and France. After the Second World War, the development of global international trade accelerated, and the expansion and differentiation of the international division of labor made the foreign trade of various countries more and more frequent. After the third industrial revolution after World War II—the new technological revolution and the trend of economic globalization, the domestic industry in the United States began to become saturated and transferred outward. The second, especially the tertiary industry, became the main channel for absorbing domestic employment in the United States. At this stage, China is still in the middle of its industrialization process, with its manufacturing industry developing as its mainstay. The country has an abundant and low-cost labor force. Under the conditions of international division of labor at this stage, China mainly imports advanced scientific and technological equipment from the United States, and exports labor-intensive products and products with natural resource advantages to the United States. The trade between China and the United States at this stage is mainly inter-industry trade. Complementarity is relatively large.

Table 2.3 – Proportion of China's imports of products from the US in the first stage (based on SITC codes) [64]

	SITC0	SITC3	SITC5	SITC7	SITC8
1979	37	38	7	10	8
1980	40	37	10	9	4
1981	41	39	11	5	4
1982	45	27	17	7	4
1983	25	22	16	29	8
1984	20	20	21	29	10
1985	4	22	13	44	17
1986	2	17	14	49	18
1987	11	16	23	39	11
1988	15	22	28	26	9
1989	21	23	16	32	8

Table 2.4 – Proportion of China's imports of products from the US in the first stage [64]

	SITC0	SITC1	SITC2	SITC3	SITC4	SITC5	SITC6	SITC7	SITC8	SITC9
1990	11.0	0.2	15.0	0.1	0.0	21.9	5.1	40.4	5.2	1.0
1991	6.4	0.1	13.0	0.9	0.0	26.6	6.6	40.1	5.5	0.8
1992	4.4	0.2	9.1	2.6	0.1	16.3	6.1	53.7	6.3	1.2
1993	4.0	0.1	4.9	2.8	0.0	9.6	4.7	66.4	6.3	1.1
1994	3.0	0.1	12.4	0.7	1.5	16.2	4.4	55.1	5.5	1.2
1995	11.2	0.1	14.3	0.2	3.4	17.1	5.7	41.1	5.7	1.3
1996	6.5	0.0	15.8	0.6	1.0	14.4	6.6	46.5	7.4	1.3
1997	3.1	0.1	12.8	1.8	1.3	15.5	6.3	50.7	7.3	1.2
1998	3.4	0.1	7.5	0.9	2.3	13.6	6.0	57.9	6.8	1.4
1999	2.5	0.1	9.1	0.9	0.5	16.0	6.9	54.5	8.1	1.6
2000	2.9	0.0	15.8	0.4	0.1	14.0	7.8	50.0	7.6	1.4

Table 2.3 and Table 2.4 summarize the proportions of China's imports of various products from the United States in the first stage. It can be seen from the data in the table that the product structure of China's imports from the United States in the early stage of the first stage is first classified as SITC0 (Food category) and SITC3 category (fossil fuel,

lubricating oil and related raw materials) mainly. Since 1983, SITC7 (machinery and transportation equipment products) began to occupy a dominant position, and the share of SITC3 products decreased slightly, but still occupied a relatively large proportion. From 1990 to the end of the first phase, SITC7 products steadily accounted for the largest proportion, SITC5 (chemicals and their finished products) surpassed SITC3, and SITC0 products ranked second. That is, in the first stage, China's imports from the United States are mainly capital-intensive products (SITC7 and SITC5).

Table 2.5 and Table 2.6 summarize the proportions of various products exported from China to the United States in the first stage. It can be seen from the data in the table that in the early stage of the first stage, China's exports to the United States were first SITC6 (raw materials and their finished products), followed by SITC5 (chemicals and their finished products) and SITC3 (minerals Fuel, lubricating oil and related raw materials). Since 1990, SITC8 (miscellaneous products) products have gradually occupied the main position of China's exports to the United States, and SITC7 (machinery and transportation equipment products) has gradually become the second. That is the first stage of China the products exported to the United States are mainly labor-intensive products (SITC8 and SITC6), and the proportion of SITC7 products gradually increased at the end of the first stage.

Table 2.5 – Proportion of products exported from China to the US in the first stage [64]

	SITC0	SITC3	SITC5	SITC6	SITC7	SITC8
1979	15	16	19	40	0	10
1980	11	13	23	40	1	12
1981	18	14	17	39	1	11
1982	7	26	14	41	1	11
1983	7	19	12	49	1	12
1984	6	20	11	47	1	15
1985	5	26	10	40	1	18
1986	5	13	8	51	2	20
1987	6	8	8	47	6	25
1988	7	5	8	40	11	29
1989	5	4	7	40	14	30

Table 2.6 – Proportion of products exported from China to the US in the first stage [64]

	SITC0	SITC1	SITC2	SITC3	SITC4	SITC5	SITC6	SITC7	SITC8	SITC9
1990	3.6	0.1	1.4	4.3	0.0	2.2	9.7	15.9	61.7	1.0
1991	2.5	0.1	1.1	3.0	0.0	2.1	9.1	17.2	64.0	1.0
1992	2.5	0.1	0.8	2.0	0.0	2.0	8.9	17.4	64.8	1.6
1993	1.8	0.1	0.7	0.7	0.0	1.9	8.7	19.2	66.1	0.8
1994	1.4	0.0	0.6	0.9	0.0	1.9	8.6	23.3	62.4	0.8
1995	1.4	0.0	0.6	0.9	0.0	1.9	8.6	23.3	62.4	0.8
1996	1.3	0.0	0.7	1.0	0.0	2.0	8.9	27.2	58.1	0.8
1997	1.2	0.0	0.8	0.9	0.0	2.0	9.3	28.1	56.9	0.9
1998	1.0	0.0	0.7	0.6	0.0	2.0	9.8	30.4	54.4	1.1
1999	1.1	0.0	0.6	0.3	0.0	2.0	10.2	32.3	52.4	1.1
2000	1.0	0.0	0.6	0.7	0.0	1.8	10.3	34.9	49.5	1.1

To sum up, since 1983, SITC7 products have become the main product structure of China's imports from the United States, accounting for more than half in the later period [7, 4, 28]. Although SITC7 products also accounted for a certain proportion of China's exports to the United States after 1990, the proportion was relatively low. Therefore, in the first stage, China mainly imports capital-intensive products from the United States and exports labor-intensive products, which is in line with the international division of labor status of the two countries at this stage. Therefore, the commodity structure of Sino-US trade in the first stage is at a complementary stage, and the similarity is low.

Table 2.7 summarizes the specific commodity structure of the first stage of Sino-US trade. It can be seen that at this stage, China mainly exported primary products to the United States, labor-intensive products with low technical content, and two major bulk products, crude oil and refined oil. Traditional textiles and clothing accounted for a relatively large proportion, and high-tech products accounted for a very small proportion. The proportion of machinery and finished products did not start to rise until the late stage of the first stage. In the later stage of the first stage, China entered a period dominated by

the heavy chemical industry. Therefore, exports to the United States began to concentrate on electricity, steel, cement, machinery, and transportation equipment. However, traditional textiles still occupy a leading position in China's exports to the United States.

Table 2.7 – The structure of import and export commodities in the first stage of Sino-US trade [65]

Types of products China export from the U.S.	Types of products China imports from the U.S.
SITC3 (coal, coke, oil and natural gas, etc.)	
SITC6 (textiles, paper products, etc.)	SITC7 (Aircraft and its parts, electronic machinery, engines, communication equipment, etc.)
SITC7 (Household appliances, communication equipment, electronic machinery, etc.)	SITC5 (Chemicals, plastics, paints, etc.)
SITC8 (Toys, shoes, hats, clothing, plastic products, etc.)	SITC2 (Wood, man-made fibers, pulp, etc.)
	SITC0 (Meat and meat products, dairy products)

2.2 Analysis of the second stage of Sino-US trade structure (2001-2007)

Overview of the second stage of Sino-US trade.

After joining the WTO in 2001, China not only continued the momentum of high economic growth after reform and opening up, but also encouraged, supported, and vigorously developed foreign trade through various policies, making the interaction between China and the United States more frequent. During this period, China's economic and social productivity levels developed rapidly, becoming the world's second largest economy after the United States, and its annual GDP growth rate ranked first in the world. At this stage, China's total foreign trade has increased year after year with large increases. Among them, China's total exports to the U.S. increased from 54.3 billion U.S. dollars in 2001 to 232.7 billion U.S. dollars in 2007, an increase of nearly 4.3 times, and the scale of exports to the U.S. increased rapidly. In 2003, the total import and export volume between China and the United States reached 126.4 billion U.S. dollars. China became the third largest trading partner of the United States, and its exports to the United States were about to exceed 100 billion U.S. dollars. Products made in China entered the streets of the

United States. During this period, China's surplus with the United States also increased from US\$28.1 billion in 2001 to US\$163.3 billion in 2007, an increase of 5.8 times.

