



Università
Ca' Foscari
Venezia

Master's Degree
in Lingue, Economie e
Istituzioni dell'Asia e
dell'Africa Mediterranea

Final Thesis

**The trade war in
the context of
Sino-American
economic and
diplomatic
relations: past,
present, future**

Supervisor

Ch. Prof. Guido Samarani

Assistant supervisor

Ch. Prof. Laura De Giorgi

Graduand

Francesca Taioli
Matriculation number
851680

Academic Year

2019 / 2020

This page is intentionally left blank.

Acknowledgements

I would like to start this letter with a heartfelt thanks to Professor Guido Samarani, the supervisor of this thesis, for the trust and the help that he granted me during the drafting of my thesis. I also would like to take the opportunity to extend my gratitude to Professor Laura De Giorgi, the assistant supervisor, and I wish to recognize the invaluable assistance they provided during my last academic effort.

I would like to pay my special regards to my parents, who kept me going during difficult times with their support and their great love. This work would not have been possible without their economic and moral support. I virtually hand my thesis over to them, with the hope that this day will repay them for the sacrifices and the ups and downs we endured during these last years.

I would like to express my deepest gratitude to my boyfriend Davide, who supported me with love, (endless) patience and trust. I am forever grateful for the moral support he has given me during the drafting of this thesis and I hope he will continue to support me for many years to come.

Finally, I would like to thank all the friends that helped me during my academic path, even though it would be impossible to name all of them in this short letter. With some of them I spent long days at the library, studying and preparing our exams together, waiting to celebrate together the end of the exam period, while some other friends helped me with a simple word of encouragement.

This graduation day represents the end of a path and, at the same time, a new beginning, and I am extremely excited to see what is in store in the future. I would like to end this letter by placing on record my deep sense of gratitude to anyone who has lent me a helping hand during this journey: my heart is full of boundless love and appreciation for all of you.

Abstract

Every day, news of the ongoing trade war between China and the United States appear on the first page of newspapers and online articles and people suddenly started worrying about a possible “Third World War”. However, it is possible to retrace in their diplomatic and economic history some crucial events that shaped into the current state of affairs, as the swift “renaissance” of the Chinese superpower changed forever the balance of the world outlook. Therefore, the main objectives of this thesis consist of analyzing the history of U.S.-China relations and compare today’s trade war with some of the trade wars of the past to figure out what the possible outcomes of this conflict could be. In order to do so, we will analyze the diplomatic and economic relations between China and the United States before the trade war in the first chapter, together with some major events that laid the foundations for today’s antagonism.

In the second chapter, we will proceed to explore some of the strategies used during the trade war by both countries, as well as the economic consequences they endured.

Finally, in the third chapter, we will confront it to some of the economic conflicts from last century to formulate some hypothesis about what could happen during the course of the trade war.

导论

“贸易战是好的而很容易打赢”。

2018年3月2日，美国总统唐纳德·特朗普在推特上发表了一条推文，不出所料这条推文引起了全世界的反应。这一切始于2018年1月。特朗普总统对中国和美国之间不断增长的贸易逆差感到愤怒，因此他决定对从中国进口的太阳能电池板和洗衣机征收关税。特朗普3月2日发布推文几天后就决定对中国进口的钢铁和铝征收关税，这导致中国以关税进行报复。这一事件最终标志着两国关系新篇章的初时。

电视，报纸和各种各样的社交媒体中国和美国之间的贸易战争被广泛地讨论，但是当涉及到经济冲突是大大不同于军事战争，很难建立准确的损失，生活影响。更重要的是，由于这个原因，甚至更难预测它们将如何以及何时结束。

尽管如此，回顾过去的贸易冲突，我们有可能找到一些共同的相似之处，这些相似之处导致了贸易战争的爆发，并试图提出一些假设，预测这场正在进行的经济冲突的未来会发生什么。

因此，在我的论文的基础在于导致中美这两个全球超级大国发生冲突并最终升级为关税战争的主要事件和原因地分析。

当我认为这个主题在我们时代是至关重要的，我选择了这个主题进行我的研究生论文。我认为贸易战不仅涉及中美两国而实际上它更具有全球相关性。这两个国家的财富和福利都建立在自由贸易的基础上，双方都从中受益匪浅。一方面，由于自由贸易体制，美国得以成为国际体系的领导者，随着近期地保护主义

政策，我们可能会看到美国影响力的下降。另一方面，改革开放进行之后，中国让数百万人摆脱了贫困。许多人认为，如果中国没有选择这样做，它肯定不会成为今天的超级大国。

世界各地，保护主义措施和民粹主义似乎在过去几年中受到欢迎。众所周知，美国总统特朗普反对世界贸易组织和其他自由贸易协定。可是，在这个越来越复杂的时代，简单的解决方案很少能改善情况。中国并不是唯一一个成为这种“特朗普式”新保护主义的目标国家：美国的一些主要盟友，如欧盟、加拿大、日本和墨西哥，也因向美国的进口产品征收某些关税而受到损失。这导致了报复性措施，使美国在全球范围内越来越孤立。

这与中国的情况很不一样，中国现在在实施一个雄心勃勃的计划称为一带一路（BRI）。一带一路计划中，中国角色是借钱和世界各地创建基础设施，同时建立一个经济联盟网络所以得到正确的结果，中国会当全球经济的最重要国家。该计划旨在通过加强软基础设施、硬基础设施以及最后但并非最不重要的文化纽带，通过海上和陆地网络，将亚洲与欧洲和非洲连接起来。从政治和经济的角度来看，预计该计划最终将为中国带来巨大的收益。它一直被认为是有争议的，并显然伴随着一轮批评，尤其是针对中国被指责在重大基础设施项目的建设上偏袒中国企业而非本土企业的事实。“一带一路”的目的在于通过加强软基础设施、硬基础设施以及文化交流，增加海上和陆地人脉，将亚洲与欧洲和非洲连接起来。从政治和经济的角度来看，预计该计划最终将为中国带来巨大的收益。“一带一路”被认为是有争议的，并显然伴随着一些批评，尤其是针对中国被指责在重大基础设施项目的建设上偏袒中国企业而没有收录本土企业。“一带一路”，不能不让人想起美国的马歇尔计划。美国提供了10亿美元帮助西欧国家在战后恢复，这在本质上起到了经济基础和社会凝聚力的作用，北约也因此而诞生。对美国的共识是建立在经济援助的基础上，这样经济援助引发了30年的进步。如今，中国正在做类似的事情，通过“一带一路”倡议建立一个联盟网络。

我的论文有三个章节:第一章里, 我研究了中美经济与邦交关系历史。为了了解两个国家的当代关系我选择从 1971 年尼克松访问中国开始。这正式重启两国外交关系的主要事件经过几十年的彼此没有外交联系。本章中我还要讨论的事件有 1989 年的天安门事件、2001 年中国加入世界贸易组织(WTO)以及中国国家主席习近平的到来及其“中国梦”。

第二章里, 跟贸易战争的事件有关的事件是主要的焦点, 但是我决定只用一个小章节探讨关税和时间线的贸易战争。事实上有其他主题贸易战争相关事件是同样重要的, 例如贸易赤字, 网络安全问题, 逮捕华为首席财务官的事件。因为他们有一个核心作用在事件的发展, 这些事件都值得深刻地讨论。

当今贸易战的重要组成部分是新技术领域。新技术是衡量中美两国创新能力和未来的主战场, 也是在科学发展和科学发现的驱动下, 主宰这个新世界的必由之路。现在可以比较肯定地说中美贸易战很大的部分是在于 5G 和人工智能技术等新技术领域引起和展开的, 这些技术将在这场战斗中发挥巨大作用。

在第三章, 我决定研究过去的两场贸易战。第一个是 1930 年的《斯姆特-霍利关税法》, 这是美国总统胡佛采取的一项保护主义措施。他被指责在大萧条的背景下恶化了已经受到损害的美国经济。仔细探讨《斯姆特-霍利关税法》和今天的贸易战争有一些惊人的相似之处。首先美国征收关税后在这两种情况下的美国经济和外交上更加孤立, 而且由于其他国家所强加的报复性关税全球贸易大幅放缓(三十年代比今天更减速了得多)。

第二个对比我决定研究 80 年代日本和美国的贸易战。在大衰退的背景下, 美国人的不满情绪不断增长, 美国政府决定将他们的经济问题归咎于美元升值。因此, 他们提出了“广场协议”, 这是一项由法国、西德、日本、美国和英国于

1985 年签署的联合协议。该协议的条款要求美元兑日元和德国马克贬值，方法是干预外汇市场。“广场协议”，美国的真正目标是重新平衡与两国的贸易逆差。

一个很大的相似之处是，货币贬值在这场紧要经济冲突中有了中央角色，就像今天一样。事实上，2019 年 8 月，美国总统特朗普将中国列为“汇率操纵国”，称中国为压低人民币汇率，以保持中国产品在海外的价格竞争力。这是从 1994 年开始美国总统第一次将中国列为汇率操纵国，这一决定可以象征性地被看为对中国政府的挑衅。

撰写本论文时，中国和美国达成了一项贸易协议，讲关税战的“第一阶段”已经结束。这项贸易协议要求中国大幅增加从美国的进口，同时两国将能够保留对进口产品的部分关税，并避免征收更多关税。美国总统唐纳德·特朗普称该贸易协议是他的政府的一个“开创性”成就，然而许多人怀疑中国要兑现他们在该协议中做出的承诺。

事实上，有一些合理的怀疑认为贸易协议可能只是特朗普重新获得美国农民支持的一个简单途径，这些农民在特朗普征收的关税下遭受了很大损失。另一方面，这也是中国政府管理国民投资预期的一种简便方法。此外，在中国承诺实施知识产权法的问题上，该协议的中文措辞相当模糊。

尽管媒体对该协议大肆宣传而把特朗普喜笑颜开传播，但仍有很多问题需要与中国领导人讨论。军事战争，以及经济战争，可能会产生最不可预测的结果。在这件事上更是如此，因此特朗普总统好像没有一个连贯、长期和广泛的战略。无论如何，我们可以肯定地说这场贸易战远未结束。

Table of contents

Acknowledgements.....	2
Abstract.....	4
导论.....	5
Introduction.....	11
CHAPTER I	
An overview of China-U.S. relations from the opening of China to Xi Jinping’s era.....	17
1.1 China-United States rapprochement.....	17
1.2 A new leadership under Deng Xiaoping.....	22
1.3 The normalization of diplomatic and economic relations between China and the United States.....	26
1.4 1989: The Tiananmen Square’s Crackdown.....	29
1.5 2001: China’s admission in the World Trade Organization.....	33
1.6 After 9/11.....	36
1.7 Obama’s tenure and Xi Jinping’s “Chinese Dream”.....	42
CHAPTER II	
The trade war.....	48
2.1 Fear from East.....	48
2.2 New technologies and 5G.....	53
2.3 Huawei CFO case and cybersecurity issues.....	58
2.4 Made in China 2025.....	63

2.5 Trade deficit between China and the U.S.....	67
2.6 Tariff war.....	69
CHAPTER III	
Trade wars of the past.....	79
3.1 Tariffs in history.....	79
3.2 Smoot-Hawley Tariff Act.....	81
3.3 Similarities and differences between Smoot-Hawley Tariff Act and China-U.S. trade war.....	85
3.4 The Japan-U.S. trade war.....	87
3.5 Similarities and differences between Japan - U.S. trade war and China - U.S. trade war.....	95
3.6 Possible outcomes of the war: Learning from history.....	97
Bibliography.....	106
Webliography.....	109

Introduction

“Trade wars are good, and easy to win”.

On March 2nd, 2018, a tweet from American President Donald Trump was sent through the ether, predictably raising reactions all over the world. It all started in January 2018, when the United States (U.S.) President, angered by the growing trade deficit between China and the U.S., decided to impose tariffs on imports of solar panels and washing machines coming from China. Trump’s tweet of March 2nd was followed after a few days by his decision to impose tariffs on Chinese imports of steel and aluminum, which brought China to retaliate with their own tariffs. That event finally marked the start of a new chapter in the relations between the two countries.

The trade war between China and the United States has been widely discussed on television, on newspapers and on social media of all kinds, however, when it comes to economic conflicts they are substantially different from military wars in the sense that it is harder to establish exactly the kind of damages and the impact it has on people’s lives. More so for this reason, it is even more difficult to predict how and when will they end. Nonetheless, looking back to past trade conflicts, it is possible to retrace some common similarities to the factors that made trade wars start and to try and bring forth some hypothesis in what could happen in the future of this ongoing economic conflict.

Therefore, at the basis of my thesis is an analysis of the main events and reasons that conducted two global superpowers such as China and the United States towards a collision that finally escalated in a tariff war.

The decision to elaborate on this specific theme came to me as I consider this topic to be of crucial importance in our time. I believe that the trade war is also a topic that does not involve just China and the United States, in fact, it is more of an issue of global relevance. The wealth and welfare of these two countries have been built on barrier-free trade and they both have hugely benefitted from it. On one hand, the United States of America were enabled to become leaders in the international system also thanks to free trade institutions, and with this rise in protectionism we might see an acceleration in the American influence decline. On the other hand, China made millions of people rise out of poverty after Chinese government decided to transition towards a free-trade market and open it to foreign investors. Many believe that if China had not chosen to do so, it would surely not be the superpower that is today.

All around the world, however, protectionist measures and populism seem to have gained popularity in the last years. Trump, the President of the United States, is famously opposed to the World Trade Organization as well as other free-trade agreements. However, in such increasingly complicated times, simple solutions rarely can provide improvements to the situation. China is not the only country that has been targeted by this new “Trumpian” neo-protectionism: some of the United States’ major allies, such as the European Union, Canada, Japan and Mexico, have also been penalized by some tariffs on

their imports to the States. This resulted in retaliatory measures that made the United States more and more isolated in the global scenario.

This is in contrast to the situation of the People's Republic of China, which is implementing an ambitious plan called Belt and Road Initiative (BRI), that sees China lending money and creating infrastructures all around the world, in the meantime establishing a network of economic alliances that, given the right outcomes, will make China the number one player in the global economy. The plan aims at connecting Asia with Europe and Africa via maritime as well as land networks by strengthening soft infrastructure, hard infrastructure and, last but not least, cultural ties. The plan is expected to ultimately provide China significant gains, both under a political and economic point of view. It has been deemed controversial and obviously came with a round of criticism, especially aimed at the fact that China is accused of favoring Chinese enterprises over local ones for the creation of major infrastructural projects. When talking about the BRI, it is impossible not to be reminded of the Marshall Plan, the U.S. program that brought aid to Western Europe after World War II. The United States offered billion dollars to help Western European countries recovery after the war, and it essentially functioned as the economic basis and the social glue from which NATO was subsequently stemmed from. The consensus to the United States was built on the economic aid that triggered thirty years of progress. Nowadays, China is doing something similar by creating a network of alliances through the Belt and Road Initiative.

My thesis is articulated in three chapters: over the first chapter, I compiled an overview of the international and political relations between China and the United States, in order to see the main events that characterized their sometimes-tense relations since the visit of Nixon to China in 1971, the main event that formally restarted their diplomatic relations after decades of having no diplomatic contacts with each other. Some other crucial events that I will discuss over this chapter are the Tiananmen Crackdown in 1989, the entrance of China into the World Trade Organization (WTO) in 2001 as well as the coming of Chinese President Xi Jinping and its “Chinese Dream”.

In the second chapter, the events concerning trade war are the main focus, however I decided to dedicate only a subchapter to the tariffs and the timeline of the trade war. In fact, there are some other topics related to the trade war that are just as important, for instance the trade deficit, the cyber security issues, the arrest of Huawei Chief Financial Officer, all of which deserve to be discussed in length as they had a central role in the development of the events. A significant part of today’s trade war is played in the field of new technologies, which represents the main battlefield for China and United States to measure their innovation capacity and their future as well as a way to dominate this new world driven by scientific development and discoveries. It is safe to say, now, that a big part of the trade war between China and the United States is caused and fought in the realm of new technologies, such as 5G and Artificial Intelligence technologies, that will be playing a huge role in this fight.

In the third chapter, I decided to examine two instances of trade wars in the past. The first is the Smoot-Hawley Tariff Act bill of 1930, a protectionist measure taken by U.S. President Hoover, which was blamed to have worsened the already-compromised American economy in the context of the Great Depression. There are some striking similarities between the Smoot-Hawley bill and today's trade war, first of which is the fact that in both cases the United States were more isolated economically and diplomatically after imposing the tariffs, and thanks to the retaliatory tariffs imposed by other countries global trade significantly slowed down (even more so in the Thirties rather than nowadays).

The second instance of trade war I decided to examine was the trade war between Japan and the United States in the Eighties. In the context of the Great Recession, American dissatisfaction kept growing and the U.S. government decided to blame the dollar appreciation for their economic issues. Accordingly, they proposed the "Plaza Accord", a joint-agreement that was signed in 1985 by France, West Germany, Japan, the US and the United Kingdom. The terms of this accord required to depreciate the US dollar in relation to the Japanese *Yen* and the German *Deutsche Mark* by intervening in currency markets having the US the real aim of rebalancing the trade deficit with the two countries.

A big similarity is that the currency depreciation had a role in this historical economic conflict as well as today. In fact, last August U.S. President Trump labeled China a "currency manipulator", arguing that China artificially depreciate the *Renminbi* in order to keep the prices of Chinese products competitive abroad. It was the first time

after 1994 that a U.S. President labeled China a currency manipulator and this decision can be seen symbolically as a provocation to the Chinese government.

At the time of writing this introduction, China and the United States undertook a trade deal, calling the “phase one” of the tariff war over. This trade deal will require China to significantly augment their imports from the United States, while both countries will be able to keep some of the tariffs they already had on Chinese imports and avoid imposing further tariffs. U.S. President Donald Trump labeled the trade deal a “groundbreaking” accomplishment for his administration, however, many people doubt that China will be able to honor their commitments taken in the deal.

In fact, there are some legitimate suspects that the trade deal might have been just an easy way out for Trump to get back the support of the American rural farmers that suffered under the tariffs he imposed. On the other hand, it is also an easy way for Chinese government to manage their citizens’ expectations on investments. Also, in Chinese, the wording of the agreement is quite vague when it comes to China’s commitment to enforce Intellectual Property Laws. Despite the media hype around the deal and Trump’s exultant grin, there are many more issues that remain to be discussed with their Chinese counterpart. Military wars, and economic wars as well, can have the most unpredictable results, and we can be sure that this trade war is still far from being over.

Chapter I:

An overview of China-U.S. relations from the opening of China to Xi Jinping's era

1.1 China-United States rapprochement

The visit of the United States (U.S.) President Richard Nixon to China in 1972 was a watershed moment in the diplomatic history of both countries. These two countries had been estranged for many years before this historical event and President Nixon's visit was so unexpected and surprising at the time that it even created the sentence "Nixon goes to China"¹ to mean, as a political metaphor, the skillful ability of a politician to seemingly go against his own political values without losing any credibility, as it happened in this case. In fact, Nixon had an undeniable reputation for being firmly anti-communist to the eyes of the Americans, so virtually no one could have accused him of being "soft on communism". He was the only politician in the States who could get away with such a bold move, reversing two decades of American policy and ideology by traveling to the Chinese capital, Beijing. At the same time, he was undoubtedly a cunning strategist, and making steps through peace with his most traditional enemy was a calculated move: the U.S. could not face the Soviet and the Chinese threat at the same

¹ The quote from Mansfield originally was: "Only a Republican, perhaps only a Nixon, could have made this break and gotten away with it." MAINSFIELD, Mike, "A Size-Up of President Nixon: Interview with Mike Mansfield, Senate Democratic Leader", U.S. News & World Report. December 6, 1971, p. 61.

time. One of the reasons for which improving relations with China was crucial to him was, indeed, the need to contain the nuclear threat.² Moreover, the Cold War was in full swing and Nixon reasoned that he needed closer diplomatic relations with the PRC to make the Soviet Union, which was considered to be the biggest communist threat at the time, more open to U.S. policy requests. He wanted to take advantage of the complicated Sino-Soviet relationship, to open up another front in the Cold War with the URSS. As a matter of fact, Nixon was supposed to meet with URSS leader Leonid Brezhnev not long after his visit to China, so he hoped to use these new bilateral relations to gain leverage for his requests during the talks with Soviet leaders³. It is worth noting that, on the other side, the Chinese were fully aware that a summit between Nixon and Brezhnev was planned later in that same year, and for this reason they were particularly worried over possible Soviet-American collusion against China.⁴

The final - but not any less important - reason for seeking improved bilateral relations with China was undoubtedly the whole Vietnam War fiasco. In fact, the United States' reputation and image were weakened after the failure to quickly end the Vietnam War, and the involvement of the American superpower in the war was becoming more and more unpopular between U.S. citizens with every day that passed. Finally, U.S.

² BURR, William, "The Beijing-Washington back-channel and Kissinger's secret trip to China, September 1970-July 1971", National Security Archive Electronic Briefing Book No. 66, February 27, 2002.

³ KENNEDY, Charles Stuart, "Nixon Goes to China", The Association for Diplomatic Studies and Training: Foreign Affairs Oral History Project, 1998.

⁴ HANIMAKI, Jussi M., "The flawed architect. Kissinger and American foreign policy", Oxford University Press. 2004, p.270.

officials hoped that a rapprochement with China would help them in isolating North Vietnam.⁵

President Nixon scrupulously started to prepare the way for his visit during the year before, 1971. After almost 20 years of neither economic or diplomatic relations with China, the two countries exchanged ping-pong teams. The U.S. team received an invitation to China when they were attending the thirty-first World Table Tennis Championships, that was held in Nagoya, Japan. Nixon allowed the team to fly to China, and the historical event took place on April 10, 1971. The ping pong team and the accompanying journalist represented the first American delegation that traveled to China since Chairman Mao Zedong proclaimed the People's Republic of China in 1949.⁶ On April 14th, 1971, most of the restriction on trade between China and the U.S. were ended.⁷

After the visit of the American ping-pong team, the Chinese responded the Nixon himself would be welcomed into China: they delivered the message through Pakistan, country that helped facilitating the relations through the two states at the beginning⁸. Later during that same year, Nixon secretly sent his most trusted advisor, Secretary of State

⁵ Office of the Historian, Foreign Service Institute, United States, Department of State. "Rapprochement with China, 1972", <https://history.state.gov/milestones/1969-1976/rapprochement-china>.

⁶ MACMILLAN, Margaret, "Nixon and Mao: The Week That Changed the World", Random House Publishing, 2007, p. 179.

⁷ Ibid, p. 180.

