

# US-China Trade Relations since 1949

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## **ABSTRAKT**

Cílem této bakalářské práce je odpovědět na zkoumanou otázku “Jak Američtí Republikánští a Demokratičtí prezidenti ovlivnili během jejich vlády americko-čínskou obchodní politiku od roku 1949”. Tato bakalářská práce zkoumá vývoj vztahů mezi Amerikou a Čínou a specificky se zaměřuje na to, jaký vliv měli prezidentské administrace na tento vývoj.

Klíčová slova: Čína, Spojené Státy americké, obchod, zahraniční politika, prezidenti, Republikánská strana, Demokratická strana, ekonomie

## **ABSTRACT**

The aim of this bachelor's thesis is to answer the research question "How have the Republican and Democratic presidents shaped the U.S. trade policy towards China since 1949". The bachelor's thesis explores the development of the US-China relationship and especially focuses on the impact of the presidential administrations on this partnership.

Keywords: China, United States, trade, foreign policy, presidents, Republican Party, Democratic Party, economy

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I hereby declare that the print version of my Bachelor's/Master's thesis and the electronic version of my thesis deposited in the IS/STAG system are identical.

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## INTRODUCTION

The United States and China are the two largest economies, and their trade relationship is the most crucial in the world economy. China is the most important U.S. trade partner and contributor to the U.S. trade deficit. The US-China complex trade relationship, which changed dramatically since 1949, escalated into the world's biggest trade war in history in 2018 during the Trump administration.

Many authors like Warren I. Cohen, Gilbert Rozman or Robert G. Sutter focused on the history of the US-China relationship, or Jo Freeman wrote about the differences between the Republican Party and the Democratic Party. However, no research concerning both the presidency and the U.S. trade policy towards China since 1949 has not been compiled. Therefore, this bachelor thesis with the title "US-China Trade Relations since 1949" mainly focuses on the research question "How have the Republican and Democratic presidents shaped the U.S. trade policy towards China since 1949". According to this research question, the bachelor thesis primarily deals with the U.S. trade policy towards China from 1949 till 2019 and the bachelor thesis emphasizes the presidential administration concerning their party affiliation.

This bachelor thesis aims to compare administrations of the Republican and Democratic presidents since 1949 till 2019 and tries to find connections between party affiliation and the patterns in U.S. trade policy towards China since the Truman administration until the Trump administration. Additionally, the most important historical issues, which had an immense impact on Sino-US relations, will be also included.

This bachelor thesis is divided into four main chapters. The first chapter introduces the US-China trade relationship. The second chapter focuses on the characterization of the Republican and the Democratic Party and their political preferences. The third chapter describes the administrations of the Democratic and the Republican presidents since 1949 till 2019 in chronological order. Finally, the impact of the Republican and Democratic presidential administration on the US trade policy towards China will be summarized in the last fourth chapter. It is important to note that topic of US-Taiwan relations will not be part of this bachelor thesis. The bachelor thesis aims to find answers to the research question.

## **1 THE US-CHINA TRADE RELATIONSHIP**

The first chapter aims to introduce the Sino-US business relationship chronologically. The first subchapter presents the Sino-American trade relationship since 1784 when the first vessel from the United States visited China with the intention of trading until the outbreak of W.W. II. The second subchapter characterizes the US-China relations during the U.S. involvement in W.W. II. The third subchapter focuses on the establishment of the People's Republic of China in 1949. Finally, the last subchapter describes China's economic growth after China's opening in the late 1970s and its current trade relationship with the United States.

### **1.1 The US-China trade relations before W.W. II.**

To open the topic of the US-China business relationship, it is fitting to mention the year of 1784, that year the first U.S. vessel with traders on the board anchored in China. Americans wanted to exchange raw cotton, furs, ginseng for Chinese tea, spices, pottery and silk. After more than 30 years, this trade expanded to 20 million dollars (McMahon, Zeiler, 2012, 33).

The first American ship entered China with Samuel Shaw on board. His task was to establish a trade relationship with China and implement port charges. When he first wanted to sell a good to a Chinese man, the men were positively surprised that Shaw was not from England. While trading, both men were prudent and curious about each other's goals. This story describes the initial Sino-US relationship (Haddad, 2013, 1).

After the independence of the United States from Great Britain, Americans tried to establish new trade relations with foreign countries. The U.S. needed the profit from the fees on imported goods because these tariffs represented the primary income for the U.S. government, and America was especially interested in forming new trade relations with China (McMahon, Zeiler, 2012, 33).

Unfortunately for America, the most dominant country of the 18th century was Britain—this country was a colonial superpower at that time. In China, the U.S. was following the moves of Britain. Following the example of the British, Americans managed trade with China too. However, they did not make so many business deals with Chinese as the British did. Showing by example, the United States imitated the British smuggling system of opium, though they did not import such quantity of the drug as the British did. The reason was that Britain governed all the operations in China (missionary work, selling goods and smuggling of opium). Therefore, Americans had to be careful when doing business with Chinese (Haddad, 2013, 1).

The United States viewed China as a country with a prospective future, and they wanted “to open China to the West”. They wanted to achieve the American Dream in China. Apart from trading, the plans of Americans in China included the vision of getting wealthier, to gain information, to “save millions of souls”, to show them American culture and implement new technology there (Haddad, 2013, 4).

### 1.1.1 The Opium Wars

The two Opium Wars of (1839-42) and (1856-60) were Anglo-Chinese conflicts driven by two opposite beliefs. The British belief was inspired by the idea that all countries would benefit from global open business leading to peace. On the other hand, there were Chinese, who were protectionists, and they believed that free trade was the reason why Ming dynasty ended (Marchant, 2002, 42).

Apart from different beliefs, the British still did not fully understand the Chinese culture and vice versa. Moreover, Chinese customs were something unbearable for Brits. This lack of knowledge about Chinese can be demonstrated by the conflict which happened, when the British envoy, Earl George Macartney, met the Emperor. Macartney rejected to perform traditional Chinese kowtow required upon meeting. The envoy came to China intending to offer British manufactured goods to Chinese for exchange because Britain was running out of supplies like porcelain, silk, furniture, wallpaper etc., and especially the imported tea from China (Brown, 2004, 34).

Brits were also asking China for other ports—there was only one port available for trading in the late 18th century, Canton, and with significantly higher demand for Chinese goods, just one port was not enough for them. Another issue for Britain was the loss of its colonies in North America with its silver mines. Since the British were paying for Chinese goods by silver, this situation was not optimistic. Partially as a result of bad behaviour, the Emperor refused the deal with the envoy, and this meant even higher trade deficit for Britain. Since the Emperor refused British goods for trading, they needed to find some product that the Chinese wanted—and they found opium (Brown, 2004, 34).

Britain and America lent a lot of money to East India Company (EIC) to conquer India. Therefore, EIC had to earn money and pay them back. So, the company transformed the land into poppy fields and produced it in large volumes. Opium began to be part of the British "triangular trade". Firstly, the poppies were produced in India; then the products were sent to China, where the drug was traded for tea, silk etc. After, the products from China were exported to Britain and America. Although the trade with opium was illegal since 1800 in

China, there was a massive demand for it, therefore the trade continued. An interesting fact is that the drug was also shipped to Britain and America and used in medicine. (Brown, 2002, 626)

Emperor Daoguang got upset because more and more people were addicted, and it had an influence both on economy and society. After the emperor resolutely intervened, he commanded the outside merchants to leave Macao and banned the trading with opium. International traders included Americans had to sign the bonds issuing that they will never sell opium in China again. The British did not sign the bonds and retreated to an island off the coast (now known as Hong Kong). However, the island was lacking supplies, so the British asked the Chinese for food, and they received no answer. Since the British were desperate, they went to China directly. However, shortly after they sailed away, the Chinese caught them unawares, and the First Opium War started (Brown, 2004, 36).

This time, the American traders did not follow the example of the British—they signed the bonds and accepted the Chinese terms, and hence Sino-American trade continued. Moreover, Britain criticized the decision of American to accept China's conditions (Marchant, 2002).

The British won the First Opium War because of their advanced technology and ships. The emperor had to negotiate as he saw the British threat. The Treaty of Nanking officially ended the First Opium War in 1842. The treaty guaranteed that Britain would gain the island of Hong Kong, and they also arranged a more acceptable deal trade deal and tariffs. Even though it was continuing to be illegal to trade with opium in China, after a while British started smuggling it again since it was crucial for Britain's economy and the Second Opium War began in 1856. The French joined Britain because they also wanted to prosper from China's trade too. In 1857, the British and French army occupied Canton and then other Chinese cities. The Chinese Emperor Jian Feng wanted to negotiate peace, and this negotiation resulted in the Treaty of Tianjin, which gave Britain, United States and France the right to trade in China (Brown, 2004,38-39)

Meanwhile, the U.S. wanted a more suitable trade deal with China in 1844, so the President of the United States John Tyler appointed Cabed Cushing. Cushing arranged the deal called Treaty of Wanghia; this treaty provided Americans with four trading ports in China (McMahon, Zeiler, 33).