Table 2.8 – China-US import and export trade volume in the second stage [61]

	China's imports from the U.S.	China's exports to the U.S.	China's surplus with the U.S.
2001	262	543	281
2002	272	700	428
2003	339	925	586
2004	447	1249	802
2005	487	1629	1142
2006	592	2035	1443
2007	694	2327	1633

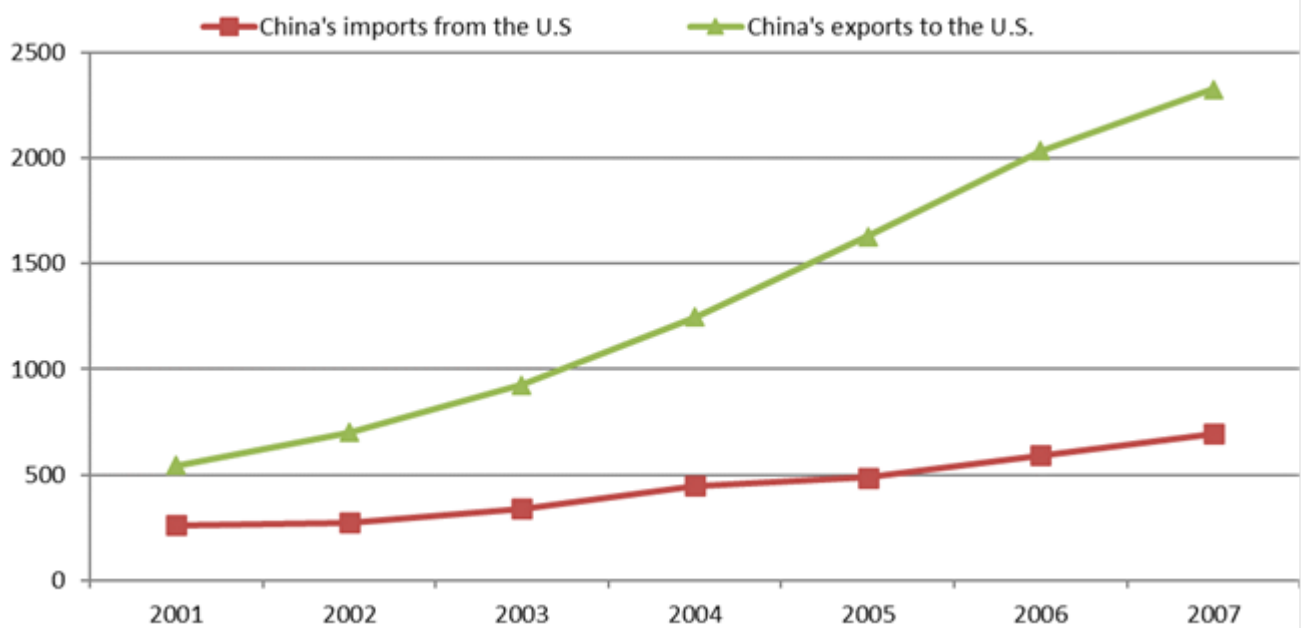


Figure 2.2 – The import and export trend of China-US trade in the second stage

It can be clearly seen from Table 2.8 and Figure 2.2 that China's imports to the United States have risen steadily during this period, but the increase is not large. From

2001 to 2007, it only increased by less than 2.7 times. However, China's exports to the United States have risen significantly after China's accession to the WTO in 2001, and by 2007 it increased by 4.3 times. Therefore, the trade gap between China and the United States gradually widened at this stage, and the growth rate was rapid. At this stage, it can be clearly seen from the trend chart 2.2 that China's trade surplus with the United States only rose but did not fall. In 2003, the surplus exceeded US\$50 billion; in 2005, the balance exceeded US\$100 billion; in 2007, it exceeded US\$150 billion. The issue of trade imbalance in the second stage began to deepen rapidly.

Table 2.9 – Sino-U.S. Import and Export Trade Intensity [66]

	2000	2001	2002	2003	2004	2005	2006	2007
China exports to the U.S.	0.93	0.92	0.98	1.03	1.06	1.09	1.10	1.08
China imports from the U.S.	0.58	0.64	0.59	0.58	0.60	0.56	0.58	0.57
U.S. exports to China	0.48	0.54	0.50	0.51	0.53	0.51	0.52	0.53
U.S. imports from China	0.78	0.78	0.86	0.92	0.97	0.99	1.02	1.01

When the trade intensity index is less than or equal to 1, it means that the two countries' trade ties are not close enough and are lower than the trade closeness with other countries in the world; when the trade intensity index is greater than 1, the trade ties between the two countries are relatively close and higher than the trade closeness with other countries in the world. When the export intensity (import intensity) of country i to country j is greater than the import intensity (export intensity) of country j to country i, it means that the level of intra-industry trade between the two countries is low.

The trade intensity of China's exports to the United States has been greater than one since 2003, and the intensity of US imports to China has also increased to close to one since 2005, indicating that Sino-US trade relations have become increasingly close. Moreover, the intensity of China's trade with the United States is greater than the intensity of US trade with China, indicating that China is more dependent on US trade. The development of China's foreign trade and the increasing dependence on foreign trade have

made China's foreign trade inevitably enter the era of international economic frictions, and trade frictions have become frequent and normalized.

The second stage of Sino-US trade frictions was also reflected in the trade dispute cases that the United States initiated investigations into China. Since China joined the World Trade Organization (WTO) in November 2001, the anti-dumping investigations and final anti-dumping measures initiated by the United States against China have ranked first in anti-dumping cases by the United States against other countries.

The characteristics of commodity structure of Sino-US trade in the second stage.

After China's accession to the WTO in 2001, the level of productivity and production technology have improved. The secondary and tertiary industries have developed rapidly. China's exports to the United States have gradually transitioned from the steel and other products of the primary industry to technologically manufactured products [34]. After China's accession to the WTO, traditional manufactured products exported to the United States still account for a major share, but high-tech manufactured products have been increasing year after year. At this stage, China's position in the international division of labor has gradually increased. The product structure similarity of Sino-US trade has increased, and complementarity has decreased. China and the United States have gradually transitioned from inter-industry trade to intra-industry trade.

Table 2.10 – Proportion of China's imports of products from the US in the second stage (based on SITC codes) [64]

	SITC0	SITC1	SITC2	SITC3	SITC4	SITC5	SITC6	SITC7	SITC8	SITC9
2001	2.6	0.0	16.3	0.5	0.1	11.5	5.8	53.5	8.6	1.1
2002	2.5	0.0	15.6	0.4	0.1	13.4	5.9	53.1	7.9	1.0
2003	2.9	0.0	24.4	0.5	0.4	12.8	7.0	43.9	7.3	1.0
2004	3.8	0.1	23.6	0.6	0.1	13.7	6.4	42.8	7.8	1.0
2005	2.7	0.0	24.1	0.3	0.1	13.3	7.5	43.6	7.5	1.0
2006	2.6	0.2	25.6	0.4	0.1	11.6	7.0	44.6	7.0	0.9
2007	3.1	0.2	26.3	0.5	0.3	13.4	6.6	42.5	6.4	0.9

Table 2.11 – Proportion of China's exports of products to the US in the second stage (based on SITC code) [64]

	SITC0	SITC1	SITC2	SITC3	SITC4	SITC5	SITC6	SITC7	SITC8	SITC9
2001	1.1	0.0	0.6	0.4	0.0	2.0	10.6	34.3	50.1	1.2
2002	1.2	0.0	0.5	0.3	0.0	1.9	10.7	37.0	47.3	1.1
2003	1.3	0.0	0.5	0.3	0.0	2.0	10.7	40.1	44.2	1.2
2004	1.2	0.0	0.5	0.5	0.0	1.9	11.1	44.0	39.4	1.2
2005	1.1	0.0	0.6	0.4	0.0	2.2	11.6	44.9	38.2	1.2
2006	1.2	0.0	0.5	0.4	0.0	2.2	12.6	45.8	36.1	1.2
2007	1.3	0.0	0.5	0.2	0.0	2.3	12.5	45.5	36.5	1.2

Table 2.10 and Table 2.11 summarize the product structure of the second phase of Sino-US trade. It can be seen from the data in the table that in the second stage, China's imports from the United States are mainly SITC7 (machinery and transportation equipment products), SITC2 (non-edible raw materials) products and SITC5 (chemicals and their manufacturing Finished products) are the next, and the structure of imported products is relatively stable, mainly capital-intensive products. China's exports to the United States are mainly SITC8 (miscellaneous products) and SITC7 (machinery and transportation equipment products). Although SITC7 products include both capital and technology-intensive products and labor-intensive products, the former accounted for a much larger proportion and are commodities that reflect a country's export competition. The share of SITC7 products gradually increased until it became the product category with the largest share of exports to the United States in 2004. SITC8 products are traditional labor-intensive products, including prefabricated building materials, furniture, clothing and fiber products, footwear, photographic equipment, and optical items, watches and clocks. From 1990 to 2003, the proportion of miscellaneous products in China's total exports to the United States always ranked first among the 10 categories of goods, reaching the highest value in 1990, accounting for 61.7% of the total US imports from China that year. But as of 2007, this category of goods accounted for the second largest proportion of China's total exports to the United States. In other words, the products that accounted for

the largest share of China's exports to the United States at this stage have gradually shifted from labor-intensive products to capital-intensive products. Therefore, in the second stage, the import and export products of China and the United States have a greater degree of similarity in the SITC7 category, especially in the second half of the second stage. This change is in line with the change in China's status in the international division of labor at this stage, and China and the United States are gradually shifting to intra-industry trade.

