

# **SINO-US RELATIONS (1980-2002): AN ECONOMIC PERSPECTIVE**

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## **Introduction**

It was in the 1980s that economic ties were forged among China and the US. The relations have also led to the rise of contentious issues over the years, due partly to the fact that the Chinese economy is undergoing a transformation, and partly due to the fact that the growth of economic ties has been phenomenal though erratic. China was upset by US protectionism and slow rate of transfer of technology as well as investment. There were also problems with the most-favoured nation (MFN) status and US opposition to China's entry into the World Trade Organization (WTO). The US for its part was concerned over the balance of trade which was tilting heavily in China's favour as well as the failure of the Chinese to protect intellectual property rights and the trade barriers in China. These issues were complicated by the alleged export of prison-produced goods to the United States. Sino-US economic relations were thus confronted with a host of questions with no easy answers in sight.

The linkages established on bilateral trade increase their mutual dependency. US and China became more dependent on the investors and managers in each other's country and suppliers of raw material throughout East Asia. For the products which are exported from China to US have their origin of raw material in East Asia and almost 80 per cent value is added to these products in China. Most exporting firms in China have non-Chinese partners. The economic conditions in the US directly affect China and its regional and global suppliers of raw material and vice versa. This situation of interdependence was never observed between the US and USSR. Sino-US interdependence in the present era affects the other regional countries. Chinese

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capital investments have been a factor in low interest rates in the United States and a source of capital for Western institutions.

Economic facts, including economic interdependence, play little role in whether a country goes to war or not. Economic myths, however, surely do play a role, and they generally affect strategic stability quite negatively. This is another cause why domestic perceptions matter; they define which myths are believed.<sup>(1)</sup>

It is worth noting that whereas economic interdependence does not guarantee strategic stability, the break in bilateral trade and resulting setbacks definitely produce destabilization; both at regional as well as global levels.

In the post-9/11 period, the US and China both seized the opportunity to promote mutual cooperation. In the economic and trade area, Sino-US trade volume continues to grow rapidly. The consultative mechanism of the joint committee on commerce and trade has played a progressive role in preventing trade friction between the two nations from escalating into a “trade war”. The United States has more common interests than differences in various areas.

The United States is a leading export economy. Its domestic growth depends largely on its world trade in goods, services and technology. The growing China market has been a major attraction for the US for sustaining growth of its own domestic economy. China with its low cost of land and labour has proved to be an attractive production site for American firms. This would reduce the cost of their products and help them remain competitive in international market. Moreover, China has served as a source of cheap labour intensive goods and low-tech machinery for American consumers.

### **Significance of the study**

The significance of this study is that both China and the US are important powers of the contemporary world. The nature of relationship between them carries potential for shaping major developments in the 21st century. The study of economic relations in this context is of critical international concern. It is believed that “China still is vastly misunderstood in the US.”

The study is likely to bring out the nature and scale of spillover effects of Sino-US relationship in Chinese society and state. It will give insight into the most important economic issues in Sino-US relationship.

This topic is very significant in the sense that relations between the US, a superpower, and China, a rising power, will play an important role in determining the economic dynamics of the international arena.

### **Objectives of the study**

In the Post-Cold War era both the US and China experienced ups and downs in their relations. After that the two states have come so close that they opted to keep the points of differences aside and focused on all possible areas of collaboration. After 9/11 the economic interests of both countries compelled them to have better mutual relations. The purpose of the research is to analyse

how relations between the two states evolved during the period under study. The study also discusses emerging trends and issues between the two states in the Cold War and Post-Cold War eras and after 9/11.

The hypothesis of the study is

Economic considerations are shaping Sino-US bilateral relations.

### **Research methodology**

Given the complexity of the problem, an eclectic approach has been used which largely draws upon historical, descriptive and analytical approaches and tools. This eclectic approach seems more useful as the present study takes the empirical evidence and theoretical inputs side by side. Moreover, the study benefits from the hypothetical deductive model in order to substantiate the hypothesis advanced. An effort has been made to look into the debates within the US and Chinese policy-making circles, through available published material and other sources.