⁸ Embassy of Islamic Republic of Pakistan, Washington D.C. "Pak -US Relations", Washington D.C., 2018, <http://embassyofpakistanusa.org/pak-us-relations/>.

Henry Kissinger, on a visit to China to meet with the Chinese leadership and pave the way for the president's visit that was to come. This mission was again facilitated by the Pakistani⁹. Kissinger, a skillful diplomat and a proponent of *realpolitik*, traveled to China twice during the year and obtained the most important political benefit he was looking for: the willingness of Zhou Enlai to welcome the United States' president on an official visit.¹⁰ After this great accomplishment, the American foreign policy saw big changes in many important aspects. In fact, on October 1971, the United Nations finally admitted the People's Republic of China, at the expenses of the nationalist government of Chiang Kai-shek in Taiwan.¹¹

President Nixon was accompanied by Kissinger and their visit to China lasted from February 21st to 28th, 1972. After their arrival, they were almost immediately summoned by Chinese leader Mao Zedong. To this day, the transcripts of the conversations of the two leaders are not fully public, however, we now know there were some points that were widely discussed during that week. One of the main points concerned how to coordinate their policies towards some major powers, primarily the Soviet Union, as well as India and Japan.¹² They also talked lengthy about the U.S. intervention in Vietnam. Yet during these talks, the thorniest topic was above all the status

⁹ BURR, William, "The Beijing-Washington back-channel and Kissinger's secret trip to China, September 1970-July 1971", National Security Archive Electronic Briefing Book No. 66, February 27, 2002.

¹⁰ MANN, James, "About face. A history of America's curious relationship with China, from Nixon to Clinton", Alfred A. Knopp, New York, 1999, p.36.

¹¹ Ibid, p.38.

¹² Ibid, pp.42/43.

of Taiwan: the U.S. would agree on the One-China policy, asserting that Taiwan is undoubtedly an essential part of China, and grant China that the U.S. would not support Taiwan's independence. However, these last points were more problematic than others because they could not afford to make it look like they were selling out Taiwan, as we know by the notes Nixon wrote for a meeting with Zhou Enlai to illustrate the U.S.' position on the issue.¹³

A crucial event happened during Nixon's visit to China: on February 28, 1972, China and the United States of America jointly issued a groundbreaking diplomatic document called "Joint Communiqué of the United States of America and the People's Republic of China", better known simply as the "Shanghai Communiqué".¹⁴ Through this document, the two governments committed to further develop their economic and cultural contacts in the future, working towards the complete normalization of the bilateral relations, even though that did not happen until seven years later, and with another president, in 1979. Another point touched by the Shanghai Communiqué was the agreement that saw both countries agreeing on the point that neither one of them or any power could attempt to seek hegemony in the Asia-Pacific region.¹⁵

¹³ BURR, William, "Nixon's Trip to China. Records now Completely Declassified, including Kissinger Intelligence Briefing and Assurances on Taiwan", National Security Archive Electronic Briefing Book No. 106, 2003.

¹⁴ "Joint Communiqué of the United States of America and the People's Republic of China", Taiwan Documents Project. February 28, 1972.

¹⁵ "Ibid.

After Nixon visited China in 1972, little progress was made towards the normalizations of relations between the two countries. During his presidency, he had to face the Watergate scandal which prevented him from recognizing Beijing: in fact, he was too involved in preserving his political life and could not afford, in that moment, to take such a risky step as recognizing the Communist country.¹⁶ The next president, Gerald Ford, had little interest in keep working to re-establish relations with China as he was in a standstill cause by the collapse in Vietnam and, later, with his aspiration to another presidency in 1976. It was not until a few years after the arrival of Ford's successor, 39th U.S. President Jimmy Carter, that the deadlock was finally broken.

1.2 A new leadership under Deng Xiaoping

China suffered major changes in 1976 as Zhou Enlai, premier of PRC, died in January and not long after the country mourned Mao Zedong, who passed away at the age of 82 on September 9 of the same year. He had suffered for years of a degenerative disease and suffered two heart attacks in 1972 before the third one that happened on September 5th, 1972 and killed him four days later. He died just a few minutes after midnight of September 9, but the Communist Party decided to delay spreading the information until 4PM of that same day, when they informed the country of what happened with a radio message.¹⁷

¹⁶ COHEN, Warren I., "America's Response to China: An Interpretative History of Sino-American Relations", 2nd ed. New York, 1980, p.244.

¹⁷ "Mao Zedong Dies in Peking at 82; Leader of Red China Revolution, Choice of Successor is Uncertain", Reuters, September 10th, 1976. <http://movies2.nytimes.com/library/world/asia/091076mao-obit.html>

The death of “Great Helmsman” left a fragmented political heritage in China, where the different souls of the Communist Party struggled to prevaricate one another. On the extreme left of the Party was the widow Jiang Qing, the fourth wife of Mao, considered by many to be the main responsible for the horrors of the Cultural Revolution. She was followed by Zhang Chunqiao, Yao Wenyuan and Wang Hongwen. Together they formed the so-called “Gang of Four”, whose ambitions aimed to continue with Mao’s politics of mass mobilization of revolutionary proletarians. On the “moderate” side of the party, there was a faction led by Hua Guofeng, more traditional and in line with a style of centralized planning similar to the Soviet one, while the other faction, led by Deng Xiaoping, was more inclined to take steps for a revision of Chinese economy, and they wished for a pragmatic approach in determining the new economic policies. Finally, the Gang of Four was charged with many treasonous crimes and processed, and after their downfall Deng Xiaoping and Hua Guofeng came to power.

And so, towards the end of the Seventies, China saw huge changes in its leading class, with Deng Xiaoping becoming one of the key figures in China’s contemporary history after being targeted during the Cultural Revolution. Not long after Mao’s death, he regained all the political roles he lost during the Cultural Revolution: as Vice Chairman of the Party, member of the Standing Committee of the Political Bureau, Vice Chairman of the Central Committee, and Chief of Staff of the People’s Liberation Army, with no doubt he was one of the most influential men of China and soon he became the paramount

leader of the PRC. Also known as “the Architect of Modern China”¹⁸, Deng was the man who shaped China as we know it today, while leading the country through important structural reforms, such as the “four modernizations”. The four modernizations were a set of reforms concerning four strategic areas: industry, agriculture, science and technology, and national defense. The project was first implemented from the end of 1978 to the start of 1979, after the Third Plenary Session of the Central Committee of the PRC.¹⁹ The four modernizations marked a great step forward when it comes to China’s position in the global society, paving the way for the prominent role that China has taken up in today’s world.²⁰

One of the biggest changes that modernization brought to China was that the main objective of the reform was the development of the country, and ideologies were to be put in the second place. As Deng famously put it, “it does not matter whether a cat is black or white, as long as it catches mice”.²¹ In other words, it was time that ideology became subordinate to the true interests of the nation. In fact, Deng Xiaoping was a pragmatic man, much distant from the excesses and whims of his predecessor, Mao Zedong. During his time in power, Deng never allowed the cult of personality that Mao

¹⁸ FAISON, Seth, “Deng Xiaoping is dead at 92; Architect of Modern China”, The New York Times, Feb. 20, 1997.

¹⁹ SAMARANI, Guido, “La Cina contemporanea”, Giulio Einaudi editore, 2017, p.741-742, iBook.

²⁰ FOOT, Rosemary and and WALTER, Andrew, “China, The United States, and Global Order”, p.17, Cambridge University Press, New York, 2011.

²¹ WEN Liao, “China’s Black Cat, White Cat Diplomacy”, Foreign Policy, July 2009. <https://foreignpolicy.com/2009/07/10/chinas-black-cat-white-cat-diplomacy/>

had encouraged and indulged in before: it was rare to see a statue of Deng in public places in China, and even rarer to see a picture of him hanging on a wall in someone's house. He never encouraged artists to write songs and plays in his honor and students were exempted from learning Deng's quotations by heart.²² One could argue that one of the reasons why Deng never allowed this kind of cult of personality is because he knew far too well what the godlike power that Mao had could accomplish, but at the same time, he was aware that it was virtually impossible to achieve anything when authority vanishes, just like it happened during the time of the Cultural Revolution.²³ Even though he never inspired the reverential respect and fear that Mao did, he was able to convey an air of authority, thanks to his decade of military experience. He used this power to direct China and its citizens towards a greater welfare of the country, replacing the "decade of the horror" of the Cultural Revolution with his courageous set of reforms. It is worth noting that Deng achieved his goals without advancing himself in higher offices and left Hua Guofeng, the premier of the time, keeping the formal power, while at the same time Deng was getting more and more influence.²⁴

One of the reasons that made Deng such a peculiar leader was the fact that he was amongst the most well-traveled exponents of the Chinese leadership at the time: when he was sixteen he left for studying in France for five years, and later on, he also had the

²² VOGEL, Ezra F., "Deng Xiaoping and the Transformation of China", The Belknap Press of Harvard University Press, Cambridge, Massachusetts, and London, England, 2011, p.1126, iBooks.

²³ Ibid, p.1146.

²⁴ WEN, David and Chang, Wei, "China under Deng Xiaoping. Political and Economic reform", p.33, Palgrave MacMillan, 1988.

chance to study in Moscow.²⁵ Although it would be a hazard to define him a right-wing sympathizer, it is undeniable that he came in contact with democratic ideas early in his life. He was familiar with the lifestyle of developed Western countries and he had been somewhat influenced by the notions of equality, individualism, capitalism and science and for this reason the influence that these concepts had on him is recognizable in the program of the four modernizations. Finally, all the important contributes he brought into the new administration were unprecedented and they represented an essential step towards the normalization of relations with the U.S.

1.3 The normalization of diplomatic and economic relations between China and the United States

The diplomatic and economic relations with Taiwan always were a sensitive issue to the United States and they represented one of the major factors delaying the normalization of relations between China and the U.S. In fact, Taiwan had been a major ally to them since 1949, when they signed the “Sino-American Mutual Defense Treaty of 1949”, the defense pact whose main purpose was to protect the island of Taiwan from Chinese aggression. Naturally, the American public opinion did not like the idea of cutting relations with Taiwan, but at the same time, it also approved the idea of normalization of relations with China. It was difficult for Americans to oppose the simple

²⁵ VOGEL, Ezra F., “Deng Xiaoping and the Transformation of China”, The Belknap Press of Harvard University Press, Cambridge, Massachusetts, and London, England, 2011, p.120, iBooks.

logic of having relations with 900 million people in mainland China, as opposed to the idea of having relations with 17 million people in Taiwan.²⁶

The formal announce of the normalization was made on American television on December 15, 1978. President Carter announced to the country that the United States of America and the People's Republic of China had finally agreed to establish full diplomatic relations, starting on January 1st, 1979, to exchange ambassadors and to establish embassies on March 1st of the same year.²⁷ Of course, it was also announced that the United States had to break relations with the government of Taiwan and that the "Sino-American Mutual Defense Treaty" was going to be abrogated on January 1st of 1980. The American president promised that Taiwan "would not be sacrificed": commercial and cultural relations with Taiwan would be maintained through informal representatives and the U.S. would not discontinue the sales of arms to the island. He ended the speech by finally announcing the upcoming visit of Deng Xiaoping to the United States.

At the same time, in Beijing, Chairman Hua was calling a groundbreaking news conference to announce the normalization of relations. He especially pointed out that he did not agree with the United States' decision to keep selling arms and maintaining commercial ties with Taiwan, however, he added that these issues could not impede the

²⁶ HSU, Immanuel C.Y., "The rise of modern China (6th edition)", Oxford University Press, 2000, p.788.

²⁷ Ibid.

normalization of relations.²⁸ It must be noted that American links with Taiwan were a remarkably complicated topic. Excluding the better-known defense treaty, there were 59 lesser agreements within the two governments, protecting their special relations over many aspects such as education, economic cooperation, atomic energy, maritime matters, trade, aviation and so on. In April 1979, after the termination of formal diplomatic relations with Taiwan, U.S. President Jimmy Carter signed a new document called “Taiwan Relations Act” to manage the bilateral relations through unofficial channels and on January 1, 1980 the Mutual Defense Treaty was officially abrogated.²⁹

So, as announced by President Jimmy Carter, the normalization of foreign relations between the U.S. and China officially started on January 1st, 1979 and Deng Xiaoping went on an official visit of the U.S on January 29, 1979. He was the first Chinese leader to visit the United States in 30 years, and for this reason he was received with a particularly lavish welcome by the Americans. The memorable images of Deng wearing a cowboy hat immediately went around the world and he was able to win over the Americans by projecting himself as a cordial and warm human, rather than as a fierce Communist revolutionary. Moreover, he made it clear that while China was not a rich country, it would provide a very rewarding market for their products, and it would bring

²⁸ Ibid, p.789.

²⁹ CARTER, Jimmy, “Taiwan Relations Act Statement on Signing H.R. 2479 Into Law”. Online by Peters Gerhard and John T. Woolley, The American Presidency Project. <https://www.presidency.ucsb.edu/node/249776>

mutual benefits to both countries. Deng Xiaoping's short visit marked China's determination to open up after decades of isolation.³⁰

1.4 1989: The Tiananmen Square's Crackdown

Under Deng's leadership, Chinese citizens started enjoying greater economic and cultural freedoms. However, the opening of China and the four modernizations of the 1980s led the country towards a growing market economy which favored some people but dangerously disaffected others, and the one-party system had to deal with a challenge towards its legitimacy as it progressively adopted capitalist practices. Considering this, more and more people were dissatisfied with the way the government handled the post-reform situation. One of the main problems was the high degree of corruption to be found that caused a growing dissatisfaction and lack of faith towards the CCP, considered incompetent and incapable of dealing with its internal issues³¹.

Following the students-led demonstrations that started in late 1986 until early 1987, when more and more students were asking the government for democracy and individual rights, the hard-liners of the Chinese Communist Party tried hard to suppress what they called "bourgeois liberalism". One victim of this suppression was the PCC Secretary General of the time, Hu Yaobang, considered by many to be too tolerant

³⁰ HSU, Immanuel C.Y., "The rise of modern China (6th edition)", Oxford University Press, 2000, p.795.

³¹ BROOK, Timothy, "Quelling the People: The Military Suppression of the Beijing Democracy Movement". Stanford University Press, 1998, p. 216.

towards the students who protested in order to obtain a greater degree of freedom.³² In fact, at the end of the crisis, Hu was asked to resign from the CCP, and so he did in 1987.

Hu Yaobang's sudden death in April 1989 was the spark that ignited the flame of the so-called "Beijing Spring", a period of protests that lasted from April 1989 to June of the same year. The protests, in fact, started on the day of Hu's funeral, April 22, and so the deceased politician was immediately transformed into a kind of "martyr" for the cause of liberal reforms, even though he had never been an advocate for the ideals that the students stood for: actually, he was merely a proponent of reforms and had a progressive attitude towards changes.³³ On that day, tens of thousands of students stood in Tiananmen Square in Beijing demanding an opening towards democracy. Over the next several weeks, more and more students gathered to protest together in many major Chinese cities, such as Shanghai, Xi'an, Changsha, Chengdu and Nanjing. Initially, the government decided to take no practical action towards the masses of protestants, and so they restricted themselves to simply issue some severe and strict warnings to the protestants. However, the protesters started a hunger strike that heated things up and made the atmosphere in Beijing more and more nervous. Besides, during the month of May the Soviet leader Mikhail Sergeyevich Gorbachev was scheduled to pay an official visit to Beijing for what was to be the first formal meeting between a Chinese Communist leader and a Soviet Communist leader since the Sino-Soviet split. On the 17th of May, the students held the largest of the demonstrations up to that day, with more than a million of

³² SAMARANI, Guido, "La Cina contemporanea", Giulio Einaudi editore, 2017, p. 964, iBook.

³³ CALHOUN, Craig, "Revolution and repression in Tiananmen Square", Society, 1989, p. 50.

protestants gathering together in Tiananmen Square. Under these circumstances, it was impossible for the formal visit to proceed normally. In fact, the original plan of the CCP leadership was to hold a lavish ceremony to welcome the Soviet delegation: of course, this ceremony that was planned to be held in Tiananmen Square, had to be put aside. At the end, the Soviet delegation was received with a modest welcoming ceremony held at the airport. What further humiliated the Chinese leadership was the fact that the world press gathered in Beijing to record the historical moment of the Sino-Soviet Summit, and consequently the foreign journalists were able to record and broadcast the protests that were in full swing in those days, which was a huge embarrassment to Beijing and brought China under the international spotlight.³⁴

Many debates started within the CCP over the question of how to handle the protesters. Some moderates, such as Zhao Ziyang, campaigned for making compromises and for giving the students some concessions. On the other side, the hard-liners supported by elder statesman Deng Xiaoping and led by Chinese premier Li Peng were afraid that the protests would end up in total anarchy and for this reason they insisted on suppressing all the demonstrations altogether. The latter group finally had the upper hand over the moderates. The day after Gorbachev left China, the martial law was proclaimed. It was May 20, 1989.³⁵ The military troops entered Beijing and were stationed all around the city, while many of the protesters remained in Tiananmen Square. Some troops entered

³⁴ ROBERTS, J.A.G., "A History of China". Macmillan International Higher Education, 2011. p. 300.

³⁵ WU, Renhua, 六四事件中的戒严部队 *Liùsì shìjiàn zhōng de jièyán bùduì*, (Military Units Enforcing Martial Law During the June 4 Incident), Hong Kong, 2009.

other major Chinese cities, such as Shanghai, but in this case, the mayor successfully negotiated a bloodless settlement. Unfortunately, this was not the case of Beijing's. During the night between June 3rd and 4th, armed troops and military tanks entered Tiananmen Square and opened fire towards those who blocked their way. It ended in a bloodbath as many protesters were killed in a number that is still debated but ranges over a few hundreds to thousands of deaths. By the morning of June 5th, the area was cleared of all the protestants³⁶.

The decision of ending the demonstrations with such a violent exploit inevitably attracted very strong reactions from international medias and governments. Many Chinese studying abroad protested in the streets of Europe, Asia, Middle East and America. In the United States, many protests against the action of the Chinese government took place all over the country. Six thousand people gathered to protest against the Chinese government in Chicago, marching the streets in a mock funeral procession in order to mourn the people that died in the protests, and three thousand more gathered outsides of the Chinese embassy in Washington demanding to the Chinese ambassador to the U.S. some justification for the CCP actions in Beijing.³⁷ Some other protests were held in major cities such as Los Angeles, Houston and Philadelphia.³⁸ The military action was widely criticized in the United States, both by the Congress and the media. However, for U.S. government, this was a tricky situation at best. The relations

³⁷ MCFADDEN, Robert D., "The West Condemns the Crackdown", New York Times, 5 June 1989.

³⁸ Ibid.

they had with China had slowly, but steadily, been improving in the previous 20 years. They needed to balance their reaction between their bigger geopolitical needs and the obvious condemnation of the anti-democratic incident of Tiananmen Square. Visits to China and all the military sales were suspended by President George H. W. Bush, who implied that the crackdown could damage their bilateral relations³⁹. There was some press and congressional pressure to come down harder at China, however, enraging China was something that the U.S. could not afford at the time, as they did not want to destroy their diplomatic relations by responding in a stronger way to the anti-democratic aspect of the crackdown in Beijing. The Cold War with the Soviet Union was not over yet and they still needed China, which was too much of a strong ally to be cut off from their diplomatic relations.

1.5 2001: China's admission in the World Trade Organization

After the Asian financial crisis of 1997, when most countries of the South-East Asian and East Asia area suffered a period of drastic financial instability, China decided to merge or sold off many of the least profitable state-owned enterprises. This, together with the change in premiership with Zhu Rongji succeeding Li Peng, boosted the efforts towards some needed changes, such as establishing Chambers of Commerce and cracking down on corruption.⁴⁰

³⁹ Ibid.

⁴⁰ FEWSMITHS, Joseph, "The Political and Social Implications of China's Accession to the WTO", *The China Quarterly*, 2001.

The negotiations to have China enter the World Trade Organization (WTO) lasted over 15 years. In fact, the violent repression during the Tiananmen Square protests in 1989 was the main reason for which the entrance of China in the World Trade Organization did not come until 2001.⁴¹ After the crackdown, the United States as well as the other countries traveling on the admission of China to the WTO decided to suspend all the procedures concerning it.

Under the American Trade Act of 1974, China was labeled a non-market economy, alongside the Soviet Union and other socialist states.⁴² Accordingly, for several years China has needed a waiver that had to be voted every year by the U.S. Congress in order to keep its free trade status with the U.S., and this policy had been in force since the early Eighties. However, the presence of this before-mentioned waiver was in conflict with the rules of World Trade Organization, which required China to be granted permanent normal trade relations (PNTR) by U.S. Congress, which before was called Most Favored Nation (MFN) status. This finally happened in May 2000.⁴³ The conditions that were attached to the entrance of China in the WTO meant that the government faced serious limitations concerning the extent in which it could help state-owned companies, even though it found

⁴¹ KENT, Ann, "States Monitoring States: The United States, Australia, and China's Human Rights, 1990-2001", Human Rights Quarterly, The Johns Hopkins University Press, 2001.

⁴² SALAM, Reiham, "Normalizing Trade Relations with China Was a Mistake", The Atlantic, June 2018. <https://www.theatlantic.com/ideas/archive/2018/06/normalizing-trade-relations-with-china-was-a-mistake/562403/>

⁴³ WEISSMAN, Jordan, "Waking the Sleeping Dragon", Slate, September 2016. <https://slate.com/business/2016/09/when-china-joined-the-wto-it-kick-started-the-chinese-economy-and-roused-a-giant.html>

ways to bypass some of them.⁴⁴ Furthermore, the United States also set some other conditions for China's entrance in the WTO, including an extensive series of concessions such as canceling their tariffs on several categories of products, opening up agricultural commerce, and letting in foreign service providers. Conversely, the U.S. did not need to make any opening concessions, it would simply offer China the desired MFN status.

Nonetheless, the acceptance of the "Giant of the East" to the WTO seemed to be a win-win situation either for China as for the rest of the world. On one hand, from China's perspective, it already was the largest recipient of foreign direct investment in the world and not long after the entrance to the WTO it soon became the biggest trading nation.⁴⁵ After the entrance to the organization, China's GDP increased more than 400 percent and its exports increased to the incredible amount of 500 percent.⁴⁶ On the other hand, from the perspective of the United States and the other member states of the WTO, they gained a cost-effective manufacturing base and exceptionally cheap exports. During his speech on trade bill, U.S. President Clinton declared his optimism about the fact that American companies would have been able to sell their products in China without having to relocate their factories in China or sell their products through Chinese government.⁴⁷

⁴⁴ "China and International Law", Financial Times, 30 April 2008.