The Chinese signed the Treaty of Beijing in 1860, and the Second Opium War was over. This Treaty insured another trading ports for foreigners (together 16 at that time), gave Russia and Britain more China's land, and China had to pay for casualties both to Britain and France. Though it is called the Second Opium War, it was not just about opium but more about opening the trade to the West and showing Chinese that the West is more potent than East. The British and the French army left China and came back in 1900 during the Boxer Rebellion that resulted from the shame that China experienced during the Opium Wars (Brown, 2004, 40).

These "unequal treaties" such as a Treaty of Beijing which were established by the United States and other European countries went down in history as the origin of "The Century of Humiliation" as defined by the Chinese Communist Party. These "unequal treaties" connected with humiliation had been forming China's foreign policy towards the West (Brown, 2004, 38-39).

### **1.1.2 America's "Open Door" policy**

Throughout the Gilded Age, the U.S. economy was growing, and its markets were expanding, especially in Asia. The U.S. diplomatic missions extended and arranged better business deals with other countries—the total import to America increased from 239 million USD in 1865 to 616 million USD in 1898. However, high fees had to be paid for the imported goods since it was the income of the U.S. government in the 19th century. These high tariffs were particularly favoured by the Republican Party and argued that that the policy of implementing higher fees protects the American industries. Showing by example, the Republican President McKinley imposed 50% duties on imported goods in 1890 (McMahon, Zeiler, 2012, 34).

On the other hand, The Democratic Party supported the policy of reciprocity. This policy allowed to import some goods from other states without the need to pay tariffs on them. The policy of reciprocity contributed to the economic welfare of the United States because it supported the export of U.S. products to other countries. Foreign states trading with the U.S. specialized mostly on the production of one merchandise, therefore they become more reliant on America's imports and the power of the U.S. had been increasing (McMahon, Zeiler, 2012, 34-62).

In 1899 and 1900, the McKinley Administration began to promote an "Open Door" policy guaranteeing the same trading rights in China territory for the Great Powers (such as Germany and Great Britain). The problem was that the Administration did not care about

China's opinion. Moreover, there were more issues which angered Chinese such as the Christian missionaries carried out by foreigners. As a result of Chinese disagrees with foreign interventions, the Boxer Rebellion took place in 1900 in Beijing. "Boxers" were the Chinese who disagreed with foreign interventions in China, and they wanted Qing dynasty to intervene. Despite this protest, the Republican President continued his "Open Door" policy towards China (McMahon, Zeiler, 2012, 97).

## **1.2 US-China Relations during the US involvement in W.W. II.**

When the Japanese bombed Pearl Harbour in December 1941, The United States got involved in the World War II., moreover, China and the United States become allies (Irwin, 2017, 447-450).

Before the U.S. had entered the W. W. II., the U.S. either had a diplomatic relationship just with few counties (mainly with Latin America) or the United States rejected the identification of some other states. This primarily resulted from U.S. unawareness of other countries and insufficient continent placement of America. This attitude changed after the U.S. entered World War II. From this point, the Americans were aware of the situation both in Asia and in Europe (Ryan, 2018, 50).

During the U.S. involvement in the war, the United States gained the status of the significant foreign authority in China. Nevertheless, the attack on Pearl Harbour was also the historical point from which the United States has become the part of the international concerns. Meanwhile, the Roosevelt administration was in power, and the U.S. started the cooperation with Allied nations in the most protracted world war. As the U.S. was focusing on the war and its future status in the world after the W.W. II., the problems in China during China's civil war between Republic of China (ROC)- now Taiwan, and the Communist Party of China (CPC) were arising (Sutter, 2018, 37).

The American aid promised that Chiang Kai-shek (leader of ROC) would tackle the menace of the Mao Zedong (Leader of CPC) and Chinese Communists. Mao and Chiang held a conversation that in September 1945 and they were prepared for an agreement suitable for both sides. Eventually, no deal was signed between these two leaders, and the impact of Chinese Communists started to grow in Manchuria and North China (Warren, 2010, 165).

President Truman guaranteed support for Chiang and decided to request General Marshall to visit China. Marshall was supposed to operate as a negotiator between the Communist Party and the Nationalist Party in China (Warren, 2010, 166).

The U.S. extended its support for Nationalist after W.W. II. On the other side, the support from Soviets to Mao and his communist party was growing too. Both Chinese leaders predicted that America will beat Japan since the U.S. was becoming the leading authority in East Asia. As the U.S. was continuing to support Nationalist, the Nationalist's desire to win the Civil War was growing more. The Chinese Communist Party (CCP) was afraid of the power that Americans could use against them, so they tried to make a deal with them. The U.S. decided not to accept the agreement, and the war between Chinese Nationalist and Communist was continuing (Sutter, 2018, 39- 40).

### **1.3 The founding of the People's Republic of China**

Luckily for Mao and Communist Party, at the end of the W.W. II., the U.S. pulled out its army from East Asia. According to Marshall, Nationalists did not have the opportunity to win without the U.S. army (Ryan, 2018, 59).

In the 1940s, Mao and his supporters received help from USSR. In 1950, the Sino-Soviet alliance was established. During that time, Chiang and his supporters were losing, and in 1949, Mao and his followers won the Civil war against Nationalists (Sutter, 2018, 40).

The defeat of Nationalist led to the establishment of the PRC (People's Republic of China) in 1949 by the leader Mao Zedong and his Communist Party. This milestone in China's history had been constantly influencing US-China trade relationship (Trubowitz, Seo, 199).

When W. W. II. ended the Soviets settled in some parts of Europe but also in the Northeast part of Asia, particularly in Manchuria and helped to control communist regime in North Korea. It was tough for Americans to accept these involvements (Ryan, 2018, 51).

In comparison with World War I, World War II had a more significant impact on U.S. trade. The W.W. II. transformed the plan of increasing the business after the Great Depression into a program, which had a goal to develop peace after World War II (Irwin, 2017, 447-450).

### **1.4 The US-China trade relations since China's opening**

Now in the 21st century, the People's Republic of China is the biggest market in the world by Purchasing Power Parity data. China is also the largest manufacturer and trader of goods and the most dominant trading partner of the United States. Furthermore, China is one of the largest foreign holders of U.S. Treasury securities that helped to fund federal debt of the U.S. (Morrison, 2019, 1)

China's economy is the fastest long-term expanding major economy in history. As a result, this rapid growth enabled the country to improve the lives of its inhabitants and lower the number of people living in extremely poor conditions – approximated 800 million. Moreover, the rise of China's market began after the liberalization of its economy in the late 1970s. In comparison to the economic situation before the 1970s, China's economy was centralized, not opened to trading, and not that developed as it is now (Morison, 2019, 1).

In the middle of the 20th century, PRC had a weak economy and ranked among the poorest countries in the world. From the 1950s until the 1970s, China's economy was still behind even though the process of industrialization already took place. However, this situation rapidly changed after China's opening to the world in the late 1970s (Hu, 2001, 107).

In 1961, China's annual GDP growth was – 27.27%. In contrast, when China began to open its annual GDB growth rose to 19.10% in 1970 (see Figure 1). China's economy has risen so quickly because of its large-scale capital investment and fast productivity growth. Following the transformation of China's economy, the Chinese household and corporate savings increased, therefore China could invest more than ever. Furthermore, the fact that China's gross domestic savings surpassed the domestic investment enabled China to become a global lender (Morison, 2019,7).

