

CHAPTER II

THE UNITED STATES-CHINA RELATION

The relation between the United States and China has been conducted a long time ago. This relation started when the land of China is controlled by the nationalist government. The relation between these two countries has been through up and down. Relation between them occurred when the land of China has been dominated by the Communist government (RRC), at that time the nationalist government escaped to Taiwan. This tension began when the United States against the communist ideologies. At that time, the United States helped to train the troops of nationalist to combat against communist forces and Japan aggression and since then the conflicts often occur between The United States and China because of Taiwan as well as other problems along with conditions in the international world.

The 21st century may be marked as the Pacific century, and China is one of the economic market actor with a very high economy and rapid growth in this region compared to other countries in both Asia and Europe. Moreover, with a large population, China possessed economic power that came with a great influence on the change in economic sector as well as politic stability in the region Asia. This is certainly challenging The United States which had made a large contribution to the stability of this region.

The relation between both countries got stable with the Treaty of Wanghia in 1844. This treaty has settled several issues; this treaty fixed trade tariffs, granted the right of the United States to build churches and hospitals in specific Chinese cities

and stipulated that the United States government cannot be judged in Chinese courts (instead they would be judged in U.S. consular offices). Since that time, then the relation both the United States and China has fluctuated coming closer and harmonic²¹.

The United States established a good relation with China because of several aspects. In addition, a constructive relation with China is strong because of some interest. There are several aspects of The United States which a constructive relation with China this is²²:

1. The People's Republic of China (PRC) plays a major role in the post-Cold War
2. China has enormous population (about 1.2 billion people) and largest in land mass of the third (after The United States and Canada)
3. Having a nuclear weapon and having a growing military power, China plays a key role in regional stability
4. As one of the five permanent members of UN Security Council, China has veto power over Security Council resolutions dealing with key multilateral issues, including international peacekeeping and regional conflict resolution, and

²¹ Written by: Keith Porter
usforeignpolicy.about.com/od/countryprofile1/p/uschina.htm
Internet Accessed on 01 march 2011

²² Fact Sheet released by the Bureau of East Asian and Pacific Affairs, U.S. Department of State, June 20, 1997.

http://www.state.gov/www/regions/eap/fs_us_china_relations.html
Internet Accessed on 02 march 2011

5. China's experience tremendous economic growth to become a leading economic power at the beginning of the next century.

President Nixon took a trip to China in 1972 to signed the Shanghai Communiqué. Besides, The United States also adopted a "one China Policy." It means that The United States recognized that Chinese and Taiwan are in one entity and Taiwan is part of china.

The policy of comprehensive engagement with China was launched by President Clinton in September 1993 to pursue The United States interest through intensive and high-level dialogue with China, these policies are:

1. Constructive China's participation in the UN Security Council and in regional conflict resolution to enhance global peace and security;
2. Active participation by China in the multilateral nonproliferation regimes, which is necessary to stop the spread of weapons of mass destruction and their delivery systems;
3. Economic and trade relations with China fulfill the interests of the U.S. economy;
4. Respect for internationally recognized standards of human rights and the rule of law in China, and
5. Cooperation of China on global issues, particularly to combat alien smuggling and narcotics trafficking and to enhance environmental

America and China are not allies or enemies. The aims of the United States government in building a military forces is not to make China to become its enemy but to make China to become its competitors in some areas and partners in others. On the other hand China has the largest population in the world while the population of The United States stands the third position after India. Both countries are the world's largest oil consumer. They are also the largest emitters of greenhouse gases in the world today²³.



The relations between the People Republic of China and The United States have generally been stable with some periods of tension, especially after the breakup of the Soviet Union, which removed a common enemy and ushered the world characterized by American dominance. There are also concerns which related to human rights in the People Republic of China and the political status of Taiwan.

While there are some irritants in Sino-American relations, there are also many stabilizing factors. The People Republic of China and The United States are major trade partners and have common interests in the prevention and suppression of terrorism and in the prevention of nuclear proliferation. China and the US are the largest trading partners excluding the European Union. China is also the U.S.'s largest foreign creditor. China's challenges and difficulties are also mainly internal, and therefore there is a desire on the part of the PRC to maintain stable relations with The

²³ en.wikipedia.org/wiki/Sino-American_relations
Internet Accessed on 02 March 2011

United States. The China and the United States has been described by top leaders and academics as the world's most important bilateral relation of the 21st century.