⁴⁵ JAQUES, Martin, "When china rules the world. The end of the Western world and the birth of a new Global Order", Penguin Books, 2009, p.204.

⁴⁶ POMFRET, John, "The Beautiful Country and the Middle Kingdom", p.1256. iBooks

⁴⁷ "Text of Clinton's Speech on China Trade Bill", Federal News Service, March 9, 2000. https://www.iatp.org/sites/default/files/Full_Text_of_Clinton's_Speech_on_China_Trade_Bi.htm

The impact of the admission of China to the WTO was a huge one, however, it did not fail to spark major controversies on both sides. Notably, some Chinese products exported in the U.S. raised concerns over their safety, especially food and children's toys. Another major worry of European and American companies was the intellectual property theft used by Chinese companies to earn competitive advantages. Chinese government was, often, inefficient or slow in enforcing the protection of IP rights. On the other hand, both the European Union and the U.S. used the so-called anti-dumping clauses, employed to prevent other countries from selling at unfair prices, as an excuse to enforce protectionist measures towards imported Chinese goods.⁴⁸ This diffidence between China and the United States marked the first spark of what later came to be a trade war between two superpowers that mistrust each other while finding themselves in a position of mutual dependence. It is interesting to find out that in their First Annual Report, the U.S.-China Security Review warned that by pursuing commercial ties with China, they were "strengthening a country that could challenge us economically, politically, and militarily."⁴⁹ The idea behind this reasoning was simplistic: the more we buy products from China, the richer China becomes, and the more it can fund its army to fight America.

1.6 After 9/11

⁴⁸ JAQUES, Martin, "When china rules the world. The end of the Western world and the birth of a new Global Order", Penguin Books, 2009, p. 204.

⁴⁹ U.S.-China Security Review Commission, "Report to Congress of the U.S.-China Security Review Commission", Washington D.C., July 2002.

The entrance to the WTO finally marked China's transformation on an international player. However, their relations with the biggest superpower of the time, the U.S., remained quite tense. But this changed in 2001, after the terrorist attack to the Twin Towers of September 9. It was, in fact, the hardest blow for the country in recent American history and it marked the intentions of the United States to turn its worries towards the Middle-East rather than China. The PRC, from its part, paid its condolences to the people of New York, their sympathy also due to the fact that Chinese government was already inconvenienced by Muslim separatist movements in the Uighur region of Xinjiang. The bilateral relations between the two countries slowly started to go better and better after the U.S. decided that it was not possible to face any threats from East Asia as they were too busy fighting their "Global War on Terrorism". The time was ripe for a rapprochement when the American president of the time, George W. Bush, fled to Shanghai on October 17, 2001, in order to participate to the Asia-Pacific Economic Cooperation summit. It was a historically significant moment as the two presidents, Bush and Jiang Zemin, met for the first time and the Chinese President publicly advocated for the American cause of the War on Terror.⁵⁰ It finally looked like the old bitterness between former foes was coming to an end as the two countries seemed ready to unite against a common enemy.

From a commercial point of view, as of 2002, the global trade of China summed up to 600 billion dollars, while their trade surplus was sitting at 30 billion dollars. The United States were already one of their main trade partners, together with Japan, South

⁵⁰ MCMILLAN, Alex Frew, "U.S. wins support from China", CNN, Shanghai, October 19, 2001. <https://edition.cnn.com/2001/WORLD/asiapcf/east/10/19/bush.jiang.apec/index.html>

Korea and the EU. According to the “CRS Report to Congress” drawn up a few years later, in 2007, the largest U.S. trade deficits with China were in the sectors that depend on low-cost and plentiful labor, such as sports equipment, children’s toys, furniture, apparel and textiles products, shoes, and leather products. However, in the report it was observed – not without a hint of worry - that the biggest U.S. exports to China were technologic products, and what’s more, they also implied that it was thanks to those import that Chinese’s mechanical appliances and electrical machinery were growing in technological sophistication. When it came to goods such as books, magazines, plastic articles, optical and medical instruments, the States had a surplus in the trade balance with the world except for China, whom they had a debit with.⁵¹

Commonly, in the U.S was possible to retrace two different popular attitudes towards China. In the first case, there were people that believed that not only China was not an enemy, but quite the contrary. As early as 2005, C. Fred Bergsten, an American economist, proposed what he named “G2”, which would represent the special Sino-American ties. His point was that harmony was necessary between the two great powers of the XXI century in order to solve all the problems of the world.⁵² Opposed to this faction, another group of Americans held a much darker view of China’s intentions. In fact, they believed that China and America’s strategic interests were not compatible. To exemplify, it was in the same year as Fred Bergsten proposed the G2 that Robert Kaplan,

⁵¹ LUM, Thomas, NANTO, Dick K., “CRS Report to Congress, China’s Trade with the United States and the World”, January 2007. <https://fas.org/sgp/crs/row/RL31403.pdf>

⁵² BERGSTEN, Fred, “Two’s Company”, Foreign Affairs, September/October 2009. <https://www.foreignaffairs.com/articles/americas/2009-09-01/twos-company>

an American writer, wrote an article titled “How We Would Fight China”.⁵³ The idea behind it was simple: America was the resident power, China, on the other hand, was the rising power, and many people thought that the battle between the two country was impossible to circumvent. Those same people were worried at the growing military and nuclear power that China had been gaining and claimed actions to prevent being attacked as needed.⁵⁴

In spite of fluctuating American sentiments towards China, it is impossible to deny that the two superpowers were getting more and more economically interdependent. US’s Congress was especially displeased with China’s alleged currency manipulation, as for years they had been threatening to sanction China for keeping the value of the renminbi artificially low, therefore fostering their export sector and gaining an unfair competitive advantage.⁵⁵ The mutual dependence on the other country was due to China’s purchase of U.S. Treasury Bonds, used by the Chinese to keep the value of the renminbi low, which provided cheap credit to the States. Economist Moritz Schularick and historian Niall Ferguson gave this codependent relation a name, “Chimerica”, to indicate the economic and - to some extent - political combination of the oversaving Chinese and overspending Americans.⁵⁶ China retained more than a trillion dollars U.S. in Treasury Bonds and

⁵³ KAPLAN, Robert D., “How We Would Fight China”, *The Atlantic*, June 2005. <https://www.theatlantic.com/magazine/archive/2005/06/how-we-would-fight-china/303959/>

⁵⁴ POMFRET, John, “The Beautiful Country and the Middle Kingdom”. iBooks, 2016. p.1265.

⁵⁵ Ibid, p.1261.

⁵⁶ FERGUSON, Niall, “What “Chimerica” Hath Wrought”, *The American Interest*, archived in July 2009. <https://www.the-american-interest.com/2009/01/01/what-chimerica-hath-wrought/>

America's grain exports approached twenty million tons a year. The International Monetary Fund was quick to labelling this situation as an "unsustainable process" that would end badly, not just for the two countries, but for all the world. This was in 2005: three years later, in 2008, their foresight came to reality with the coming of the Great Recession.⁵⁷

The PRC started 2008 with a double-digit growth rate, however, midway through the year, China also fell victim to the global financial crisis. Initially, most people believed that China would not get caught into the financial crisis, but they were later proved that theirs was rather a naïve assumption. As Europe and the U.S. were brutally hit by the crisis, Chinese exports consequently collapsed, with many Chinese companies closing and, therefore, many nationals losing their jobs all over the country. There is no need to say that China was not one of the countries that suffered most from the crisis, nevertheless, it was neither as shielded as most people thought.

During that same year, another watershed moment was bound to happen. I am referring, of course, to the Beijing Summer Olympics of August 2008. It was particularly important for China as the government hoped it would put the country under international spotlight and so they heavily promoted the Games during the previous years. The PRC invested huge amounts of money into facilities and transport services, to the point of having some people claiming that it has been the most expensive Summer Olympic Games ever, with estimates ranging between 40 to 44 billion dollars, opposing to the

⁵⁷ POMFRET, John, "The Beautiful Country and the Middle Kingdom", p.1272. iBooks, 2016.

official amount given by Beijing government of 15 billion.⁵⁸ Beijing Games also received a wide media coverage, being broadcasted in high-definition for their entirety.

Overall, the Olympics game scored a mediatic success for the PRC, also thanks to the magnificent opening ceremony as well as the numerous world records set during the Games. The opening show saw 15,000 performers together to celebrate Chinese culture in an impressive performance: synchronized drummers swinging neon-red drumsticks, more than 2 thousand men practicing tai-chi, hundreds of wood blocks undulating and sprouting flowers to finally reveal people inside of them: the Chinese left nothing to fate in order to create an unforgettable show and at the end they successfully reached that goal.⁵⁹ However, Beijing Olympics had been deeply controversial thanks to the a series of issues, such as the political unrest in the Chinese region of Tibet, and the government was especially worried about a possible disruption of the Olympic Games from pro-Tibetan independence protesters. Yet eventually, “Beijing 2008” was a complete success from the point of view of internal security and logistics and they marked an important improvement when it comes to Chinese security system. That was an important step in the bet that Chinese government took on the strengthening of their cultural “soft power”. From 2004, Chinese Confucius Institutes started popping up all over the world, promoting the knowledge of Mandarin language and Chinese culture, from tai-chi to calligraphy.⁶⁰

⁵⁸ “The Most Expensive Summer Olympic Games in History”, World Atlas, August 2018. <https://www.worldatlas.com/articles/the-most-expensive-summer-olympic-games-in-history.html>

⁵⁹ POMFRET, John, “The Beautiful Country and the Middle Kingdom”. iBooks, p.1265.

⁶⁰ SUDWORTH, John, “Confucius institute: The hard side of China's soft power”, BBC News, Shanghai, December 22nd, 2014. <https://www.bbc.com/news/world-asia-china-30567743>

It appears as if the Chinese government finally understood that economic strength without a strong cultural influence would not put China in the primary position the CCP struggled for.

1.7 Obama's tenure and Xi Jinping's "Chinese Dream"

2009 had been widely considered, from the Chinese leadership's perspective, the toughest time for the economy ever. The numbers were not encouraging, however, the leadership worked in order to propose some effective measures in order to exit the economic crisis. In 2010 it already appeared as if their efforts bore some fruits: in fact, in the first trimester of 2010, China seemed to have overcome the crisis, thanks to a promising growth rate of 12%, in contrast to the scant growth rate of 6% of 2009.⁶¹ The cliché of the "rise of the Chinese power" was ubiquitous in newspapers and television news, as though the complexity of an event such as over one billion people taking their place in the world system could be reduced to a catchy turn of phrase. A country as big and as full of history such as China had to become a player in the world's affairs sooner or later, and by the start of the new millennium it was already playing a large role in Asia and in the world. China's exports and, increasingly, its demand for imports, were more significant than ever in the global economy.

On the other shore of the Pacific, things were not looking as good from an economical point of view. 44th U.S. President Barack Obama started his presidency

⁶¹ SAMARANI, Guido, "La Cina contemporanea", Giulio Einaudi editore, 2017, p.1145, iBook.

during the worst economic crisis since the 30s, on 20th January 2009. The unemployment rate was growing day by day as the economy was in free fall.⁶² Around the country, 63,300 factories had to shut down their business and 5 million jobs in factories disappeared between 2001 and 2013.⁶³ The financial crisis reinforced an idea already present in many people's minds: that future belonged to China while America's supremacy was long gone. During a cold press conference between U.S. President Barack Obama and Chinese leader Hu Jintao, the former said that Hu agreed to take measures for letting the market taking control of the renminbi and together they agreed that fostering cooperation between the two countries was crucial. Obama and Hu established a high-level dialogue called the "U.S.-China Strategic and Economic Dialogue" in order to discuss major strategic and economic issues between the two powers. Annually, representatives of the two countries will meet to address the challenges of their cooperation and to propose solutions to a wide range of problems concerning four main pillars: bilateral relations, international security issues, global issues, and finally, regional security and stability issues. It has marked a diplomatic success for U.S. as well as China.

However, the Chinese leader warned his country of the dangerous Western values that he perceived as invading China in order to divide it. "We must clearly see that international hostile forces are intensifying the strategic plot of Westernizing and dividing China, and ideological and cultural fields are the focal areas of their long-term

⁶² WOLF, Martin, "How Barack Obama Rescued U.S. Economy", Financial Times, January 10th, 2017. <https://www.ft.com/content/b5b764cc-d657-11e6-944b-e7eb37a6aa8e>

⁶³ POMFRET, John, "The Beautiful Country and the Middle Kingdom", p.1267. iBooks, 2016.

infiltration”.⁶⁴ This was a part of what Hu Jintao stated in an essay of 2012, in order to warn his compatriots that China was being hit by threatening Western values. The message was clear: the U.S. and the West in general, again, were perceived to put in danger Chinese values. This kind of rhetoric has been picked up again and again over the years by different Chinese leaders.

After Hu Jintao’s presidency came to an end, another man rose as the leader of the world’s most populated country: his name was Xi Jinping and he is currently one of the most powerful men in the world. He is the mind behind the far-reaching campaign against corruption, the largest effort taken in the whole history of China to take down corruption against both “tigers and flies”, respectively high-level officials as well as simple civil servants. During his first party congress as leader of the CCP, he stated that uncontrolled corruption would “kill the party and ruin the country”.⁶⁵ The measures he implemented had involved more than one hundred thousand people in corruption indications, and Xi was quick to label them as a “crushing success”, even though that is still subject to debate.⁶⁶

⁶⁴ NYE, Joseph S. Junior, "Why China Is Weak on Soft Power", The New York Times, January 17, 2012. http://www.nytimes.com/2012/01/18/opinion/why-china-is-weak-on-soft-power.html?_r=1

⁶⁵HOUGH, Dan and YANG Wu, “It’s no wonder China's Xi Jinping is winding down anti-corruption efforts – they’ve barely made a dent”, The Independent, January 29th, 2019. <https://www.independent.co.uk/voices/xi-jinping-china-corruption-scandal-new-figures-a8751206.html>

⁶⁶ Ibid.

Since 2012, in several occasions Xi used the phrase “Chinese Dream”, that refers to what he defined as “the great revival of the Chinese nation”. Under his leadership, China pushed this notion without providing a clearer definition, but rather by emphasizing the emotive charge of the slogan and providing two objectives to it: the first being that China becomes a “moderately rich society” by 2021, and the second being China becoming a fully developed nation by 2049. Xi also came up with the notion of “China Model” and he promoted them both heavily as a slogan.⁶⁷ Writer Helen H. Wang pointed out that the Chinese Dream seems to have some aspects in common with the set of ideals established in the American Dream. In fact, she stressed that both the Chinese Dream and the American dream as easy for people to identify with: for example, the desires for happiness, for economic prosperity, for having a better life as well as providing a better life for their children. She also added, though, that the Chinese need to “define their own dream”, meaning that the legitimacy of the Party will not come from the economic reforms, but rather, from the political reform they will be able to implement.⁶⁸

There is no doubt that Xi’s priority is to keep the economy increasing, and that it means having to open up China even more. Nevertheless, opening up the country could be an objective in direct opposition with the nationalism he had been fostering since he was elected in 2012. In fact, it is no mystery that rising nationalism represents one of the crucial points of Xi’s political program. However, some possible dangers lay in the strong

⁶⁷ ALBERT, Eleanor, “China’s Big Bet on Soft Power”, Council of Foreign Relations, February 9th, 2018. <https://www.cfr.org/backgroundunder/chinas-big-bet-soft-power>

⁶⁸ WANG, Helen H., "Chinese People Must Define Their Own Dream", Forbes, February 2013. <https://www.forbes.com/sites/helenwang/2013/02/05/chinese-people-must-define-their-own-dream/#7fdaf84427d8>

nationalist feelings that he helped promoting, as they could give rise to an ethnocentric and xenophobic wave, even more so as this nationalist agenda is often promoted through the rhetoric discourse of “century of humiliation” in China, the period dating back to mid-XIX century, when the country had to kowtow to Western powers that forced China to give several concessions as well as ceding or leasing territories.⁶⁹ These rising nationalistic feelings are also instrumentals for the Chinese leadership, with the aim of strengthening the hold of the Party on the country against their foreign partners.

Instead, from an economic perspective, ties between the two countries have never been more intense. A share of people is worried by imports from China, saying that they weaken American economy, are a direct cause of high rates of unemployment, and represent a threat to U.S. industries. On the other side, another faction argues that Chinese imports actually strengthen U.S. economy by increasing real wages for families, stimulate productivity and innovation through competition, and providing cheap materials for industries. They believe that trade between the two biggest economies of the world creates a range of new opportunities for job creation and wealth, even though it is undeniable that trade occasionally causes certain industries to decline.⁷⁰ When it comes to statistics, in 2016, the last year of Obama’s presidency, China represented the third largest export market for the U.S., its total trade value amounting to 115.6 billion dollars. On the other hand, imports from China totaled 462.6 billion dollars, meaning that the import gap

⁶⁹ CHANG, Maria H., “Return of the dragon: China’s wounded nationalism”, Routledge, May 2018, p.58.

⁷⁰ GRISWOLD, Daniel, “Trade and Transformation of China”, Cato Institute, 2002. <https://www.cato.org/publications/speeches/trade-transformation-china>

between the two countries totaled 347 billion dollars.⁷¹ America's worries over the trade gap with China grew day by day together with the fear that China would take the U.S. place in the world, a fear that was not limited to economic concerns, but that would also trespass them to reach military and strategic realms. Overall, the cooperation between China and the U.S. during Obama's two terms scored some diplomatic achievements, such as the previously mentioned "U.S.-China Strategic and Economic Dialogue". Nevertheless, the fear and discontent of some Americans at the quick rise of Chinese economy certainly helped in the 2016's presidential victory of Donald Trump, the entrepreneur that made no mystery of his strong anti-China sentiments during his 2016 "Make America Great Again" campaign. The medias also played a part in this, by limiting the opportunities for Chinese and American people to have neutral information and by focusing more on the negative sides of their relationship. Those represented some of the elements that together culminated in the trade war that will be discussed in detail in the next chapter.

⁷¹AMADEO, Kimberly, "US Trade Deficit with China and Why It's So High" The Balance, December 14th, 2019. <https://www.thebalance.com/u-s-china-trade-deficit-causes-effects-and-solutions-3306277>

Chapter II:

The Trade War

2.1 Fear from East

2017 was a turning point for politics in the United States. When Republican entrepreneur Donald Trump became the 45th President of the United States, he took a number of measures that significantly altered the state of the foreign affairs of the US. Since the start of his presidential campaign, he did not hide his anti-Chinese sentiments: in fact, he even went as far as promising his electors to label China as a “currency manipulator” on his “Day-One” - his first day in the Oval Office - claiming that doing so would force China to sit on a negotiating table and improve their trade relations.⁷² After he became the current President of the United States, he never missed an opportunity to label his predecessor Barack Obama “naïve” and “compliant” when it came to the United States’ relations with China. It is possible to retrace in the Eighties the first instances of Trump’s rants about tariffs, when he told journalist Diane Sawyer that he “believes very strongly in tariffs”, before adding that America was “being ripped off” by countries such as Japan, South Korea, West Germany and Saudi Arabia.⁷³ During his campaign, he

⁷² PALMER, Doug and SCHRECKINGER, Ben, “Trump vows to declare China a currency manipulator on Day One”. Politico, October 11th, 2015. <https://www.politico.com/story/2015/11/donald-trump-china-currency-manipulation-215679>

⁷³ TANKERSLEY, Jim, and LANDLER, Mark, “Trump’s Love for Tariffs Began in Japan’s ’80s Boom”, The New York Times, May 19th, 2019. <https://www.nytimes.com/2019/05/15/us/politics/china-trade-donald-trump.html>

strongly encouraged the growing Anti-Chinese sentiments of a bigger and bigger part of the voting American population, that had been watching the rise of the Eastern superpower since the start of the millennium with a mixture of surprise and fear: in fact, in the country there was a burgeoning consensus that China had been playing unfairly in the global trade for years.

Some of these concerns can be retraced as early as the start of the millennium, before China was admitted to the World Trade Organization. As mentioned in the previous chapter, the “War on Terror” was what shifted all the attention from China’s allegedly unfair trading practices to the issue of terrorism in the Middle East. However, before 9/11, it was indeed China that was in the crosshairs of the many critics of its trade policies. Eventually, after lengthy negotiations, China was finally admitted to the World Trade Organization, but that did not stop the complaints coming from other WTO members regarding some of its unfair trade practices towards foreign countries.

Nowadays, many were quick to label the increasingly tense US-China relations a “second cold war”. According to Italian journalist Federico Rampini, the first move of this cold war can be traced back to the speech that American vice president Mike Pence held at the Hudson Institute, the think tank based in Washington.⁷⁴ It was October 4th, 2018. Pence called China a “revisionist power”, meaning that China seeks to revision – to her benefit, of course – those rules that determined the distribution of power in the international system. He went as far as accusing China of violating many of the trade

⁷⁴ RAMPINI, Federico, “La seconda guerra fredda”, Mondadori editore, October 2019, p. 22.

rules established by the World Trade Organization. In his speech, China is seen as using unfair trade practices such as forcing Western companies to transfer technology, stealing intellectual properties, imposing tariffs, using spies for foreign espionage and undervaluing their currency to make “Made in China” products more competitive in a global market. Moreover, he continued by listing some of the promises that China failed to maintain, like promoting a political reform and opening its borders, and underlined the militarization in the South China Sea.⁷⁵ Those charges were not new to most people, however, that speech became a watershed moment as they entered in American mass consciousness. The message was clear: it is not possible to continue tolerating the Chinese behavior.

A key point in understanding why China is perceived as a threat to Western values lies in the fact that their political system is inconceivable for the US because it is “non-democratic”, so it becomes not only an economic or political clash, but also a moral, almost existential clash. In his article “The Clash of Civilization”, that he later turned into a book, author Samuel P. Huntington formulated his theory in order to try and understand the cold war between the URSS and the U.S. The core argument is that in the future, wars will be triggered because of irreconcilable civilizational and cultural issues rather than ideology. He sustained, in fact, that culture is way harder to eradicate than ideology. This was one of the most debated theories since the article appeared in a number of *Foreign Affairs* in 1993⁷⁶: some critics argued that the theory could foster fear towards Islam, as

⁷⁵ Ibid, p.23.

⁷⁶ HUNTINGTON, Samuel P., “The Clash of Civilizations?”, *Foreign Affairs*, Summer 1993.