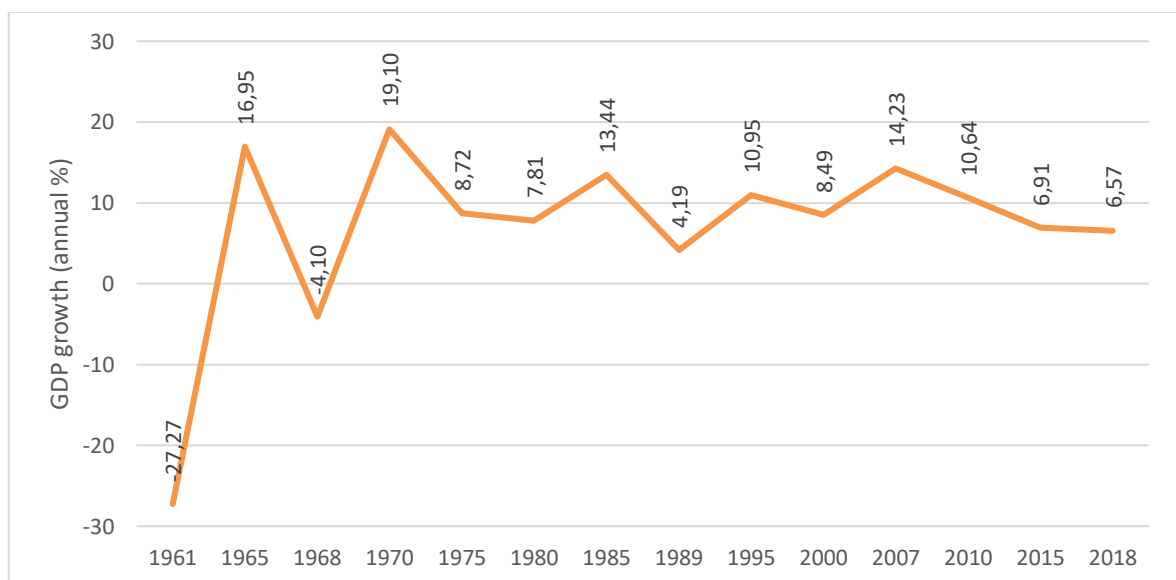


Figure 1 Graph of China's GDP growth (1961-2018) (author's creation)



Source: World Bank

Available: [https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2018&locations=CN&most\\_recent\\_value\\_desc=false&start=1960&view=chart](https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2018&locations=CN&most_recent_value_desc=false&start=1960&view=chart)

There were two main reasons why the trade between China and the U.S. had been rapidly growing since the late 1970s. The first reason is that the Chinese government transformed its centralized and close market into an open one in the 1970s due to China's excessive growth, especially of the manufacturing sector. The second reason why this trade relationship improved the opening of US-China relations by the Nixon administration (Lardy, 1992, 691).

In overall, both countries profited from the bilateral trade. On the one side, PRC offered very cheap labour, and on the other side, the US had the technological know-how (Hui, 2001, 277).

Nevertheless, the fast rise of PRC resulted in a shortage of supplies. The need to import from other countries was especially significant after the 1990s. One of the examples is the growing demand for import of oil into PRC. Since China entered the energy exchange between countries later and did not want to be contingent on other markets, the government decided to find resources in African states. China preferred Africa because of the huge potential of detecting new oil preserves (Hornát, 2018).

#### **1.4.1 China's Investment in Africa**

Throughout the 21st century, China's government was investing more and more in Africa's economy. The reason is China's rapid economic growth connected with the need for cheap labour, resources, especially of oil and other supplies such as bauxite, copper, nickel or timber. These resources are present in large quantities in African states. China's import of oil from Africa started in 1992. The amount of oil imported risen from 500, 000 in 1992 to 708.5 million tons in 2010. China's intentions with Africa are not just centred around the trade with raw materials (Wang, Zou, 2014, 1115).

Moreover, China views Africa as its potential market for Chinese goods and services. The Africa-China trade grew from 10.6 billion in 2000 to 166.3 billion of U.S. dollars in 2011. In 2009, Africa overtook the U.S. and became China's most significant business partner (Wang, Zou, 2014, 1115).

China especially invested in Africa's manufacturing sector since the Chinese government holds an opinion that this sector, along with industrialization is crucial for the growth of the

economy. PRC also invests in the African infrastructure, for instance, building long-distance railways and ports. Chinese infrastructure projects go hand in hand with supporting the developing country along with China's "geostrategic interests" (Hornát, 2018)

#### 1.4.2 US Trade Deficit with China

During the 1980s, the Sino-US rapprochement was along with the Sino-U.S. commerce relationship officially introduced. Since then, the US-China trade had been growing. Nevertheless, this trade relationship brought about various problems such as the trade imbalance (Hornát, 2018)

The US trade deficit with China had been notably rising from the year 1985. The trade deficit accounted for 6 million USD in 1985 and extensively increased to 345 617 million od USD in 2019 (see Table 1).

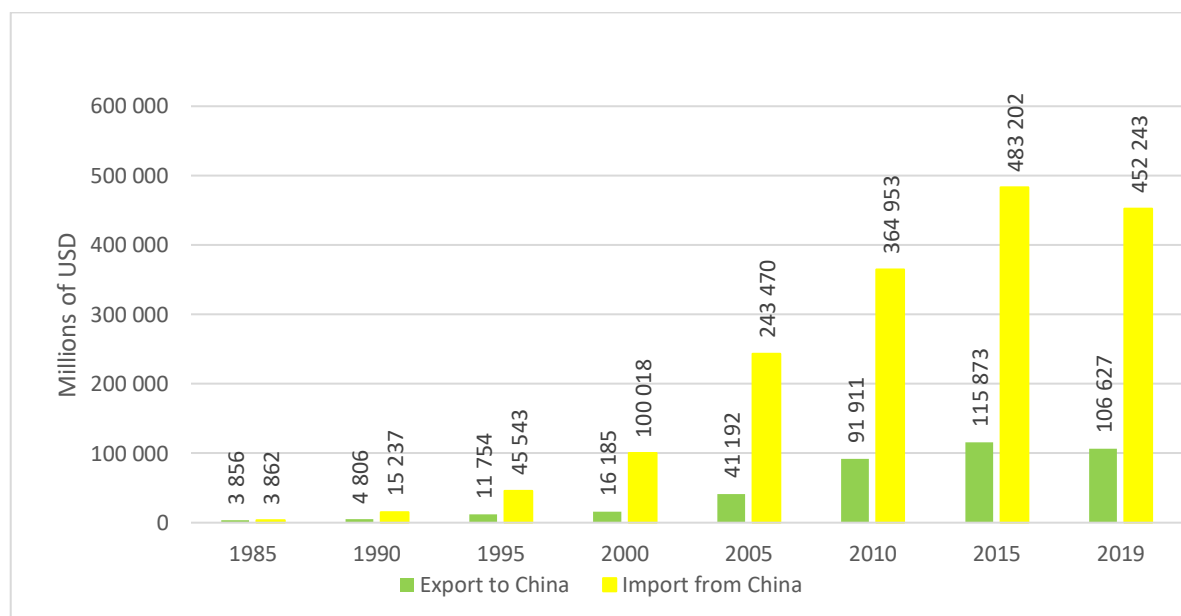


Figure 2 Graph of US trade with China (1985-2019) (author's creation)

Source: US Census Bureau, Foreign trade balance

Available at: <https://www.census.gov/foreign-trade/balance/c5700.html>

Table 1 US trade deficit with China  
(1985-2019) (author's creation)

Years	Trade balance (millions of USD)
1985	-6
1990	-10 431
1995	-33 790
2000	-83 833
2005	-202 278
2010	-273 042
2015	-367 328
2019	-345 617

Source: US Census Bureau, Foreign trade balance

Available at: <https://www.census.gov/foreign-trade/balance/c5700.html>

Apart from the US trade deficit with China, another issue represents China's investment in the United States. China's investment began to rise after both countries officially establish diplomatic relations in the 1980s. Specifically, China's investment in the United States represents two divisions. Chinese investors invest under FDI (Foreign Direct Investment), or they invest in US securities such as US Treasury, government stocks and bonds etc. which represents the debt of the U.S. (Sutter, 205)

It is important to mention the fact that China owns the largest percentage of American federal debt (amount of obligations=Treasury securities). In 2016, China held 1.06 trillion USD of the U.S. Treasuries. In comparison, the US held 107 billion USD of China's securities in 2015 (Sutter, 2018, 206).

The US public debt had been especially increasing since W.W.II., mostly because the US needed to fund its military missions. Showing by example, the US debt increased from 257 billion USD in 1950 to nearly 3 trillion USD during the H. W. Bush Administration (Moosa, 2012, 220).

When it comes to increasing Chinese FDI in the U.S., Americans have two main opinions concerning this issue. Some believe that China's investment brings new jobs for Americans (Sutter, 2018, 207)

Others are convinced that growing China's investment is not good for the U.S. market. Experts say that China aims is to obtain tech know-how through the merges, shares or other investments. Further, some experts argue that American companies do not have enough freedom when the Chinese invest in their business (Sutter, 2018, 207).

China invested in a wide range of US industries from the manufacturing industry to the movie industry. Showing by example, Chinese business (such as Dalian Wanda) had been acquiring or investing in many US movie corporations in Hollywood since the 1980s. By investing a huge amount of money in the movie business, China gained more power when it comes to decision making and the fact that the movie industry influences public opinion provoked fears (Berman, 2016).

The deepening trade imbalance, increasing China's investment in the US, and other issues led to significant tensions in the US-China trade relationship, especially during the Donald Trump Administration (Morrison, 2019).

## 2 CHARACTERIZATION OF THE REPUBLICAN AND THE DEMOCRATIC PARTY

The political system of the United States is controlled by two major parties—by the Democratic Party and the Republican Party. For the purposes of this bachelor's thesis, it is to distinguish the main differences between the Republican and the Democratic Party, mainly their foreign trade policy tendencies.