Table 3: China and the United States Comparison

	 People's Republic of China	 The United States of America
Area	9,640,011 km ² (3,721,904 sq mi)	9,850,476 km ² (3,803,290 sq mi)
Population	1,380,720,000	312,743,697
Population Density	140/km ² (363/sq mi)	31/km ² (80/sq mi)
Capital	Beijing	Washington, D.C.
Largest City	Shanghai (19,058,198)	New York City (19,069,796)
Government	Unitary socialist republic (one country, two systems)	Federal presidential constitutional republic
Official languages	Chinese	English (de facto)
GDP (nominal)	\$5.745 trillion	\$14.624 trillion
GDP (PPP)	\$8.084 trillion	\$14.624 trillion
GDP (nominal)	\$4,283	\$47,132

per capita		
GDP (PPP) per capita	\$7,518	\$47,132
Human Development Index	0.663[6]	0.902[7]
Foreign exchange reserves	2,450,000 (millions of USD)	83,375 (millions of USD)
Military expenditures	\$140 billion ^[citation needed]	\$700 billion ^[citation needed]

Source: <http://en.wikipedia.org>

A. THE UNITED STATES-CHINA RELATIONS POST WORLD WAR II

The tense situation between two sides East and West post at the end of the World War II was very high. This tense was based on the consideration of global strategy and the maintenance of national interests. The United States Government has a great effort to support the Kuomintang party to launch a civil war in order to eradicate the communist party (RRC)²⁴.

²⁴ http://en.wikipedia.org/wiki/World_War_II
Internet Accessed on 03 of March 2011

After World War II which was won by the United States and failure in the Japanese side. Then the Japanese colonies authority was being weakened. This condition utilized by China government to cast out the Japan from its region. On October 1, 1949 the communist party established the state of the people's republic of china (RRC), and then China had authorized the land of China and cast out the Nationalist government which has escaped to Taiwan.

After the founding of People's Republic of China (RRC), The United States Government issued a policy to isolate and block China. Even though China has succeeded in authorized land of China, RRC was not recognized by many countries in the world who sits on the United Nations Security Council. As a communist country China is precisely isolated by many countries in the world except communist country.

On the other hand, People's Republic of China (RRC) makes close relations to the Soviet Union countries which adopted Marxism-Leninism ²⁵. Then, the People's Republic of China (RRC) and the Soviet Union hold an agreement of friendship by a condition that Soviet Union would provide support to the People's Republic of China (RRC) to carry out the development of repairing the broken infrastructure caused by the war against Japan.

When People's Republic of China (RRC) were repairing the infrastructures Korea, as the neighboring country had serious internal conflict. This internal conflict divided Korea into two parts, North Korea (communist) and South Korea (Capitalist). The tension between North Korea and South Korea were growing up massively.

²⁵ WD Sukisman. Sejarah China Kontemporer Jilid 2, PT Pradya Paramaita, Jakarta, 1993, hal 54

Then, South Korea decided to make an agreement with the United States, but this kind of thing made the tension toward China worse.

On June 25, 1950 Korean War began and it made the United Nations condemned the North Korea as an aggressor State. People's Republic of China (RRC) did not agree if the imperialism exist in its neighboring country and then People's Republic of China (RRC) decided to oppose The United States and help North Korea. Then People's Republic of China (RRC) delegated the General Peng De Hui as a volunteer army to attack the army of the United States. The interference of People's Republic of China (RRC) in the Korean War made the United States angry and called China as an aggressor state. Finally, the United States gives trade sanction by using embargo against China²⁶.

Another case, the People's Republic of China (RRC) also interfered the Vietnam's effort which was trying to free from French colonialism. However, after the French did not colonize Vietnam anymore, People's Republic of China (RRC) also helped this State to prepare their independence. Meanwhile, The United States established Defensive Pact Southeast Asia (SEATO) South East Asia Treaty Organization which consists by: The United States, English, French, New Zealand, Philippines, Thailand and Pakistan²⁷. In addition, The United States also established the Defensive Pact of The United States with the Nationalist Republic of China

²⁶ *Ibid*, hal 54.

²⁷ John Spainter, American Foreign Policy Since World War II, A Division Long Ressional Quarterly Inc, Washington DC, 1988, hal 75.

(Taiwan). This kind of action makes the People's Republic of China (PRC) angry with The United States action.

After the Korea war, The United States launched an armed to both sides People's Republic of China (PRC) and Taiwan for interference, which was essentially a domestic affair of China. In 1950, the seven Navy of the United States entered the Taiwan Strait, the thirteen air forces of The United States placed in Taiwan. In December 1954, and the United States and Taiwan leader signed the defense agreement both of them which placed province of Taiwan under "protection" of The United States.