Huntington came out with the controversial declaration that “Islam has bloody borders”. Considered out of touch with reality in the Nineties, it gained popularity after the attacks of 9/11. Nowadays, Trump’s advisors appear to be occasionally inspired by a “Huntonian” view of the world, in matters such as immigration policies and foreign policies. In fact, some of the administration’s first acts, like seeking to reduce the number of Muslim immigrants to the U.S., as well as promising to build a wall on the southern border of the country, are an endorsement to Huntington’s worldview. Huntington’s theory is now considered by many as providing a poor guide to a growingly complex world and it does not help that the message his book provides is often oversimplified. In Trump’s administration, China is commonly viewed as a dangerous expansionist power that threatens the West, especially in terms of trade. Trump administration official Kiron Skinner, of the State Department, tended to underline the fact that China represent an even bigger threat precisely because it is not part of what we call “the West”, and that it is the first time that the “enemy” is not Caucasian.⁷⁷

Those arguments are not completely true, as the U.S. already faced Japan in World War 2. However, what senior official Skinner said surely speaks to the fears of many American people. From its part, Chinese president Xi Jinping said that forcing one

⁷⁷ MAGNIER, Mark, “Slip-up or signal? What US official’s ‘clash of civilizations’ remarks suggest” South China Morning Post, May 25th, 2019. <https://www.scmp.com/news/china/article/3011763/slip-or-signal-what-us-officials-clash-civilisations-remarks-suggest>

civilization on another one would be “stupid” and “disastrous”, without naming the U.S, before advocating for harmonious cooperation between all nations.⁷⁸

We can be sure that part of China’s strategy is to widen their area of influence by creating a web of economic, cultural and diplomatic relations through its “Belt and Road Initiative” (known as “BRI”), an ambitious plan to connect Asia with Europe and Africa via maritime as well as land networks by strengthening soft infrastructure (e.x. education system, financial system), hard infrastructure (e.x. roads, bridges) and, last but not least, cultural ties. The plan is expected to ultimately provide China significant gains, both under a political and economic point of view. Some of the BRI projects are already in progress, some others are still being decided by the Chinese and foreign governments.

Some criticism aimed at the BRI accuses China of favoring Chinese enterprises over local ones for the creation of major infrastructural projects. In fact, it seems as if 89% of those projects abroad had been entrusted to Chinese companies, 7.6% to local enterprises and 3.4% to third countries.⁷⁹ This initiative is suggestive of the Marshall Plan, the program of reconstruction of Western Europe implemented in 1948. The United States offered billion dollars to help Western European countries recovery after the war, and it essentially functioned as the economic basis and the social glue from which NATO was subsequently stemmed from. The consensus to the United States was built on the

⁷⁸ Ibid.

⁷⁹ RAMPINI, Federico, “La seconda guerra fredda”, Mondadori editore, October 2019, p.103.

economic aid that triggered thirty years of progress.⁸⁰ Nowadays, China is doing the same and creating a network of alliances with the Belt and Road Initiative.

2.2 New technologies and 5G

The wars that were fought in the last century saw armies of different countries measuring their worth over battlefields, and one was likely to win on the basis of the number of their fighters, their military capabilities and their commanders' strategies. Today that has changed, the reality is not as easy as it used to be and the race for supremacy is way less dependent on military supremacy rather than technologic superiority. In fact, all around the world, universities, laboratories and research institutions function as a sort of modern battlefields: it is there that scientists and researchers are trying to develop new technologies through which they are going to dominate this new world driven by scientific development and discoveries.

It is safe to say, now, that a big part of the trade war between China and the United States is caused and fought in the realm of new technologies, such as 5G and Artificial Intelligence technologies, that will be playing a huge role in this fight.

A big role in this technologic war is played by the applied science of artificial neural networks and deep learning. Conquering the primacy on the research and commercial development of such technologies would basically mean being one step

⁸⁰ Ibid, p.107.

ahead all other countries.⁸¹ In the last two decades, China invested huge sums of money in scientific research, taking many steps in bridging the gap it had with the research labs in the United States. Companies and research institutions have now the possibility of being funded by Chinese the government. There lies one key advantage that Chinese researchers have compared to researchers in the United States: where the American political culture punishes eventual errors and waste of governmental funding, the Chinese political culture rewards a driven techno-utilitarian approach.⁸² With the generous donations given by the government, Chinese researchers were able to make successful discoveries in the realm of Artificial Intelligence.

Many were shocked when in 1997 the Deep Blue computer won over the chess world champion Garry Kasparov in 1997, but this victory was simply based on the ability of that computer to calculate a huge number of combinations in a span of seconds, in order to do the best move on the chessboard. In other words, the technology of Deep Blue was only able to follow instructions, but it was unable to learn autonomously.⁸³

Nowadays, the newest technologies possess what is called “machine learning”, meaning the ability of a machine to learn and extract by themselves recurrent structures and rules. The more data they receive, the more they can learn autonomously. The huge

⁸¹ BALESTRIERI, Luca, and BALESTRIERI, Francesca, “Guerra digitale. Il 5G e lo scontro tra Stati Uniti e Cina per il dominio tecnologico”, LUISS University Press, p.23, August 2019.

⁸² LEE, Kai-Fu, “AI Superpowers. China, Silicon Valley, and the New World Order”. Houghton Mifflin Harcourt, September 2018, iBooks, p.214.

⁸³BALESTRIERI, Luca, and BALESTRIERI, Francesca, “Guerra digitale. Il 5G e lo scontro tra Stati Uniti e Cina per il dominio tecnologico”, LUISS University Press, p.23, August 2019.

sums of data these machines need to learn are called “Big Data” and China has a key advantage even in this realm thanks to their privacy laws that are not strictly enforced, as well as their huge population of Internet users.

Let’s take the case of City Brain: it is a project that sees digital giant Alibaba and Hangzhou city government creating an enormous system to handle road traffic around the city. Its technology is made to reduce traffic jams and pollution, creating fast lanes for emergency vehicles in case of road accidents, and guarantees a quick intervention by the police. To do so it uses cameras and sensors disseminated all over the city⁸⁴. Alibaba already sold City Brain to other Chinese cities such as Guangzhou and Suzhou, and it is also exporting it to Malaysia. The tech giant Alibaba now possesses huge quantities of data to refine its Artificial Intelligence system. Now, what we are assisting to now is a technologic revolution that makes the individuals into material for the evolution of AI and the public space into data to exploit for the enrichment of private people.

The term “Internet of Things” stand for a concept that, supposedly, would represent the next Internet revolution. In the system of the Internet of Things, computing devices as well as objects (the “Things”) provided with Artificial Intelligence are able to connect, share information and recognize each other’s unique identifiers without the need of human interaction. In order to integrate Artificial Intelligence with the Internet of Things and entrust a machine with, for example, the control of a factory or an autonomous

⁸⁴ Ibid, p.32.

car, it is needed an extremely fast connection network.⁸⁵ That's where the 5G technology comes into play: it provides an extremely low latency, one to a few milliseconds, whereas the latency present in the 4G technology is way higher and would create serious issues in those situation where transmission and reception of data is needed in real time, like in the case of a remote surgery.

What matters more about 5G technologies is that, practically speaking, anyone who will control 5G technologies will automatically control development: that is the main reason why the 5G technology became one of the most intense battlegrounds for China and the United States in their competition for new technologies.⁸⁶ When the United States realized that a renowned Chinese company, Huawei seemed to have taken control of the leadership in the race towards 5G technology and that China is leading in the development of new networks, they were extremely alarmed. An American diplomatic and press campaign against Huawei, surely made to prepare the ground, accused the company of a large range of fears and suspicions, sometimes also mixing up different problems.⁸⁷

The first kind of critique is aimed at the fact that China did not stop countless Chinese copycat spread as they used to copy Western products and technology, which surely gave China an advantage in the industry of consumer goods. However, their success would not have been possible without an extraordinary capacity to adapt the

⁸⁵ Ibid, p.33.

⁸⁶ Ibid, p.34.

⁸⁷ Ibid, p.82.

goods to Chinese customers' tastes and needs. In reality, that phase is partially over, also thanks to the enforcement of Intellectual Property Rights by Chinese government.⁸⁸

The second criticism that is often aimed at China blames the kind of agreements for partnerships between Chinese and foreign companies, agreements in which foreign companies had to transfer technology. That is not the same case as intellectual property theft, it is rather an imposed condition for permitting foreign companies to access the market. The American government considers those as a sort of "State theft", unfair to U.S. companies and dangerous to national security. This is because they consider one-way technology transfer as undermining American superiority in the realm of industry as well as in the military realm.⁸⁹

A third problem is espionage, perpetrated through telecommunication networks and technologies. A report from the Permanent Select Committee on Intelligence by the United State House of the Representative dates back to 2012, tickling issues on national security threat represented by Chinese companies like Huawei and ZTE.⁹⁰ Of course, these suspicions were central elements for the Trump administration, both during the presidential campaign and after becoming President. A key issue here is that it seems as if the cooperation between big Chinese technology companies and Chinese government

⁸⁸ Ibid, p.83.

⁸⁹ Ibid, p.83.

⁹⁰ Ibid, p.83.

is structural and a symptom of the intertwined relation between those two private and public parties in China.⁹¹

2.3 Huawei CFO case and cybersecurity issues

Diplomatic and technologic issues between the two countries came to meet in December 2018. Huawei Technologies Co., Ltd. is a Chinese multinational company, a leading global provider in the industry of communication technology and the world's largest telecom appliances maker.⁹² For the record, when the company was first born it struggled to appeal even to local Chinese customers, nowadays Huawei has completely penetrated international markets: what we are talking about is a company that recently overtook American company Apple as the second-largest smartphone maker.⁹³

Understanding that Huawei is a giant of telecommunication, as well as a symbol of Chinese ambition, is ultimately crucial to understand the significance of the arrest of the chief financial officer of Huawei at the hands of Americans. Towards the end of 2018, the much-discussed case of the arrest of Meng Wanzhou in Canada marked a turning

⁹¹LEWIS, Andrew, "How 5G will shape Innovation and Security", Center for Strategic and International Studies, December 2018. <https://www.csis.org/analysis/how-5g-will-shape-innovation-and-security>

⁹²TAYLOR, Emily, "Who's Afraid of Huawei? Understanding the 5G Security Concerns", The Economist, September 9th, 2019. <https://www.economist.com/leaders/2012/08/04/whos-afraid-of-huawei>

⁹³EADICICCO, Lisa, "Huawei, the Chinese tech giant embroiled in controversy, just overtook Apple to become the second-largest smartphone maker", Business Insider, May 3rd, 2019. <https://www.businessinsider.my/huawei-surpasses-apple-as-second-largest-smartphone-maker-2019-5/>

point in the diplomatic relations between the U.S. and China. As might be expected, this sensitive case was immediately dragged in the politics of the trade war, muddying the waters further. It all started on December 1st, 2018, when Meng Wanzhou, CFO of Huawei Technologies Co. Ltd and daughter of Huawei founder Ren Zhengfei, was arrested at Vancouver International Airport by the Royal Canadian Mounted Police on behalf of the US government.⁹⁴

Her arrest was justified by the allegation that Huawei committed fraud towards several financial institutions, failing to observe US bans on dealing with the Islamic Republic of Iran.⁹⁵ The Trump government aimed to have Meng extradited to the U.S. where they accused her of misleading the HSBC bank and charged with bank fraud. The arrest warrant was based on an alleged conspiracy that was meant to defraud banks which had previously cleared money supposedly for Huawei. The accusation was in fact aimed at Skycom, a subsidiary entity that U.S. government claimed did not disclose it was owned by Huawei and was also conducting business with Iran at the same time, breaking the rules on U.S. sanctions. Meng's lawyer rejected all of the allegations and professed she had not broken neither Canadian or American laws. The Huawei CFO was released

⁹⁴ HOROWITZ, Julia, "Huawei CFO Meng Wanzhou arrested in Canada, faces extradition to United States", CNN Business, December 6th, 2018. <https://edition.cnn.com/2018/12/05/tech/huawei-cfo-arrested-canada/index.html>

⁹⁵ Ibid.

on bail ten days later and had been living under house arrest in Vancouver ever since, while her legal team worked in order to challenge the extradition to the States.⁹⁶

Unsurprisingly, the arrest immediately triggered a huge backlash in China: in fact, the Chinese government was furious and pressured the two governments to set Meng free. After the incident, Chinese officials accused Canada of perpetrating double standards at China's expense and demonstrating "Western egotism and white supremacy".⁹⁷ The Chinese embassy in Canada condemned Canada and the U.S. for "arbitrarily arresting a Chinese citizen" and "infringing her legal rights".⁹⁸

Shortly after, China arrested two Canadian citizens accused of espionage in order to gain leverage with Ottawa government. The citizens in question are Micheal Spavor, a consultant promoting tourism and investments in North Korea, and Micheal Kovrig, a former diplomat turned conflict mitigation consultant. It appears that the two men were refused legal assistance and denied contact with their families, according to Canadian

⁹⁶ CECCO, Leyland, "Canada officials misled Huawei executive, lawyers argue", The Guardian, September 24th, 2019. <https://www.theguardian.com/world/2019/sep/24/canada-meng-wanzhou-officials-misled-huawei-executive-lawyers-argue>

⁹⁷ BBC News, "Huawei faces US charges: The short, medium and long story", May 7th, 2019. <https://www.bbc.com/news/world-us-canada-47046264>

⁹⁸ YOUNG, Ian, "Huawei's Meng Wanzhou defrauded HSBC into loaning billions with 'misrepresentations' about Iran, Canada says, telling court to reject her bid for release". South China Morning Post, January 11th, 2020. <https://www.scmp.com/news/china/diplomacy/article/3045649/canada-says-huaweis-meng-wanzhou-defrauded-hsbc>

Foreign Minister François-Philippe Champagne.⁹⁹ Another Canadian citizen, Robert Schellenberg, is facing the death sentence in China for drug smuggling. Justin Trudeau, the Canadian Prime Minister, claimed that this decision was “arbitrarily” chosen, but Beijing repeatedly denied any link between the Huawei case and the decision to sentence Schellenberg to death penalty.

The countermeasures taken by Beijing government were not limited to the diplomatic realm: the dispute expanded to the economic arena as China banned canola shipments from Canada, causing the country to lose billions of dollars’ worth of export, and suspended permits of two major Canadian pork producers. Historically, Canada and the U.S. have been close allies and the Chinese move to target Canadian citizens and exports was likely intended to become an example of what happens if someone stands in China’s way. This kind of retaliation is not a new strategy for China: back in 2012, China was having a dispute with the Philippines over sovereignty in the area of the South China Sea. So, the Chinese government decided to impose stricter control over bananas imported from the Philippines, creating serious economic consequences for the Philippines’ bananas exporters, given that China represented their first export market.¹⁰⁰ This situation resulted in demonstrating how the Philippines were economically dependent from China the Philippines and how those links were extremely vulnerable.

⁹⁹LIU, Zhen, “China hands over cases of detained Canadians Michael Spavor and Michael Kovrig to prosecutors”. South China Morning Post, December 10th, 2019.

¹⁰⁰ HIGGINS, Andrew, “In Philippines banana growers feel effect of South China Sea dispute”, The Washington Post. June 10th, 2012. https://www.washingtonpost.com/world/asia_pacific/in-philippines-banana-growers-feel-effect-of-south-china-sea-dispute/2012/06/10/gJQA47WVTV_story.html

The arrest was likely influenced to a certain extent by Washington's doubts about whether Huawei could really be free of the influence of the Chinese Communist Party. Supporting those doubts is the fact that billionaire tech mogul Ren Zhengfei, the father of arrested CFO Meng Wanzhou, served in the People's Liberation Army as an engineer and joined the CCP.

The telecommunication giant had been in the crosshairs of US intelligence agencies for several years as it was believed to pose a potential security threat, in virtue of which the U.S. government tried to block its ascent in American markets. Huawei, for its part, denied any link with the Communist Party and maintained that it is an independent company. A report from the United Kingdom's Royal United Services Institute - a think tank dealing on security and defense issues - claimed it would be "irresponsible" to let Huawei access the country's telecommunications system when it comes to building a 5G system.¹⁰¹

It is hard to predict what could happen during Meng's trial, however, the first hearing is scheduled on January 20th, 2020, and it is believed that the argument to which her legal defense team will appeal to consist in the "double criminality" one. This argument claims that whatever crime she will be accused of by the United States must be a crime in Canada as well. In this specific case, Canada did not impose any sanction

¹⁰¹ CORERA, Gordon, "UK vulnerable to Chinese interference, report says", BBC News, February 20th, 2019. <https://www.bbc.com/news/uk-47300865>

against Iran, so her lawyers are hoping that this argument will impede her eventual conviction to that crime.

China critics in the United States started making complaints about the subject a long time ago: some of the critics often addressed the issue of cyber security and IP theft. A big problem with managing Internet key issues is that the United States and China have diametrically opposed views and interests. The U.S. is, in fact, a promoter of freedom of information, while China tries to control the stream of information, going as far as censoring websites such as Twitter, Google or Facebook, and those opposed interests make constructive dialogue between the two parties harder.

2.4 Made in China 2025

Once synonymous with low-quality, economical products, the “Made in China” label is slowly changing its branding strategy to appeal to customers all around the world. In this case we can argue that China is following the same path that Japan undertook in the post-World War 2, when Japanese goods were usually portrayed as low-quality products, compared to the more expensive Made in USA or Made in England goods. It was not until the late Seventies that Americans started appreciating Japanese products, which helped the country during that booming period in the Eighties. Nowadays there are many positive associations to the “Made in Japan”, recognizable in the worldwide success that brands such as Nikon, Canon, Ricoh or Panasonic, four of the world’s most renowned producers of photographic equipment dominating the global market, as well as Japanese car producers like Toyota, Nissan and Subaru, just to name a few: cars of these brands

are nowadays everywhere on and American and European roads, and their huge success is due to a good extent to the positive associations that Japanese companies created when it comes to the “Made in Japan” label. Today, China is ready to move in the same direction, with big companies such as Huawei and Lenovo paving the road.

Chinese premier Xi Jinping is a strong promoter of the state-led strategy that goes by the name “Made in China 2025”, a strategy that keeps stirring endless controversies between its supporters and opposers. In fact, the plan quickly gained notoriety and raised worries in other countries, resulting in a surprising level of visibility for such a trivial matter of industrial policy. Inspired by Germany’s “Industry 4.0”, this strategic plan was first issued in 2015, by Li Keqiang, the current Premier of the State Council of the PRC, together with his cabinet.

But what does “Made in China 2025” consist of exactly? According to the State Council plan, it will focus on ten key sectors that include robotics, aerospace equipment, new energy cars, bio-medicine and new information technology.¹⁰² It is a ten-year strategy that aims on strengthening China’s position as a global lead in high-tech industries, with a strong focal point in the “Research and Development” field. The key point in this plan is transforming China into an innovating country in the field of technology, rather than relying on foreign imports of technology. This is an ambitious plan that does not stop at wanting to develop technical innovations, but it has an even broader scope: in fact, it aims at targeting the entire production and manufacturing process,

¹⁰² Institute for Security and Development Policies, “Made in China 2025”, Backgrounder 2018. <http://isdpeu.org/content/uploads/2018/06/Made-in-China-Backgrounder.pdf>

with some efforts towards green energies and sustainable production, together with an increased brand awareness of Chinese products abroad.

It certainly is impressive to see how China's industrial base completely changed in a span of decades, from producing cheap toys to be exported abroad to become a leader in the field of advanced technologies. Many people wonder what consequences "Made in China 2025" will have on other industrialized countries. Some Chinese officials claimed that the European Union, the United States and Germany expressed concerns and hostility to this initiative because of their unfair concerns about China becoming a threatening added-value competitor, rather than a cheap manufacturing base.¹⁰³

On the other side of the coin, to the eyes of Trump administration, the "Made in China 2025" plan was perceived as an open challenge to American hegemony. This is why in 2018, US Vice President Mike Pence made "Made in China 2025" into a political flashpoint for the trade war with China: he blamed the initiative as a directive coming from above in order to steal American's intellectual property. Some also have the suspicion that China's ambition is not merely to catch up with other first-world economies but to sweep their competition away and obtain a dominant position in new technologies industries worldwide.¹⁰⁴

¹⁰³ Ibid.

¹⁰⁴ The Hudson Institute, "Remarks by Vice President Pence on the Administration's Policy Toward China", Washington D.C., October 4th, 2018. <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-administrations-policy-toward-china/>

Now, the question one may ask is: how exactly will China proceed in implementing the Made in China 2025 plan? It is a three-step strategy. The first step consists in reaching, by 2020, complete industrialization. By 2035, China aims at being into the intermediate level between world manufacturing powers by improving greatly its innovation capability. Finally, by 2049 (a symbolic year because it also marks the 100-year anniversary of the People's Republic of China) the government wants China to be among the upper level of industrialized manufacturing powers of the world. The government in Beijing is introducing standards for those ten key industries as well as setting some directions needed in order to pursue development: those new standards are rumored to be also aimed at restricting foreign capitals entering China.¹⁰⁵

Central and provincial governments are cooperating with state-run agencies to make it easier for companies to develop an efficient manufacturing process. It is an ambitious long-term project and thanks to it, people are realizing that one of the key points that make China such a strong country is Xi Jinping's and the government's willingness to make such long-term plans for the future, which is exactly the kind of behavior was also typical of the United States during its ascending phase.¹⁰⁶ Moreover, the strong propaganda machine is a great asset for the CCP, and it represents one of the reasons for which the great majority of the Chinese population support their leader Xi Jinping and to be ever trustful towards the policies he promotes.

¹⁰⁵ Institute for Security and Development Policies, "Made in China 2025", Backgrounder 2018. <http://isdpc.eu/content/uploads/2018/06/Made-in-China-Backgrounder.pdf>

¹⁰⁶ RAMPINI, Federico, "La seconda guerra fredda", Mondadori editore, October 2019.

2.5 Trade deficit between China and the U.S.

Before China entered the World Trade Organization, it accepted to be subjected to one of the fastest programs of market opening and trade duty cuts that any member had to accept before. Many were skeptical that China would commit as promised, but as early as 2005, its tariff rates was as low as 9.9 percent, compared to the 40 percent that it had in the early Nineties.¹⁰⁷ Of course, this meant that China soon became one of the most influential importers and exporters in the world over a span of few years. Its trade boom put the United States in an uncomfortable position, as the trade deficit they had with China rose accordingly. In 2001, the trade gap totaled 90.2 billion dollars.¹⁰⁸ That number almost doubled in 2004 and got to measure 175.8 billion dollars. By 2017, the gap between American products exported to China and Chinese goods exported to the States hit a record sum of 375.2 billion dollars. In that same year, the overall trade gap between the States and the rest of the world rose to 566 billion dollars, a number never reached in the last nine years. The last time the trade deficit was as big as that was in 2008, when the economic recession shook America.¹⁰⁹

¹⁰⁷ WINN, Howard, "Accession has brought change to China and WTO", The New York Times, November 7th, 2005. <https://www.nytimes.com/2005/11/07/world/asia/accession-has-brought-change-to-china-and-wto.html?searchResultPosition=4>

¹⁰⁸ Ibid.

