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China-America Trade

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China-America trade

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Introduction:

This paper talks about Chinese trade history and the trade relationship between China and America. The first part is about the development and history of Chinese trade, the second part is about the future prospects for trade relations between China and America, and the last part is the conclusion.

Part one: The history of Chinese trade

Most people know that China has more than five thousand years of history, making it hard to talk about Chinese trade history on a year-by-year basis. Therefore, in this paper China's trade history is divided into three parts: ancient China, pre-modern China, and modern China.

Foreign Trade of Ancient China

This section focuses on the Han, Tang, Song, Ming, and Qing Dynasties as examples of the history of the development of China's trade. During the Han Dynasty, about two thousand and two hundred years ago, there was a famous trade activity—it occurred on what was known as the Silk Road. "The Silk Road might have begun when nomadic people would trade goods with one another over the course of their wanderings. Valued trade items were tin, gold, turquoise, rubies, cotton, jade, camels, and horses. Not only were goods traded but also ideas such as metalworking, the wheel, the chariot, and writing" (Foltz, 1999, p.1). The Silk Road is still an important road today. The Silk Road promoted economic and

cultural exchanges between east and west. It also helped the Han Dynasty become prosperous. As early as the Han Dynasty, Zhang Qian's diplomatic mission to the Western regions opened up the world-famous Silk Road. Zhang Qian's diplomatic mission took Chinese silk and silk fabrics from Xi'an through the Xinjiang and Hexi corridor to Central Asia, West Asia, and Europe. "In the first 1,000 years, after merchants, missionaries, monks, mendicants, and military men traveled on the vast network of Central Asian [sic], it became known as the Silk Road. Linking Europe, India, and the Far East, the route passed through many countries and many settlements, from the splendid city of Samarkand to tiny desert hamlets" (Whitefield, 1999, p.5).

Also during the Han Dynasty, some diplomatic missions and businessmen were traveling from the port of Guangdong, through the Malay Peninsula, and Malacca Straits to Southeast Asia, Sri Lanka, and India to the Persian Gulf and the Red Sea, and to ports of Rome. This is also known as the famous Maritime Silk Road. The Maritime Silk Road has long since strengthened the connection between China and Southeast Asia and South Asia (Ma & Liu, 2002).

The Tang Dynasty began about 1400 years ago; it was an important dynasty that helped develop foreign trade. In the Tang Dynasty, the economy was prosperous and the west and east trade roads were developing. To the east, China could reach Korea and Japan, using

land routes and waterways. To the west, China could reach India, Iran, Arabia and many countries of Europe. The Tang government encouraged foreign trade. Xi'an and Guangzhou were examples of international cities in the north and south in the Tang Dynasty. In Guangzhou, the Tang government set up a shipping department to manage foreign businessmen and foreign trade exchanges (Li, 2001).

About one thousand years ago, the Song Dynasty was born. As trade developed in China, the government encouraged foreign trade in order to increase the government's revenue. Foreign trade was frequent and the government set up sea transportation departments to manage foreign trade and impose taxes on commercial activities. Guangzhou, Quanzhou and Mingzhou were the important ports at that time. Korea, Japan, Vietnam, and Arabia were important partners in foreign trade (Zhao, 2006).

About three hundred and seventy years ago, the Ming Dynasty was born. In the Ming Dynasty, tribute trade was developed. Tribute trade is like a gift to other governments. In order to show national strength, Ming Yongle, the Ming emperor, ordered Zheng He to the West. The Ming Dynasty promoted non-governmental economic and cultural exchanges between China and various countries of Southeast Asia. Guangzhou, Quanzhou, Ningbo, and Fuzhou were the main ports of the Ming Dynasty (Tang, 2001).