Both parties tend to have a different position on political issues. While comparing the general tendencies of the Parties, it is crucial to know that the representatives of the Democratic Party are more liberal than the Republicans. On the contrary, the Republican Party has more conservative views both on economic and social matters (Dueck, 2010, 4).

Even though, there are some general tendencies of the Republican Party, there is always one member whom people will remember and associate with the Democratic Party—the President of the United States (Trautman, 2010, 35-41).

When it comes to decision making about foreign policy, firstly all the economic, political, global and ideological constraints are taken into consideration, after the President of the United States has an option to change these pressures depending on how skilled the President is (Dueck, 2010, 4-7)

Dueck states: „to a remarkable extent, when one party controls the White House, that party's foreign policy is what the President says it is “(Dueck, 2010, 4).

Colin Dueck who wrote a book called “Hard-line” concentration on the Republican Party and its foreign policy since W.W.II, conclude that the Republican leaders mostly implemented hard-line stance policy towards both domestic and international matters, especially since the Second World War (Dueck, 2010, 2).

### 2.1 The Democratic Party

The Democratic Party (DP) is associated with left-wing opinions and tend to have a less conservative view on foreign policy matters than the Republican Party (Dueck, 2010, 4).

Main characteristics and preferences of the Democratic Party:

- Against unfair trade practices;
- Supports small and medium-sized businesses;
- Against unequal distribution of wealth;
- Supports health programmes (Democratic Party Platform, 2016).

- Favours raising for taxes for those who make more money;
- Favours lowering taxes for those who make less money;
- Promotion of human rights;
- Supports environment;
- social programs;
- better public education;
- equal right for women;
- equal rights for gay couples;
- equal rights for ethnic minorities (Trautman, 2010).

Lakoff in his book *Moral Politics: How Liberals and Conservatives conducted that liberalism* “characterizes the cluster of political positions supported by people called ‘liberals’ in our everyday political discourse: support for social programs, environmentalism; public education; equal rights for women; gays, and ethnic minorities; affirmative action; the pro-choice position on abortion; and so on.” (Lakoff, 2002, 21).

A good example of the Democratic President who significantly advocated these liberal values was President Barack Obama. He came up with a carbon action plan, cooperated with China to solve environmental problems such as climate change- the US and China are the two biggest contributors to greenhouse gas emissions) (Wenzhao, 2018, 300).

## 2.2 The Republican Party

The Republican Party or GOP (“Grand Old Party”) members are associated with right-wing views and have more conservative opinions on foreign policy than the Democratic Party, especially since 1930 (Dueck, 2010, 4).

The Republican Party leaders were mainly associated with their hard-line type of attitude towards international matters since W.W. II. The Republican presidents are affected by their Party’ vision, however, their choices can differ depending on their leadership skills and attitude (Dueck, 2010, 4).

Main characteristics and preferences of the Republican party:

- The Party associated with the hard-line attitude towards foreign policy matters;
- Strong sense for American nationalism;
- Want to restore the American Dream;

- Republicans view themselves as “watchdogs” of American security (Dueck,4).
- Promotion of trade agreements which support America first ideology and do not hurt American workers;
- Highly protective of American jobs;
- Strictly against currency manipulation;
- Free market economy;
- Importance of American security;
- Protection of intellectual property (The Republican Party Platform, 2016).

Showing by example, the Republican president Ronald Reagan did not use hard-line policy towards the Soviet Union to defeat them militarily, but also ideologically, technologically and economically—here can be seen the Republican hard-line American nationalism (Dueck, 2010, 291).

It is important to note that Americans (especially Republicans) identity is interconnected with American exceptionalism which is deeply rooted in Americans’ minds. American exceptionalism refers to a set of beliefs of promoting democratic principles such as freedom, justice and peaceful trading internationally to create stable and cooperative order. This belief was significantly influencing the US foreign policy and thus trade policy towards other countries (Dueck, 2010, 5).

### **3 THE ADMINISTRATIONS OF THE DEMOCRATIC AND REPUBLICAN PRESIDENTS**

The third chapter defines the US trade policy towards China throughout the Administrations of the Democratic (D) and Republican (R) presidents since 1949 starting with the Harry S. Truman administration, and ending with the Donald Trump administration, which is still in power.

#### **3.1 The Harry S. Truman (D) Administration (1945-1953)**

After World War II in 1945, China was broken and lacking power. In the meantime, Americans were satisfied with the victory over Japan (Warren, 2010). The Truman administration continued to provide aid to the Nationalist in China as President Roosevelt did. The U.S. support for Nationalist was the highest in 1946 (Sutter, 2018, 46- 47).

On March 12 in 1947, the Democratic President Truman firstly announced the Truman Doctrine. Truman's Doctrine aimed to fight against communist expansion. At that time, the U.S. was the nation—based country. The president was also aware of the fact that the U.S. became a new superpower, and the foreign policy would have to be changed accordingly. The Doctrine was the base for the Truman containment policy. The American diplomat George Kennan was the one who used the term containment policy for the first time. Moreover, the Truman Doctrine became the basis for the American foreign policy during the Cold War period (Spalding, 2017, 562-66).

Truman administration wanted to embody business activity into containment policy. Furthermore, the U.S. government concluded that the US-China trade war would have worse consequences for China side than for the U.S. With the conception of the Truman Doctrine, business support or restrictions became a powerful tool of containment policy during the Cold War period (Huang, 2001, 35).

In 1949, right before the Korean War, the U.S. declared a "China export control list", which classified two types of goods (I-A, I-B). I-A items were labelled as strategic goods and used for military purposes. The second category of I-B items were non-strategic goods. When the U.S. companies wanted to export these items to China, the licence was needed. However, the licence for I-A items was not approved. It was easier to trade I-B items. Also, in 1949, the United States and European Allies established COCOM "Coordinating Committee". The main aim of this organisation was to constrain commerce with communist nations (Huang, 2001, 33).



Meanwhile, in 1949, the leader Mao Zedong and his Communist Party established the PRC (People's Republic of China). This win of Mao Zedong in China's Civil war in 1949 provoked debates over the question "Who lost China". The Republicans had a clear answer to this question—they shouted the name "Harry Truman". The Republicans placed the blame of losing China on Truman because while he was focusing on stopping the communism from spreading in Europe, the communism in China rose unmanageably. After the victory of Mao and the loss of China, the future presidents of both parties were driven by this fear of losing other countries to communism (Trubowitz, Seo, 2012, 199).

After the Chinese forces entered the Korean War in 1950, the U.S. wanted to include PRC and restrictions on Chinese goods into the organizational structure of COCOM and later the Sino-US business froze. During the war, everyone who said a word about doing business with China was blamed to be "unpatriotic" and "avaricious". Also, "trading with the enemy" was a strain for companies. In 1951, the U.S. restrictions on Chinese goods were continuing. In 1952, the U.S. government convinced COCOM about implementing more trade limitation by creating the second restriction list, which was later named "China differentials" (Huang, 2001, 33- 36).

Nevertheless, some Western Allies did not agree with "China differentials" and were against trade restrictions imposed by U.S. on China. One of these countries was Britain. The reason was that British companies were doing business with China, mostly in the area of Malaya and Hong Kong (Dobson, 1988). Other countries from Europe which were not happy with the "China differential" were Norway, Denmark, Germany and Portugal (Pomfret, 2018).

The reason why for example Great Britain was against the "China differential" was that they believed that doing business with mainland China was crucial for the Hong Kong resistance. Also, Hong Kong, as a British colony, was used as a bridge for transporting commodities to China. The U.S. government was flustered because its Allies were cooperating with their enemy (Huang, 2001, 36).

### **3.2 The Dwight D. Eisenhower (R) Administration (1953-1961)**

The Eisenhower Administration thought agreements ended the Korean War in 1953. At that time, the Chinese Communist party was spreading its influence and in China with USSR assistance. The Chinese government started to renew the economy and industrialize PRC with the Soviet help (Sutter, 2018, 53).

Eisenhower's tenacious containment policy towards China had been affected by the tensions of domestic policy and ideas of the American politicians. These influences were also the reason why his administration had been considered unreasonable and reckless (Choi, 2012).

Throughout the Korean War, the U.S. set trade restrictions on China—this all happened before the Eisenhower administration. The trade embargo which the United States imposed on China was even more inflexible than it was for other communist countries. As mentioned above, this period of restrictions on China's international trade gained the name "China differential" (Pomfret, 2018).

After the Korean war ended, the U.S. government, rationally, supposed to reconsider the trading strategy "China differential". At the same time, Japan and European partners were asking for more comfortable commerce limitations on Chinese goods. These European countries wanted to restrict the "China differential", according to them there was no legislative neither ethical reason for it. On the other hand, the U.S. administration believed that if they relieve the trade embargoes even on goods of "non-strategic material", China would profit from the trade, improve the economy and therefore build a more powerful army.- since China was a communist country, this situation was unacceptable for American at that time (Kaufman, 1982).