The United States government claimed that China's interfere have triggered a tense confrontation in the Taiwan Strait area in a long time, since that time, the problem of Taiwan becomes a big issue between the PRC and the United States. This case became more complicated when especially The United States deploy the Navy into the Taiwan Strait to protect Taiwan from People's Republic of China (PRC) attack. Due to the increasing tensions in the Taiwan Strait, The United States and China agreed to makes an agreement at the United States embassy in Warsaw (Poland). One of the content in the agreement is that the United States ordered China not to use force or weapon against Taiwan.

On the other hand, the People's Republic of China (PRC) demanded The United States to take back the troops which were surrounding Taiwan areas. Nevertheless agreement was broken by The United States by providing weapon and army to Taiwan. Que Moy and Matsu Island at the eastern coast of China became a

military defense base of the United States in helping Taiwan against China. In addition, Taiwan planes held reconnaissance of the east coast of China, which triggered China more angry²⁸.

Meanwhile, the People's Republic of China (RRC) was also deploying its troops to the eastern coast against Taiwan. This incident was inevitable because the condition of both sides were complicated. The war between China troops and Taiwan, on the island of Que Moy and Matsu could not be avoided²⁹. Finally, the Soviet which supported by the United States Union did not agree with the China attitude which attacking by Taiwan. The Soviet Union released a statement that whoever attacks China is the enemy of Soviet Union enemy. Since that statement, People's Republic of China (RRC) and Taiwan agreed to stop the war³⁰.

Since that incident, the relations between the United States and China got worse. The situation became worse by the Vietnam War where the United States deployed the troops to support South Vietnam against communism in North Vietnam. More than 60% of North Vietnam weapon providing by China. At that time, the United States deployed its air force to attack North Vietnam; whereas the China government condemned the attack of South Vietnam and challenge the United States to counter China. In the other hand, China also haved a nuclear weapon that makes China did not fear with any enemy in the world even the United States³¹.

²⁸ WD sukisman, op cit hal 61

²⁹ New Jersey, 1980, pages 80

B. NORMALIZATION THE UNITED STATES-CHINA RELATIONS

People's Republic of China (RRC) declared their independence in 1949. After their independence, China wanted to manage their domestic country and wanted to be a leader among developing countries. That was the reason why China government collapsed in terms of economy, politics etc. Finally, the government of China started to repair the mistakes in the past and begin to pay more attention on its country in various aspects especially economy. Therefore the government of China began to make relations with The United States government in order to improve economy. This aim was followed up by a meeting between the ambassadors of each country in Warsaw.

The good intentions of the People's Republic of China (RRC) to build a good relations with the United States, was received by the government of the United States kindly. President Richard Nixon wanted to withdraw his troops from Vietnam in 1970, and brought China on the member of Asian meeting area. This relation between the United States and China called by "Ping-pong Diplomacy". After the United States sent the team of Ping-pong to China for following the competition. Then, Henry Kissinger continuously came to Beijing to hold a meeting to discuss about the relations between the United States and China for further strengthen cooperation in both countries.

The Chinese wanted to make a further discussion in more understanding about the United States-China relations. China and The United States at the same time looking for the foundation on which both countries cooperate well. In addition in

1979 the United States-China relations was normal again after the long conflict of Taiwan as one of obstacles in the relations between both countries.

nevertheles there are consensus that cannot be influenced by two countries respectively, due to different interests and influence from domestic politics. One of the consensus-called "Watergate" which contains the limitation of the opening of relations between the United States-China. In China, the politics of the "cultural revolution," especially the political interference of the Lin Biao and Jiang Qing cliques, influenced Also, in various degrees, the Chinese policy toward The United States³².

The development of relations between The United States and the People's Republic of China (RRC) has a lot of challenges. Another hand, China had more strength influence in international situation rather than the United States and then The United States reordered the policy toward China. United Nation held the meeting on 26 October 1971 that resulted in the resolution number 2758, which consists of all legitimate right of China in the United Nations, and the representative of Taiwan in the United Nations. The United Nations decision maked the government of Taiwan disappointed. Moreover, China became the member which has the veto right in the United Nations.