The trend of Sino-US trade frictions in the second stage is more serious than in the first stage. After joining the WTO in 2001, China carried out trade activities in accordance with WTO rules, but the impact of the US trade protection policy was more severe than in the first stage, in which traditional manufacturing industries such as chemical industry, steel, and textiles were more affected. According to statistics on the number of US trade remedy investigations against China compiled by the China Trade Remedy Information Network, it can be seen that in the second stage, the number of US investigations and rulings on China's "two oppositions and one guarantee" has gradually increased, and the types of trade products involved have also increased.

Table 2.12 – Statistics of the second phase of the US trade remedy investigation against China [63]

	Number of investigations initiated	The main categories of the surveyed products
2001	10	SITC6、SITC0、SITC5
2002	17	SITC6、SITC7、SITC0、SITC5、SITC8
2003	27	SITC5、SITC0、SITC6、SITC7、SITC8
2004	7	SITC5、SITC0、SITC8
2005	2	SITC5
2006	2	SITC5、SITC6
2007	3	SITC6、SITC5

In the second stage, China mainly imports electromechanical, audio-visual equipment and its parts and accessories, chemical and related industrial products, optical

medical equipment, vehicles, aviation, ships and transportation equipment, plastic rubber and its finished products to the United States. And in the second stage, there is little change and it is relatively stable. However, China's exports to the United States have changed slightly. In addition to traditional textiles, clothing, shoes and hats that still occupy a large share, China's exports to the United States of mechanical and electrical products, and communications products have also begun to occupy a certain share. In addition, China's exports to the United States of mechanical and electrical products, audio-visual equipment and their parts and accessories, vehicles and aviation and other transportation equipment have also begun to account for more than half of China's exports. The trade between China and the United States has shifted from inter-industry trade to intra-industry trade. During this period, the United States still used anti-dumping trade retaliation measures as the main solution to its trade frictions with China. At the same time, it also increased the implementation of anti-subsidy, special safeguard clauses, safeguard measures, and "Section 337" protection measures against China.

2.3 Analysis of the third stage of Sino-US trade structure (2008-2020)

Overview of China-US trade in the third stage.

The closeness of Sino-US trade exchanges in the third stage far exceeds that of the first two stages. According to the data from the General Administration of Customs of China on China-US trade in the third phase (2008-2020), Table 2.13, Figure 2.3 and Figure 2.4 are compiled. It can be seen from the chart that, unlike the second stage, the total import and export volume of Sino-US trade in the third stage is still rising in the general trend. The total trade volume has increased from 333.8 billion U.S. dollars in 2008 to 633.5 billion U.S. dollars in 2018, a nearly two-fold increase. Among them, China's total imports from the United States and China's total exports to the United States have both nearly tripled from 2008 to 2018. However, there has been a decline in trade volume for several years. The 2008 financial crisis triggered by the US subprime mortgage crisis swept the world, and the lagging impact of the crisis was reflected in the total trade volume in 2009. China's imports from the United States and China's exports to the United

States have both declined. Although the upward trend has resumed since 2010, the growth rate has been slower than in the second stage. From Figure 2.3, it can be seen that the total volume of Sino-US trade imports and exports, China's imports from the United States, China's exports to the United States and the Sino-US trade balance change almost in the same trend. Although there have been two declines in the trade volume in 2009 and 2016, the Sino-US trade gap is still very large. In 2011, the Sino-US trade gap exceeded the 200 billion U.S. dollar mark, and in 2018 it exceeded the 300 billion U.S. dollar mark.

Table 2.13 – Import and Export Data of China-US Goods Trade in stage 3 [61]

	Total trade	China's imports from the U.S.	China's exports to the U.S.	China's surplus with the U.S.
2008	3338	814	2524	1710
2009	2983	775	2208	1433
2010	3854	1021	2833	1812
2011	4466	1221	3245	2024
2012	4847	1329	3518	2189
2013	5207	1523	3684	2161
2014	5552	1591	3961	2370
2015	5570	1478	4092	2614
2016	5196	1344	3852	2508
2017	5837	1540	4297	2757
2018	6335	1551	4784	3233
2019	5413	1227	4186	2959
2020	5867	1349	4518	3169



Figure 2.3 – Overview of Sino-US trade in the third stage (unit: US\$100 million)

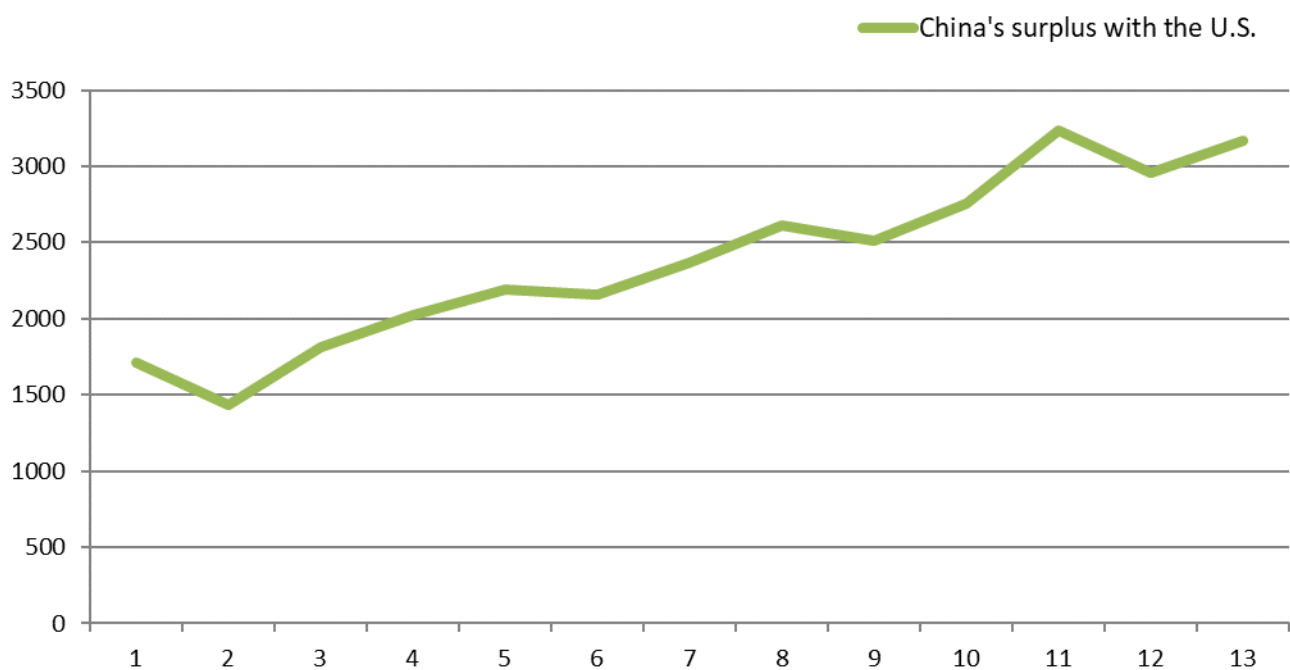


Figure 2.4 – Trend chart of China-US trade balance in the third stage (unit: US\$100 million)

The decline in Sino-U.S. trade in 2009 was due to the 2008 financial crisis. Under this background, China and the U.S. launched a strategy and economic dialogue to strengthen Sino-U.S. economic exchanges and cooperation. The following year, the Sino-U.S. trade volume stopped falling and then recovered. Until 2015, the total trade volume between China and the United States reached a small peak of 557 billion U.S. dollars, and the trade balance exceeded 250 billion U.S. dollars. It can be seen from Figure 2.4 that the overall trend of the Sino-US trade balance in the third stage is still showing an upward trend, only a slight decline in a few years, but the decline is small, and the difference is still large. As a result, the trade imbalance between China and the United States in the third stage has intensified. The number of anti-dumping and countervailing investigations initiated by the United States against China during this stage has also increased significantly compared with the second stage, in order to combat China's foreign trade in the short term and intend to balance the trade deficit with China.