360 years ago, the Qing Dynasty – an important dynasty-- was born. In the earlier stage of the Qing Dynasty, foreign trade policy secluded the country from the outside world. The Chinese government forbade goods exported from other countries and China did not communicate with the other countries. Also during the earlier stage of the Qing Dynasty, the early period of capitalism in Europe was developed, aggressively expanding to foreign countries. As capitalism spread to China, China's feudalism was in decline, and the development of capitalism in China was stopped. Because of the Western countries, which expanded capitalism to China, China did not develop its own system of capitalism; it relied on capitalists from Western countries. China at this time had not developed a socialist economy. Because of a thousand years of feudalism in China, China did not understand that the economy is important to a country, and due to fear of advanced thought and technology from the West, China resisted foreign economic invasion. The Qing government set up 13 foreign firms in Guangzhou to carry on limited exchanges of trade and business with western countries. The Qing government hindered economic and cultural communication between China and the West, which made Chinese economically backward (Tang, 2001).

In summary, China's feudal economy was developed and the country was rich at that time. During the Han and Tang Dynasties, the feudal governments initiated communication with the other countries, such as the

Silk Road. China was friendly with neighbor countries and other countries all over the world. The feudal government's traditional idea was to lay stress on agriculture and to restrain business (Zhao, 2006).

In ancient China, official trade and domestic trade were developing together; various goods such as silk, silk fabrics, books, tea, and Chinese medicinal materials were traded. The government encouraged and protected trade exchanges, and the government imposed taxes on revenue. But China's foreign trade did not care about economic interests, because at that time China was a feudal state that more cared about politics. The Chinese government trade depended on diplomatic activity and that was not suited to the needs of capitalist development (Tang, 2001).

Foreign Trade of Pre-modern China

This section of the paper focuses on foreign trade in pre-modern China. During this period, the Chinese market was increasingly open to foreign trade; modern foreign trade activity was also being developed. "Great Britain especially was interested in trading with China for silk and tea. However, the British did not have anything that was easy to import to China until they began importing opium. This was devastating to China. Finally, in 1839 A.D. the opium trade was abolished" ("Qing Dynasty," 2003). Because of the Opium War of 1840, China was forced to be

involved in the capitalist world market system. Foreign countries made China sign some unequal treaties. Foreign countries placed limits on China's ports and they required that the Chinese pay concessions to transport goods from China's ports, such as Hong Kong and Macao, and to lease territory in order to open the Chinese market to Western countries, then foreign goods and capital could pour into China like tidewater. China's natural economy was disintegrated (Li, 2001).

The Western imperialist powers were through the unequal treaties able to control the Chinese custom rights and obtain most-favored-nation treatment. These kinds of conducts destroyed China's trade sovereignty, seized the chief customs commissioner of the Chinese Customs, and then controlled the customs of China. At that time, western countries thought the main form of economic aggression was capital export: western countries used their privileges to increase the export of goods, grab low-price material, and use the cheap labor of China (Huang, 1986).

These kinds of invasions injured the Chinese economy. These kinds of invasions also created conditions for the formulation and development of the modern economy of China, the development of the Westernization Movement, and the production and development of national capitalism. With the capitalist economy in the West and resistance against the economic expansion of Western countries, China carried on the competition with difficulty. Because the country had deficiencies due to a

thousand years of feudalism in China, during this period China was still in an inferior position vis a vis other nations (Ping, 1997).

Another characteristic of the Chinese economy was bureaucratic capital—the deformed baby of the Chinese economy. Bureaucratic capital consisted of bureaucratic officials collaborating with imperialism that suppressed the national economy; bureaucrats used state power to obtain personal property. After the great revolution failed in 1927, bureaucratic capital was born. It represented the benefits of the big bourgeoisie, controlled industry and commerce, monopolized finance, and handled Chinese and foreign trade (Zhao, 2006).

Foreign Trade in Modern China

This section of the paper focuses on some changes in society and economy in modern China before the open door policy and after the open door policy. Before the reform and opening-up, the new China was breaking through imperialism's blockade to develop foreign economic trade. In order to break through imperialism's blockade and to resume development of its national economy, the new China developed trade contacts with the socialist states of the Soviet Union (Zhang & Sun, 1999).

In order to enliven the national economy and import material essential to human lives, the new China fully utilized the international free port of Hong Kong and developed its economy and trade. The government

regarded Hong Kong as the transfer station to develop foreign trade with capitalist countries. Hong Kong played an important role in developing Chinese trade and obtained more foreign currency at that time (Ping, 1997).

