



 Research Article

USA AND CHINA: RELATIONS IN INTERNATIONAL TRADE

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ABSTRACT

This article examines the relationship between China and the United States, being the two largest economies in the world, for 6 years they have been at the center of a trade conflict, which could soon develop into a trade war.

KEYWORDS

The largest economies of the world, benefits and needs, trade conflict, "chimerica".

INTRODUCTION

Starting in 2018, the United States of America began to wage a protectionist war against China, which is its main trading partner. Bilateral trade between these countries was \$683 billion in 2018, of which \$120 billion and \$563 billion were US exports and imports, respectively, according

to the International Trade Center (ITC).¹ At that time, incumbent President Donald Trump launched a trade conflict by threatening to impose tens of billions of dollars in new tariffs on China's imports unless China in turn lowered its tariffs, gave American companies easier access to

¹ <https://www.eurasian-research.org/publication/us-china-trade-war->

[economic-causes-and-consequences/?lang=ru](https://www.eurasian-research.org/publication/us-china-trade-war-economic-causes-and-consequences/?lang=ru)

the Chinese market, and imported more American products. In turn, China responded with threats of billions of dollars in tariffs on American products. This led to the fact that after the imposition of duties on goods, the amount amounted to 68 billion dollars. ² "Trump's decision is a trade war against China, Wei Jianguo told Bloomberg."

Since 1783, when the Revolutionary War ended, Americans have tried to make their fortune in the Chinese market after American trade was freed from British control. Even back then, China was hesitant, trying to close its doors to foreign trade, preferring to be self-sufficient. He put forward various restrictions over time, such as restricting trade with the West in the Guangzhou area, near Hong Kong, and insisting that only silver be accepted as payment. American merchants struggled to find products that China would prefer to buy. They sold mostly ginseng and fur to the Chinese, and instead made more money by selling products of Chinese origin to American consumers. Since then, China has come a long and difficult way, now it is the largest trading country in the world. It exports more than any country, while its imports are second only to the United States. Thus, exports from China in the first 11 months of 2022 increased by 9% to 3.29 trillion dollars, imports also increased by 2% to 2.49 trillion dollars. China's desire to be self-reliant is still very strong, which to some extent explains why China restricts market access for foreign

companies, imposes high tariffs on foreign products, and turns a blind eye to intellectual property violations by Chinese companies. History helps explain this mentality.

The Chinese people still remember the period when their country was forced to open up to trade with Western countries. In the 19th century, European countries used their military power to open up the Chinese market, just as the US had opened the borders of Japan. To earn hard currency from China, the Brits and Americans smuggled opium into China, harming the Chinese people with drugs. Meanwhile, Japan, in turn, forced China to sign agreements that were unequal, allowing foreigners to create autonomous economic bases in the country. The previous 100 years of China being exploited by other countries and the recent decades mired in communist economic turmoil have instilled in the Chinese people the idea that China is vulnerable, needs protection, and must catch up with stronger nations. It is also fueled by the traditional Chinese belief that the most astute trader in the market deserves the best deal and outcome. People who have ever visited China have felt the influence of this mentality while shopping. Many street markets, including the famous Silk Market in Beijing, do not list food prices. Instead, the buyer and seller are playing a game of trying to get the best deal for them. Sellers offer a price that is much higher than the price of the product itself. Buyers, at least those

² <https://biteffect.net/ru/torgovaja-vojna-mezhdu-ssha-i-kitaem/>

who are more experienced, offer a much lower price than that offered by the seller. The seller almost always agrees with the buyer, sometimes even with feigned disapproval, if suddenly the buyer wants to add some money. This is all a feigned scene, since the seller will never lose money. If everything goes well, in 99 cases out of 100, both parties laugh and act like best friends, because they understood each other perfectly and both got what they wanted.

For years, this has been lost in trade between the US and China. In their quest to earn from each other, the Americans and Chinese forgot to make each other feel like they were getting enough. China can remind the US that its companies have made quite huge profits by making their products cheap and high quality in China, not to mention pollution. China produces a fairly large volume of

consumer goods at a lower cost than other countries, including the US, are attracted by low prices. Most economists believe that China's competitive pricing comes down to the influence of 2 main factors:

1. Lower standard of living, which allows workers to pay lower wages.
2. An exchange rate that is partially pegged to the dollar.