In February 1972, the United States President, Richard Nixon, visited China. Both countries, the United States and China driven out the agreement called the

³² Written by: William C. Kirby, Robert S. Ross Normalization of U.S.-China Relations
<http://www.fas.harvard.edu/~asiactr/publications/pdfs/Kirby%20et%20al%20FM.pdf>
Internet Accessed on 07 march 2011

Shanghai Communiqué. This Shanghai Communiqué emphasizes that the United States recognizes that all the land of China citizens including Taiwan Strait to be only one China, and that Taiwan is a part of China. The United States Government agreed with this policy. The contents of Shanghai Communiqué on 27 February 1972 with principles of international relations stated that³³:

1. Progress toward the normalization of relations between China and the United States is in the interests of all countries
2. Both wishes to reduce the danger of international military conflict
3. Neither should seek hegemony in the Asia-Pacific region and each is opposed to efforts by any other country or group of countries to establish such hegemony
4. Neither is prepared to negotiate on behalf of any third party or to enter into agreements or understandings with the other directed at other states.

In addition, China wanted the United States to recognize only one legitimate government, that is China, and Taiwan is a province of China. China wanted Taiwan to become China's internal affairs and the United States should withdraw the troops from Taiwan and recognize Taiwan as another government but still in one country called China. On October 1972, (one of China policy), The United States recognized that Taiwan is a part of China government.

³³ The Joint US-China Shanghai Communiqué February 27, 1972
<http://www.proudchina.com/shanghaicomunique.html>
Internet Accessed on 07 march 2011

C. ASPECT OF ECONOMY

China and the United States are two big powers in the world in economic aspect, which have a great and global influence. These two countries have a wide implication, especially for influencing function of global trade. Interdependency has been created by both countries in selling their product, lending the capital, etc. The relations between the United States and China are not only at the level of trade but, has been expanded into several geopolitical and global security issues.

Maintaining the good relations between two countries is very important because this will affect the continuation of interest in each country. The global financial crisis experienced by the United States has become the attention of international states. Both the United States and China is a threat to the world, especially in terms of trade and the dangers of global macroeconomic imbalance³⁴.

The United States reopened the trade relations with China in 1972 and 1973. The United State's investment in China consisted of various aspects such as hotels, restaurants, petrochemical and other manufacturing sectors. For more than 20,000, the United State, companies have come into an agreement with the China companies (the joint venture contract). Multinational companies which are located in the United States have projects in China, which accounted for hundreds of multinational corporations. The amount of The United States investment in China was about US \$ 48 billion. In 2006, the United States trade deficit with China exceeded US \$ 350

³⁴ Written by: Eswar S. Prasad "*Effects of the Financial Crisis on The U.S.-China Economic Relation*" <http://prasad.dyson.cornell.edu/doc/research/CATOPrasadChina.Summer09.pdf>
Internet Accessed on 07 march 2011

billion. And this is the largest deficit the United States experienced. Some factors that affected the United States trade deficit with China are:

1. The strength of the U.S. economy has assembly industries to mainland China from the newly industrialized countries (NICs) in Asia. Mainland China has increasingly become the last link in a long chain of value-added production. Because the U.S. trade data attributes the full value of a product to the final assembler, mainland Chinese value added is over counted.
2. U.S. demand for labor-intensive goods exceeds domestic output. The PRC has restrictive trade practices in mainland China, which include a wide array of barriers to foreign goods and services, often aimed at protecting state-owned enterprises. These practices include high tariffs, lack of transparency, requiring firms to obtain special permission to import goods, inconsistent application of laws and regulations, and leveraging technology from foreign firms in return for market access. Mainland China's accession to World Trade Organization is meant to help address these barriers.
3. The undervaluation of the Renminbi was relative to The United States Dollar³⁵.

³⁵ http://en.wikipedia.org/wiki/Sino-American_relations
Internet Accessed on 07 march 2011

The United States trade toward China rose in 2009, and the United States became one of China's main export markets in selling his product. In 2009, China's export increased 100 billion U.S. dollar toward the United States to be 296 billion U.S dollar. In addition, China's import also increased from 16 billion into 70 billion U.S dollar. The main question is whether the increased volume of trade of both countries, the United States and China, still defend the good relations as the partners in markets or not. The export to the United States from China was around 21 percent of the total China's export around the world. In the 2009 decade the United States exports to China increased gradually for only 5 percent. Meanwhile, China's export to the United States in 2007 fell 18 percent³⁶.

The United States is the market of China's exports. In 2009, China's exports to the United States increased as many as 5 percent. Yet the United States' export was deficit around 7 percent of China's import in the middle of 2000s. Since then, the trade relation both countries have many challenge. This triggered by The United States deficit which rose around about US \$ 84 billion in 2000 come to US \$ 227 billion in 2009 (about 1.6 percent of U.S. GDP). Especially the deficit which face by the United States in the year 2009 increased nearly 2/3 of the United States' deficit around US \$ 356 billion³⁷.