The New China developed an international united front against imperialism with some of other developing countries. China did its best to help Asia, Africa, and Latin America. China helped third world countries in these regions of the world develop economic and cultural exchanges with each other (Zhao, 2006). It strengthened the friendship between Chinese people and people of various countries. At that time, the Chinese government implemented a planned economy. China did not know that an open-door was important to China until the year 1978, when the market economy was implemented in China (Li, 2001).

There was an important policy-- open-door policy of China in 1978 that helped China develop its economy. In order to import foreign capital, technical equipment, and management methods and experience, China opened its door to the world gradually. China also set up special economic zones, formed open coastal cities, and created the coastal economic open zone. China joined international economic organizations such as APEC and WTO, and participated in economic competition in the world. A market economy began to be implemented in China. The market economy does not depend on government plans; it relies on the needs of market to

produce products. In developing foreign trade, the Chinese government adhered to: “the Five Principles of Peaceful Coexistence: mutual respect for each other's sovereignty and territorial integrity, mutual nonaggression, noninterference in each other's internal affairs, equality and mutual benefit; mutual and equitable benefit, peaceful coexistence” (Ping, 1997). China respected foreign folkways and customs, and observed other countries' laws and global trade rules, but it did not allow foreign businessmen to destroy Chinese law (Chen & Peng, 2001).

After the open-door policy, China implemented a market economy and scientific development. “Scientific development is the current official guiding socio-economic ideology of the Communist Party of China incorporating sustainable development, social welfare, a person-centered society, increased democracy, and, ultimately, the creation of a Harmonious Society [sic] (Scientific Development Concept, 2010). Foreign banks became active in China and developed many financial services. Chinese government knew that in order to reduce the disparity between the countryside and city, the Chinese government needed to change the original pattern that focused on developing the city and explore the new development pattern, which is developing countryside and city together. China has maintained a nearly ten percent GDP growth rate since the open-door policy. Thanks to the implementation of the open-door policy, Chinese economy has greatly improved (Ping, 1997).

Summary:

There are several features of trade development of China. When the Chinese social system was advanced, the country was prosperous, and the Chinese government always adopted the foreign trade policy that would spur the further development of the Chinese economy. When national strength was in decline and the economic system lagged behind, the government always wanted to close the country to international intercourse. Therefore, opening the door to the outside world and the development of foreign trade activity were the signs of a country moving towards the prosperity.

Future prospects for trade relations between China and America

In this section, I discuss the future prospects for China and America in the area of trade, and what should both countries do in the future.

With the development of global trade, there is better and more frequent cooperation. China and America trade relationship and cooperation are both involved in global trade.

The expansion of international trade has been a powerful engine driving economic growth in Western nations over the last two centuries. At the same time, since trade has had disparate effects on different sets of individuals within each economy, it has provoked an enormous amount of internal political conflict. (Hiscox, 2001, p. 3)

The global trade is developing as the world develops. The evolution of the global trade regime has five stages: the first stage is historical antecedents: 1860 to 1945 War and Depression, Reciprocal Trade Agreements Act of 1934. The second stage is the ITO and the GATT: 1947 to 1948 (post-war economic situation, the rules of GATT). The third stage is Multilateral Trade Negotiations: 1950s to 1980s (post-war negotiations and the Kennedy Round, Tokyo Round). The fourth stage is the Uruguay Round and the WTO: 1986 to 1994. The fifth stage is the WTO in action: 1995 and beyond (Ravehill, 2005, p.52). These historical stages changed world trade; they also brought influence to China and America.

Economic and trade relations are the base of the relation between China and America. A win-win result of China-America economic and trade relations brought true economic benefits to the people of both countries, and became the important motive force to develop China-America relations. China can bring the newest technology and ideas from America and America can bring low-price products and low-price workers from China. The development of China-America cooperation in economy and trade can increase economic development. China-America trade can be developed rapidly. The basic reason is the strengths of the economy of one country complements the strengths of the economy of the other country. Most of these complementarities are due to big differences in economic resources, economic structure, and the standard of consumption.