The above explains the main reasons why there is a trade deficit, US exports to China are only worth \$87 billion, imports from China are \$382.1 billion, so a \$294.5 billion difference creates the conditions for a deficit³.

US-PRC merchandise trade (in billion dollars) from 2010 to 2019.

Year	US export	US import	Trade balance
2010	91,9	365,0	-273,3
2011	104,1	399,4	-295,3
2012	110,5	425,6	-315,1
2013	121,7	440,4	-318,7
2014	123,7	468,5	-344,8
2015	115,9	483,2	-367,3
2016	115,6	462,6	-347,0
2017	130,4	505,6	-375,2
2018	120,1	539,7	-419,5
2019	97,7	418,6	-320,8

³ <https://science-economy.ru/ru/article/view?id=1064>

But the United States can also remind China of what they have, such as Boeing airliners; China is buying them in huge quantities. Beijing could do well by reminding the US that high-spenders American consumers have benefited from cheaper goods imported from China (shoes, clothes, toys and other goods). The US, in turn, can remind China that it is greatly benefiting from low US tariffs. And that, despite the historical delusions of Western powers, China is no longer a victim and needs to practice fair market play as a major trading nation. It will take quite a long time to bring both sides' closer to trust and understanding. But former US President Trump knew how to negotiate with the Chinese. At a time when the trade conflict looked like it could escalate into a war, after the US President imposed \$100 billion in tariffs on Chinese goods,⁴ he tweeted that he and President Xi will always be friends,⁵ despite the fact that happens with their disputes about deals. One benefit of this trade dispute is that the world's second largest economy may finally realize that it is no longer powerless. Perhaps that is why, in his 2018

speech at the Boao Economic Development Forum, the Chinese President said that China would lower import tariffs, increase imports, continue to protect intellectual property rights, and increase market access.⁶ But there are also disadvantages, since China is the largest buyer of oil, and due to the slowdown in production, the demand for oil decreases, which pushes the price to fall. China has become convinced that it needs to develop microelectronics, industrial engineering and preserve firms that violate US intellectual property rights, thus China has gone beyond the "niche" assigned to it. The Trump administration launched an offensive against China on May 10, 2019, raising tariffs on imported goods from China from 10% to 25%, this measure covered annual imports, which amounted to 200 billion dollars. Chimerica (as many professors called the supposed unbreakable trade and socio-political connection between China and the United States) was over. China responded to the threat of American measures by publishing a list of 106 commodity items for which restrictions were noted, namely aircraft, cars, chemical

⁴ Pavel Kazarnovsky. Trump threatened China with additional duties on \$100 billion worth of goods [Electronic resource]. – Access mode: <https://www.rbc.ru/politics/06/04/2018/5ac6ac3a9a7947dc08f0c003> (date of access: 05/18/18)

⁵ RIA Novosti // Trump promised to remain friends with Xi Jinping [Electronic resource]. – Access mode:

<https://ria.ru/economy/20180408/1518167686.html> (date of access: 05/18/18)

⁶ Portal of Hainan Island // Xi Jinping: quotes from BAF-2018 [Electronic resource]. – Access mode: https://hainanlife.ru/hainan_today/news_hainan/si_tszinpin_tsitaty_s_baf_2018_358795/ (date of access: 05/18/18)

products, agricultural products, and so on. The duty on them was 25% and affected the volume of exports from the United States for 50 billion dollars. If the trade war against China had reached its limit, Beijing could release American intellectual property, which would have caused, according to various estimates, an initial loss of \$ 10 trillion to the United States. dollars, ⁷this includes the fall in the stock market and the loss of creditors. America also cannot refuse Chinese goods, since this will hit the mass consumer, who is not ready for this. There is simply nothing to replace goods with; this is actually the true strength of China.

American and foreign researchers of the trade war between China and the United States do not see globalization in it, although at some point it caused damage to both countries. Thus, the trade turnover between China and the United States in 2019 reached 541.2 billion dollars, having decreased by 14.6% compared to 2018. However, already in 2020, despite the “corona virus” crisis, it grew by 8.3%, amounting to \$586.72 billion. 2021 brought new growth in trade; Chinese imports to the states grew faster than the supply of American products to China. In 2021, China’s foreign trade volume first exceeded \$5 trillion. dollars, and soon reached the mark of 6 trillion. dollars. If trade between the 2 countries becomes more balanced, both countries can benefit from a warm relationship.

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