However, the international trade restrictions which Washington commanded on China started dripping in 1953. During 1954, the NSC (National Security Council) terminated the "secret agreement" which was signed during the Truman administration. This contract stated that Japan must trade with China even less than it was allowed by COCOM. Eventually, in 1957 Britain began to take the strain off the trade embargo imposed on China (Dobson, 1988).

Companies in other countries controlled by a holding company in the U.S., including, for example, the Ford Co. of Canada demanded an open business with PRC. The complaints of American allies in Europe and the pressure of American companies was an impulse for the president to think of stopping the trade embargo and end "China differential" (Pomfret, 2018).

Nevertheless, Eisenhower's administrators who had a significant influence on the administration, did not agree with discontinuing of "China differential". The Eisenhower's advisers were convinced that only tight trade embargoes would end the Soviet cooperation with PRC (Pomfret,2018).

Namely, Foster Dulles and the State Department thought that China was led by the Soviet Union and had the same ideological beliefs. Thus, they viewed China as an enemy of America, and they wanted to stop communism from spreading in China by establishing firm containment policy and was one of the advisers who were for "China differential" (Choi, 2012).

Dulles concluded that more trading with China would lead to the creation of more powerful Communist China and he was not convinced that the U.S. trading with China could make a "better China" (Pomfret, 2018).

### **3.3 The John. F. Kennedy (D) Administration (1961-1963)**

Before John. F. Kennedy became a president of the United States in 1961; the US trade policy had already transferred into a more liberal one. Even though, the trade policy was more liberal, the US was still setting more commerce embargoes than European Allies and Japan. Hence, the relationship between the United States and European countries was tense (Dobson, 1988, 602).

Despite this situation and the Cold War, the president wanted to implement adaptable trade restrictions. On the other side, some administrator held a different view. The conservative Democrats and most of the members from the Republican Party in the congress of the United States guaranteed that no liberal deal from the president would not pass. Thus, the president knew that this was a very delicate topic, so he did not focus on changing China's trade policy and continued with tough containment policy against China (Dobson, 1988, 602- 603).

Great Britain was one of the countries which reduced its business restriction with China. Other countries of COCOM apart from the US continued to relieve the trade policy towards China too during the late 1950s—this situation created a kind of separation among the United States and members of COCOM. However, as a next president, Kennedy did not change the US trade policy towards China during his administration (Dobson, 1988, 602- 614).

Indeed, the conflict in Vietnam increased during the Kennedy administration. Kennedy's consultants were convinced that the PRC was a danger to Vietnam and other Asian countries. Moreover, Kennedy was afraid of losing Vietnam to the communist regime, and he also did not want to start a new war like the Korean War. This fact perhaps stemmed from his fear of being blamed for "losing" Vietnam to communism as Truman was for "losing" China. Both Kennedy and Johnson administrations were inspired by Dulles's hard-line policy during the U.S-China conflict in South Vietnam (Fredman, 2013).

### **3.4 The Lyndon B. Johnson (D) Administration (1963-1969)**

The Democrat Lyndon B. Johnson inherited the trade embargoes on communist countries. Besides, the variance on business limitation towards China among the U.S. and its European partners was continuing. The US-China relationship was also fluctuating during the conflict in Vietnam. Despite these problems, the trade restrictions began to leak during the Johnson administration (Dobson, 1988, 615).

The main concern of the Johnson administration was the conflict in Vietnam. The administration also tried to approve more relaxed China policy, but it all stopped when PRC got involved in the Vietnam war. Chinese nationalists strived for greater cooperation with the U.S., but Johnson was unwilling to do it since it could lead to more intense engagement of China in Vietnam (Sutter, 2018, 57-60).

In 1964, both Johnson and Senator Richard Russel recognised the future need of China recognition from the U.S. side. However, it was not achievable immediately. Even though the Democratic Administration of Johnson did not make any significant progress in China policy, the last of years of the Johnson Administration had been viewed as the beginning of the Sino-US rapprochement because the public and Congress began to change its position towards U.S. policy towards China (Newman, 2014).

### **3.5 The Richard Nixon (R) Administration (1969-1974)**

Throughout the Nixon Administration, the relationship US-China relationship had improved dramatically. Immediately after elections, the Nixon administration introduced the Nixon Doctrine—the main aim of this doctrine was to reduce American military distribution in Asian countries (Sutter, 2018, 64).

During the late 1960s, it was not that clear what attitude Washington held towards China. Eventually, in October 1969, the first indications of the Sino-US harmonious relationship began to appear—the President was trying to have confidential talks with the communist leader. Also, in 1971, Henry Kissinger went secretly to China—the purpose of his visit was to open Sino-US relations. Also, the president took steps to eliminate business and travel regulations with PRC (Sutter, 2018, 68-69).

Finally, in June 1971, the Nixon administration had finally stopped the business restrictions which had been previously imposed by the Truman administration and deviated from the containment policy towards PRC (Wang, 2010)

More Specifically, the embargo on goods sold to China, which were not part of the strategic material, ended in on June 10, 1971. Shortly after this, the "Export Administration

Act of 1969" was altered into the "Equal Export Opportunity Act of 1972". This act of 1972 meant a positive change in the US-China trade policy towards China (Grzybowski, 1973, 178).

In 1972, President Nixon made a historic visit to PRC and he began an era of the US-China open relations and the era of containment policy was over. Even though he made significant improvement, the US-China rapprochement was not achieved yet (Wang, 2010, 171).

The years between 1972 and 1978 are called "quiet" years of US-China relations. The economic relations were influenced by many factors such as the end of the Mao Zedong administration and the limited haggling power of PRC. Although the relationship had improved during the Nixon administration, the official Sino-US rapprochement was not established yet. The Nixon administration ended in 1974, so the president's commitment to normalizing Sino-US relationships stopped too (Sutter, 2018, 71).

The Republican President Nixon diverged from the characteristic of the Republican president not only in terms of the overall improvement of the US-China relationship, but he also established supportive programs for ethnical minorities, health program and founded Environmental Protection Agency—it seems like he inclined more to the Democratic Party principles (Dueck, 2010, 149).

### **3.6 The Gerald Ford (R) Administration (1974-1977)**

The Vietnam War and other events showed the need for human rights policies. Therefore, Congress passed bills concerning the issue of human rights in the 1970s, such as the Trade Act of 1974 (Wenzhao, 2018, 222).

Moreover, Jackson Vanik adjusted the Trade Act of 1974, under Title IV by denying granting MFN trading status to communist countries that restrict international emigration of their inhabitants. This Trade Act had an impact on U.S. commerce relationship with communist countries, specifically with China. His "Amendment" is said to be the most significant law concerning human rights passed through Congress of the United States (Wang, 2010, 172).

The Ford administration decided not to finish the Sino-US rapprochement, which Nixon started since both countries were dealing with previously mentioned issues and further, the U.S. disagreed with China's requirements (Chang, 1986, 37).

On the other hand, Ford was the first who as a president of the U.S. made a trip to Japan, and he focused more on the improvement of US-Japan relations than on US-China relations (Gawthorpe, 2009, 702).

### **3.7 The Jimmy Carter (D) Administration (1977-1981)**

At the beginning of the Carter Administration, both countries mainly focused on shared security and military collaboration interests, instead of focusing on a rapprochement and were dealing with its issues. China was dealing with Mao's death, and in America, the need for human rights diplomacy was rising due to domestic events and the Vietnam War. Therefore, the Democratic President Carter emphasised incorporating human rights into the U.S. foreign policy agenda (Wenzhao, 2018, 222).

This situation of postponing Sino-US relations changed in the late 1970s when China and the United States began to strive for next common interests. Americans aimed to boost the economy and liberalise PRC. On the other side, PRC wanted American capital, its technology and knowledge. China's eventual goal was to be enter international organisations. Moreover, in the late 1970s, the administration gave PRC temporary MFN (Most Favourite Nation) status (Blanchard, Shen, 2017, 29).

The affords for the US-China rapprochement of the Carter, and previous Administrations (mainly by the Nixon Administration) finally ended in January 1979, when the Carter Administration officially established full Sino-US diplomatic relations and both countries recognised each other's government (Blanchard, Shen, 2017, 89).

### **3.8 The Ronald Reagan (R) Administration (1981-1989)**

The most prominent issue in Sino-US relations during the Ronald Reagan Administration was the U.S. military trade with Taiwan- Chinese government wanted a reduction of US-Taiwan military trade. (Blanchard, Shen, 2017, 29)

This problem was solved by signing Communiqué on U.S. arms sales to Taiwan in 1982 by President Reagan. By signing this agreement, the U.S. government agreed to decrease its arms trade with Taiwan (Wenzhao, 2018, 60).