China is the biggest developing country; it has a broad market, fast growth, and low cost labor force. But China is a capital shortage country- science, technology, and management lag behind Western countries. America is the biggest developed country: the GDP is large, it has sufficient capital, its science and technology is developed, but the workforce is expensive (Yan, 2001). These kinds of differences will exist for a long time in the future. I think this is the objective foundation on which China-America trade can develop faster.

For the past 13 years, U.S. trade policy has been on a steady course toward increased protectionism. A policy to reduce tariffs across the board among all trading nations has been paralleled by efforts to protect selected industries from foreign competition. In the vernacular, the call for “free” trade has been joined by the admonition to seek “fair” trade. An increasing number of people have advocated protectionist policies in an effort to create a favorable balance of trade; foreign competition is increasingly blamed for the decline in the health of the U.S. economy, while problems of several of the economy’s weakest sectors, including steel and autos, are attributed to an uncontrolled surge of imports (Zhang & Wang, 2005).

Trade relations between China and the United States can be traced back to the year 1784. An American merchant ship-the Empress of China-sailed from Boston to Guangzhou, then China and the United States started trade communication.

From that experience between 1784 and the 1860s we inherited a national image of the China trade as a good thing, an American success story. This idea remained untarnished by the fact that, during the next hundred years, the American trade with China never amounted to much. China might take no more than 2 to 4 percent of total American foreign trade, but never mind, it was surely a great potential market, and indeed so it remains to this day. (May & Fairbank, 1986, p.2)

The United States was one of China's major trading partners during the China-Japanese War in 1937. The volume of trade between the two countries was less than the volume of trade between China and Britain or India during the years 1871-1900, but the United States rose to second place during the first three decades of the twentieth century. Between 1830 and 1930, America exported cottons and textiles to China (Huang, 1986).

By 1946, China-America volume of trade was up to 420 million dollars, taking up 53% of America's total foreign trade. After the new China was established in 1949, China continued its trade contacts with the U.S.A., but because of the Korean War, from the 1950s to the 1970s China and the United States were unfriendly. The U.S.A. implemented an economic blockade of China; both sides hardly had real economic and trade communication (Yan, 2001).

The American president Nixon visited China in 1972. He issued the

Sino-US Joint Communiqué; it announced the end of 22 years of isolation between China and the United States. That was the beginning of recovery and development of China-America trade relations. China and the United States established formal diplomatic relations in 1979 and China returned to the World Bank and International Monetary Fund (Yan, 2001).

Since China implemented the policy of reform and opening to the outside world at the end of 1970s, the economy and trade relations between China and U.S.A. have made considerable progress. “In 1984, U.S. President Ronald Reagan visited China and signed an agreement to eliminate dual taxation and ban tax-evasion” (U.S.-China Trade Timeline: 1784-2008, 2007).

In 1988, exports to the United States made up “one quarter of China’s total \$40 billion in exports. In 1994, the first of many high-profile intellectual property rights (IPR) disputes [broke] out between the United States and China” (U.S.-China Trade Timeline: 1784-2008, 2007). In 2001, China joined the WTO. The United States assigned “Permanent Normal Trade Relations (PNTR) to China so that Normal Trade Partner status no longer has to be approved each year by Congress — sparing U.S. investors in China one major source of uncertainty” (U.S.-China Trade Timeline: 1784-2008, 2007).

The China-America volume of trade grew in value from 290 million dollars in 1977 to 120 billion dollars in 2003. This change shows that the

economic structure of China is developing--the proportion of primary industry in economic structures is in decline, and the proportion of the secondary industry and the tertiary industry in economy is rising. By 2003, China had already become the fourth largest trade partner of U.S.A., behind Canada, Mexico, and Japan; U.S.A. later became the second most important trade partner of China (Zhang & Sun, 1999).

In the year of 2005, Chinese cars were introduced into the American market for the first time. The America senators Charles and Lindsay announced a bill on U.S.-China trade, "threatening to apply a 27.5 percent tariff to all imports from China; it was the first of many such bills threatening across-the-board tariffs, which have yet to succeed in pushing through any tariff action" (U.S.-China Trade Timeline: 1784-2008, 2007).