### **Discussion and findings**

#### **Opening of new economic relations**

The volume of trade between China and US rose in the 1980s. Besides, thousands of Chinese students, specialists and engineers continued their training in the United States. Many Americans were studying in China. American universities established close ties with their counterparts in China. To contribute to economic modernization of China, American agencies signed agreements of cooperation with Chinese institutions on different issues like health, environmental protection, agriculture and energy.

US Defence secretary Casper Weinberger visited China in September 1983. He announced that his country would export many categories of advanced weapons to China along with certain dual use technologies. In this way the Reagan administration surpassed all its predecessors in taking daring steps for bilateral relationship. But the major issue was that China wanted to purchase up-to-date defence technology from the United States to establish its own arms industry. The United States was not ready to provide military technology to a Communist country even having the status of a non-allied friendly power.

A number of high-level visits were exchanged including those by secretary of State Alexander Haig and president Reagan himself. From the Chinese side, foreign minister Woo Xuishang, premier Zhao Ziyang and Huang Hua visited the United States. In these visits, though political motives remained unsatisfied, yet considerable progress was made on economic and commercial issues. An agreement was initiated on collaboration in the application of nuclear technology under which American companies got business in China's projects of peaceful use of atomic power. China was accorded the status of non-allied friendly power. It permitted the sale of American computers, machinery, semiconductors and communication equipment.<sup>(2)</sup>

Efforts to establish military links however met with little success. Many Americans were also arguing for the need to examine "the global and

regional implications of a militarily stronger China, before feeding the dragon too much.”<sup>(3)</sup> And apart from their reservations on military relations, the Chinese had by the mid-1980s come to realize that while Russia still posed the principal menace to Chinese security, it was too involved with its own domestic and international problems to take on China. This realization coincided with the appointment of George Shultz as American secretary of State. Shultz argued that the true worth of China for the United States lay not in a short-term military alliance but in a long-term economic alliance which would be possible only through the economic modernization of China <sup>(4)</sup>

The growth of economic relations however did not proceed smoothly. The agreement for nuclear technological cooperation was signed in April 1984 but not approved by the US Congress until December 1984 and that too in an atmosphere of great distrust. Protectionism over restrictions on importing textiles and clothing was also a source of tension.

The growing economic ties were reflected in the trade figures which grew from US \$1.2 billion in 1978 to \$7.2 billion in 1985. By 1988, bilateral trade had grown to \$13 billion, with a growing diversification of products on both sides. There was also a change in the content of trade which saw the export of “computers and office machinery” from the US to China grow to \$101 million, as opposed to mainly agricultural exports. Many American multinational corporations (MNCs) also got involved in joint ventures and investment projects, and by 1985 American investment in China stood at \$700 million.<sup>(5)</sup>

Growing economic relations also saw them making headway in military ties. The chiefs of staff of the two militaries exchanged visits, followed by visits from American military experts to identify the precise Chinese requirements. In November 1984, the US delivered 24 Sikorsky helicopters to China, followed in September 1985 by the sale of military equipment and technology worth \$98 million, the first government-to-government deal. In early 1986 it was announced that a \$500 million “avionics package” would be sold to China to upgrade its F-8 interceptor.<sup>(6)</sup>

But in a major shift from past policy, efforts were made to reassure the USSR that the purpose of these sales was not anti-Soviet but broadening the base of Sino-US cooperation. Indeed even as China was expanding its economic and military ties with the United States, it was also attempting a rapprochement with the Soviet Union.

### **Most-favoured nation status**

A milestone in bilateral trade relations has been the American decision to grant “Most-Favoured Nation” (MFN) trading status to China. As the normalization of relations took place, economic ties between the two were forged under an Agreement on Trade Relations signed in July 1979. It was decided both states would accord each other MFN treatment “with respect to products originating in or destined for the other contracting party, i.e. any advantage favour, privilege or immunity” granted to others in customs duties and charges, rules and procedures concerning storage, shipping, taxes on

imported goods, and the sale, purchase and transportation of goods.<sup>(7)</sup> The most important implication of MFN status for China was its exports to US enjoyed low tariffs which keeping in mind the balance of trade in China's favour was a favourable arrangement.