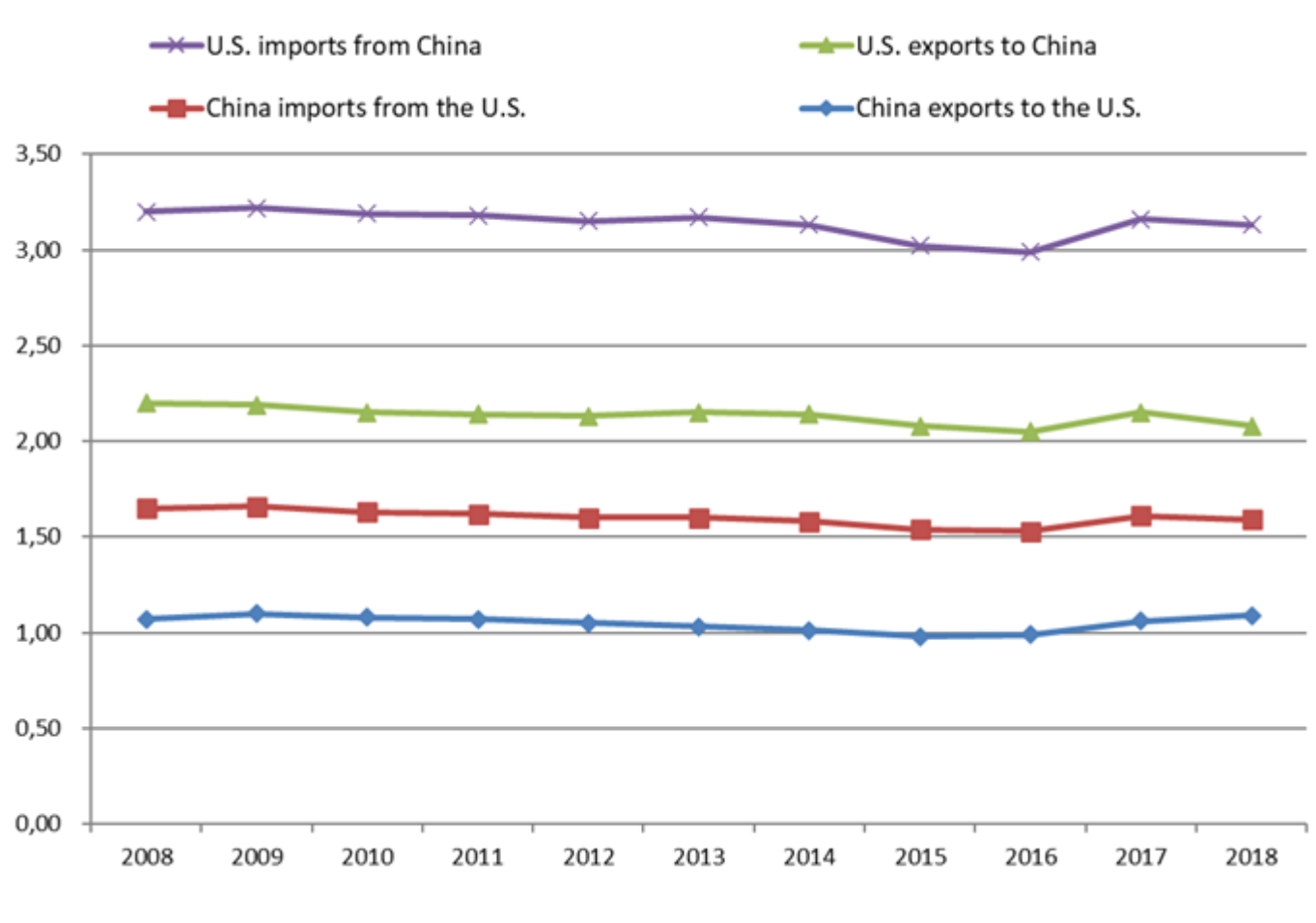


Figure 2.5 – Intensity of Sino-U.S. Import and Export Trade

In 2017, the bilateral trade in goods between China and the United States exceeded US\$580 billion, accounting for 14.2% of China's total trade. However, since the administration of President Trump, who advocated "America First" in 2017, Sino-US trade frictions have continued to escalate and trade relations have continued to deteriorate. In 2018, the Trump-led U.S. government provoked trade frictions with China more frequently, making the Sino-U.S. trade situation more and more severe. In 2019, China-US trade in goods amounted to US\$541.38 billion, a year-on-year decrease of 14.5%. Among them, China imported 122.71 billion U.S. dollars from the United States, down 20.9% year-on-year; exports to the United States were 418.67 billion U.S. dollars, down 12.5% year-on-year. China had a surplus of US\$295.96 billion, a year-on-year decrease of 8.5%.

Table 2.14 is the Sino-US import and export trade intensity table and Figure 2.5 is the Sino-US import and export trade intensity chart.

Table 2.14 – Intensity of Sino-U.S. Import and Export Trade [66]

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
China exports to the U.S.	1.07	1.10	1.08	1.07	1.05	1.03	1.01	0.98	0.99	1.06	1.09
China imports from the U.S.	0.58	0.56	0.55	0.55	0.55	0.57	0.57	0.56	0.54	0.55	0.50
U.S. exports to China	0.55	0.53	0.52	0.52	0.53	0.55	0.56	0.54	0.52	0.54	0.49
U.S. imports from China	1.00	1.03	1.04	1.04	1.02	1.02	0.99	0.94	0.94	1.01	1.05

The analysis shows that the intensity of Sino-US trade has the following characteristics.

1. The intensity of China's export to the United States and the intensity of US imports to China are almost both greater than 1 after 2005, indicating that China's export to the US is greater than the overall US import level, and the US's import to China is greater than China's overall export level. This is consistent with the fact that the United States is an important export trading partner of China and China is an important import trading partner of the United States. The intensity of China's import to the US and the

intensity of US exports to China are both less than 1, indicating that China's import to the US is lower than the overall US export level, and the US export to China is lower than China's overall import level. Although China-US trade ties are close, using China's exports to the United States to better represent the intensity of trade between the two countries is consistent with the fact that China-US trade is imbalanced.

2. The intensity of China's export trade with the United States is significantly greater than the intensity of China's import trade with the United States, while the United States is on the contrary, indicating that China is more dependent on the US export market than the import market, and the US is more dependent on the Chinese import market than the export market. In addition, this reflects that although China and the United States have a strong degree of trade integration, the level of intra-industry trade is relatively low.

The characteristics of the third stage Sino-US trade commodity structure.

Table 2.15 – Proportion of China's imports of products from the US in the third stage (based on SITC codes) [64]

	SITC0	SITC1	SITC2	SITC3	SITC4	SITC5	SITC6	SITC7	SITC8	SITC9
2008	3.3	0.2	28.7	0.6	0.3	13.3	7.2	38.7	6.7	1.0
2009	3.5	0.2	30.2	0.8	0.1	12.5	6.0	39.1	6.9	0.9
2010	3.5	0.2	29.9	1.5	0.5	12.8	5.5	37.8	7.0	1.4
2011	4.7	0.2	31.1	2.0	0.2	12.8	5.2	36.0	6.8	1.0
2012	5.8	0.2	32.1	2.2	0.3	10.0	5.2	36.1	7.3	0.8
2013	7.2	0.2	26.8	2.3	0.1	10.0	4.9	40.0	7.2	1.3
2014	6.2	0.2	20.4	2.1	0.1	11.2	5.1	44.1	7.8	2.9
2015	5.3	0.2	19.1	2.0	0.1	11.2	5.4	48.8	7.8	2.8
2016	5.0	0.2	20.1	2.0	0.1	11.1	5.4	46.1	8.8	1.1
2017	4.6	0.2	20.6	1.1	0.1	10.0	5.5	48.1	8.9	0.9
2018	4.7	0.2	20.4	1.3	0.1	10.1	5.3	48.0	8.6	1.3
2019	4.4	0.1	11.5	3.3	0.0	17.0	5.5	45.9	12.0	0.1
2020	7.3	0.1	14.0	7.3	0.0	17.1	4.7	37.8	10.3	0.4

Table 2.16 – Proportion of various products exported from China to the US in the third stage (based on SITC code) [64]

	SITC0	SITC1	SITC2	SITC3	SITC4	SITC5	SITC6	SITC7	SITC8	SITC9
2008	1.4	0.0	0.5	0.6	0.0	3.2	13.0	44.7	35.2	1.2
2009	1.4	0.0	0.4	0.1	0.0	2.9	10.8	47.3	35.8	1.3
2010	1.3	0.0	0.4	0.1	0.0	2.9	10.3	49.3	34.3	1.1
2011	1.4	0.0	0.5	0.1	0.0	3.5	10.6	50.6	32.3	1.1
2012	1.4	0.0	0.5	0.1	0.0	3.3	10.8	51.4	31.5	1.1
2013	1.3	0.0	0.5	0.1	0.0	3.3	10.9	51.6	31.1	1.1
2014	1.6	0.0	0.6	0.2	0.0	3.2	11.2	51.0	31.2	1.0
2015	1.6	0.0	0.6	0.1	0.0	2.7	11.4	48.8	33.9	1.0
2016	1.7	0.0	0.7	0.1	0.0	2.8	11.2	49.8	33.6	1.0
2017	1.6	0.0	0.5	0.1	0.0	2.5	10.3	51.1	33.1	0.8
2018	1.7	0.0	0.6	0.1	0.0	2.7	10.4	50.6	33.2	0.7
2019	1.3	0.0	0.3	0.2	0.0	3.8	11.5	50.1	32.0	0.6
2020	1.2	0.0	0.2	0.0	0.0	4.0	13.8	49.4	30.0	1.3

Table 2.15 and Table 2.16 summarize the product structure of the third phase of Sino-US trade. It can be seen from the data in the table that in the third stage, China's imports from the United States are still dominated by SITC7 (machinery and transportation equipment products), but the proportion is lower than in the second stage, and has been on the rise in recent years. The second is SITC2 (non-edible raw materials). The product category that China imports a relatively large portion from the United States has not changed much from the second stage, and it is still dominated by capital-intensive products and is relatively stable. In the third stage, China's exports to the United States are still dominated by SITC7 and SITC8 (miscellaneous products). The difference from the second stage is that SITC7 products in the third stage have always occupied the largest share. In other words, in the third stage, the products with the largest import and export

share between China and the United States belong to the SITC7 category, and the similarity is high.