In the year of 2007, U.S.-China Strategic Economic Dialogue was meeting for the second time in Washington. China bought part of an American company – Blackstone – for \$3 billion. "The United States and China reached an Initial Aviation Liberalization Agreement, the first step toward forging an eventual open skies pact akin to the U.S.-EU agreement" (U.S.-China Trade Timeline: 1784-2008, 2007).

In September of 2007, China and America signed an energy agreement. The American company Blackstone went into the Chinese market. Blackstone bought a stake in a Chinese state-owned chemical company named the Chinese National Blue Star Corp. Dell, the American

computer company, began to sell computers to China through Gome, the famous Chinese famous electrical retailer. The Chinese government holdings of America treasury securities dropped to \$582 billion. A new Chinese income tax law was passed. The law “meant to level out the playing field between foreign and local firms under World Trade Organization obligations, and would withdraw tax concessions that foreign investors previously enjoyed. Chinese exports to the United States hit \$21.7 billion for the month” (U.S.-China Trade Timeline: 1784-2008, 2007).

At the end of 2007, the New York Stock Exchange opened its first office in China and the U.S.-China Strategic Economic Dialogue took place in Washington for the third time. (U.S.-China Trade Timeline: 1784-2008, 2007). “In 2008, a new Chinese contract labor law came into effect — another step in the gradual erosion of China’s cheap-labor advantage relative to Western countries” (U.S.-China Trade Timeline: 1784-2008, 2007).

Look ahead to the future. Under the WTO, China and America have more communication in many areas. China and America have signed many cooperative agreements that involve energy, trade, finance, and nuclear energy. In energy conservation, environmental protection, clean energy, and the new material field (nanometer materials, smart materials, new energy materials, and so on), the U.S.A. has technology and China has the market, thus providing complementary advantages to each country

(Sun & Feng, 2006).

China-America trade relations were not developed smoothly all of the time. The recent trade friction in 2003 was due to the U.S.'s restriction on fabrics imported from China. And then, the American court said that Chinese color TV enterprises were dumping in the American market and America regulated antidumping policies with China. China-America trade friction led to uneasiness between China and the United States in politics and economy. In 1988, America established an antidumping policy regarding Chinese clothes and headwear business, which is the first anti-dumping case that involved China. In 1994, the America government and the Chinese government used the Suspension Agreement to deal with the case of Chinese honey that was being dumped in the America market. These cases are a representation of the profound contradiction and conflict in politics and economic relation between China and the United States (Meng & Li, 2000).

If the present political and economic relation between China and the United States does not change in the following five to ten years, the trade imbalance between China and the United States will continue to exist and even expand (Chen & Peng, 2001). As the Chinese economy develops quickly, the political and economic relationship between these two countries will grow stronger day by day. The present political and economic relations will change in the next ten years. Because China held

the Olympic Games in 2008 and the Shanghai World Expo in 2010, the world will know more and more know about China, and many countries will want to cooperate with China in the future. China is increasing its global position day by day. In American financial crisis,

China sold to the US, accumulated dollars, and then invested them in Treasury bonds so as to finance the US trade deficit. This schema allowed sustained growth in the two countries, and each could benefit, all the more in that a good part of Chinese exports are the result of US investments in China and that low price imports allowed downwards pressure on the value of labor power in the United States. (Husson, 2009)

China is the fastest developing country in the world and the country with a large economic potential. China was developing fast with an astonishing 8% GDP increasing rate every year (China-US relationship in the future, 2009). Its economy is growing rapidly, and the demand for imported products is increasing every day. America is the international economic giant in the world. In the next ten years, China and America cooperation will improve. There has been close communication at the top level and successful cooperation in various fields. The Strategic Economic Dialogue and the Strategic Dialogue keep producing positive results (China-US relationship in the future, 2009).

The China-U.S. Strategic Economic Dialogue (SED) was a framework

for the United States and the People's Republic of China to mutually discuss topics related to economic relations between both countries.