Throughout the next years of the Ronald Reagan Administration, the US-China cooperation improved. America and PRC carried out many technological, institutional exchanges, moreover, US-China mutual commerce grew along with the trade imbalance (Blanchard, Shen, 2017, 30).

### 3.9 The George H. W. Bush (R) Administration (1989-1993)

Towards the end of the 20th century, the communist regime collapsed in Europe; however, the situation in PRC was not the same—the Communist Party governed China with its leader Deng Xiaoping in power (Dueck, 2010, 239).

Although PRC was still under the rule of the Communist Party, Americans firmly believed that the political and economic reform would happen in China. The U.S. government was ensuring the public that the change would only be possible with the continuance of the U.S. engagement with China. However, this vision of more liberal China began to disappear in 1989 (Trubowitz, Seo, 2012, 205).

In 1989, under the Xiaoping administration, the pro-democracy protest took place in China at Tiananmen Square, and the Chinese government responded in killing and wounding the protestants who were not even armed (Dueck, 2010, 239).

After hearing about the Tiananmen massacre, Americans and the government were horrified of the violation of fundamental human rights in PRC. The administration decided to penalize China—they cut off the military trade with China, banned visits of Chinese and American military leaders, postponed bank loans for Chinese businesses and communicated their distaste with the Tiananmen massacre. These restrictions toward China led to the drop in America's trade with China in late 1989s (Sparrow, 2010, 161)

Despite the Tiananmen Square massacre, the balanced U.S. policy toward China and vital US-China business relationship was of great importance for President W. H. Bush. He believed that it would be a mistake to break relations with China completely, according to him, there was still hope for democratic reform, and this protest was proof of it. Therefore, he did not want to opt for an extensive intervention within PRC, and he was against further restrictions (Dueck, 2010, 251).

President W. H. Bush favoured good relations with PRC because China was a country of vital geopolitical influence. Moreover, he believed that the essential Sino-US business relationship would benefit both markets economically and politically. Besides, he assured that the beneficial relationship would instigate into a more solid base for human rights conditions within PRC (Sutter, 1990, 4)

Aside from China's geopolitical influence, Bush was very much aware of China's rapid economic growth- its commerce potential, size, location. At that time, the U.S. was the third-largest business partner, and China was the tenth most significant business partner of the United States at that time (Sparrow, 2010, 161).

On the other hand, the U.S. House of Representatives along with other members of Congress including liberal Democrats, wanted to impose more strict sanctions for PRC than the Republican President. Specifically, they did not wish to renew the MFN (most favoured nation) trade status for China (Dueck, 2010, 239).

According to the 1974 Trade Act, the President of the United States had to renew MFN status for China every year. Until 1989 Tiananmen crackdown, the MFN was renewed every year without any complications, and Congress did have any objections (Wenzhao, 2018, 169).

With MFN trade status, PRC could trade with the U.S. as any other country, without the MFN renewal, Chinese goods would undergo higher tariffs, and the Chinese government would lose faith in further US-China balanced cooperation (Trubowitz, Seo, 2012, 208).

Because the President wanted to maintain stable U.S.-PRC relations, the renewal of MFN status for China was essential for him. He claimed that suspension of the MFN status could harm the U.S. interests, export, consumers, investors in China and that the world could view America as an unreliable business partner. As it was mentioned, the President believed in the promotion of a vital commerce partnership with China, and this would not be possible without MFN renewal (Cohen, 2010, 243).

During the voting about the MFN, the President used his veto, and he also mentioned the consequences of not restoring the MFN status. Subsequently, the MFN status for China was renewed each year until the end of the Bush Administration (Dueck, 2010, 240).

Bush admitted that there are many differences between American and Chinese political, social and economic practices. Despite this diversity, he still emphasized the continuance of the new era of Sino-American relations that President Nixon began in the 1970s (Sutter, 1990, 4).

During and even after his presidency, Bush was blamed for not being efficient in handling China's affairs and being unscrupulous. During the new elections, the Democratic Party used the Tiananmen crackdown against President Bush as the Republicans used "the loss" of China against President Truman in 1950s (Trubowitz, Seo, 2012, 209).



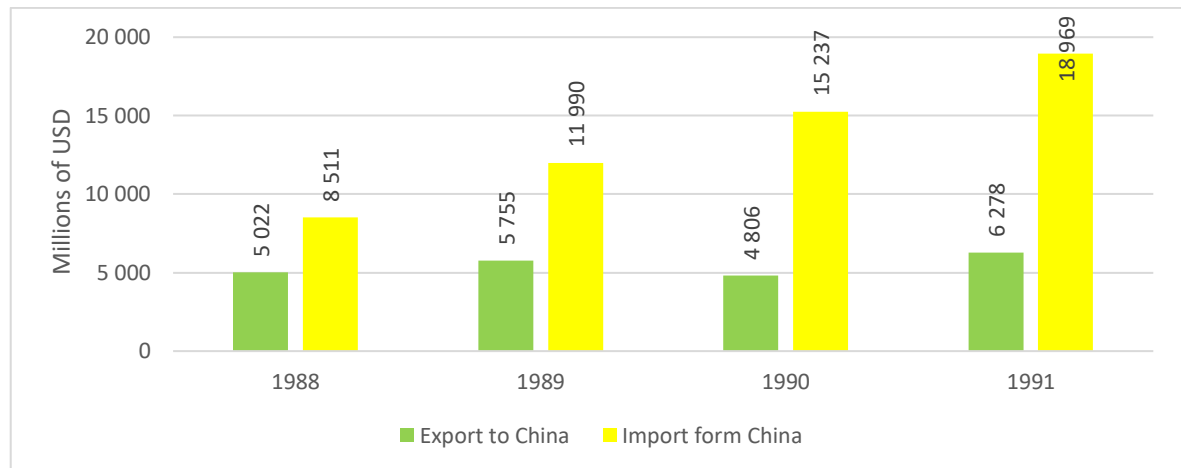


Figure 3 Graph of US-China trade (1988-1991) (author's creation)

Source: US Census Bureau, Foreign trade balance

Available at: <https://www.census.gov/foreign-trade/balance/c5700.html>

### 3.10 The Bill Clinton (D) Administration (1993- 2001)

Before the Bill Clinton Administration, presidents Ronald Reagan, Jimmy Carter and George H. W. Bush renewed the MFN for China status every year without any significant doubts until the Tiananmen massacre in 1989 happened. The Tiananmen crackdown connected with violation of human rights brought a wave of criticism towards both MFN and the H. W. Bush Administration (Finn, 1997, 11).

President Clinton was one the critics of the H.W. Bush Administration, according to him, Bush was not strict enough in promoting human rights and democracy in PRC. Clinton used the criticism of H. W. Bush to show that he as a new Democratic president of the United States would emphasise the American interests of promoting human rights and democratic principles abroad more than the previous administration (Dueck, 2010, 252).

He continued with the human rights policies that Jimmy Carter began during his administration. Like Carter, Clinton was mainly focusing on incorporating human rights and democracy into U.S. foreign policy towards other countries, especially toward China (Wenzhao, 2018, 228).

Mostly during the first presidential term, the president empathises the need for better human rights policies and democratic principles in China. The Clinton Administration threatened China by cancelling the MFN trade status to achieve the improvement of the human rights situation in PRC. Therefore, the Administration trade policy toward China

highly depended on what kind of human rights attitude China would adopt (Blanchard, Shen, 2017, 30).

When discussing the U.S. trade policy toward China, the topic of MFN renewal for China was the most crucial during the first term of the Clinton Administration. Despite many controversies, most of the policymakers favoured the restoration of MFN status for China because they understood how vital the MFN is for keeping the US-China trade relationship stable (Wenzhao, 2018, 7).

Towards the end of the first presidential term, also Clinton realized that connecting MFN trade status with human rights is not the best option and that the healthy partnership between PRC and America is beneficial for both countries equally (Irwin, 2017).

After Clinton decided to end the policy of connecting MFN status with human rights, the administration held many meetings, during which they were discussing the problematics of human rights, trade, security and other issues connected with the People's Republic of China. When these meetings ended, the Clinton Administration announced the "policy of engagement" as a part of China policy. Thus, during his second term, Clinton began to establish practises that would stabilize the US-China business relations (Wenzhao, 2018, 229).

The Clinton Administration specifically promoted "constructive strategic engagement" in three sections in America's policy toward China- strategic interests, human rights, trade and aid. Engagement in business and support was the most apparent. In the early 1990s, the U.S. export of goods to China accounted for 9 billion dollars. On the other side, China exported 33 billion worth of products to the United States — which created a 24 billion trade deficit (Finn, 1997, 11).