Table 2.17 – Statistics of the third phase of the US trade remedy investigation against China [63]

	Number of investigations initiated	Main categories of products surveyed
2008	67	SITC7、SITC5、SITC8、SITC0、SITC6
2009	73	SITC7、SITC5、SITC0、SITC6、SITC3
2010	83	SITC5、SITC7、SITC0、SITC6、SITC8
2011	27	SITC5、SITC7、SITC6、SITC8、SITC2
2012	24	SITC5、SITC7、SITC6、SITC8
2013	87	SITC5、SITC6、SITC7、SITC0、SITC8
2014	112	SITC5、SITC6、SITC7、SITC0、SITC8
2015	101	SITC5、SITC6、SITC7、SITC8
2016	172	SITC5、SITC6、SITC7、SITC8、SITC2
2017	76	SITC5、SITC6、SITC7、SITC8、SITC0
2018	74	SITC5、SITC6、SITC7、SITC8

Table 2.17 summarizes the statistical information on the number of US trade remedy investigations on my country in the China Trade Remedy Information Network. Compared with the second stage, it can be seen that the third stage is more severely impacted by the US trade protection policy than the first and second stages, and the number of investigations received has increased significantly. Among them, SITC7 and SITC5 products have become the hardest hit by the US trade protection policy, and have almost become the product category that has been surveyed the most every year, and both categories of products are capital-intensive products. This further shows that capital-intensive products are not only the product category with high similarity in the third stage

of Sino-US trade, but also the product category with the most Sino-US trade friction in the third stage. In addition, traditional manufacturing industries, such as textiles, are still the main targets of the US survey, which is related to the US's domestic protection policy. China has the problem of overcapacity in traditional manufacturing products, and transformation and upgrading are imminent.

Among the most serious capital-intensive products under the US trade investigation, the US has increased the proportion of China's high-tech product import restrictions, and some high-tech products have begun to become the subject of the US investigation of "two contradictions and one guarantee". Take ZTE Corporation as an example. Since 2011, its foreign trade products such as electronic image equipment, wireless electronic equipment, mobile phones and tablets have been investigated by the United States several times. As one of the representatives of China's high-tech industry in the third stage, ZTE exports most of its products belong to SITC7 category, and belong to high-tech products with high added value. To a certain extent, this reflects that China's high-tech industries are gradually taking up the proportion of export products, and China's export product structure is gradually transforming. At the same time, it further explains that the commodity structure of Sino-US trade is gradually becoming unified, the complementarity of the two countries' trade is reduced, the trade between the two countries has turned to intra-industry trade, and trade friction has intensified.

In the third stage, China is in a period of strategic opportunities for industrial development, and high-tech industries are developing rapidly. In 2009, China became the world's second largest economy, second only to the United States. In 2014, China contributed nearly 30% of the added value of the global high-tech industry. In 2016, the growth rate of the added value of China's high-tech industry reached 10.8%. According to the data compiled by the National Science Foundation of the United States, the third stage of China and the United States' high-tech industry added value in the global proportion is drawn in Figure 2.3.4. The trend in the figure clearly shows that China's high-tech industries have increased in value year after year, the US's high-tech industry's added value in the world's share has been slowly decreasing year by year, and the Sino-US high-tech industry's value added gap has been declining year by year. Therefore, in the third

stage, the scale advantage of the electronic information industry is the most prominent. China's high-tech industry is gradually deeply integrated into the global division of labor system, and the upward trend of the value chain is significantly enhanced. The proportion of SITC7 products (machinery, equipment, instruments and parts, transportation equipment, etc.) that China exports to the United States has also increased year by year.

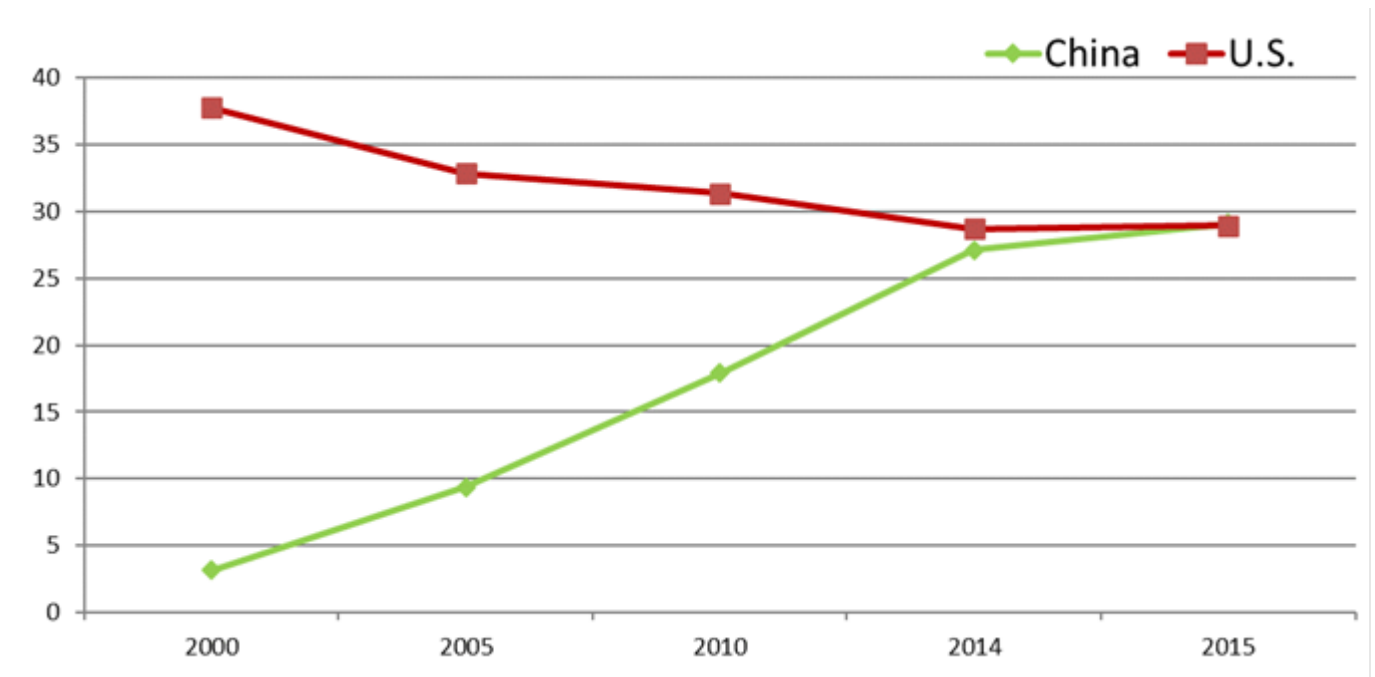


Figure 2.7 – The proportion of the added value of high-tech industries in China and the US in the global share (unit: %) [67]

In general, at the beginning of reform and opening up, as China's economic growth began to get on track, trade between China and the United States began to recover under the good environment of normalization of diplomatic relations between China and the United States. From the perspective of the structure of trade between the two countries, China mainly exports labor-intensive products, while the United States exports resource-intensive commodities and a small amount of technology-intensive commodities. This is determined by the fact that China's economic construction has just started, its industrial structure is single, and its foreign trade foundation is weak. In 1987, my country's exports to the U.S. accounted for the largest proportion of crude oil and refined oil products. Apart from this, the main export categories were toys, shoes, ceramics, food, and canned food.

There were almost no high-tech products; while imports from the U.S. Concentrated on grain, wood, cotton, and high-tech equipment such as large computers, oil exploration equipment, etc.

With the development of China's economy, the commodity structure of bilateral trade between China and the United States has gradually enriched and diversified. In addition to maintaining the export of traditional products, China's exports of machinery products to the United States have begun to rise. In other words, after nearly 40 years of development, the structure of bilateral trade between China and the United States has undergone significant changes. In China's exports to the United States, the proportion of capital-intensive and technology-intensive products has gradually increased, and the proportion of primary commodities that previously occupied an important position is now negligible. Compared with the commodity structure of exports to the United States, China's import commodity structure to the United States is relatively stable, mainly focusing on technology-intensive and capital-intensive products.