The SED was initiated in 2006 by President George W. Bush and President Hu Jintao. The format was such that top leaders of both countries would meet twice a year at locations alternating between China and the US. A total of five meetings were held between 2006 and 2008. (Strategic Economic Dialogue, 2010)

What might cause the relation between China and the US to grow weaker?

First, China is developing fast and America may be losing its advantage in some areas, such as export, advanced technology, and education. Today, among all of the nations of the world, America is the biggest exporter. In the next ten years, China may replace America as the world's biggest exporter. Then, America may lose its advantage, which could cause the relation between China and the US to grow weaker.

Second, Taiwan and Tibet issues are among the most important and sensitive issues in China-America relations. Peace and stability is the base of development in China: the Taiwan issue is the most sensitive. China considers Taiwan to be part of China. If Taiwan is independent, it will destroy China's sovereignty and territorial integrity. If America gets involved in this issue, the relationship will be bad; this would influence other areas, such as economic relations.

Third, China and America trade deficit will not decline, it may even grow larger. According to Keynesian Multiplier Theory, the trade deficit will lead to economic decline and an increase in unemployment (Keynesian Theory, 2010). If America trade deficit will not decline, its imports from China will exceed its exports to China, and then America may suffer an economic decline due to the trade deficit, such as a decline in industry and commerce, workers losing their jobs, and a decline in salaries. This may cause the relation between China and the US to grow weaker.

What might cause the relation between China and the US to grow stronger?

First, with globalization, China and America need each other and they need to coexist. America is the biggest and most powerful developed country and America is the representation of developed country; China is the biggest developing country and China is the representation of developing country. Mutual benefits are the base of America-China trade cooperation. America and China have complementary economies: China has a large market and development potential, America has a lot of capital and high technology; they can supply each other's needs.

Second, China-America cooperation is playing an important role in the Asia-Pacific region, which is even good for world peace and development. China is one of the most important countries in the Asia-Pacific region. America uses its strong military and America's military

plays an important part in the security of the Asia-Pacific region. That is also beneficial for China. It might even cause the relation between China and the US to grow stronger

In international trade, where every country is pursuing its own interests, it is difficult to avoid friction. America should find out the reason for the imbalance in China-America trade--the restriction on exporting technology to China is the basic reason for the trade deficit. As for China, China should adjust its trade structure and industrial policy, and raise the technological content of its products, in order to reduce trade friction (Zhang & Wang, 2005). American imports from China will exceed its exports to China, and then America may suffer an economic decline due to the trade deficit. If China changes its industrial policy, and improves its technological capacity, America will lose its technological edge. This could either cause difficulties between the US and China, or it could motivate America to invent even more advanced technology, thus maintaining its competitive edge.

How to change China-America trade relations and eliminate trade friction? There are five ways: first of all is continue deepening reforms of the economic system, optimize industrial structure, improve the operation of the market economy, raise productivity, and make China become a market economy. For the purpose of reducing the difference between China and western countries, China has to get capital--intensive products and technology--intensive products, and reduce and eliminate the trade surplus

(Ma & Liu, 2002). The implication is the US will lose some of its competitive edge but not all. China wants to close the gap to America, because America is the most developed country in the world. In the near future, no country can overtake America. When China tries to close the gap to America, the US still develop day by day. When China closes the gap between it and America and reduces the difference gradually, there will be more and more cooperation in some other areas, such as energy, military, environment. This will strengthen mutual understanding and promote cooperation. The ultimate purpose is to increase the cooperation between China and America.(Lv, 2008)

Second, China should have an in-depth and comprehensive understanding of U.S.A in politics, economy, society and culture, etc. Through the promotion of understanding, it can avoid many mistakes and problems in China-America trade (Meng & Li, 2000).

Third, in dealing with China-America trade deficit and trade friction, it is necessary for China to adopt the commonly used trade policies in the world, such as voluntary restriction of exports. China needs to study the Anti-dumping Law and Anti-subsidy Law. When China understands international laws better, it can make fewer mistakes in international trade (Li, 2001).