¹⁰⁹ SWANSON, Ana, "U.S.-China Trade Deficit Hits Record, Fueling Trade Fight", The New York Times, February 6th, 2018. <https://www.nytimes.com/2018/02/06/us/politics/us-china-trade-deficit.html>

This, of course, enraged American president Donald Trump, who made the recurring promise of eliminating the trade gap a workhorse of his administration. Commerce Secretary Wilbur Ross said, at the beginning of the term, that Trump administration would accomplish this goal by renegotiating the effective trade deals, forming other deals and last but not least, by enforcing existing trade rules.¹¹⁰

In reality, that was not what later happened: in 2018, in fact, the trade gap with China rose again and totaled 419.2 billion dollars, increasing 11.6% more over the previous year.¹¹¹ According to the New York Times, in the first nine months of 2019 the trade gap widened again, arriving close to 500 billion dollars.¹¹²

Some economists agree that in a well-functioning economy like the American one trade deficits are not an issue. In fact, imports from low-cost manufacturer countries can benefit consumers as they have a higher purchasing power, thanks to access to affordable products coming from abroad, and raises life standards. Moreover, a negative balance of trade can indicate a healthy country growing faster than other economies, which leads citizens to buy big quantities of foreign products.¹¹³ Nonetheless, the negative balance of

¹¹⁰ Ibid.

¹¹¹ Office of the United States Representative, “The People's Republic of China. U.S.-China Trade Facts”, 2018, Washington D.C. <https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>

¹¹² SWANSON, Ana, “Trump Vowed to Shrink the Trade Gap. It Keeps Growing.” The New York Times, November 6th, 2020. <https://www.nytimes.com/2019/11/05/us/politics/us-trade-deficit.html>

¹¹³ Ibid.

trade was made into a political flashpoint by Trump administration, as he promised he would make the trade gap shrink. However, the growing gap was made worse by the \$1.5 trillion tax cut enforced under his governance, that encouraged Americans to spend those money cash saved on taxes by buying more foreign product. Moreover, the tariffs imposed by his administration caused a retaliation of from Beijing. Ironically, those measures made American exports to China face a decline of 50% less in December 2018 compared to December 2017, which furthered the trade gap even more.

2.6 Tariff war

When most people think about “war”, an economic war might not be the first thing that comes into their mind, however, this kind of war it can have consequences as serious as military wars. The contemporary world relies heavily on trade and threatening one country’s economic performance can have unpredictable effects on world politics and economy. That is what happened when the two biggest superpowers of the world got caught into the trade war, putting tariffs worth billions of dollars of foreign imports, in a way that predictably upset financial markets.

It all started in 2018, when American President Donald Trump pulled up again the argument, very popular across party lines in Washington, that China and other trading countries have been taking advantage of U.S. market. The American decline that started in the Seventies, the growing trade gap between the two countries, as well as the

American declining manufacturing sector are three of the most cited arguments that Trump uses to sustain this theory.¹¹⁴

China, at that time, was not the only targets he blamed, and this was revealed by the United States' refusal to enter the TPP, the "Trans-Pacific Partnership", a trade agreement meant to include 12 countries from the Pacific area to reduce tariffs on imports. This agreement never came into force as Trump decided not to sign it, claiming it could harm American economy and independence. Trump sustained that American manufacturers would benefit from this move and regain power as imports from China grew more expensive.

Therefore, he decided to start what would become a tariff war on January 2018, when he initially imposed tariffs on products such as washing machines and solar panels. This move was welcomed with appraisal from his sustainers, and criticism by members of the American solar panel industry. Abigail Ross, CEO of the Solar Energy Industries Association, stated that this move was counterproductive and would cost 23 thousand American workers their jobs.¹¹⁵ Moreover, South Korea was one of the countries that

¹¹⁴ CURRAN, Enda, "The U.S.-China War Over Trade and Tariffs, Explained". Bloomberg, January 15th, 2020. <https://www.bloomberg.com/news/articles/2020-01-15/the-u-s-china-war-over-trade-and-tariffs-explained-quicktake>

¹¹⁵ GONZALES, Richard, "Trump Slaps Tariffs on Imported Solar Panels and Washing Machines", NPR, January 22th, 2018. <https://www.npr.org/sections/thetwo-way/2018/01/22/579848409/trump-slaps-tariffs-on-imported-solar-panels-and-washing-machines>

were harmed by the tariffs on washing machines, and filed for compensation to the World Trade Organization.¹¹⁶

Later in March of the same year, he targeted steel and aluminum imports from most countries, extending the tariffs also to imports from the European Union, Mexico and Canada in June 2018. It was particularly surprising as these have historically been allies to the United States.¹¹⁷ The move was labeled as a “dangerous game” by the EU’s trade commissioner, and the EU responded by imposing tariffs on American products. Trump administration finally gave up those tariffs aimed at its allies by the end of April 2018, but just to impose them again in June.¹¹⁸

China, for its part, retaliated with tariffs on a variety of American goods such as waste, fruits and nuts, pork and more, worth \$2.4 billion, coming close to the value of U.S. tariffs amounting at \$2.8 billion in export value. China also responded in April by imposing tariffs on US goods, and that started a long escalation of tariffs on a wide variety of goods. In mid-July 2018, the US Trade Representative presented a new list of 200\$ billions worth of product to be subjected to 10% tariffs, as asked by Trump

¹¹⁶ MILES, Tom, “South Korea hits back at U.S. tariffs with WTO challenge”, Reuters, January 25th, 2018. <https://www.reuters.com/article/us-usa-trade-tariffs-southkorea-wto/south-korea-hits-back-at-u-s-tariffs-with-wto-challenge-idUSKBN1FE1PZ>

¹¹⁷ LONG, Heather, "Trump has officially put more tariffs on U.S. allies than on China", the Washington post, May 31th, 2018. <https://www.washingtonpost.com/news/wonk/wp/2018/05/31/trump-has-officially-put-more-tariffs-on-u-s-allies-than-on-china/>

¹¹⁸ BOWN, Chad P., and KOLB, Melina, “Trump’s Trade War Timeline: An Up-to-Date Guide”, Peterson Institute for International Economics, Updated January 15th, 2020. <https://www.piie.com/sites/default/files/documents/trump-trade-war-timeline.pdf>

administration less than a month earlier.¹¹⁹ Furthermore, the situation dramatically worsened in July 2018, when U.S. President Donald Trump made a threat to China about imposing tariffs on all Chinese imports to the U.S, for a total amount of \$504 billion, that would cover also the remaining \$262 billions of imports that were not targeted before, for example laptops and clothing.¹²⁰ One month later, he claimed he wanted to consider a 25% tariff rate instead of the previously decided 10% on the USTR list of products issued in July.

In July 2018, Donald Trump decided to especially target China with another round of tariffs and not harming directly other markets and one month later, in August, the USTR decided to finalize tariffs on another series of products to be subject to 25% rate instead of 10%, which it would be effective on \$16 billion worth of products. The following day, China announced that they would have also revised their tariffs in order to impose a 25% rate to American imports. The two countries followed through with their plans and the provisions became effective on August 23rd, 2018, effectively completing the first \$50 billions of tariffs for both China and the United States.

In mid-September, the American President finalized his ambitious list of Chinese products that would be, in his project, be taxed at 10% rate, for their total value of \$200 billion, which in fact took effect on September 24th, 2018.¹²¹ Of course, China retaliated

¹¹⁹ Ibid.

¹²⁰ Ibid.

¹²¹ Ibid.

imposing tariffs on \$60 billion worth of American products. The situation eventually seemed to relax in December, when during the G20 of Buenos Aires both President Donald Trump and President Xi Jinping announced that they support a possible deal that would stop the upcoming round of tariffs, expected the following month. Nevertheless, no joint statement was issued, and Trump stated that if they could not reach an agreement by the 1st of March, he would raise all the 10% tariffs to a 25% rate.

On March 5th, 2019, U.S. President Trump tweeted that he wanted to raise the tariffs imposed on September 2018 from a 10% rate to a 25% rate, which eventually took effect on March 10th.¹²² Twenty-one days after, China decided to retaliate with its own round of tariffs, reaching \$36 billion of that \$60 billion list that was proposed the previous September. Finally, Trump announced that he wanted to extend the tariffs of 10% rate to \$300 billion worth of Chinese goods, then covering almost all products coming from China, one part starting from September and another part starting from December. The two rounds were split in \$112 billion worth of tariffs on September 1st, targeting mainly back-to-school goods such as shoes and clothing, while the second round that should have started on December 15th targeted toys and other goods to prevent U.S. citizens from buying Chinese products for Christmas, in fact, the timing of these two round of tariffs was premeditated and well-thought.¹²³ China planned to retaliate on the same dates with its own series of tariffs, that would reach an expected total of \$75 billion dollars.

¹²² Ibid.

However, the tariffs that were to be effective from December 15th never went on effect because as early as October Trump announced that negotiations between China and the United States were going towards a “phase one” that would block increasing tariffs: therefore, on December 13th he stopped the forthcoming tariffs, indicating that his administration was working towards reaching an agreement with the Chinese one.

That was, in fact, the case. On January 15th, 2020, U.S. President Donald Trump signed a trade deal together with Chinese Vice Premier Liu He in order to temporary block the increasing of tariffs, practically ending the first chapter of the trade war, or better, what he called the “phase one”.¹²⁴ Strangely enough, President Xi Jinping was not the one who signed the deal, as he resorted to send an envoy instead. This odd detail did not seem to be a problem for Trump, who was looking triumphant during the ceremony.



Image 1: Donald Trump and Liu He signed the trade deal.

¹²⁴ TIEZZI, Shannon, “China, US Sign ‘Historic’ Trade Deal”. *The Diplomat*, January 16th, 2020. <https://thediplomat.com/2020/01/china-us-sign-historic-trade-deal/>

Included in the deal there were some commitments on the Chinese side in order to opening the market to U.S. companies even more, increasing energy and agricultural exports as well as providing a higher degree of technology and trade protection to American companies. This means that China promised to stop the common practice of the forcing technology transfer from American companies that operate in the mainland. China will be also expected to buy an extra \$200 billion worth of American agricultural products as well as canceling most of the tariffs placed on American products by 2021. In order to assure that China will respect the agreement, the Trump administration will maintain their tariffs on \$360 billion dollars' worth of Chinese products, in order to have leverage during the hypothetical "phase two" of the deal, and threatening China to impose more tariffs if the agreement is not respected.¹²⁵

The deal was broadly covered by media all over the world, even though it failed to reach the U.S. original target of forcing China to transform its economic structure in order to guarantee a long-term balanced trade relationship with the States. Moreover, the commitments taken by Beijing in the deal are expressed vaguely and the text fails to determine exactly how it will work in practice. Also, it remains to be confirmed whether the wording of the deal in Chinese resonates with the English one, as any mismatch could be easily transformed in a loophole.¹²⁶

¹²⁵ SWANSON, Ana, "China Trade Deal Details Protections for American Firms", The New York Times, January 14th, 2020. <https://www.nytimes.com/2020/01/14/business/economy/trump-china-trade-deal.html>

¹²⁶ SWANSON, Ana and RAPPEPORT, Alan, "Trump Signs China Trade Deal, Putting Economic Conflict on Pause", The New York Times, January 15th, 2020. <https://www.nytimes.com/2020/01/15/business/economy/china-trade-deal.html>

Nevertheless, this trade deal is a positive sign that points to the two superpowers' desire to start cutting down tariffs. To be fair, it is more of a symbolic success rather than a diplomatic or economic one. Before signing it, Xi Jinping, the Chinese President, also agreed that the trade deal will give benefits to China, to the United States, and to the rest of the world.¹²⁷ It surely is a step towards cooling down relations and put a stop to the uncertainty that was worrying people on both side of the Pacific. However, the deal does not mean that tensions could not start back soon, if one of the two countries would not obey the agreements.

When assessing whether the trade war succeeded in its intentions or not, the focus of the situation would better be directed to the ones that almost always lose in case of tariffs: the final consumers. The tariffs are nothing more than taxes, through which the government will ultimately benefit from the revenues obtained through taxation on American consumers, penalizing U.S. citizens as well as business employing taxed Chinese materials, having subsidiaries in China or export-bound industries. Raising the taxes of cheap imported products makes their purchase price raise, thus causing a bigger expenditure for consumers and industries.

A study from the Federal Reserve Bank of New York conducted with the two prestigious Columbia University and Princeton University shows that in 2018, the real

¹²⁷ YUN, Li, "Xi Jinping says, 'phase one' trade deal benefits both US and China, seeks to sign as soon as possible", CNBC, January 20th, 2020. <https://www.cnbc.com/2019/12/20/xi-jinping-says-phase-one-trade-deal-benefits-both-us-and-china.html>

income of U.S. consumers shrank \$1.4 billion per month under the heavy burden of the tariffs.¹²⁸ Another sector that did not gain from the trade war are American-based soy bean farmers, who lost a part of the market as China is one of the biggest importers of American soy beans.¹²⁹

Trump's comment telling that "China is paying for the tariffs" is, if not false, at least incomplete: as China retaliated with her own tariffs on imports from the U.S., that means that Chinese customers are paying for them just like American customers are. At the same time, there are some sectors that are able to thrive in the case of trade wars, one of the reasons for which protectionist theories always gain supporters.¹³⁰ Outside of China and the United States, the ones that really were benefitting from the tariffs are other low-cost manufacturer countries, for example Vietnam, Taiwan and South Korea, that saw their exports rising quickly in 2019.¹³¹ Instead, inside the two countries involved in the tariff war, the categories of people that can benefit from trade wars are unskilled employees in sectors that do not require specific expertise in a sector, together with

¹²⁸ AMITI, Mary, REDDING, Stephen J., and WEINSTEN, David, "The impact of the 2018 Trade War on U.S. prices and welfare", Centre for Economic Policy Research, March 2nd, 2019.

¹²⁹ JONES, Chuck, "Soybean Farmers' Fate Is Now in Chinese Hands", Forbes, January 21st, 2020. <https://www.forbes.com/sites/chuckjones/2020/01/21/soybean-farmers-fate-is-now-in-chinese-hands/#2c742aa57210>

¹³⁰ LEVITZ, Eric, "Trump Just Admitted That Tariffs Hurt Consumers", New York Magazine, August 13th, 2019. <http://nymag.com/intelligencer/2019/08/trump-delays-tariffs-on-china-admits-they-hurt-consumers.html>

¹³¹ CURRAN, Enda, "The U.S.-China War Over Trade and Tariffs, Explained", January 15th, 2020. <https://www.bloomberg.com/news/articles/2020-01-15/the-u-s-china-war-over-trade-and-tariffs-explained-quicktake>

import-bound industries.¹³² However, after the two countries signed the trade deal of January 15th, on both sides of the Pacific many hope that tensions are about to gradually come to an end.

A key issue that still goes unresolved, though, is the American claim that Chinese companies steal their intellectual property: a problem that has no solution at the moment and will just be postponed. It is likely that this issue will play a key role in November 2020, when American elections will take place: in fact, Donald Trump will be running for a second term and his struggles with China is plausibly far from being over. The January trade deal between the two powers could be seen as just an attempt by Trump administration to alleviate the pressure on agricultural states - the ones hurt the most during the trade war – before the presidential election of this year.

¹³² LECHTALER Wolfgang, and MILEVA, Mariya, “Who Benefits from Trade Wars?”, *Intereconomics*, Volume 53, 2018, p. 23-26. <https://www.intereconomics.eu/contents/year/2018/number/1/article/who-benefits-from-trade-wars.html>

Chapter III:

Trade wars of the past

3.1 Tariffs in history

The trade war between Beijing and Washington administration had been extensively covered in newspapers and websites all around the world, with Chinese media portraying the United States government as a “bully” and their own as a victim, and American media doing the exact opposite.¹³³ ¹³⁴The American President Donald Trump is especially convincing when he plays the part of the oppressor, often resorting to empty threats and blusters. He often went on Twitter rants about the most varied topics, and his policies in terms of economy and foreign strategy can be described as unorthodox.

It must be noted, however, that imposing tariffs on foreign imports is not a new strategy. Tariffs have been used, in history, by several countries in order to protect some key industries from unfair foreign competition, imposing taxes to make foreign products costlier in order to discourage consumers from buying them and turn to domestic goods instead. In the case of the United States, sugar producers, for one instance, have been

¹³³ XINHUA NEWS 新华, “Spotlight: U.S. bullies China, other countries with hegemonic tactics: analysts”, Xinhua, August 19th, 2019. http://www.xinhuanet.com/english/2019-08/19/c_138321332.htm

¹³⁴ WSJ, “China Bullies Congressmen and Many Others”, WSJ, October 20th, 2019. <https://www.wsj.com/articles/china-bullies-congressmen-and-many-others-11571578148>

preserved by permanent tariffs since the end of the eighteenth century.¹³⁵ In other cases, tariffs have been imposed when another country subsidized an industry, contrasting with the rules of free market by allowing that industry to perform better and sell their products at a cheaper price.¹³⁶

In the case of the United States, the purpose of tariffs has been revalued after the beginning of the twentieth century. In fact, after the reform of the taxation system imposed the income tax to citizens, the country did not need tariffs as much as before for two main reasons: the first is that it did not need tariffs to fund central government, and the second reason is that, thanks to the prodigious industrial development of the time, tariffs no longer served their initial purpose of limiting foreign competition.¹³⁷

Leaders tend to resort to protectionist policies in tougher times, however, the results they obtain are not always what they hoped for. The worst consequence that tariffs can have is hurting the whole economy of the country that imposed them and reduce commerce at a global level, a common outcome when other governments resort to retaliatory measures against the country that imposed tariffs on their exports. In this chapter, we will examine some famous instances of trade wars of the past and compare

¹³⁵ MIHM, Stephen, “Sugar Industry Is Exhibit A of Tariff Favoritism”, Bloomberg, December 18th, 2018. <https://www.bloomberg.com/opinion/articles/2018-12-18/u-s-sugar-industry-is-exhibit-a-of-tariff-favoritism>

¹³⁶ CHATZKY, Andrew, “The Truth About Tariffs”, Council on Foreign Relations, May 16th, 2019. <https://www.cfr.org/backgrounder/truth-about-tariffs>

¹³⁷ DOMITROVIC, Brian, “When Tariffs Worked”, Forbes, March 9th, 2018. <https://www.forbes.com/sites/briandomitrovic/2018/03/09/when-tariffs-worked/#39a8d7af70f9>.

them to today's trade conflict between the United States and China, in order to see some common patterns that might help us predict the possible future outcomes of this war.

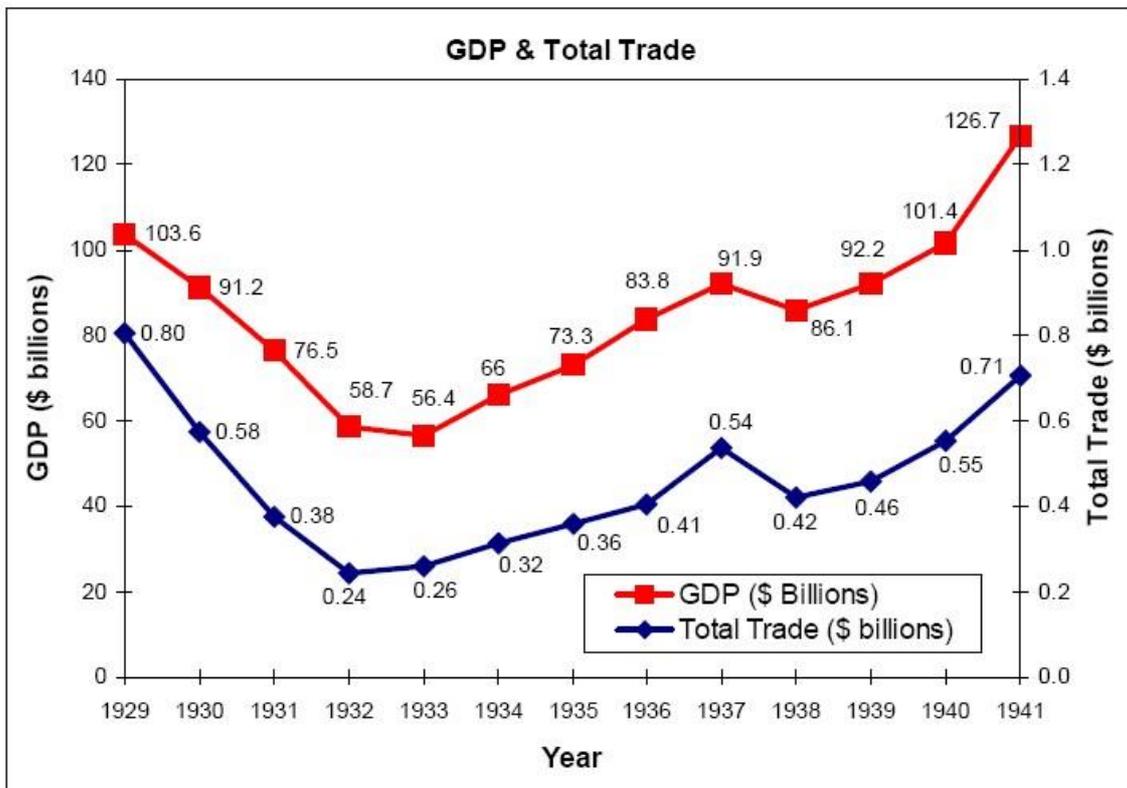
3.2 Smoot-Hawley Tariff Act

The most notorious example of American protectionism dates back to ninety years ago, in 1930. Just one year after the Great Depression struck the United States, thus expanding the crisis worldwide and making markets crash in virtually any civilized country. In the industrialized world, the great Depression was the longest economic crisis that ever existed, affecting almost all countries. Destructive as it was, it had a key role in stirring great changes in the fields of macroeconomics and economic institutions later.¹³⁸

The Great Recession started in July 1929 and at first it seemed simply an ordinary slowdown in economy, however, it quickly started to dramatically worsen towards the end of the same year, with prices falling precipitously. It lasted until early 1933, and during the span of those four years the American gross domestic product - also known as GDP - fell 30%, while industry production had a 47% decline. To put these numbers in perspective, we might compare it to the economic crisis of 2007-09, when American real GDP merely fell of 4.3%.¹³⁹

¹³⁸ PELLIS, Richard H., ROMER, Christina D., "Great Depression", Encyclopedia Britannica, Updated December 2nd, 2019. <https://www.britannica.com/event/Great-Depression>

¹³⁹ "The Great Recession", Federal Reserve of History. https://www.federalreservehistory.org/essays/great_recession_of_200709



Graph 1¹⁴⁰: in the graph above it is possible to notice that even if the recession started before Smoot-Hawley bill was passed, the GDP suffered a strong contraction for the following years, as well as the total trade amount that in 1932 measured a little bit more than a quarter compared to the total amount of trade in 1929.