Chapter 3 Problems and Suggestions in Sino-U.S. Trade Relations

3.1 Problems in Sino-US trade relations

1 The Chinese side

Defects in the Sino-US trade structure. First, the demand for trade products between China and the United States is asymmetry. Most of the products exported from China to the United States are daily necessities, while most of the products exported from the United States to China are capital and technology-intensive high-end products. Moreover, China is currently a developing country, its economic level is not comparable to that of the United States, and the income level of residents is relatively low. Therefore, Chinese people do not have enough purchasing power for high-end products. This has resulted in low demand for high-end products by Chinese residents. While my country's imports of high-end products from the United States are sluggish, the American people are passionately chasing cheap "Made in China" and have to import a large amount of daily necessities from my country. The long-standing asymmetry in the demand for trade products between China and the United States has resulted in a long-term huge trade surplus between China and the United States, which has become an important fuse for trade frictions. Furthermore, my country's export commodities are highly substitutable and the competition is fierce. On the one hand, China's products exported to the United States are mainly processed trade products, most of which are labor-intensive products such as textiles, clothing, steel, etc. These products have low technical content, low added value and strong substitutability, so they mainly rely on low prices to win. But even with limited profit margins, a large number of Chinese companies still put into production, relying on small profits but quick turnover to survive. On the other hand, when a large number of low-cost products flooded into the United States, it impacted related industries in the United States. As a result, a part of the population became unemployed, especially after the financial crisis, the unemployment rate in the United States remained high. In order to protect domestic industries, US trade protectionism is on the rise, low-price sales can easily arouse the United States' resentment, which will lead to US trade restrictions and

cause trade frictions. Third, the industrial structure of Sino-US trade has become increasingly similar. Although the overall trade structure of China and the United States is still complementary, the industrial convergence of the two countries is becoming more and more obvious. Among the top ten commodities imported and exported by China to the U.S. in 2019, overlapping commodities accounted for half of them. They were mechanical and electrical products, nuclear reactors, boilers, mechanical appliances and parts, optics, clocks and watches, medical equipment, plastics and their products, vehicles and their annex. Among them, mechanical and electrical products accounted for the largest trade volume in both countries, indicating that my country has a certain ability to compete with the United States in the manufacturing of mechanical equipment, metallurgy, chemicals, and precision instruments. The characteristics of the convergence of the industrial structure of China and the United States have begun to emerge [14, 17, 21].

China is highly dependent on the US trade. From the perspective of the trade structure between China and the United States, the United States imports mainly labor-intensive products from China, such as toys, furniture, footwear, clothing, hardware products, etc. These products are also mass-produced by other developing countries. The international market is a buyer's market, so it is easy to find substitutes. Especially in recent years, the manufacturing industries in other developing countries such as Vietnam and Bangladesh have risen rapidly. They have achieved lower manufacturing prices with lower wages and resource costs, making the price advantage of Chinese products no longer obvious. Therefore, even in labor-intensive industries, China may not be able to maintain its position as the best choice for US imports. However, China's imports from the United States are mostly technology and capital-intensive products such as airplanes, electronic products, and agricultural products. The manufacture of these products is either monopolized by the United States, or only the United States has the production capacity due to high technical requirements, so it is not easy to find substitutes. Obviously, the mutual influence of the Chinese and American economies is quite different.

In 2018, China's exports to the United States were 478.4 billion U.S. dollars, and the U.S. exports to China were 155.1 billion U.S. dollars. China's trade dependence on the United States was 4.19%, and the United States' trade dependence on China was 0.73%.

There is a big difference in the degree of trade dependence between China and the United States [25]. Before 2005, Sino-US trade dependence continued to rise, reaching a maximum of 13.1%. After that, it gradually decreased and remained at about 5.5%. Through comparison, we can find that Sino-US economic and trade relations are seriously asymmetrical. China's dependence on the United States' foreign trade is relatively high, while the United States' dependence on China's foreign trade is relatively low. The influence of Sino-US trade on China is significantly higher than that on the United States. Because of this, China is often passive in Sino-US trade frictions, while the United States has arbitrarily provoked disputes to cover up and pass on contradictions in its domestic economic problems. On the other hand, China is highly dependent on the United States and lacks the corresponding binding force, which reduces its bargaining power and tends to be passive.

Chinese enterprises and industry associations have not dealt with adequately. One of the major reasons why the United States frequently initiates trade frictions is that Chinese companies have insufficient capacity to deal with trade frictions, which has enabled the United States to repeatedly win. The weakness of Chinese enterprises in responding to trade frictions is reflected in the following aspects: First, Chinese enterprises are not active in responding to lawsuits. Although in recent years Chinese export companies have been able to respond and to appeal to trade friction cases more enthusiastically, many companies still lack the awareness of their rights and obligations as the subject of appeals and responses. Due to cumbersome response procedures, long time consuming, high response costs, and uncertain success rate, many companies adopt an evasive attitude when confronted with litigation, failing to respond to questionnaires sent by the trial agency or fail to cooperate with investigators. The trial agency can only base its ruling on the materials and evidence of the complaining party, causing the US to easily determine that my country's anti-dumping or countervailing duties are established. The second is the lack of synergy among Chinese enterprises in dealing with trade frictions [36]. There is even more vicious competition among domestic companies, and they cannot unite to respond to unreasonable demands from abroad. Many companies are on the sidelines, holding a "hit-the-wheel" mentality, hoping that they can benefit from the response of

other companies instead of actively taking responsibility. The third is that Chinese companies have a weak awareness of international laws, do not understand foreign trade laws and related trade rules, and often violate the trade rules without being aware of them. At the same time, few Chinese companies have established anti-dumping mechanisms, and related professionals are also extremely scarce, so they are weak in fighting with the United States.

2 The US side

The U.S. economy is developing slowly. The financial crisis has undoubtedly brought severe damage to the US economy, and all US economic indicators are not optimistic. After the financial crisis, the economies of all countries are generally in recession, and growth rates have declined to varying degrees, and the United States is no exception [44]. After the crisis, the US GDP growth rate once experienced negative growth. It was -0.36% in 2008 and -3.53% in 2009. Although the negative has turned positive since 2010, the growth has been very slow. Accompanying the sluggish growth rate is the high unemployment rate. Before the crisis, the unemployment rate in the United States remained at around 5%. Since 2008, the unemployment rate in the United States has continued to rise. From May 2009 to October 2011, it exceeded 9% for 29 consecutive months, exceeded 10% for three consecutive months in 2009, and reached a peak of 10.2% in October 2009. With the slow recovery of the economy in recent years, the unemployment rate in the United States has declined slightly, but it is still hovering at around 7%. The high unemployment rate reflects the slow recovery of the US economy and the existence of a large number of unemployed people. Therefore, the dumping of Chinese products at this moment has impacted American companies, which will inevitably lead to the U.S. government imposing restrictions or penalties on Chinese companies in order to protect employment, thus triggering trade frictions. At the same time, the reduction in per capita income brought about by the high unemployment rate has greatly reduced the consumption power of American residents. As a result, the sales of Chinese consumer goods exported to the United States have fallen. The financial crisis led to a painful "hard landing" for the U.S. economy. As the world's largest consumer country, the US domestic savings rate has turned from a negative value before the crisis to 0.8% at the

end of 2008. In May 2009, the savings rate reached 6.9%, the highest in 15 years. The rise in the savings rate means that Americans' habit of spending money lavishly has changed, and careful calculations have begun to become a trend, indicating that the US consumption-led economic growth model is undergoing fundamental changes.

Theoretically, the fundamental purpose of a government's various policies, including trade policies, is to maximize the welfare of the country, which starts from the role of the government. But in the real world, the government's responsibilities are performed by administrative officials, and administrative officials, as natural persons, essentially have the tendency to seek the best interests for themselves and will be reflected in policy formulation. The fundamental way for administrative officials to obtain their own interests is to obtain maximum political support. Therefore, the policies formulated by the government are not all for the purpose of maximizing national welfare, but mostly for seeking the maximization of political support. Whether a country adopts a free trade policy or a trade protection policy depends on the influence of relevant interest groups on the policy makers, that is, the government. This shows that trade relations are not simply economic issues, but also political issues. The electoral politics of the United States makes the government not only make trade policies based on national interests, but are inevitably affected by domestic politics. In other words, domestic politics determines national trade decisions [58]. The four-year US presidential election provides a political platform for the struggle between interest groups, and it is also one of the key factors for interest groups to ensure that their own interests are not violated. For example, in the 2009 tire special protection case, one of the main reasons Obama signed and passed the case is that the prosecutor of the case is the American Iron and Steel Workers Federation. The labor group has always been a hard-core supporter of Obama and contributed greatly to the success of Obama's presidential campaign. Therefore, Obama is not willing to offend labor groups for insisting on free trade. At the same time, the rising unemployment rate in the United States is putting increasing pressure on Obama. The special tire protection case is undoubtedly a good way to shift domestic contradictions. It quells public grievances by accusing China of over-exporting and squeezing American jobs. It can be seen that the

U.S. Congress considers issues more from the local interests of each state, and lacks a holistic perspective.

Concerns about China's peaceful rise. With the great success of China's manned space industry, the successful hosting of the Beijing Olympics and the Shanghai World Expo, and the delivery of the first modern aircraft carrier, China has shown an increasingly strong comprehensive strength and its international status has continued to improve. In contrast, after the "9·11" incident, Americans' self-confidence has declined and their sense of security in their own politics and economy has decreased. In addition, after the outbreak of the subprime mortgage crisis, domestic economic growth has been slow, the unemployment rate has remained high, the financial situation has been worrying, and terrorism has been shrouded from time to time. It seems that the US's world dominance no longer seems to move. As China's comprehensive national strength continues to increase, the "China Threat Theory" has begun to spread in the United States. Therefore, the United States always tries to find all kinds of excuses to hinder China's development. From export control of China's high-tech products to advocating "renminbi appreciation", from "China threat theory" to "China responsibility theory", the United States has adopted endless means to contain China. This has expanded the discordant factors in Sino-US relations, hindered the development of Sino-US relations, and promoted the intensification of Sino-US trade frictions. The United States tried to alleviate the anxiety about China by obstructing the development of China's trade, so that Sino-US economic and trade relations have never escaped political interference. The U.S. government always reforms bilateral trade relations according to its own will. The economic and trade relations that could have achieved a win-win situation are finally transformed into political issues and become complex factors affecting the smooth development of Sino-US economic and trade relations.