These improved trade relations opened the potential China market for the US companies. It also provided China the opportunities to purchase high-technology American products. The high-level scientific and cultural exchanges played an important role in developing the Sino-US relations both at governmental as well as at the people's level. China was granted MFN status on 1st of February 1980. It was automatically renewed every year till the end of the decade. The diplomatic recognition and grant of MFN to each other was the opening of new political and economic partnership.<sup>(8)</sup> MFN treatment essentially means that the exports of a country having this status will not be subjected to discriminatory tariffs or exclusionary rules different from those of any other country, or in other words, treatment will be equal to that provided to the most-favoured nation. The MFN treatment for a nonmarket economy can continue in force if the trade agreement is renewed under satisfactory conditions every three years and if the US president recommends by midyear that the waiver authority be maintained. Extension is automatic unless US Congress enacts a joint resolution of disapproval.

In 1989, however, economic ties suffered a severe setback due to the events of Tiananmen Square, and the US imposed sanctions and suspended economic ties with China.

After the incident, members of Congress interested in punishing China for Tiananmen and its aftermath met Chinese students and human rights groups to consider other legislative means to offset the Bush administration approach. From meetings held in early January 1990 between congressional members and Chinese student representatives, the idea gradually took shape that the most effective way to pressure China was to move against its MFN status. Congresswoman Nancy Pelosi initiated an informal congressional "working group" in March, that began considering the possibilities for changing China's MFN status.

At first, activists recommended outright revocation. Subsequently, however, a "compromise" position, involving the establishment of conditions under which MFN would be renewed in the future, gained support. Several bills calling for each approach were introduced in the House of Representatives and the Senate in 1990. One introduced by Representative Donald Pease, of Ohio, was actually passed by the House in October, but was not taken up by the Senate and so expired. But as James Mann<sup>(9)</sup> points out, the problem with a conditional approach to MFN was that there were many different ideas of what conditions should be applied. Some representatives favoured conditions pertaining to the treatment of Tibet, some wanted amnesty for Tiananmen demonstrators, some a cessation of prison labour exports, some wanted a reduction in religious persecution, others stressed curbs on abortion and relaxation in China's one-child policy, while still others wanted conditions added that would stop China's sale of nuclear materials or missile technology to other nations or force it to cut

off its support for Khmer Rouge guerrillas in Cambodia. The Pease bill, which the House passed 384-30, proposed that MFN not be extended unless the president submitted a report to Congress stating that China had released all Tiananmen prisoners and had made “progress in reversing gross violations of human rights; terminating martial law (including in Tibet)”; lifting limitations on freedom of the press and on broadcasts by Voice of America; terminating harassment of Chinese citizens in the US; removing obstacles to study and travel abroad for students and other citizens; “taking appropriate action to observe internationally recognized human rights, including an end to religious persecution there and in Tibet.”

Baker and others at the State Department were probably animated by the realization that Congress was gearing up to pass major legislation on China’s MFN status in 1991.

### **Foreign direct investment**

Foreign direct investment (FDI) is a unique form of global capital flow. It involves the financing for the construction of plant and equipment. It is also linked with the transfer of managerial skills and knowledge from one country to another.<sup>(10)</sup> China offered joint ventures involving FDI to establish manufacturing facilities on its land and even outside the country.