However, it was before the beginning of these tough times that the Smoot-Hawley Tariff Act was proposed. Initially, the bill was proposed before the start of the recession, in May 1929, and the According to historian Robert Sobel, the act was strongly supported

¹⁴⁰ CONKLING, Gary, “The Ghost of Willis Hawley, Good Intentions and Trade Tariffs”, CFM, July 25th, 2016. <https://www.cfm-online.com/state-lobbying-blog/2016/7/25/the-ghost-of-willis-hawley-good-intentions-and-trade-tariffs>

by American big businesses - the heavy industry businesses in particular - fearing the international competition surged after the Stock Market Crash, and consequently supported the proposal of raising import fees for products coming from abroad.¹⁴¹ Big enterprise owners managed to obtain the support of Senator Joseph Grundy of Pennsylvania, who became the spokesperson for their economic interests. At the Senate, he claimed that raising duties on foreign imports would help American industries in that already suffering economy. The academic community, on the contrary, vigorously contrasted the passing of the Tariff Act.¹⁴² Over a thousand economists signed a petition declaring that the tariffs would damage every industry as well as stir retaliation from other countries and diminish the goodwill in international trade relations.¹⁴³

President Hoover desired to keep good international trade relations in order to end the market crisis, and he even called the Smoot-Hawley bill “vicious, extortionate, and obnoxious”.¹⁴⁴ Eventually, Senator Grundy was able to convince him that the bill was a necessity for the country, so President Hoover resolved himself to grudgingly sign it. In

¹⁴¹ SOBEL, Robert, “The age of giant corporations; a microeconomic history of American business, 1914-1970”, Greenwood Press, 1972. P.87.

¹⁴² Ibid.

¹⁴³ “1,028 Economists Ask Hoover To Veto Pending Tariff Bill; Professors in 179 Colleges and Other Leaders Assail Rise in Rates as Harmful to Country and Sure to Bring Reprisals. Economists of All Sections Oppose Tariff Bill”, The New York Times, May 5th, 1930. <https://www.nytimes.com/1930/05/05/archives/1028-economists-ask-hoover-to-veto-pending-tariff-bill-professors.html>

¹⁴⁴ SOBEL, Robert, “The age of giant corporations; a microeconomic history of American business, 1914-1970”, Greenwood Press, 1972, p.87.

fact, concerned as he was with the state of the economy, his main goal was protecting American farmers from the economic recession.¹⁴⁵

The tariffs rate was exceptionally high for the time, as the average was 20%, that in combination with deflation led to a decrease of 12-20% of imports.¹⁴⁶ In less than a year, twenty-five countries retaliated and imposed their own import duties. Initially, the tariffs seemed to work, as business statistics showed an increase in employees' wages, number of contracts and industrial production. The prices of stocks also showed a dramatic rise. However, the general situation of the economy was not encouraging, as the banking was extremely weak and between the start of 1931 and the end of 1932 more than 2,000 banks failed together with a big number of business enterprises. With a 66% plunge in the total world trade in the years between 1929 and 1933, even the strongest supporters of the tariff bill did not dare to talk about the benefits of protectionism.¹⁴⁷

The tariff clearly did not cause the Great Recession; however, economists today agree that it worsened it. By imposing taxes on imported goods, the United States evoked a storm of retaliatory tariffs from other nations, thus causing a sharp decline in global

¹⁴⁵ ENCYCLOPEDIA BRITANNICA, "Smoot-Hawley Tariff Act", Encyclopedia Britannica, <https://www.britannica.com/topic/Smoot-Hawley-Tariff-Act>.

¹⁴⁶ IRWIN, Douglas A., "The Smoot-Hawley Tariff: A Quantitative Assessment." *The Review of Economics and Statistics* 80, 1998.

¹⁴⁷ U.S. DEPARTMENT OF STATE, "Smoot-Hawley Tariff". U.S. Department of State, https://web.archive.org/web/20090312055958/http://future.state.gov/when/timeline/1921_timeline/smoot_tariff.html

trade. After the bill was revoked in 1934, U.S. President Roosevelt started negotiating tariffs for international trade and issued the 1934 Reciprocal Trade Agreements Act. This marked the newly-found American preference for free trade over protectionism, after which the United States took the role of enthusiastic promoter of a free trade market, which later was demonstrated by their support and participation in the GATT (General Agreement on Tariffs and Trade) in 1947, NAFTA (North American Free Trade Agreement) in 1994, WTO (World Trade Organization) in 1995.¹⁴⁸

3.3 Similarities and differences between Smoot-Hawley Tariff Act and China-U.S. trade war

How does the Smoot-Hawley tariff Act resonate with today's trade war between China and the United States? The bill that President Hoover signed was the spark that ignited retaliatory measures from a number as big as twenty-five countries, a measure that isolated the United States market in the world stage, marking a severe decrease in the American industrial base. Nowadays, Trump's tariffs cost to the American economy is not easy to sum up as it touches several aspects. The most evident is surely the damage the tariffs have induced to the American agricultural base, with farmers representing the category that has suffered most under the trade war.¹⁴⁹ The final consumers also suffered a heavy blow, as cheaper goods were heavily taxed.

¹⁴⁹ CONNOR, Tom "Trade wars, climate change plunges the family farm into crisis. Is it an endangered American institution?". CNBC, November 2nd, 2019.

The tariffs imposed by the Smoot-Hawley Tariff Act also had a role in turning relations between the United States and other countries hostile, and in addition, they did so during a time when cooperation was extremely needed. During the Great Recession, combined efforts between world governments would have made the economic crisis, if not shorter, at least less destructive. Moreover, the United States lent do

What we can notice here is an interesting parallelism between the bill of 1930 and Trump's tariffs. Normally, imposing tariffs will push other nations to retaliate. Trump administration tariffs have largely been received by China as well as the EU, Mexico and Canada as a sign of bad faith and enmity, and most governments affected by them were quickly to reiterate with their own round of tariffs. Irwin's claim is that the effect of the Smoot-Hawley bill on trade was relatively moderate, nevertheless, the retaliatory tariffs that followed it had been causing the plunge in the global economy.¹⁵⁰

One more similarity between the Smoot-Hawley and the trade war of today is that a number of intellectuals and economists warned the government that imposing tariffs on imports can have unpredictable outcomes, and that these outcomes are often not beneficial to the economy.

¹⁵⁰ IRWIN, Douglas A., "The Smoot-Hawley Tariff: A Quantitative Assessment." *The Review of Economics and Statistics* 80, 1998.

3.4 The Japan-U.S. trade war

Since China scored double-digit annual growth, international economists and researchers started comparing it to Japan's economic growth in the 70's and 80's. Accordingly, their history resulted to go almost in the same direction as for their relationship with the U.S. The United States on the other hand, even if decades had passed, adopted a similar strategy when facing another rising Country.

The diplomatic history of the US and Japan after the Second World War was marked by two very influential treaties: the "San Francisco Peace Treaty" and the "Security Treaty between the United States and Japan". The first treaty marked the end of the occupation of Allied forces, thus allowing Japanese independence and the second one mostly asserted the establishment of US army in the Country¹⁵¹. Since Japanese constitutional pacifism was enforced by the article 9 of the Constitution, which still forbids Japan to maintain an Army, the Security Treaty between the United States and Japan corresponded to the Japanese dependence on the US for the National Defense¹⁵². These treaties entered into force in 1952.

¹⁵¹ CALVET, Robert, "Storia del Giappone e dei giapponesi", Lindau, 2008.

¹⁵² Art. 9, Japanese Constitution.

In the following years, Japan experienced a quick economic growth. The strategy being at the heart of this economic growth is the “Yoshida doctrine”.¹⁵³ Yoshida was Japan’s prime minister from 1946 to 1947, then was replaced for nearly a year and finally regained his position as Prime Minister in 1948, which he held until 1954. The Yoshida doctrine consisted in focusing most National efforts on enhancing economic and trade growth, based on the support provided by the U.S. In fact, in that period, the Japanese Government decided to put in place non-tariff barriers to import and imposed long work hours to its people, together with other measures, in order to enhance trade relations, competitiveness and development¹⁵⁴.

Yoshida policies proved to be extremely effective for Japan: as early as 1955 Japanese economy performed much better than it did before World War 2. As a consequence, the following Prime ministers kept on pursuing Yoshida-inspired policies, of course keeping their moves up to date. The result of the application of this winning strategy became clear to the whole world when Japan turned itself into the second largest economy in the world in 1968, recording double-digits development¹⁵⁵.

¹⁵³ MAIZLAND, Lindsay, and XU, Beina, “The U.S.-Japan Security Alliance”. Council on Foreign Relations, August 22nd, 2019. <https://www.cfr.org/background/usa-japan-security-alliance>

¹⁵⁴ HENSHALL, Kenneth, “A History of Japan: From stone age to superpower”. Palgrave Macmillan, 1999.

¹⁵⁵ MCCURRY, Justin, and KOLLEWE, Julia, “China overtakes Japan as world second-largest economy”. The Guardian, February 14th, 2011. <https://www.theguardian.com/business/2011/feb/14/china-second-largest-economy>

The 70's saw the first tensions in the relation between the close allies. Soon after the 'Oil crisis' in 1973 and with the end of the Vietnam War, American resentment about Japanese defense was brought up, but it was not so easy for Japanese Government to change the defense system because of the real difficulties to revise the Constitution and because of its pacifist public opinion. In fact, few things changed on this concern.¹⁵⁶ As far as economy is concerned, Japan mostly gave carte blanche to the US requests of Orderly Market Arrangements which committed Japan mostly to limit exports of different products to the US and to liberalize capital investments¹⁵⁷.

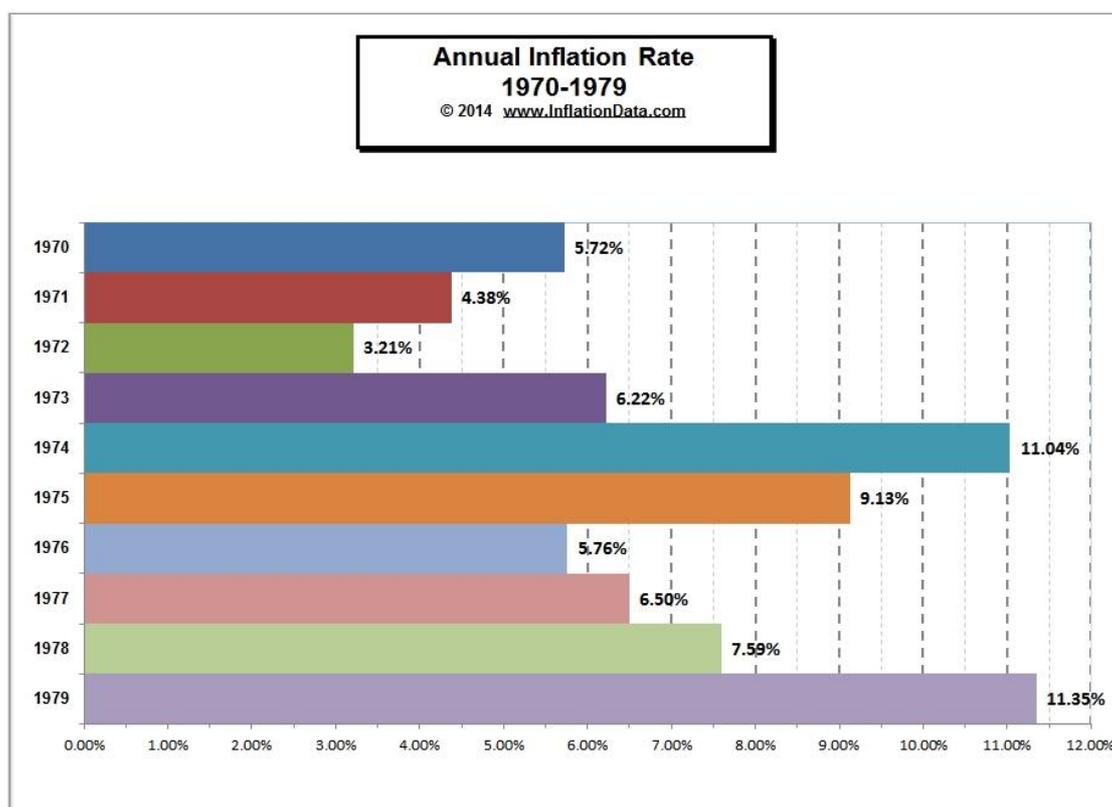
Japan and US relationship reached its climax with Reagan presidency and the Nakasone mandate. During this period of time, their international political slant corresponded and even the relations between two was very intimate. This led to the 'Reagan-Nakasone Joint Statement on Japan-United States Energy Cooperation' and to an important cooperation between the two States in the Cold War panorama.

But all that glitters is not gold, in fact as the Great Inflation advanced in the US with three peaks in 1974, 1979 and 1980, trade deficits of the United States kept growing and internal dissatisfaction grew accordingly. 1980 represented a turning point in American economics with the election of Ronald Reagan. "Let's make America great

¹⁵⁶ HAVENS, Thomas R.H., "Fire Across the Sea: the Vietnam War and Japan, 1965-1975", Princeton University Press, 1987.

¹⁵⁷ TAN, Loong-Hoe, and YUE, Chia Sow, "Trade, Protectionism and Industrial Adjustment in Consumer Electronics: Asian Responses to North America." Institute of Southeast Asian Studies, 1989. P.4.

again” cited the slogan which brought him to victory¹⁵⁸. The newly elected president presented a new economic policy to the US: the “Free-market economics” as it was called by him or “voodoo economics” as it was called by his political opponents¹⁵⁹.

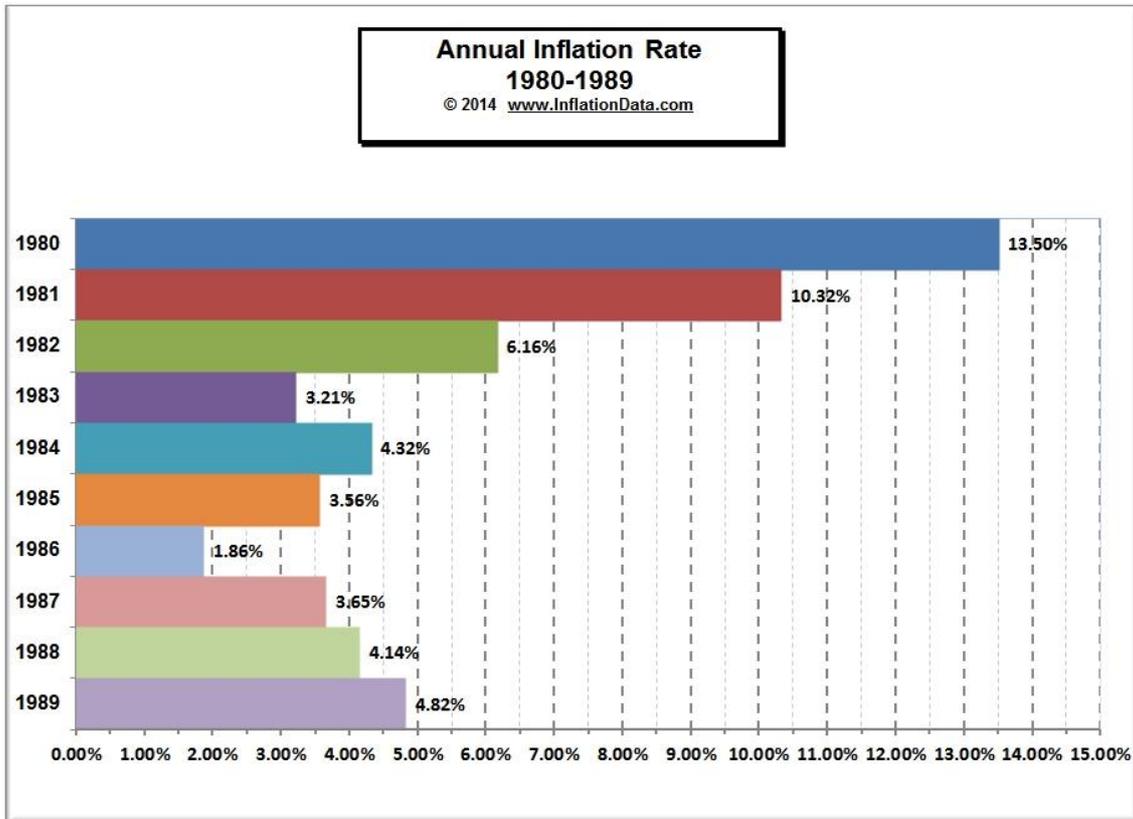


Graph 2: in this graph it is possible to notice the two peaks of inflation in 1974 and 1979.¹⁶⁰

¹⁵⁸ “United States presidential election of 1980”, Enciclopedia Britannica. <https://www.britannica.com/event/United-States-presidential-election-of-1980>

¹⁵⁹ NISKANEN, William A., “Raeganomics: An Insider's Account of the Policies and the People”, Oxford University Press, 1988.

¹⁶⁰ “Inflation in the 1970’s”, Inflation Data. <https://inflationdata.com/articles/inflation-cpi-consumer-price-index-1970-1979/>



Graph 3: in this graph we can notice the peak of inflation in 1980.¹⁶¹

As for the economic relations with Japan, during Reagan presidency in its first years, the US mainly requested Japan to revise its market by opening it to foreign goods in order to allow a better US competition in Japan. For a number of reasons, say cultural, political or economic, Nakasone could not quickly satisfy the requests that the United States asked Japan, so it resulted he tried to buy time.

According to the Organization for Economic Cooperation and Development, in the span of time that goes from 1980 to 1985, the dollar appreciated much against their

¹⁶¹ "Inflation in the 1980's", Inflation Data. <https://inflationdata.com/articles/inflation-cpi-consumer-price-index-1980-1989/>

Japanese yen, German mark, French franc and British pound counterparts, totaling an appreciation of 50%, which put a noticeable pressure on American exports, by making them more expensive for other countries.¹⁶² Under these circumstances, it did not take long before protectionist feelings became stronger. Briefly, it is in this protectionist scenario that the US opened the negotiations that led to the Plaza Accord.¹⁶³

The Plaza Accord, taking its name by the Plaza Hotel in New York, which hosted the meeting, was a joint-agreement signed on the 22nd of September 1985 by France, West Germany, Japan, the US and the United Kingdom. The terms of this accord required to depreciate the US dollar in relation to the Japanese *Yen* and the German *Deutsche Mark* by intervening in currency markets having the US the real aim of rebalancing the trade deficit with the two countries.¹⁶⁴

The accord seemed to work for US and Western Germany trade deficit, but it did not happen the same with Japan. As required in the Plaza accord, the Yen was quickly appreciated. As a matter of fact, in only two months the Yen had a 20% rise in comparison

¹⁶² 新华, Xinhua News, "News Analysis: Lessons to learn from Japan's response to U.S. protectionism", Xinhua News, August 18th, 2018. http://www.xinhuanet.com/english/2018-08/18/c_137400211.htm

¹⁶³ DESTLER, I.M. and HENNING, Randall C., "Dollar Politics: Exchange Rate Policymaking in the United States". Institute for international Economics, 1993. pp. 105–130.

¹⁶⁴ FUNABASHI, Yoichi, "Managing the Dollar: From the Plaza to the Louvre". Peterson Institute, 1989. pp. 261–271.

with the US Dollar and in 1987 the Yen scored 120.80 exchange rate, almost 50% rise from the exchange rate before the Plaza Accord¹⁶⁵.

At the same time the US trade deficit with Japan did not follow the changes applied to their currencies, in fact American products did not really do better in Japanese market. Japanese companies' answer to the Plaza accord was to delocalize their production in other countries in order to maintain their competitiveness in Japan. Japanese government did not manage to do much to change the course of events. However, at the insistence of the United States, in 1986 Japan agreed to limit its exports of semiconductors by signing the US-Japan Semiconductor agreement. The 1986 chip agreement restricted trade, ostensibly to help some American segments of the semiconductor industry¹⁶⁶. Finally, in 1987, Washington revealed its thoughts about Japan and imposed 100% tariffs on \$300 million dollars' worth of Japanese products, in other words, the tariffs cut some computers, television sets and power tools out from US market.¹⁶⁷ "An eye for an eye... That is all they understand" then Republican head of the Senate's finance committee,

¹⁶⁵ "TIMELINE: Milestones in the yen's history", Reuters, October 27th, 2008. <https://www.reuters.com/article/us-yen/timeline-milestones-in-the-yens-history-idUSTRE49Q1AN20081027>

¹⁶⁶ JOHNSON, Bryan, "The U.S.-Japan Semiconductor Agreement: Keeping Up the Managed Trade Agenda", The Heritage Foundation, January 24th, 1991. <https://www.heritage.org/asia/report/the-us-japan-semiconductor-agreement-keeping-the-managedtrade-agenda>

¹⁶⁷ BOYD, Gerald M., "President imposes tariff on imports against Japanese", *The New York Times*, April 18th, 1987. <https://www.nytimes.com/1987/04/18/business/president-imposes-tariff-on-imports-against-japanese.html>

Robert Packwood, commented about economic relations with Japan.¹⁶⁸ If we consider Trump’s presidential campaign, its rhetoric sounds very familiar with this quote.

3.5 Similarities and differences between Japan - U.S. trade war and China - U.S. trade war

A crucial similarity between the trade war between Japan and the U.S. and China and the U.S. trade war is that in both cases the trade gap between the countries was made into a scapegoat. Back in 1989, Trump himself had something to say about Japan’s trade policies: in fact, he pledged that Japan “systematically sucked the blood out of America — sucked the blood out!”¹⁶⁹ The U.S. later proceeded to impose tariffs at a rate of 100% on Japanese product, therefore making them too expensive to be bought. Those rates have not been that high during the trade war between China and the U.S., however, they still made Chinese products less affordable for American consumers.