3 Comprehensive aspects

After the long-standing problem of trade deficit, the amount is getting bigger and bigger. At present, the United States has become the world's largest trade deficit country and debtor country [45]. Among them, the trade deficit with China has become the focus of Sino-US economic and trade relations in recent years. In the years from 1979 to 1992,

China had always had a deficit in Sino-US trade, and it began to turn into a surplus in 1993. After China's accession to the WTO, the bilateral trade volume between China and the United States has grown rapidly, reaching 586.7 billion U.S. dollars in 2020, and the growing trade deficit between China and the United States has grown along with it. Since 2000, China has replaced Japan as the country with the largest trade deficit of the United States. Although the US trade deficit with China is small and fluctuating, it has always remained above US\$200 billion, and it accounts for more than 40% of the total US trade deficit, and even reached nearly 60% in 2009. With the huge trade deficit, the United States has started to attack China frequently, and continues to provoke waves of trade frictions. The U.S. trade deficit with China is actually the result of the shift in the international industrial structure to a large extent. Due to China's low labor costs, abundant resources, and super-national treatment of foreign investment, many industries in the United States have transferred manufacturing from countries such as Japan, South Korea, or Southeast Asia to China. At the same time, the trade surplus of these countries with the United States has also been concentrated to China. In fact, in the industrial chain of manufacturing in China, R&D and sales in the United States, most of the benefits of this industrial transfer are obtained by the United States, but in the balance of payments, it is reflected in the increase in China's surplus with the United States.

The global economic downturn has increased trade protectionism. After the financial crisis, many countries suffered heavy losses, and the global economy was once clouded. Although there are signs of a slow recovery recently, the prospects are still not optimistic. A country's attitude towards foreign trade is always closely related to the country's economic situation. When a country's domestic economy is developing well, it may not be without friction with its trading partners. But it is basically a small individual friction in the micro-sphere. When a country's economy is in recession, the attitude of free trade will be replaced by the voice of trade protectionism. Under the severe economic situation, in order to protect their own industries and compete for a limited international market share, countries have taken measures to encourage exports and curb imports, and trade protectionism is on the rise globally. The United States has never been reserved in launching trade frictions. Especially after the financial crisis, the US economic recovery is

weak. High unemployment rate, sluggish growth rate, slow growth of residents' income, huge fiscal deficit, and sluggish financial market are intertwined into the stagnant economic status of the United States. So in the wave of global trade protection, the United States took the opportunity to wield the big stick of trade protectionism. In order to protect its economic interests and status in the international market, the U.S. government has set up a large number of trade barriers to restrict my country's export products under the pretext of ensuring hygiene, health and safety, and environmental protection. Restricted by WTO rules, the role of traditional tariff barriers has been weakened, so the United States is increasingly using its quality standards, safety standards and other technical trade barriers, even ignoring international trade rules, and constantly launching trade remedy cases to make Sino-US trade relations tension.

3.2 Suggestions for the normal development of Sino-US economic and trade relations

On January 15, 2020, although China and the United States signed the first phase of the economic and trade agreement, the Sino-US trade friction has not yet ended. The two countries' trade import and export volume experienced a simultaneous decline in 2019, but the degree of trade integration has not decreased with it. Sino-US relations have not been "decoupled" due to the escalation of trade frictions, and the future trade between the two countries will be long.

Even so, the future development trend of Sino-US trade friction is uncertain amidst certainty. First of all, according to the characteristics of Sino-US trade, the overall characteristics of the Sino-US trade structure before and after the escalation of the friction and the proportion of the industry have changed but not changed much. Especially from the intensity of China's exports to the United States and the intensity of imports from the United States to China, it can be judged that the trade ties between the two countries are relatively close. Although the Sino-US trade friction has an impact on it, the characteristics of the two countries' trade have certain requirements on the relationship between the two countries. The friction will obey the principle of maximizing profit in the

ups and downs. Secondly, from the perspective of the development process after the escalation of Sino-US trade frictions, the future Sino-US trade frictions will still be in a cycle of tension (escalation) and relaxation (negotiation). How to break out of the circle and finally obey the arrangement of maximizing interests requires a suitable opportunity, such as the significant improvement of China's technological level and the relaxation of the US ruling party's attitude towards China.

This article proposes the following policy recommendations on how China will deal with future Sino-US trade frictions and how to achieve its own development:

1 Actively guide the sound development of Sino-US trade relations.

Sino-US trade relations cannot be completely resolved in a short period of time, and trade imbalances have existed for a long time and cannot be eliminated in a short period of time. However, the problem of trade imbalance has emerged with the rapid growth of bilateral trade and overall upward economic development between the two countries. It is a problem arising in the development process and has not caused serious adverse effects on the economic development of the two countries. Economic relations are a reflection of political relations. The formulation of the US trade policy towards China still depends on the needs of its international interests. The national interests and political relations between the two countries are of great importance. Therefore, we must actively promote dialogue between China and the United States. On the one hand, it avoids misjudgments between the two countries, actively eliminates existing misunderstandings and ambiguities, and strives for US support for China's economic development as much as possible, so as to win more benefits for China in the trade between the two countries. Fortresses are often easier to break from within. It is necessary to focus on fostering Chinese spokespersons among American interest groups, actively lobbying the US government to recognize the dominant position of China's market economy, loosening trade controls with China, and making efforts to finally abolish trade protection against China. On the other hand, through dialogue to promote diplomatic channels to resolve economic disputes between the two countries, avoid conflicts caused by different rules and inconsistent procedures, and actively communicate through dialogue to resolve conflicts and avoid the expansion of conflicts. China and the United States are both members of the

WTO. We must make full use of the WTO's trade rules to resolve bilateral trade frictions and conflicts.

2 Establish a correct view of trade frictions.

Due to the long-term and structural nature of the Sino-US trade imbalance, the trade friction between the two countries cannot be completely eliminated within a period of time, and there is a tendency to expand and increase. But this does not mean that the economic and trade relations between China and the United States have undergone structural changes, and it does not mean that the interdependent and mutually reinforcing economic and trade cooperation between the two countries has broken down [55, 56]. Paying attention to trade friction does not mean to be afraid of friction and do everything possible to avoid friction. Instead, we should adopt a rational attitude and a clear mind to deal with the frictions caused by trade imbalances, and resolve trade frictions and disputes in a mutually beneficial and win-win manner from the perspective of long-term development. Since China's reform and opening up, its economy has developed rapidly, its comprehensive national strength has been continuously enhanced, and its prosperous momentum has attracted the attention of all countries in the world. As one of the three major carriages driving economic growth, China's foreign trade has maintained rapid development, and it is normal for trade frictions to increase. However, trade friction is not the same as trade protectionism. For the unfair and unreasonable treatment given by the other party, we must resolutely fight and resist trade protectionism. As for China's actions, we must recognize the rationality of the frictions, instead of fighting trade wars and retaliating against all frictions. Therefore, when dealing with Sino-US trade frictions, we must avoid falling into misunderstandings. We must look at it rationally and realize that this is an inevitable phenomenon in the process of China's rise, but we must also review, face up to, and value the existence of economic and trade friction from a strategic perspective, and obey the overall situation of Sino-US relations. It is necessary to resolutely fight issues involving core interests, and appropriately grasp issues of non-core interests, and strive for the commanding heights of the country's foreign strategy and high-end industrial interests. When formulating foreign trade policies, we should focus on long-term interests and take into consideration the political relations and international political

environment of the two countries. Enhance mutual understanding, which will help the two countries to establish good relations between the two countries, thereby driving mutual benefits in the field of trade.

3 Actively use WTO trade laws and rules.

In the face of trade frictions, my country must actively play the role of dispute settlement institutions, make full use of dispute settlement mechanisms to protect its own rights and interests, use multilateral frameworks and bilateral free trade negotiations to resist unfair treatment by foreign countries, and protect the interests of domestic industries in accordance with the law. Therefore, the Chinese government should establish a legal system to deal with trade frictions as soon as possible, so that my country has laws to fight against trade frictions, and can truly use system versus system to counter the United States. At the same time, the Chinese government should actively strive for the right to speak, participate in the formulation and improvement of international trade rules, eliminate unfair trade practices against my country from the source, and reduce the risk of trade frictions.

However, we must realize that not all U.S. trade frictions with China are due to the narrowness and hegemony of the United States, and the rationality and legitimacy of the relief measures implemented by the United States cannot be completely denied. Therefore, while our country uses trade laws and WTO rules to protect rights and interests, the government should also strengthen the promotion of trade laws and WTO knowledge to ensure that companies legally engage in trade activities and try to avoid frictions and conflicts caused by companies violating laws and rules.