More importantly, President Clinton aimed to improve the relations by incorporating PRC into international institutions such as WTO. Clinton believed that the integration would not just help to strengthen the Sino-US business relations, but it also helps to promote democracy and reform in PRC (Osius, 2001, 126)

In 1999, after more than a decade of discussions, the United States and China agreed on the terms which would allow PRC to enter the WTO (World Trade Organization) (Blanchard, Shen, 2017, 31). One of the conditions that needed to be accomplished to allow China's entry into WTO to pass the PNTR legislature (Permanent Normal Trade Relations) - PNTR was a new title for MFN status (Wenzhao, 2018, 184).

China's market was growing rapidly. According to the report "Trade and the Transformation of China: The case for Normal Trade Relations," PRC is America's 4th most

significant trading partner. In 1998, China exported 71 billion worth of goods to the U.S., and the U.S. exported 14 billion worth of goods to PRC (Osius, 2001).

This deepening trade balance, along with China's market expansion, began to have a more significant impact on the U.S. market. Therefore, some groups supported the PNTR legislature, and some did not (Irwin, 2017, 665).

The groups that required PNTR were agricultural companies which thought that this legislature allow them to export more soybeans other product to PRC. Other groups who favoured PNTR were American businesses or individuals who had their investment in China. These two groups were concerned about the decrease in their export to China and losing foreign partnership in Europe and Asia due to rejection of PNTR (Irwin, 2017, 665)

On the other side, there were groups of people such as politicians and human rights activists who were against PNTR legislature. These people stressed that the growing commerce with PRC presents a challenge to the U.S. economy in the form of higher unemployment and increasing trade deficit with China (Irwin, 2018, 665).

Finally, the PNTR for China was signed into law in October 2000 (Wenzhao, 2018, 184). The PNTR legislature is deemed to be one of the most significant shifts in the improvement of US-China business relations in the post-Cold War era and was vital in forming the US-China trade relations in the new 21st century (Wenzhao, 2018, 8).

The entry to WTO was vital for PRC because joining this organization would lead to further expansion of China's market (Irwin, 2017, 230)

### **3.11 The George W. Bush (R) Administration (2001- 2009)**

During the elections, and the beginning of the presidency, George W. Bush criticized Clinton's China policy as President Clinton criticized H. W. Bush's positions towards China - it seemed like the cycle of criticizing the previous president was repeating. The Clinton Administration eventually establish a "constructive strategic partnership" with China. However, President George W. Bush communicated that he wants to start with "ABC line" (Anything But Clinton), and he portrayed China as a "strategic competitor" rather than "strategic partner" of the United States (Yu, 2009, 84)

At the beginning of his administration, Bush establish a hard-line policy towards China. He feared that intense and evolving PRC represents a threat to the U.S. interests. Therefore, during the first months of the Administration, Bush was preferably oriented on the improvement of US-Taiwan relations (Yang, 2010, 439,440).

However, the president's hard-line stance changed after the September 11 terrorist attack. During his visit to China, both leaders agreed on a common goal- to prevent terrorism. The relationship between PRC and U.S. was improving again (Yu, 2009, 88).

The different stance of the Bush Administration was especially apparent during the president's visit of the Great Wall in 2002. This visit was exceptional because it was purposely planned on the 30th anniversary of Nixon's trip to China to begin US-China rapprochement (Yu, 2009, 88).

In overall, till 2005, no significant problems appeared in Sino-US relationship. The US-China relations were relatively stable because of the mentioned common security goal. Another reason for keeping non-problematic links was the fact that MFN trading status for China was renewed every year without any problems due to China's entry into the World Trade Organization in 2001 (Blanchard, Shen, 2017, 33).

Then, some tensions appeared and disturbed this amicable relationship. The main issue was a huge trade deficit with China rose (Blanchard, Shen, 2017, 33). As presented in Table 1, the U.S. trade deficit with China increased from 83.833 million USD in 2000 to 202.278 million USD in 2005.

Another issue connected with the trade deficit with China was higher unemployment- the growth of U.S. imported goods from China caused the losses of manufacturing jobs in America (Irwin, 2017, 25).

Next problem in US-China relations was China's currency manipulation. Since 1990s China's currency was fixed against the USD. Later, the foreign exchange reserves gathered, which led to the fact that the central bank of PRC was purchasing USD and selling its currency undervalued (Irwin, 2017, 669-670).

Most Congress members were convinced that this practice helped to create a more significant trade surplus in China's favour. Thus, the U.S. government appealed China for following newly established exchange rate mechanism of 2005 and pressed China to revalue its currency immediately (Liang, 2007, 52).

At the beginning of the second term of Bush Administration, he was oriented more on the improvement of US-Taiwan relations (Blanchard, Shen, 2017,34).

### **3.12 The Barack Obama (D) Administration (2009-2017)**

During the first Obama's term, he tried to maintain a collaborative relationship with China to solve issues such as the consequence of the financial crises, climate change, threat of

terrorism and nuclear weapons. Moreover, he wanted the Chinese to engage in the process of managing these mentioned issues (Sutter, 2017, 72).

On the other side, China was not much inclined towards this cooperation. The reason for this was evident- the Chinese economy had been growing, and China preferred to manage their interest rather than the international ones (Sutter, 2017, 72).

Meanwhile, China was working on its strategy called "Made in China 2025" to be more innovative and become the number one economy. This strategy aimed to renew the Chinese manufacturing sector (Morrison, 2019, 1)

Furthermore, the Chinese government also tried to slow down the rapid growth and establish "new normal" GDP growth because the Chinese market had already evolved, and the risk of significant GDP decrease might appear. Chinese believed that the "new normal" growth could be achieved by focusing more on fixed investment and innovation of the industries. (Morrison, 2019)

As China wished, the GDP annual growth had been decreasing. In 2000, China's annual GDP growth was 14.23%, in 2010 the GDP accounted for 10.64%, and later in 2015 the GDP growth decreased to 6.91% (see Figure 1)

Although the Obama Administration knew the Chinese market had been changing, he did not want to come into conflict within US-China relation and wanted the relationship to be stable while dealing with the specified issues (Sutter, 2017, 71).

One of these issues was the growing trade deficit with China. The trade imbalance on the most discussed topic in America (Tao, 202). In 2000, the US trade deficit with China accounted for 83,833 million USD, and this number rose to 202,278 million USD in 2005 (see Table 1).

Together with the trade deficit, the issue of currency manipulation appeared again (see Chapter 1- Currency manipulation). Some politicians claimed China's practise of undervaluing its currency harmed the US-China trade balance, which further led to higher unemployment in the US. Therefore, the Obama Administration announced a 5-year plan of increasing the US export of goods in 2010 (Wenzhao, 2018, 202-203).

Obama did not officially state that China is a "currency manipulator"; However, the Administration constantly pressed China to fix this issue (Wenzhao, 2018, 203).

In overall, Obama was not much concerned about the situation in China during his first term. Moreover, when some issues appeared, he dealt with these issues rather privately. Obama preferred a smooth partnership with PRC; therefore, he also avoided conflicts with the Communist leader Xi (Sutter, 2017, 76).

Due to Obama's neutral policy towards China, the Chinese government could focus on their interests, such as technological innovation and expansion of Chinese market without disruptions from America's side (Sutter, 2017,79).

### **3.13 The Donald Trump (R) Administration (2017- incumbent)**

The trade policy towards China sharply changed after the election of Republican President Donald Trump. Compared to previous presidents, Trump was firmly against trade agreements that could hurt America, and he insured an "America first" slogan (in the past it was type of foreign policy connected with protectionism and American nationalism) and promised to bring back the lost jobs of American workers (Irwin, 2017,686).

During his campaign, he also stated that he would "Make America Great Again!". He promised to take actions against trade imbalance, China's currency manipulation and other issues concerned with the US-China trade relationship (Hur, 2018, 405-406).

In terms of trade agreements, he specifically criticised PNTR legislature for China which was approved by the Bill Clinton Administration. He referred to PNTR as wrong choice leading to losses of American jobs (Irwin, 2017, 686).

The issue of China's manipulation had been discussed since the George W. Bush Administration. Because of these discussions, China had been given the NME status, which gave America the right to conduct an investigation against China. China wanted to disengage from the illegal currency manipulation practice to obtain "market economy status" by the World Trade Organisation. However, President Donald Trump refused to give China this status (Hur, 2018, 406).

Since entering WTO, PRC was apart from currency manipulation, also accused of inadequate protection of IPR "Intellectual Property Rights". Trump also considered IPR as dangerous to US national security. He stated that IPR is part of a set of illegal Chinese methods that are especially endangering the growth of the US market (Hur, 2018,407).

According to Trump, another reason for job losses was the huge trade imbalance with China. President Trump was convinced that this trade imbalance in Sino.US trade was a product of business agreements between China and US that were not very favourable for the United States and he promised to bring back these lost jobs (Lin, Wang, 2018, 579).