Another key point is that the American dollars, back in the Eighties just like nowadays, had a higher appreciation compared to the Japanese *Yen* and the Chinese *Renminbi*. The first was resolved through the Plaza Accord back in 1985, while last August the U.S. called China a “currency manipulator”.

¹⁶⁸ GRIFFITHS, James, “The US won a trade war against Japan. But China is a whole new ball game”. CNN Business, May 25th, 2019. <https://edition.cnn.com/2019/05/24/business/us-china-trade-war-japan-intl/index.html>

¹⁶⁹ Ibid.

After analyzing the similarities between the history of Japanese and American economic relations in the 70's and 80's and the history of Chinese and American economic relations in the new Millennium, it is crucial, now, to highlight the differences between the two historical cases. A first key difference stands in the political relations. After WWII Japan was not just one of the major allies of the U.S. but it was also dependent to the U.S. for Japanese National Defense. We can infer this dependence definitely influenced Japanese Government not to respond to American tariffs. However, this does not apply to the China-U.S. economic relations since China and the US are military adversaries. The events in the South China Sea show both the intentions of these two countries and their confidence. And when Trump officially adopted protectionist measures by adopting tariffs on Chinese products, the Chinese government retaliated with their own set of tariffs and other measures, thus triggering the trade war.

A second fundamental difference in the scenario is in the wealth of population in Japan during the Eighties and China now. Even if China is one of the world most important economies, most part of its population still needs to develop economically. On the other side, in the 80's, Japanese average wage was between the highest in the world. This means that a big part of the Chinese population will still strive to grow further their economic means and the U.S. will not be able to contain China as it did with Japan.

Finally, the position of the two countries in the contemporary world is different from the one the U.S. and Japan had in the 80's and the world chessboard moved forward since that times changing a lot of the balances. Corresponding with these changes, the

two governments should see the past situations to make a step forward in the new international economic balance in order not to risk damaging themselves and the rest of the world with this trade war.

3.6 Possible outcomes of the war: Learning from history

“As a man without memory and self-knowledge is a man adrift, so a society without memory [...] and self-knowledge would be a society adrift.”¹⁷⁰

Professor Arthur Warwick, a British historian, wrote these words to warn people about what happens when a society loses its sense of self by losing its history. The United States has seen what can happen during economic conflicts, and they should know how, in the end, there are no real winners between the fighters, while some other economies that are not directly involved might still benefit from it.¹⁷¹

Some of the first apparitions of Trump into politics have been in the Eighties, when Reagan led a trade war against Japan: at that time, he was already a strong supporter

¹⁷⁰ SREEDHARAN, E., “A Manual of Historical Research Methodology”. South Indian Studies, 2007, p.3.

¹⁷¹ BROOM, Douglas, “Who gains when the US and China fight over trade?”, World Economic Forum, June 4th, 2019. <https://www.weforum.org/agenda/2019/06/chart-of-the-day-who-gains-when-the-us-and-china-fight-over-trade/>

of tariffs.¹⁷² It seems as if Trump was widely inspired by a “Reaganian” style of command, something that he made clear when he copied Reagan’s slogan during 2016 campaign, so that Reagan’s “Let’s make America great again” became “Make America great again” for his campaign.¹⁷³ However, Trump is widely oblivious to the history of his own country. He seemed to think that using an aggressive policy towards China – like the one Reagan used on Japan - would make the Chinese administration simply agree and abide to his demands, and he was wrong all the way.

China, on the other hand, seems to have studied and learned by the frictions between Japan and the U.S. In August 2018, Xinhua News, one of the main Chinese editorials, wrote about how “Japan was hurt by its improper response” towards the Plaza Accord, almost as an admonition to its leaders.¹⁷⁴ Nevertheless, today China is not as helpless as Japan was in the Eighties, as its economy is not directly dependent on the American one. Furthermore, the figures that an enormous, prosperous economy like the

¹⁷² TANKERSLEY, Jim and LANDLER, Mark, “Trump’s Love for Tariffs Began in Japan’s 80’s Boom”, The New York Times, May 15th, 2019. <https://www.nytimes.com/2019/05/15/us/politics/china-trade-donald-trump.html>

¹⁷³ TUMULTY, Karen, “How Donald Trump came up with ‘Make America Great Again’”. Washington Post, January 18th, 2017. https://www.washingtonpost.com/politics/how-donald-trump-came-up-with-make-america-great-again/2017/01/17/fb6acf5e-dbf7-11e6-ad42-f3375f271c9c_story.html

¹⁷⁴ 新华, Xinhua News, “News Analysis: Lessons to learn from Japan's response to U.S. protectionism”. Xinhua News, August 18th, 2018. http://www.xinhuanet.com/english/2018-08/18/c_137400211.htm

Chinese one cannot compare to the Japanese figures in 1985.¹⁷⁵ Beijing has much more leverage in bargaining its way out of this trade war, as the United States are becoming increasingly isolated. U.S. President Trump is not skillful in the realm of diplomacy, cooperation, alliances, and this is what constitutes, possibly, the major weakness of his administration.

The U.S. gained huge benefits from the international order they built and ruled after World War II. Now China is ready to take that place, with a long-term plan that already started, the Belt and Road Initiative. Chinese government is lending money to a number of countries around the world in order to design and implement construction carried out by Chinese companies, in the meantime gaining allies and improving diplomatic relations. China is slowly but steadily integrating with the rest of the world. Meanwhile, in the U.S. there was an intense debate about whether to cut foreign aid or not.¹⁷⁶

If Trump gets a second term as the President of the United States, in all probability he will be willing to try and escalate the trade war with China, especially in the field of technology. In the case he does not win the 2020 election, however, the situation is not rosy for China either: a different president, more skillful than Trump in collaborating with

¹⁷⁵ GRIFFITHS, James, “The US won a trade war against Japan. But China is a whole new ball game”. CNN Business, May 25th, 2019. <https://edition.cnn.com/2019/05/24/business/us-china-trade-war-japan-intl/index.html>

¹⁷⁶ WONG, Edward, KARNI, Annie and COCHRANE, Emily, “Trump Administration Drops Proposal to Cut Foreign Aid After Intense Debate”. The New York Times, August 22nd, 2019. <https://www.nytimes.com/2019/08/22/us/politics/trump-foreign-aid.html>

U.S. allies could make the situation way more complicated for China.¹⁷⁷ Trump, by pitting the country against his biggest allies (namely the European Union, Canada, Mexico) isolated the United States in the international field. Sure enough, the U.S. alone is not such a big threat compared than what it could be under a more internationally cooperative administration.¹⁷⁸

Trump administration, by imposing and threatening tariffs against their major allies, made it harder for those nations to find some common ground with the U.S. in its trade war against China, even if they also worry about Beijing's trade practices.¹⁷⁹ A higher degree of cooperation could also dismiss the idea, shared between some others European administrations, that the U.S. raised worries around Chinese exports mainly to promote U.S. businesses at the expenses of all the competitors.¹⁸⁰

The American soft power has always been one of its most valuable assets when it came to cement its role as a global leader.¹⁸¹ However, attacking a big, nationalistic country possessing one of the biggest economies in the world, while at the same time

¹⁷⁷ OKTAY, Fatih, "The Phase One Trade Deal: What's in It for China?". *The Diplomat*, January 18th, 2020. <https://thediplomat.com/2020/01/the-phase-one-trade-deal-whats-in-it-for-china/>

¹⁷⁸ SHALAL, Andrea, "U.S. needs allies in fight against China: report". *Reuters*, November 5th, 2019. <https://www.reuters.com/article/us-usa-trade-china-report/u-s-needs-allies-in-fight-against-china-report-idUSKBN1XF0IE>

¹⁷⁹ *Ibid.*

¹⁸⁰ *Ibid.*

¹⁸¹ LI, Eric X., "The Rise and Fall of Soft Power", *Foreign Policy*, August 20th, 2018. <https://foreignpolicy.com/2018/08/20/the-rise-and-fall-of-soft-power/>

alienating its allies that could have helped in demanding China a revaluation of its trade practices could never have succeeded.¹⁸²

We know that Trump's main agenda is to run a second mandate. China can expect him to be softer on policies towards China until the election, as he wants to maintain that necessary support base of agricultural enterprises that need Chinese buyers.¹⁸³ While we know that the American agricultural base, instead of benefiting from the trade war, has been hurt by it, it is not equally easy to assess to what extent tariffs hikes are having on the Chinese economy, although seemingly there is not a big direct impact.¹⁸⁴ In fact, experts argue that the Chinese domestic added value in exports to the United States hardly reaches 3%, a figure that is not difficult to manage simply by changing fiscal policies.¹⁸⁵ According to *The Diplomat*, however, the trade war had an impact on Chinese people's expectations, thus impacting adversely the Chinese investment spending, a field in which their government is not efficient in managing their people's expectations.¹⁸⁶ Therefore, the trade deal might have been seen by the Chinese leadership as an easy way to manage expectations, as well as a way to buy themselves more time and plan their next move.¹⁸⁷

¹⁸² KRUGMAN, Paul, "How Trump Lost His Trade War", *The New York Times*, December 16th, 2019. <https://www.nytimes.com/2019/12/16/opinion/trump-china-trade.html>

¹⁸³ OKTAY, Fatih, "The Phase One Trade Deal: What's in It for China?". *The Diplomat*, January 18th, 2020. <https://thediplomat.com/2020/01/the-phase-one-trade-deal-whats-in-it-for-china/>

¹⁸⁴ Ibid.

¹⁸⁵ Ibid.

¹⁸⁶ Ibid.

¹⁸⁷ Ibid.

As the “phase one” of the trade war with china came to an end, some newspapers argued that this was nothing more than a “Pyrrhic victory” for the U.S.¹⁸⁸ Despite the media hype around the deal and Trump’s exultant grin, there are many more issues that remain to be discussed with their Chinese counterpart. While the American administration did not miss the opportunity of calling the deal a “historic agreement”, it is necessary to underline what was left out of this agreement.¹⁸⁹ One question raised by the agreement was whether China will actually be able to augment their imports from the U.S. by \$200 billion, and whether it will be able to do so without angering their other trade partners in case of preferring American export over the exports of other countries.¹⁹⁰

This provision taken on by China supposedly should make the trade gap shrink, which was one of the main goals of U.S. President Trump. In fact, the trade deficit always came up as Trump’s main reason to impose tariffs on Chinese goods, arguing that this existing gap proves China’s unfair economic strategies and blaming it as the main cause of the decrease of competitiveness of U.S. industries, together with many other allegations.¹⁹¹ However, he seems to misunderstand – or at least he pretends to -

¹⁸⁸ ZOELLICK, Robert B., “Trump’s Pyrrhic Trade Victories”, WSJ, January 21, 2020. <https://www.wsj.com/articles/trumps-pyrrhic-trade-victories-11579651704>

¹⁸⁹ ELLIOTT, Kimberly Ann, “The Incredible Shrinking U.S.-China Trade Deal”, World Politics Review, January 28th, 2020. <https://www.worldpoliticsreview.com/articles/28498/is-the-trump-trade-deal-with-china-overhyped>

¹⁹⁰ Ibid.

¹⁹¹ GRISWOLD, Danie, “America’s Misunderstood Trade Deficit,” Cato Institute, last modified July 22, 1998. <https://www.cato.org/publications/congressional-testimony/americas-misunderstood-trade-deficit>

how trade deficit works. In fact, most economists agree that they are not intrinsically good or bad for a country, depending on the situation.

As discussed in the previous chapter, trade deficits are determined by a number of macroeconomic factors that do not depend on trade policy: in fact, by changing trade policy, the trade gap will be minimally affected. This is because it is mostly affected by a combination of causes such as savings, investments and currency value.¹⁹² A nation running a trade deficit is, simply put, a nation that invests more than it saves. However, in Trump's entrepreneur mind, countries "win" when they sell more than what they buy.¹⁹³ The irony of the situation comes from the fact that the trade gap has widened under his watch, instead of shrinking.¹⁹⁴

While some other concerns on the part of the United States might be justified, for instance the cyber security issues raised by the discussion on 5G technologies and technology transfers, some others appear to be fostered by misunderstandings of basic macroeconomy and anti-Chinese propaganda creating unnecessary tension. Populist movements are on the rise everywhere in the world, or as the Guardian put it, they "pop up in unexpected places".¹⁹⁵ The populist movement, of which Donald Trump is a superb

¹⁹² Ibid.

¹⁹³ KRUGMAN, Paul, "How Trump Lost His Trade War", The New York Times, December 16th, 2019. <https://www.nytimes.com/2019/12/16/opinion/trump-china-trade.html>

¹⁹⁴ Ibid.

¹⁹⁵ LEWIS, Paul, "Exploring the rise of populism: 'It pops up in unexpected places'", The Guardian, June 22nd, 2019. <https://www.theguardian.com/membership/2019/jun/22/populism-new-exploring-rise-paul-lewis>

exemplary, often stands against globalization and free trade and is propelled by prejudice towards the “other”. The U.S. President also showed a strong antipathy towards a number of trade deals during his campaign. First, he stopped the U.S. from entering the TPP, and went as far as calling NAFTA “the worst trade deal the U.S. ever signed”.¹⁹⁶¹⁹⁷ This is just another way in which he is isolating the United States, returning to protectionism as a way to “make America great again”. It is unfortunate for the country that this strategy is not actually working as he wished.

However, at the wake of 2020 Trump is planning his moves in order to get citizens to vote him for another term. When it comes to the many promises he made during his campaign, Trump’s agenda was to deliver, and in some instances, he did. Two instances of promises he was able to keep are about tax cuts and the Paris deal. He promised he would lower tax for corporations and working citizens, and so he did, even though these tax cuts favored the so-called “1 percent”, that is the richest people of the country, rather than the whole American population.¹⁹⁸ He made the United States quit the Paris Deal, the agreement signed by more than 200 countries that deals with greenhouses-gases reduction, after deriding the climate change crisis as a lie made up by China that aims at

¹⁹⁶ GANDEL, Stephen, “Trump Says NAFTA Was the Worst Trade Deal the U.S. Ever Signed.” *Fortune*. <https://fortune.com/2016/09/27/presidential-debate-nafta-agreement/>

¹⁹⁷ TAYLOR, Adam. “A Timeline of Trump’s Complicated Relationship with the TPP.” *Washington Post*. April 13th, 2018. <https://www.washingtonpost.com/news/worldviews/wp/2018/04/13/a-timeline-of-trumps-complicated-relationship-with-the-tpp/>

¹⁹⁸ CHAIT, Jonathan, “The Trump Tax Cuts Did One Thing: Give Rich People More Money”, *New York Intelligencer*, September 20th, 2018. <http://nymag.com/intelligencer/2018/09/trumps-tax-cuts-did-one-thing-give-rich-people-more-money.html>

hurting American economy.¹⁹⁹ He is famous for making this kind of declarations, often via Twitter, that many deem outrageous. This brings us back to the tweet he wrote after starting the trade war with China.

“Trade wars are good, and easy to win”.²⁰⁰

This is what U.S. President Donald Trump infamously tweeted on March 2nd, 2018. A long time ago, Winston Churchill, the Prime Minister that led Great Britain to victory during World War II, said the opposite: “Never, never, never believe any war will be smooth and easy, or that anyone who embarks on the strange voyage can measure the tides and hurricanes he will encounter”.²⁰¹ Military wars, and economic wars as well, can have the most unpredictable results. Even more so in this case, as President Trump does not seem to have a consistent, long-term and broad strategy. In any case, we can be sure that this trade war is still very far from being over.

¹⁹⁹ “Trump's campaign promises - has he delivered on them?”. BBC News, December 24th, 2018. <https://www.bbc.com/news/world-us-canada-37982000>

²⁰⁰ “Trump tweets: 'Trade wars are good, and easy to win'”. Reuters, March 2nd, 2018. <https://www.reuters.com/article/us-usa-trade-trump/trump-tweets-trade-wars-are-good-and-easy-to-win-idUSKCN1GE1E9>

²⁰¹ ALLISON, Graham T., “Destined for war - Can America and China Escape Thucydides's Trap?”, HMH Books, March 2017, iBooks, p.380.

Bibliography

- ALLISON, Graham T., “Destined for war - Can America and China Escape Thucydides's Trap?”, HMH Books, March 2017, iBooks.
- ALLISON, Graham T., “Lee Kuan Yew: The Grand Master's Insights on China, the United States, and the World”, The MIT Press; Belfer Center Studies edition, 2013.
- BALESTRIERI, Luca, and BALESTRIERI, Francesca, “Guerra digitale. Il 5G e lo scontro tra Stati Uniti e Cina per il dominio tecnologico”, LUISS University Press, August 2019.
- BROOK, Timothy, “Quelling the People: The Military Suppression of the Beijing Democracy Movement”. Stanford University Press, 1998.
- BROWN, Kerry, “Carnival China. China in the era of Hu Jintao and Xi Jinping”, Imperial College Press, 2014.
- BURR, William, “Nixon's Trip to China. Records now Completely Declassified, including Kissinger Intelligence Briefing and Assurances on Taiwan”, National Security Archive Electronic Briefing Book No. 106, 2003.
- BURR, William, “The Beijing-Washington back-channel and Kissinger’s secret trip to China, September 1970-July 1971”, National Security Archive Electronic Briefing Book No. 66, February 27, 2002.
- CALHOUN, Craig, “Revolution and repression in Tiananmen Square”, Society, 1989.
- CALVET, Robert, “Storia del Giappone e dei giapponesi”, Lindau, 2008.
- CHANG, Maria H., “Return of the dragon: China’s wounded nationalism”, Routledge, May 2018.
- CHI-KWAN, Mark, “China and the World since 1945”, Routledge, 2012.
- COHEN, Warren I., “America's Response to China: An Interpretative History of Sino- American Relations”, 2nd ed. New York, 1980.
- DALLER, Robert, “Nixon and Kissinger: Partners in Power”, Harper Collins Ebook, 2007.

- DESTLER, I.M. and HENNING, Randall C., "Dollar Politics: Exchange Rate Policymaking in the United States". Institute for international Economics, 1993. .
- FEWSMITHS, Joseph, "The Political and Social Implications of China's Accession to the WTO", The China Quarterly, 2001.
- FEWSMITHS, Joseph, "China since Tiananmen. From Deng Xiaoping to Hu Jintao", Cambridge University Press, 2nd Edition, 2008.
- FOOT, Rosemary and WALTER, Andrew, "China, The United States, and Global Order", p.17, Cambridge University Press, New York, 2011.
- FUNABASHI, Yoichi, "Managing the Dollar: From the Plaza to the Louvre". Peterson Institute, 1989.
- GOODMAN, David S.G., "Deng Xiaoping and the Chinese Revolution. A political biography", Routledge, 1994.
- HANIMAKI, Jussi M., "The flawed architect. Kissinger and American foreign policy", Oxford University Press. 2004.
- HAVENS, Thomas R.H., "Fire Across the Sea: the Vietnam War and Japan, 1965-1975", Princeton University Press, 1987.
- HENSHALL, Kenneth, "A History of Japan: From stone age to superpower". Palgrave Macmillan, 1999.
- HSU, Immanuel C.Y., "The rise of modern China (6th edition)", Oxford University Press, 2000.
- HUNTINGTON, Samuel P., "The Clash of Civilizations?", Foreign Affairs, Summer 1993.
- IRWIN, Douglas A., "The Smoot-Hawley Tariff: A Quantitative Assessment." The Review of Economics and Statistics 80, 1998.
- JAQUES, Martin, "When china rules the world. The end of the Western world and the birth of a new Global Order", Penguin Books, 2009.

- KENNEDY, Charles Stuart, "Nixon Goes to China", The Association for Diplomatic Studies and Training: Foreign Affairs Oral History Project, 1998.
- KENT, Ann, "States Monitoring States: The United States, Australia, and China's Human Rights, 1990-2001", Human Rights Quarterly, The Johns Hopkins University Press, 2001.
- LAI, David, "The United States and China in the Power Transition", The Strategic Studies Institute, 2011.
- LEE, Kai-Fu, "AI Superpowers. China, Silicon Valley, and the New World Order". Houghton Mifflin Harcourt, September 2018, iBooks.
- LIN, Cheng-Yi and ROY, Denny, "The Future of the United States, China and Taiwan relations", Palgrave Mcmillan, 2011.
- MACMILLAN, Margaret, "Nixon and Mao: The Week That Changed the World", Random House Publishing, 2007.
- MAINSFIELD, Mike, "A Size-Up of President Nixon: Interview with Mike Mansfield, Senate Democratic Leader", U.S. News & World Report. December 6, 1971.
- MANN, James, "About face. A history of America's curious relationship with China, from Nixon to Clinton", Alfred A. Knopp, New York, 1999.
- MCFADDEN, Robert D., "The West Condemns the Crackdown", New York Times, 5 June 1989.
- NISKANEN, William A., "Raeganomics: An Insider's Account of the Policies and the People", Oxford University Press, 1988.
- POMFRET, John, "The Beautiful Country and the Middle Kingdom", iBooks.
- RAMPINI, Federico, "La seconda guerra fredda", Mondadori editore, October 2019.
- ROBERTS, J.A.G., "A History of China". Macmillan International Higher Education, 2011.

- SAMARANI, Guido, “La Cina contemporanea”, Giulio Einaudi editore, 2017, iBook.
- SOBEL, Robert, “The age of giant corporations; a microeconomic history of American business, 1914-1970”, Greenwood Press, 1972.
- SREEDHARAN, E., “A Manual of Historical Research Methodology”. South Indian Studies, 2007.
- TAN, Loong-Hoe, and YUE, Chia Sow, “Trade, Protectionism and Industrial Adjustment in Consumer Electronics: Asian Responses to North America.” Institute of Southeast Asian Studies, 1989.
- U.S.-CHINA SECURITY REVIEW COMMISSION, “Report to Congress of the U.S.-China Security Review Commission”, Washington D.C., July 2002.
- VOGEL, Ezra F., “Deng Xiaoping and the Transformation of China”, The Belknap Press of Harvard University Press, Cambridge, Massachusetts, and London, England, 2011, p.1126, iBooks.
- WEN, David and CHANG, Wei, “China under Deng Xiaoping. Political and Economic reform”, p.33, Palgrave MacMillan, 1988.
- WU, Renhua, 六四事件中的戒严部队 *Liùsì shìjiàn zhōng de jièyán bùduì*, (Military Units Enforcing Martial Law During the June 4 Incident), Hong Kong, 2009.
- XI, Jinping, “The governance of China”, Shanghai Book Traders, 2015.