Fourth, China can prepare, organize, and implement direct investment in America. The advantages are: first, it can avoid trade barriers and reduce

trade friction; second, it can acquire advanced technology and management experience; and third, it can improve the international competitiveness of Chinese enterprises. Haier is a good example of a Chinese company that invested in America to become a world-famous company. The Haier group went into the American market in 1995, relying on its high quality and low price, The Haier group now has a place in America's market. The Haier group realizes building strong brands can help it survive and develop in the market (Ni, 2005). Every country wants to develop, including China. There is nothing wrong with the development of a Chinese company and nothing wrong with such a company going into America's market. America will not lose anything when the Chinese goes into its market. Chinese companies provide high quality and low price products for Americans, and also Chinese companies benefit from this: it is good for both countries.

The fifth and last way to change China-America trade relations and eliminate trade friction is observe and utilize rules of the World Trade Organization (WTO). As a member of WTO, China can participate in international trade. The relation between China and its trade partners is based on World Trade Organization policies. As long as China follows the rules of the World Trade Organization, China should find that the rules of the World Trade Organization will protect it.

The WTO establishes a framework for trade policies; it does not define or specify outcomes. That is, it is concerned with setting the rules of the

trade policy games. Five principles are of particular importance in understanding both the pre-1994 GATT and the WTO:

Non-Discrimination, Reciprocity, Binding and enforceable commitments, Transparency, and Safety valves (World Trade Organization, 2010).

We need to solve the trade disputes of the two countries under the rules.

History tells us that China and the United States shared common interests, and there is a broad prospect for mutually beneficial cooperation between the two countries.

As long as China and America cooperated economically, both countries found that cooperation was mutually beneficial. In the new international system, China and the United States each have an advantage. America has the obvious advantage in advanced products such as communication, computers, medicine, and financial industry. China has the advantage in low-end product markets such as food, clothes, shoes and hats, toys and household appliances, etc. It is unfavorable to hinder China and America with what have been normal trade tariffs and non-tariff barriers. It is necessary for the two countries to promote international products and service market development. In order to avoid international trade friction, China should observe its economic development and marketing needs, which are to increase trade import appropriately. The implication of China further developing capital-intensive and technology-intensive products that rely on its own capital and

expertise is that the relation between China and US will be more equal and close. When the two countries are equal, then they will have more communication. This equality implies mutual respect, which would create more wealth for both countries.

Keeping pace with global trade development can help China be in a good place in the competition. The focal point is the raw materials that the Chinese domestic market needs and the advanced technical equipment that the Chinese enterprises need. According to the requirements of the World Trade Organization, China needs to increase imports and use government policy to control the market in order to develop trade. China also should use World Trade Organization's rules: anti-dumping policies, anti-subsidy policies, rule of origin policies, and technological support (Ma & Liu, 2002).

In the field of trade, U.S.A. has been regarding China as the large only just developing market. Trade is a link that creates relationships between the two countries. America also regards China as its second-most important trade partner and the largest export market (Zhang & Wang, 2005). So, it is a common understanding that two big countries should be developing trade.

China's favorable trade balance with the U.S.A. will be dwindling progressively when China follows WTO rules and increases imports American products. An increase in imports will reduce domestic production,

because more imports will help meet the people's needs and companies and factories do not need to increase production to meet demand, so an increase in imports will lead to an increase in the unemployment rate (Li, 2001).

In the near future, we must deal with the trade relationship between China and the United States of America cautiously. Although there are many questions in the future, the foundation of China and the United States in economic and trade is good. The China-America WTO bilateral agreement and China permanent normal trade relations status can help China and the United States in economy and trade development in the future. So long as both sides work together, through strengthening effective mechanisms such as the senior dialogue level and bilateral consultation, and promoting understanding and trust between China and America, the prospect of China-America trade is bright (Ma & Liu, 2002).

Conclusion

Equality and mutual benefit are the main principles of international trade. Every country seeks its own benefits that may lead to trade frictions and disputes (Sino-US trade balance, 1997). “China believes that parties involved in trade should adhere to the principle of mutual respect and settle bilateral or multilateral trade disputes through friendly discussions” (Sino-US trade balance, 1997). China and the United States should look to the future, face the reality, and build a brighter future together.

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