In 1980 China joined the International Monetary Fund (IMF) and the World Bank (WB). That made borrowing easier for it. The IMF approved a \$550 million loan to China in March 1980. China had drawn \$550 million already against its reserves at IMF. Despite these loans, large purchases led to apparently unbearable burden on China’s foreign exchange reserves in 1979-80.<sup>(11)</sup>

Foreign capital can be separated into two classifications: one is the borrowing from foreign countries and the other is accepting FDI from abroad. Chinese government further facilitated the foreign investment process with some new laws. The Chinese-Foreign Joint Venture Enterprise Law was amended to extend the joint venture period to 50 years in 1986. The Foreign Capital Enterprise Law provided conditions for establishing joint enterprises. These conditions included utilizing advanced technology or equipment, exporting all or a portion of production and assurance that foreign capital enterprises would not be nationalized or expropriated in any case.

In October 1986, the State Council announced regulations offering incentives for foreign investors. The incentives included lower cost of labour and land, reduction or elimination of income taxes and other tax holidays. Chinese Ministry of Labour announced regulations offering complete control in selection of staff, in wages, insurance premium, and welfare expenses to foreign capital enterprises. Similarly, complete autonomy was provided to foreign enterprises in importing components required for their production through regulations.<sup>(12)</sup>

By introducing these regulations, China was trying to attract most advanced technologies like other developing countries. But the American

investors demanded more liberalised conditions for investments. China had considerably liberalised its laws.

In its thrust in the direction of achieving “four modernisations” (i.e. agriculture, industry, science and technology and national defence)<sup>(13)</sup> China opened its economy to joint ventures. From the Chinese point of view, the best joint venture is that with a major foreign or multinational firm, bringing access to the most up-to-date technology to assist Chinese development. Its benefits should be multidimensional and its potential should be extended to a larger area of economy. Two earlier joint ventures of the 1980s, with multibillion American engineering concerns Fluor and Bechtel, fulfilled these criteria. In direct investments, China was now second after the US as a destination for FDI, receiving 30 per cent of all FDI going to developing countries as conventionally reported. Though a large share of reported FDI, about 25 per cent of the total, seemingly has been the capital recycled through Hong Kong (and elsewhere) and brought to China to take benefit of the advantages accorded to capital labelled “foreign”. Nevertheless, since 1992, FDI has been a major source for beefing up China’s economic and trade sector growth. In the early 80s, FDI accounted for about 0.2 per cent of China’s GDP. This share rose to 1 per cent by 1992. However, the later periods — late 90s — saw a rapid increase in the role of FDI in GDP growth rate. FDI share was about 7 per cent by the year 1997 in gross industrial output, 11 per cent in gross domestic products (GDP), and it grew to about 13 per cent of the gross domestic capital formation.

FDI has been a major source of increase in China’s exports. Studies show that of the total \$ 184 billion exports, FDI’s contribution was \$ 81 billion. Without FDI, China would have suffered, during 1990-1998 period, a decline of 14.5 to 7.5 per cent a year. There is also a link between investments in China and exports to it via the propensity of investing firms to supply foreign affiliates from within the firm.

Although the early 1990s were the years that saw a heavy inflow of FDI into China, resulting in rapid growth in industrial and economic sectors, yet this inflow flattened later on and sustained at about \$ 40 billion a year. The reason for this flat level FDI for years was the backlog of commitments made by Chinese officials and which were not met according to the terms and conditions of contracts. Also, some foreign investors could not earn as much profit as desired, were investing less, or were pulling out.

Although it appears difficult to measure it with any accuracy, arguably the greatest effect of FDI is in transferring technology, management methods, business models, and the building of institutions. It would be incredible to say that a country that saves 40 per cent of its national income lacks financial capital. There are many ways for less-developed nations to obtain technology: licensing, studying academic and trade journals, reverse engineering, learning from trading partners, inviting expatriates to come home, sending students abroad (hoping that they will return sooner or later), and FDI. The last of these is an especially effective way to get advanced technology because it comes via an institution: a multinational corporation that can bring tacit knowledge that is often crucial and that is not conveyed via arms-length techniques such as

licensing. China's fast growth must be due in substantial measure to FDI, and there is much more to come if it continues to make itself an attractive destination.<sup>(14)</sup>