Webliography

- ALBERT, Eleanor, “China’s Big Bet on Soft Power”, Council of Foreign Relations, February 9th, 2018. <https://www.cfr.org/backgrounder/chinas-big-bet-soft-power>
- AMADEO, Kimberly, “US Trade Deficit with China and Why It's So High” The Balance, December 14th, 2019. <https://www.thebalance.com/u-s-china-trade-deficit-causes-effects-and-solutions-3306277>

- AMITI, Mary, REDDING, Stephen J., and WEINSTEN, David, “The impact of the 2018 Trade War on U.S. prices and welfare”, Centre for Economic Policy Research, March 2nd, 2019. <https://www.nber.org/papers/w25672.pdf>
- BBC News, “Huawei faces US charges: The short, medium and long story”, May 7th, 2019. <https://www.bbc.com/news/world-us-canada-47046264>
- BBC NEWS, “Trump's campaign promises - has he delivered on them?”. BBC News, December 24th, 2018. <https://www.bbc.com/news/world-us-canada-37982000>
- BERGSTEN, Fred, “Two’s Company”, Foreign Affairs, September/October 2009. <https://www.foreignaffairs.com/articles/americas/2009-09-01/twos-company>
- BOWN, Chad P., and KOLB, Melina, “Trump’s Trade War Timeline: An Up-to-Date Guide”, Peterson Institute for International Economics, Updated January 15th, 2020. <https://www.piie.com/sites/default/files/documents/trump-trade-war-timeline.pdf>
- BOYD, Gerald M., “President imposes tariff on imports against Japanese”, *The New York Times*, April 18th, 1987. <https://www.nytimes.com/1987/04/18/business/president-imposes-tariff-on-imports-against-japanese.html>
- BROOM, Douglas, “Who gains when the US and China fight over trade?”, World Economic Forum, June 4th, 2019. <https://www.weforum.org/agenda/2019/06/chart-of-the-day-who-gains-when-the-us-and-china-fight-over-trade/>
- CARTER, Jimmy, “Taiwan Relations Act Statement on Signing H.R. 2479 Into Law”. Online by Peters Gerhard and John T. Woolley, The American Presidency Project. <https://www.presidency.ucsb.edu/documents/taiwan-relations-act-statement-signing-hr-2479-into-law>
- CECCO, Leyland, “Canada officials misled Huawei executive, lawyers argue”, *The Guardian*, September 24th, 2019. <https://www.theguardian.com/world/2019/sep/24/canada-meng-wanzhou-officials-misled-huawei-executive-lawyers-argue>

- CHAIT, Jonathan, “The Trump Tax Cuts Did One Thing: Give Rich People More Money”, New York Intelligencer, September 20th, 2018. <http://nymag.com/intelligencer/2018/09/trumps-tax-cuts-did-one-thing-give-rich-people-more-money.html>
- CHATZKY, Andrew, “The Truth About Tariffs”, Council on Foreign Relations, May 16th, 2019. <https://www.cfr.org/background/truth-about-tariffs>
- CONKLING, Gary, “The Ghost of Willis Hawley, Good Intentions and Trade Tariffs”, CFM, July 25th, 2016. <https://www.cfm-online.com/state-lobbying-blog/2016/7/25/the-ghost-of-willis-hawley-good-intentions-and-trade-tariffs>
- CONNOR, Tom “Trade wars, climate change plunges the family farm into crisis. Is it an endangered American institution?”. CNBC, November 2nd, 2019. <https://www.cnbc.com/2019/11/02/trade-wars-climate-change-plunge-the-family-farm-into-crisis.html>
- COREA, Gordon, “UK vulnerable to Chinese interference, report says”, BBC News, February 20th, 2019. <https://www.bbc.com/news/uk-47300865>
- CURRAN, Enda, “The U.S.-China War Over Trade and Tariffs, Explained”. Bloomberg, January 15th, 2020. <https://www.bloomberg.com/news/articles/2020-01-15/the-u-s-china-war-over-trade-and-tariffs-explained-quicktake>
- CURRAN, Enda, “The U.S.-China War Over Trade and Tariffs, Explained”, January 15th, 2020. <https://www.bloomberg.com/news/articles/2020-01-15/the-u-s-china-war-over-trade-and-tariffs-explained-quicktake>
- DOMITROVIC, Brian, “When Tariffs Worked”, Forbes, March 9th, 2018. <https://www.forbes.com/sites/briandomitrovic/2018/03/09/when-tariffs-worked/#39a8d7af70f9>.
- EADICICCO, Lisa, “Huawei, the Chinese tech giant embroiled in controversy, just overtook Apple to become the second-largest smartphone maker”, Business Insider, May 3rd, 2019. <https://www.businessinsider.my/huawei-surpasses-apple-as-second-largest-smartphone-maker-2019-5/>
- ELLIOTT, Kimberly Ann, “The Incredible Shrinking U.S.-China Trade Deal”, World Politics Review, January 28th, 2020.

- <https://www.worldpoliticsreview.com/articles/28498/is-the-trump-trade-deal-with-china-overhyped>
- EMBASSY OF ISLAMIC REPUBLIC OF PAKISTAN, Washington D.C. “Pak-US Relations”, Washington D.C., 2018, <http://embassyofpakistanusa.org/pak-us-relations/>.
 - ENCYCLOPEDIA BRITANNICA, “Smoot-Hawley Tariff Act”, Encyclopedia Britannica, <https://www.britannica.com/topic/Smoot-Hawley-Tariff-Act>.
 - ENCYCLOPEDIA BRITANNICA, “United States presidential election of 1980”, Encyclopedia Britannica. <https://www.britannica.com/event/United-States-presidential-election-of-1980>
 - FEDERAL NEWS SERVICE, "Text of Clinton's Speech on China Trade Bill", Federal News Service, March 9, 2000. https://www.iatp.org/sites/default/files/Full_Text_of Clintons_Speech_on_China_Trade_Bi.htm
 - FEDERAL RESERVE OF HISTORY, “The Great Recession”, Federal Reserve of History. https://www.federalreservehistory.org/essays/great_recession_of_200709
 - FERGUSON, Niall, “What “Chimerica” Hath Wrought”, The American Interest, archived in July 2009. <https://www.the-american-interest.com/2009/01/01/what-chimerica-hath-wrought/>
 - GANDEL, Stephen, “Trump Says NAFTA Was the Worst Trade Deal the U.S. Ever Signed.” Fortune. <https://fortune.com/2016/09/27/presidential-debate-nafta-agreement/>
 - GONZALES, Richard, “Trump Slaps Tariffs on Imported Solar Panels and Washing Machines”, NPR, January 22th, 2018. <https://www.npr.org/sections/thetwo-way/2018/01/22/579848409/trump-slaps-tariffs-on-imported-solar-panels-and-washing-machines>
 - GRIFFITHS, James, “The US won a trade war against Japan. But China is a whole new ball game”. CNN Business, May 25th, 2019. <https://edition.cnn.com/2019/05/24/business/us-china-trade-war-japan-intl/index.html>

- GRISWOLD, Daniel, “America’s Misunderstood Trade Deficit,” Cato Institute, last modified July 22, 1998. <https://www.cato.org/publications/congressional-testimony/americas-misunderstood-trade-deficit>
- GRISWOLD, Daniel, “Trade and Transformation of China”, Cato Institute, 2002. <https://www.cato.org/publications/speeches/trade-transformation-china>
- HIGGINS, Andrew, “In Philippines banana growers feel effect of South China Sea dispute”, The Washington Post. June 10th, 2012. https://www.washingtonpost.com/world/asia_pacific/in-philippines-banana-growers-feel-effect-of-south-china-sea-dispute/2012/06/10/gJQA47WVTV_story.html
- HOROWITZ, Julia, “Huawei CFO Meng Wanzhou arrested in Canada, faces extradition to United States”, CNN Business, December 6th, 2018. <https://edition.cnn.com/2018/12/05/tech/huawei-cfo-arrested-canada/index.html>
- HOUGH, Dan and YANG Wu, “It’s no wonder China's Xi Jinping is winding down anti-corruption efforts – they’ve barely made a dent”, The Independent, January 29th, 2019. <https://www.independent.co.uk/voices/xi-jinping-china-corruption-scandal-new-figures-a8751206.html>
- INFLATION DATA, “Inflation in the 1970’s”, Inflation Data. <https://inflationdata.com/articles/inflation-cpi-consumer-price-index-1970-1979/>
- INFLATION DATA, “Inflation in the 1980’s”, Inflation Data. <https://inflationdata.com/articles/inflation-cpi-consumer-price-index-1980-1989/>
- INSTITUTE FOR SECURITY AND DEVELOPMENT POLICIES, “Made in China 2025”, Backgrounder 2018. <http://isdpeu/content/uploads/2018/06/Made-in-China-Backgrounder.pdf>
- JOHNSON, Bryan, “The U.S.-Japan Semiconductor Agreement: Keeping Up the Managed Trade Agenda”, The Heritage Foundation, January 24th, 1991. <https://www.heritage.org/asia/report/the-us-japan-semiconductor-agreement-keeping-the-managedtrade-agenda>
- JONES, Chuck, “Soybean Farmers’ Fate Is Now in Chinese Hands”, Forbes, January 21st, 2020.

- <https://www.forbes.com/sites/chuckjones/2020/01/21/soybean-farmers-fate-is-now-in-chinese-hands/#2c742aa57210>
- KAPLAN, Robert D., “How We Would Fight China”, The Atlantic, June 2005. <https://www.theatlantic.com/magazine/archive/2005/06/how-we-would-fight-china/303959/>
 - KRUGMAN, Paul, “How Trump Lost His Trade War”, The New York Times, December 16th, 2019. <https://www.nytimes.com/2019/12/16/opinion/trump-china-trade.html>
 - KRUGMAN, Paul, “How Trump Lost His Trade War”, The New York Times, December 16th, 2019. <https://www.nytimes.com/2019/12/16/opinion/trump-china-trade.html>
 - LECHTALER Wolfgang, and MILEVA, Mariya, “Who Benefits from Trade Wars?”, Intereconomics, Volume 53, 2018, p. 23-26. <https://www.intereconomics.eu/contents/year/2018/number/1/article/who-benefits-from-trade-wars.html>
 - LEVITZ, Eric, “Trump Just Admitted That Tariffs Hurt Consumers”, New York Magazine, August 13th, 2019. <http://nymag.com/intelligencer/2019/08/trump-delays-tariffs-on-china-admits-they-hurt-consumers.html>
 - LEWIS, Andrew, “How 5G will shape Innovation and Security”, Center for Strategic and International Studies, December 2018. <https://www.csis.org/analysis/how-5g-will-shape-innovation-and-security>
 - LEWIS, Paul, “Exploring the rise of populism: 'It pops up in unexpected places'”, The Guardian, June 22nd, 2019. <https://www.theguardian.com/membership/2019/jun/22/populism-new-exploring-rise-paul-lewis>
 - LI, Eric X., “The Rise and Fall of Soft Power”, Foreign Policy, August 20th, 2018. <https://foreignpolicy.com/2018/08/20/the-rise-and-fall-of-soft-power/>
 - LIU, Zhen, “China hands over cases of detained Canadians Michael Spavor and Michael Kovrig to prosecutors”. South China Morning Post, December 10th, 2019. <https://www.scmp.com/news/china/diplomacy/article/3041501/china-hands-over-cases-detained-canadians-michael-spavor-and>

- LONG, Heather, "Trump has officially put more tariffs on U.S. allies than on China", the Washington post, May 31th, 2018. <https://www.washingtonpost.com/news/wonk/wp/2018/05/31/trump-has-officially-put-more-tariffs-on-u-s-allies-than-on-china/>
- LUM, Thomas, NANTO, Dick K., "CRS Report to Congress, China's Trade with the United States and the World", CRS, January 2007. <https://fas.org/sgp/crs/row/RL31403.pdf>
- MAGNIER, Mark, "Slip-up or signal? What US official's 'clash of civilisations' remarks suggest" South China Morning Post, May 25th, 2019. <https://www.scmp.com/news/china/article/3011763/slip-or-signal-what-us-officials-clash-civilisations-remarks-suggest>
- MAIZLAND, Lindsay, and XU, Beina, "The U.S.-Japan Security Alliance". Council on Foreign Relations, August 22nd, 2019. <https://www.cfr.org/backgrounder/us-japan-security-alliance>
- MCCURRY, Justin, and KOLLEWE, Julia, "China overtakes Japan as world second-largest economy". The Guardian, February 14th, 2011. <https://www.theguardian.com/business/2011/feb/14/china-second-largest-economy>
- MCMILLAN, Alex Frew, "U.S. wins support from China", CNN, Shanghai, October 19, 2001. <https://edition.cnn.com/2001/WORLD/asiapcf/east/10/19/bush.jiang.apec/index.html>
- MIHM, Stephen, "Sugar Industry Is Exhibit A of Tariff Favoritism", Bloomberg, December 18th, 2018. <https://www.bloomberg.com/opinion/articles/2018-12-18/u-s-sugar-industry-is-exhibit-a-of-tariff-favoritism>
- MILES, Tom, "South Korea hits back at U.S. tariffs with WTO challenge", Reuters, January 25th, 2018. <https://www.reuters.com/article/us-usa-trade-tariffs-southkorea-wto/south-korea-hits-back-at-u-s-tariffs-with-wto-challenge-idUSKBN1FE1PZ>

- NYE, Joseph S. Junior, "Why China Is Weak on Soft Power", The New York Times, January 17, 2012. http://www.nytimes.com/2012/01/18/opinion/why-china-is-weak-on-soft-power.html?_r=1
- OFFICE OF THE HISTORIAN, U.S. DEPARTMENT OF STATE, "Rapprochement with China, 1972", Foreign Service Institute. <https://history.state.gov/milestones/1969-1976/rapprochement-china>.
- OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE, "The People's Republic of China. U.S.-China Trade Facts", 2018, Washington D.C. <https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>
- OKTAY, Fatih, "The Phase One Trade Deal: What's in It for China?". The Diplomat, January 18th, 2020. <https://thediplomat.com/2020/01/the-phase-one-trade-deal-whats-in-it-for-china/>
- PALMER, Doug and SCHRECKINGER, Ben, "Trump vows to declare China a currency manipulator on Day One". Politico, October 11th, 2015. <https://www.politico.com/story/2015/11/donald-trump-china-currency-manipulation-215679>
- PELLIS, Richard H., ROMER, Christina D., "Great Depression", Encyclopedia Britannica, Updated December 2nd, 2019. <https://www.britannica.com/event/Great-Depression>
- REUTERS, "Mao Zedong Dies in Peking at 82; Leader of Red China Revolution, Choice of Successor is Uncertain", Reuters, September 10th, 1976. <http://movies2.nytimes.com/library/world/asia/091076mao-obit.html>
- REUTERS, "TIMELINE: Milestones in the yen's history", Reuters, October 27th, 2008. <https://www.reuters.com/article/us-yen/timeline-milestones-in-the-yens-history-idUSTRE49Q1AN20081027>
- REUTERS, "Trump tweets: 'Trade wars are good, and easy to win'". Reuters, March 2nd, 2018. <https://www.reuters.com/article/us-usa-trade-trump/trump-tweets-trade-wars-are-good-and-easy-to-win-idUSKCNIGE1E9>
- SALAM, Reiham, "Normalizing Trade Relations with China Was a Mistake", The Atlantic, June 2018.

- <https://www.theatlantic.com/ideas/archive/2018/06/normalizing-trade-relations-with-china-was-a-mistake/562403/>
- SHALAL, Andrea, “U.S. needs allies in fight against China: report”. Reuters, November 5th, 2019. <https://www.reuters.com/article/us-usa-trade-china-report/u-s-needs-allies-in-fight-against-china-report-idUSKBN1XF0IE>
 - SUDWORTH, John, “Confucius institute: The hard side of China's soft power”, BBC News, Shanghai, December 22nd, 2014. <https://www.bbc.com/news/world-asia-china-30567743>
 - SWANSON, Ana and RAPPEPORT, Alan, “Trump Signs China Trade Deal, Putting Economic Conflict on Pause”, The New York Times, January 15th, 2020. <https://www.nytimes.com/2020/01/15/business/economy/china-trade-deal.html>
 - SWANSON, Ana, “China Trade Deal Details Protections for American Firms”, The New York Times, January 14th, 2020. <https://www.nytimes.com/2020/01/14/business/economy/trump-china-trade-deal.html>
 - SWANSON, Ana, “Trump Vowed to Shrink the Trade Gap. It Keeps Growing.” The New York Times, November 6th, 2020. <https://www.nytimes.com/2019/11/05/us/politics/us-trade-deficit.html>
 - SWANSON, Ana, “U.S.-China Trade Deficit Hits Record, Fueling Trade Fight”, The New York Times, February 6th, 2018. <https://www.nytimes.com/2018/02/06/us/politics/us-china-trade-deficit.html>
 - TANKERSLEY, Jim and LANDLER, Mark, “Trump’s Love for Tariffs Began in Japan’s 80’s Boom”, The New York Times, May 15th, 2019. <https://www.nytimes.com/2019/05/15/us/politics/china-trade-donald-trump.html>
 - TANKERSLEY, Jim, and LANDLER, Mark, “Trump’s Love for Tariffs Began in Japan’s ’80s Boom”, The New York Times, May 19th, 2019. <https://www.nytimes.com/2019/05/15/us/politics/china-trade-donald-trump.html>
 - TAYLOR, Adam. “A Timeline of Trump’s Complicated Relationship with the TPP.” Washington Post. April 13th, 2018. <https://www.washingtonpost.com/news/worldviews/wp/2018/04/13/a-timeline-of-trumps-complicated-relationship-with-the-tpp/>

- TAYLOR, Emily, “Who’s Afraid of Huawei? Understanding the 5G Security Concerns”, The Economist, September 9th, 2019. <https://www.economist.com/leaders/2012/08/04/whos-afraid-of-huawei>
- THE HUDSON INSTITUTE, “Remarks by Vice President Pence on the Administration’s Policy Toward China”, Washington D.C., October 4th, 2018. <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-administrations-policy-toward-china/>
- THE NEW YORK TIMES, “1,028 Economists Ask Hoover To Veto Pending Tariff Bill; Professors in 179 Colleges and Other Leaders Assail Rise in Rates as Harmful to Country and Sure to Bring Reprisals. Economists of All Sections Oppose Tariff Bill”, The New York Times, May 5th, 1930. <https://www.nytimes.com/1930/05/05/archives/1028-economists-ask-hoover-to-veto-pending-tariff-bill-professors.html>
- TIEZZI, Shannon, “China, US Sign ‘Historic’ Trade Deal”. The Diplomat, January 16th, 2020. <https://thediplomat.com/2020/01/china-us-sign-historic-trade-deal/>
- TUMULTY, Karen, “How Donald Trump came up with ‘Make America Great Again’”. Washington Post, January 18th, 2017. https://www.washingtonpost.com/politics/how-donald-trump-came-up-with-make-america-great-again/2017/01/17/fb6acf5e-dbf7-11e6-ad42-f3375f271c9c_story.html
- U.S. DEPARTMENT OF STATE, “Smoot-Hawley Tariff”. U.S. Department of State. https://web.archive.org/web/20090312055958/http://future.state.gov/when/timeline/1921_timeline/smoot_tariff.html
- WANG, Helen H., “Chinese People Must Define Their Own Dream”, Forbes, February 2013. <https://www.forbes.com/sites/helenwang/2013/02/05/chinese-people-must-define-their-own-dream/#7fdaf84427d8>
- WEISSMAN, Jordan, “Waking the Sleeping Dragon”, Slate, September 2016. <https://slate.com/business/2016/09/when-china-joined-the-wto-it-kick-started-the-chinese-economy-and-roused-a-giant.html>

- WEN Liao, “China’s Black Cat, White Cat Diplomacy”, Foreign Policy, July 2009. <https://foreignpolicy.com/2009/07/10/chinas-black-cat-white-cat-diplomacy/>
- WINN, Howard, “Accession has brought change to China and WTO”, The New York Times, November 7th, 2005. <https://www.nytimes.com/2005/11/07/world/asia/accession-has-brought-change-to-china-and-wto.html?searchResultPosition=4>
- WOLF, Martin, “How Barack Obama Rescued U.S. Economy”, Financial Times, January 10th, 2017. <https://www.ft.com/content/b5b764cc-d657-11e6-944b-e7eb37a6aa8e>
- WONG, Edward, KARNI, Annie and COCHRANE, Emily, “Trump Administration Drops Proposal to Cut Foreign Aid After Intense Debate”. The New York Times, August 22nd, 2019. <https://www.nytimes.com/2019/08/22/us/politics/trump-foreign-aid.html>
- WORLD ATLAS, “The Most Expensive Summer Olympic Games in History”, World Atlas, August 2018. <https://www.worldatlas.com/articles/the-most-expensive-summer-olympic-games-in-history.html>
- WSJ, “China Bullies Congressmen and Many Others”, WSJ, October 20th, 2019. <https://www.wsj.com/articles/china-bullies-congressmen-and-many-others-11571578148>
- XINHUA NEWS 新华, “News Analysis: Lessons to learn from Japan's response to U.S. protectionism”. Xinhua News, August 18th, 2018. http://www.xinhuanet.com/english/2018-08/18/c_137400211.htm
- XINHUA NEWS 新华, ”News Analysis: Lessons to learn from Japan's response to U.S. protectionism”, Xinhua News, August 18th, 2018. http://www.xinhuanet.com/english/2018-08/18/c_137400211.htm
- XINHUA 新华 , “Spotlight: U.S. bullies China, other countries with hegemonic tactics: analysts”, Xinhua News, August 19th, 2019. http://www.xinhuanet.com/english/2019-08/19/c_138321332.htm
- YOUNG, Ian, “Huawei’s Meng Wanzhou defrauded HSBC into loaning billions with ‘misrepresentations’ about Iran, Canada says, telling court to reject her bid

for release”. South China Morning Post, January 11th, 2020.
<https://www.scmp.com/news/china/diplomacy/article/3045649/canada-says-huaweis-meng-wanzhou-defrauded-hsbc>

- YUN, Li, “Xi Jinping says, ‘phase one’ trade deal benefits both US and China, seeks to sign as soon as possible”, CNBC, January 20th, 2020.
<https://www.cnbc.com/2019/12/20/xi-jinping-says-phase-one-trade-deal-benefits-both-us-and-china.html>
- ZOELLICK, Robert B., “Trump’s Pyrrhic Trade Victories”, WSJ, January 21, 2020. <https://www.wsj.com/articles/trumps-pyrrhic-trade-victories-11579651704>