

Topic: US-China Trade Relations – Competitor and Partner

There is no doubt that the United States and China are in a state of strengthening competition; China has been a competitor/partner in economics and politics for more than 40 years. However, the rise of China does not necessarily mean the fall of the United States. Indeed, to assume that China's rise will necessarily be accompanied by America's decline is inaccurate, if not ignorant — especially by simply using trade and GDP figures for calculation and analysis.

China and the United States are in different stages of development, and their ideological perspectives clash. Unfortunately, the current US administration overlooks these key distinctions and focuses simply on the balance of trade and the size of the bilateral deficit with China. The administration thinks in terms of a zero-sum game, with one winner (China) and one loser (America). Moreover, the trade imbalance is seen as a threat to U.S. national security. This is clearly not the proper path to examine trade and the overall relationship of two major world powers.

China will soon become the world's largest economic power in terms of GDP in manufacturing and trade, mainly due to the size of its population. GDP or trade figures do not accurately represent the actual size of wealth or even power, they merely illustrate that there are many hard-working Chinese. As there are four times more people to feed in China than in the United States, intelligent people would notice the rather "unproductiveness" of the Chinese people on a per capita basis.

Trade with China should not be perceived as a threat. U.S. consumers of final and intermediate goods have benefited from China's opening to the outside world. Imports from China have widened the range of choices open to U.S. citizens and motivated more efficient production at home. Moreover, focusing on bilateral trade deficits diverts attention from the underlying weaknesses of the U.S. policy regime, in particular the unsustainable long-run fiscal deficits driven by rapid growth in entitlement spending, the unnecessary rise in defense spending, and tax cuts. The United States should seriously consider economic structural reform instead of empty talk by politicians. The worst threat would be to believe that there is nothing wrong in the U.S. economy or that American problems are caused by unscrupulous foreigners.

Trade works in different ways at different times with different products and among different traders. The negotiations approach to settle trade disputes between the United States and China has worked well up to now and will likely prevail in the future.

No matter what happens to the current trade conflict, the United States and China are going to thrive in the next few decades. We should not see such rising powers as a threat, but as an economic opportunity.

Adapted from:

Yu, P.H. *U.S.-China Relations: The Way Forward*. Cato Institute: Cato Journal, Winter 2019.
<https://www.cato.org/cato-journal/winter-2019/us-china-relations-way-forward>