China has taken certain countermeasures in response to Sino-US trade frictions. The Sino-US trade friction will not only affect China and the United States, but also affect the interests of other countries through the effect of trade diversion and the industrial strategic adjustment of multinational companies. In the WTO framework agreement, China can unite these countries whose interests have been harmed to carry out reasonable litigation of trade rights and interests, which can receive more positive responses and support.

4 Strengthen corporate innovation mechanism.

For a long time, my country has undertaken the labor-intensive industries in the global industrial transfer with sufficient labor, supported the development of export-oriented enterprises, and gave them policy encouragement and incentives. One consequence brought about by this policy is the single structure of my country's exports, which is also an important reason for the frequent trade frictions between China and the United States: China's over-concentrated product exports constitute direct competition with similar products in the United States, and they are the same. Sectors and enterprises have caused shocks and squeezed their interests in labor-intensive industries. The labor cost advantage of over-reliance on export commodities and the exchange of low prices for international competitiveness sacrifices the well-being of the domestic people, which is not conducive to the increase of residents' income levels, resulting in the deterioration of the income distribution structure, and the expansion of domestic demand. In the current stage of economic development, high-tech products with high added value and high-tech content are becoming the mainstream of international trade in terms of share, and it is imperative for China to step out of the long-standing labor-intensive export situation.

Although China's imports and exports to the United States account for capital and technology-intensive products such as mechanical and electrical equipment and vehicle transportation equipment, China is more engaged in high-tech products and labor-intensive links in the global value chain. In fact, China has not mastered its core technology. The United States, through multinational companies, left the product design process in the home country and the processing and assembly process to the host country China. Such a pattern of trade division caused trade friction between China and the United States. The first is the capital and technology-intensive products that account for a large proportion of Sino-US trade. If Chinese companies cannot produce irreplaceable products or parts belonging to their own countries, they are allowed to be arranged by the United States in the "assembly plant, bottom-end operation" position. Regardless of the size of China's industry, in future Sino-US trade conflicts, China will still be unable to get rid of the passive situation of following the United States to impose countermeasures. China wants to achieve domestic industrial upgrading under the global value system, realize its independent choice of production rights internationally, and move towards the mid-to-high

end of the global value chain. It is not enough to rely solely on the labor-intensive production of American multinational companies. The most effective method is to develop its own core technology, cultivate core components and high-tech equipment upstream companies, so we need to combine the characteristics of the times, deeply explore the technological innovation brought by the Internet and artificial intelligence, and promote the development and update of the innovation field of Chinese enterprises.

Conclusion

As a large developing country, China's rapid economic growth largely comes from the stimulating effect of foreign trade exports. Under the background of globalization, China's foreign trade is developing in an environment where challenges and opportunities coexist. Foreign trade can be said to be a double-edged sword. While China gains profits through foreign trade, the trade growth it releases also frequently triggers trade frictions. China is the most populous country in the world, and the United States is the most economically developed country in the world. The GDP of the United States and China are ranked first and second in the world respectively. The cooperation between the two countries in the field of political economy plays a pivotal role in the development of global political economy. The development of bilateral trade between the two countries has made the issue of trade imbalance more prominent. It even affects the political stability between the two countries. Sino-US bilateral trade conflicts are frequent and frictions continue.

This article describes the history and current situation of Sino-US commodity trade from 1979 to the present, and analyzes the main characteristics of Sino-US trade relations and the changes in the structure of Sino-US commodities. After the founding of New China, due to special historical reasons, the development of Sino-US bilateral trade has experienced many twists and turns, during which it has experienced many suspensions and restarts. The visit to China by then US President Nixon in 1972 marked the normalization of Sino-US relations. The signing of the Sino-US Trade Relations Agreement in Beijing in 1979 opened the curtain for the development of cooperation in the economic and trade fields between the two countries. This article divides the cooperation and development relationship between China and the United States in the economic and trade field into the following three stages.

The first stage: the period of rising volatility (1979-2000). At the beginning of China's reform and opening up, China, which was in the early stage of reform and opening up, had a weak economic development foundation, and its bilateral trade with the United States was in a weak position. The introduction of a series of targeted measures by the United States against China caused Sino-US relations to fall into a deadlock. Later, the

signing of a series of bilateral agreements normalized the trade between China and the United States. Under the encouragement of these policies, the business exchanges between China and the United States gradually increased, the order volume between each other increased steadily, and the bilateral trade volume increased rapidly. The total trade volume between the two countries began to climb, breaking through the 10 billion yuan mark for the first time in 1988.

The second stage: the golden period of WTO accession (2001-2007). China's accession to the WTO has greatly promoted the development of bilateral trade between China and the United States. From 2002 to 2014, the annual growth rate of bilateral trade between the two countries was 15.6%, and the United States replaced Japan as China's second largest trading partner. According to the latest data from the U.S. Department of Commerce, China surpassed Canada for the first time in 2015 to become the largest trading partner of the United States. The economic and trade exchanges between the two countries have become increasingly close and inseparable.

The third stage: the frontal confrontation stage (2008-present). After the financial crisis, the economic and trade relations between China and the United States have undergone great changes. In order to contain the rise of China, the United States initiated the sixth 301 investigation and conducted various investigations such as anti-subsidy and anti-dumping, 201 investigation, 232 investigation, and 337 investigation provoking a trade war against China and continuously escalating. China-US economic and trade relations have entered a period of confrontation. Although Sino-US trade frictions continue, the pace of strengthening bilateral economic and trade cooperation has not stalled. In 2018, the trade volume between China and the United States exceeded US\$600 billion. The United States is still China's largest trade partner, second only to the EU and ASEAN in terms of customs areas.

In 40 years of trade exchanges, the Sino-US trade structure is not static, but changes with the development of the two countries and the dynamic shift of the international division of labor. First, China-US import and export trade presents a huge trade deficit. China's exports to the United States far exceed its imports to the United States, and in 2019, as a turning point, the import and export volume and the balance have the same

decline. Secondly, in terms of the proportion of China's imports and exports to the United States and the United States to China, the former fluctuates and the latter rises, and there is a consistent downward trend in 2019. Finally, in terms of import and export intensity, China's export intensity to the United States and the US import intensity to China have maintained high values and have been increasing year by year. The intensity of China's import to the United States and the intensity of US export to China are relatively low and stable. This fully proves the fact that China is highly dependent on U.S. exports and the U.S. is highly dependent on Chinese imports.

From the perspective of commodity structure, although the structure of China's imports from the United States is relatively stable, the structure of China's exports to the United States has shifted from primary products and labor-intensive products to capital-intensive products. Sino-US trade shifts from inter-industry trade to intra-industry trade, and the complementarity of trade decreases. At the same time, the increase in similarity leads to increased trade friction. The biggest changes in the commodity structure of Sino-US trade are capital-intensive products, namely SITC5 (chemicals and their finished products) and SITC7 products (machinery and transportation equipment products). The transformation and upgrading of China's export industries to the United States is still important, and it should focus on the direction of high-tech products. Although labor-intensive products have the lowest impact on Sino-US trade frictions, namely SITC6 and SITC8 products (raw materials and their finished products and miscellaneous products, respectively). It shows that China's export industry has completed a certain transformation and upgrading compared with the early stage of Sino-US trade, but this does not mean that the pace of industrial transformation and upgrading can be slowed down or even stagnated. Instead, the goal of transformation and upgrading should be expanded and strengthened to the direction of high-tech products, and continue to transform and upgrade to technology-intensive high value-added products.

There are many problems in the development of Sino-US economic and trade relations: on the Chinese side, the Sino-US import and export structure is flawed, China's dependence on the US trade is too high, and Chinese companies are unfavorable. In the United States, the US economy has been developing slowly. The high correlation between

US economic development and political elections, and the US "2/3 mentality" to contain China's development have all brought threats to the normal development of Sino-US trade.

In response to the above problems, China needs to adopt reasonable countermeasures to deal with the status quo of Sino-US trade. A rational view is the prerequisite. From the perspective of long-term development, resolve trade frictions and disputes in a mutually beneficial and win-win manner. China should correctly understand the relationship between trade surplus and economic growth, and take the initiative to guide the sound development of Sino-US economic and trade relations. In the current stage of economic development, high-tech products with high added value and high-tech content are becoming the mainstream of international trade in terms of share, and it is imperative for China to step out of the long-standing labor-intensive export situation. China should take advantage of the current situation of economic and industrial restructuring to promote the development of industries with technological and capital advantages in its own country, promote industrial upgrading, and improve the technological level and added value of export commodities. This will help prevent my country from overemphasizing resources in exports and the advantage of labor cost, avoid unnecessary friction and loss. Finally, we must learn to resolve trade disputes within the WTO framework. When encountering trade frictions, companies should make full use of trade rules and relevant Chinese laws and regulations to actively respond to lawsuits, actively resist unequal treatment abroad, safeguard my country's national interests, expand mutual trust between the governments and enterprises of the two countries, and create a win-win bilateral trade relationship.

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