³⁶ Written by: Eswar Prasad

The U.S.-China Economic Relation: Shifts and Twists in the Balance of Power
http://www.brookings.edu/testimony/2010/0225_us_china_debt_prasad.aspx
Internet Accessed on 07 march 2011

³⁷http://www.brookings.edu/testimony/2010/0225_us_china_debt_prasad.aspx
Internet Accessed on 07 march 2011

D. TRADE IMBALANCES & REMEDIES

The trade released by The United States toward China in January figures out the deficit trade totaled US \$ 252.4 billion during the first 11 months of 2010³⁸. China continuously grows up their goods exporting rather than imports and it means that China got the surplus in 2010 totaled US \$183.1 billion³⁹.

Table 4: Trade with China: 2008-2010

NOTE: All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted unless otherwise specified.

Month	Exports	Imports	Balance
January 2008	5,556.7	26,193.0	-20,636.3
February 2008	5,698.1	24,095.9	-18,397.8
March 2008	6,294.4	22,440.2	-16,145.9
April 2008	5,651.2	25,951.7	-20,300.4
May 2008	6,275.7	27,634.5	-21,358.9
June 2008	6,188.2	27,930.6	-21,742.5
July 2008	6,234.6	31,247.3	-25,012.6

³⁸ <http://www.census.gov/foreign-trade/balance/c5700.html#2010>
Internet Accessed on 23 March 2011

³⁹ http://money.cnn.com/2011/01/10/news/economy/china_trade_balance/index.htm
Internet Accessed on 23 March 2011

August 2008	6,201.3	31,823.7	-25,622.4
September 2008	5,257.6	33,078.7	-27,821.1
October 2008	6,083.4	34,032.4	-27,949.0
November 2008	5,181.0	28,265.0	-23,084.1
December 2008	5,110.7	25,079.5	-19,968.8
TOTAL	69,732.8	337,772.6	-268,039.8

Trade with China: 2009

Month	Exports	Imports	Balance
January 2009	4,159.6	24,743.5	-20,583.8
February 2009	4,661.7	18,845.5	-14,183.8
March 2009	5,579.3	21,224.7	-15,645.5
April 2009	5,161.4	21,920.6	-16,759.2
May 2009	5,256.0	22,734.1	-17,478.1
June 2009	5,548.6	23,972.8	-18,424.2
July 2009	5,269.3	25,671.1	-20,401.8

August 2009	5,518.0	25,798.1	-20,280.1
September 2009	5,764.3	27,893.9	-22,129.6
October 2009	6,879.3	29,557.8	-22,678.5
November 2009	7,374.2	27,541.7	-20,167.6
December 2009	8,325.0	26,470.1	-18,145.1
TOTAL	69,496.7	296,373.9	-226,877.2

Trade with China: 2010

Month	Exports	Imports	Balance
January 2010	6,888.8	25,185.1	-18,296.3
February 2010	6,855.1	23,363.8	-16,508.8
March 2010	7,403.6	24,300.2	-16,896.6
April 2010	6,591.2	25,905.7	-19,314.5
May 2010	6,752.7	29,036.8	-22,284.1
June 2010	6,715.0	32,866.5	-26,151.5
July 2010	7,344.7	33,260.0	-25,915.3

August 2010	7,253.5	35,288.5	-28,035.0
September 2010	7,168.2	34,999.2	-27,830.9
October 2010	9,303.4	34,820.2	-25,516.8
November 2010	9,481.4	35,115.5	-25,634.2
December 2010	10,120.7	30,802.3	-20,681.5
TOTAL 2010	91,878.3	364,943.8	-273,065.5

Trade with China: 2011

Month	Exports	Imports	Balance
January 2011	8,078.1	31,349.6	-23,271.5
TOTAL	8,078.1	31,349.6	-23,271.5

Source: <http://www.census.gov/foreign-trade/balance/c5700.html>

While the dominance of The United States as the world's largest economy is unchallenged during the recent economic recession, China is catching up, and it has surpassed Japan as the world's second largest economy. This changing landscape makes the imbalanced trade between The United States and China as a major point of

tension in the bilateral relation. The tensions in the trade relation between China and The United States are also reflected in the large number of antidumping (AD) and countervailing duty (CVD) actions initiated in each country in recent years. In 2009 and 2010, The United States Department of Commerce issued 23 AD and CVD orders against Chinese imports. On the other hand, among the 26 U.S. products that are currently subject to China's AD and CVD measures, about half of them were initiated in 2009 and 2010⁴⁰.

⁴⁰ <http://ia.ita.doc.gov/trcs/index.html>
Internet Accessed on 23 March 2011