In 2015, the US exported 115,873 million USD worth of goods to China. On the other side, China exported 483,202 million USD worth of products to the United States, which created the trade deficit of 367,328 million US dollars (see Figure 2 and Table 1)

The Donald Trump Administration aimed to take measure against this massive trade deficit with China. One of these measures was the implementation of high tariffs on Chinese goods (Lin, Wang, 2018, 599).

In January 2018, Trump Administration announced to impose tariffs on certain imports. These tariffs were intended for imports of the aluminium and steel products- the government stated that these imports were posing a threat to the US domestic market and its national security (Hur, 2018, 407).

Specifically, The Trump Administration imposed 25% tariffs on steel, and 10% on aluminium products. Even though these aluminium and steel tariffs were not commanded just on Chinese imports, it was evident that the main goal was to slow down the Chinese market (Hur, 2018, 408,)

In April 2018, the administration expressed a plan of imposing other tariffs on around 50 billion US dollar worth of mechanical and electrical goods and China imposed tariffs in the US exported products such as soybeans and aeroplanes (Lin, Wang, 2018)

By implementing high tariffs on Chinese imports and accusing China of being the currency manipulator, the Trump Administration began the trade war between the two biggest economies in the world in 2018 (Morrison, 2019).

Next tariffs were regularly imposed by both countries throughout the years 2018 and 2019 (see Table 2)- the US raised its taxes on 300 billion USD worth of imported goods from China, in contrary, China increased its tariffs on 110 billion USD worth of goods from the U.S. Moreover, Donal Trump warned that his administration might tax other products which China exports to the United States (Morrison, 2019).

Table 2 Tariffs raised by China and the U.S (2018-2019) (author's creation)

Country	Date	Raised tariffs
U.S.	07.06.2018	25%
China	07.06.2018	25%
U.S.	23.08.2018	25%
China	23.08.2018	25%
U.S.	24.09.2018	10%
China	24.09.2018	5%
U.S.	15.06.2019	25%
China	01.06.2019	10,20,25%

Source: W. Morrison, Enforcing U.S. Trade Laws: Section 301 and China, CRS Rep.: In Focus (Sept. 25, 2018), available at <https://fas.org/sgp/crs/row/IF10708.pdf>

In December 2018, President Donald Trump and the Xi held a conversation. The US administration agreed on postponing other tariffs for 90 days. In exchange for 90 days deal, the Chinese government made a promised to buy a certain amount of us product and begin to transform their economic policies, however, China was not responding, and the tariff war continued (Morrison, 2019).

As Trump promised during his presidential campaign, the trade deficit with China decreased. As presented in Figure 2 and Table 1, the US trade deficit with China was 345 617 million UDS compared to the deficit of 367 328 million of US dollars in 2015 during the Barack Obama Administration.

The US-China trade war during the Donal Trump Administration had become the most discussed economic topic globally. However, the trade war is no anything new, the trade war already happened in the past, and they were called the Opium Wars, also mentioned in the first Chapter (Qureshi, 2019, 153).

To sum up, The Trump Administration aimed to decrease China's economic growth, declare justice for America, disrupt China's plan of "Made in China 2025", reduce the trade deficit and bring back the lost jobs to "make America great again". Even though the trade deficit decreased during the Trump Administration, it can be argued that the trade war is not that effective in achieving these goals and has been hurting both economies (Zhang, 2018, 67).



## 4 SUMMARY

Even though China and America were allies during W.W. II., the Democratic President Truman applied hard-line policy (containment policy) towards China. The containment policy that aim to fight against communist counties was a part of the Truman's Doctrine agenda. When the People's Republic of China was established in 1949 by the Communist Party, the containment policy was applied on this country too. There were not many trade exchanges between the PRC and America until Nixon Administration and a very few that happened were affected by many trade barriers as a result of this hard-line policy.

The Republican president Eisenhower followed the policy of containment towards China. He continued with this hard-line policy in terms of trade, because the administration did not want the Chinese economy to grow—this would allow a communist China to build a strong army, which was unacceptable for Americans who wanted to spread democracy and stop communism from spreading.

Although during the Kennedy administration, the American market had been more liberal, the president continued with the hard-line trade policy towards China. The Democratic president made some effort towards cancelling the embargoes at least on non-strategic goods. However, his plans were disturbed by the Vietnam War.

The Johnson Administration continued with the containment policy towards China because the U.S. government believed that increased trade with China could lead to more intense engagement of this country in Vietnam.

The most notable improvement of the Sino-American relationship took place during the Nixon Administration. Democratic President Nixon did not want to continue with the containment trade policy toward China. Furthermore, he cancelled embargoes on some imports from China and began a cooperative relationship with PRC. Also, during the 1970s, trade with PRC was increasing due to China's economic growth. China's annual GDP growth increased from minus 27.27% to 19.10% in 1970.

The Republican president Ford did not achieve any significant progress in US-China relationship, he instead concentrated on improving partnerships with other countries.

The US-China diplomatic relations were finally fully realized in 1979 when Democratic President Carter was in power; moreover, the Carter Administration gave China MFN trade status.

The Republican Administration of Ronald Reagan was more focusing on the US-Taiwan relations than on the US-PRC relationship. Meanwhile, the US-China trade grew along with the US trade deficit with China.

The Tiananmen crackdown was the most momentous event in the H. W. Bush Administration. This event provoked Bush to implement a slightly stricter trade policy towards China. However, the Republican President still aimed to maintain stable relations with China that president Nixon began in the 1970s.

Administration of the Democratic President Clinton criticized Bush's China policy. He stated that Bush's trade policy towards China was not strict enough. During his first term, Clinton focused on linking trade policy towards China with the human rights agenda. During his second term, he discontinued the linkage between trade and human rights and tried to incorporate the plan of China's engagement. He gave the impulse for China's entering the WTO.

Throughout the first year of the George W. Bush Administration, the Republican President favoured hard-line China's policy; he believed that the growing Chinese market poses a threat to America's interests. Nevertheless, his attitude changed after the terrorist attacks in September- both countries had a common goal to prevent terrorism.

The main goal of the Obama's Democratic Administration was to keep the US-China relationship stable and cooperate with China to deal with international environmental issues and prevent terrorism and recover the world economy after the financial crisis. He was much aware that there were some issues regarding China's rapid tech growth such as illegal practices, such as stealing intellectual property rights and currency manipulation. However, he was dealing with these issues in a non-aggressive diplomatic way.

Without any doubts, the Republican President Trump used hard-line policy practises towards China, maybe even above so-called hard-line. He behaved as a "watchdog" of America, especially in terms of the country's security. Often, he stated that issues connected with China (such as currency manipulation) is threatening the security of the United States. Trump was strictly against the trade agreement with China that would hurt American business. He is a Republican type leader who truly believes in "America first" ideology. The President Trump significantly changed the course of the US-China relations as no one before by starting the trade war between these two countries. That led to the situation of constant tariffs raising which hurt not even China and American businesses but also other economies.

## CONCLUSION

To summarize, the US-China trade relationship had changed dramatically since 1949. There is no doubt that both Republican and Democratic presidents significantly influenced the development of the US-PRC relationship. The US-China trade relations from 1949 to 2019 can be divided into three milestones.

The first milestones began in 1949 and ended in 1972. During this period, presidents of both Parties were following hard-line containment policy towards China—this was mainly caused by the fact that PRC was established in 1949 by the Communist Party, and at that time America was following Truman's Doctrine agenda which was not very favourable for communist countries.

It could be argued that the second milestones began with the Republican President Nixon in 1972. This year President Nixon made a historic visit to China and a new era of the US-China trade relationship started. President Nixon diverted from the preferences of the Republican Party and followed rather Democratic characteristics. Since Nixon's opening, US-China trade had been growing. Nevertheless, both countries were not just benefiting from the business. Also, specific issues such as the US trade deficit appeared—the trade deficit increased from 6 million USD in 1985 to 345 617 million USD in 2019.

The last milestone started in 2001 when China entered the WTO. Since then, the issues connected with the trade relationship, such as the deepening trade imbalance, China's currency manipulation, massive China's investment in the US, began to be heavily discussed and criticized by Americans. These and other disputes in Sino-US trade relationship led to the trade war during the Trump Administration. However, in December 2019, global coronavirus crises appeared and disturbed this ongoing trade war. It will be interesting to see how this epidemic will affect the US-China trade relationship in the future.

Due to a limited amount of space for this thesis, related topics such as the issue of the US-Taiwan trade relationship are not covered. Further research is needed to elaborate on this topic.

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## **LIST OF ABBREVIATIONS**

PRC	People's Republic of China
GOP	Grand Old Party
MFN	Most Favoured Nation
PNTR	Permanent Normal Trade Relations
WOT	World Trade Organization
IPR	Intellectual Property Rights
FDI	Foreign Direct Investment



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