### **Bilateral trade**

Diplomatic relations between China and US had resulted in enhancing cooperation on other fronts also, particularly the economic and trade front. Chinese trade, according to their Customs Department figures, was valued at \$ 54.9 billion in 1998, as compared to \$ 11.8 billion in 1990. This shows an annual rate of increase of 21.19 per cent. According to US official records, the bilateral trade volume touched the ceiling of \$ 85.4 billion which was 4.3 times the volume in 1990. This report indicates an average increase of 19.9. China has emerged as the fourth largest trading partner of the United States. From the Chinese point of view, the United States stands as the second largest trade partner. Their exports to US account for more than one third of China's total exports.

US decision to make investment in China back in the 1980s saw constant upward trend since then. The US invested in 28,249 projects with a total contracted value of \$ 50.9 billion and the resulting actual investment of \$ 24.2 billion. The investments cover all the provinces, municipalities, and autonomous regions all over China. The investment portfolio covers a wide range of industries including automobile, pharmaceuticals, petrochemicals, textiles, machinery, electronics, telecommunications, food and agriculture, financial services, to name some leading sectors. American multinationals are optimistic about Chinese markets and about 200 multinationals from among *Fortune* 500 companies have established themselves in China. The Fortune Global Forum 99 was convened in Pudong area of Shanghai on 27 September with more than 300 firms represented, a large number being American multinational corporations. The choice of Shanghai as the venue for the Forum itself projected the confidence other nations have in its potential to be an economic hub locally and at global level as well.

### **China's accession to the WTO**

China was one of the 23 founding members of the General Agreement on Tariffs and Trade (GATT) and officially became a contracting party to it on 21 May 1948. After the founding of the People's Republic of China in 1949, owing to various reasons, the Taiwan authorities continued occupying the lawful seat of China in the United Nations. In 1982, China was granted observer status in GATT. In July of 1986, after an absence of over 40 years, China officially applied to re-join the GATT. After all, following its re-entry into the world community in the 1970s, the GATT was virtually the only remaining major international organization of which China was not a member. Another reason was, of course, the expected boost in export earnings that would come with access to a bigger market. Finally, in the eyes of many policy-makers, GATT membership was an important element of China's domestic economic reform. In



1995, GATT was transformed into the World Trade Organization (WTO). China had been struggling since 1986 for resumption of the membership of GATT and entry into the WTO. The US had been resisting both these objectives.

China's WTO membership could not possibly be a threat to any country including the US; rather, it has great potential of bringing benefits to other countries. A lobby in the US does still harbour "Cold War thinking" which has developed a negative and threatening perspective of China's economic development. China is being perceived as a hypothetical enemy by many quarters in US Congress due to the pace of development it is moving on globally. They opposed China's accession to WTO and sought containment of China on the economic front. An analysis of the recent developments in Sino-US relations of mutual dependence and supportive relations leads to the conclusion that China's economic development is beneficial to the United States. China is a country where wages are low and which could supply low-cost quality goods to American people. This is also helping the US to control inflation and create an environment of sustained economic development in the country. Whereas the US economy reaps benefits, the DFIs in China open up greater employment opportunities for its people. Under these circumstances resisting US-China partnership by some American officials was not seen as a well thought out policy. On the other hand, China in the post-Cold War era has been following its old cultural tradition of "turning enemies into friends."

November 15, 1999 will be remembered as a significant date in the history of Sino-US relations. On this day they reached an agreement paving the way for China's accession to WTO. This historic event opened the doors to further economic growth for Chinese, equally benefiting Sino-US economic and trade relations, symbolizing the beginning of a new era of relationship. This agreement also provided the foundations for developing bilateral relations on the strategic front for achieving their regional and global objectives in a conducive environment.

China's accession to the WTO brought unprecedented benefits to US business community. They had a great opportunity to enter the Chinese market, besides opportunities for investment there, facilitating low-cost infrastructure and cheap labour. This attitude of business community at home also forced the US officials to reflect a softer posture on policies related to Sino-US relations both on economic as well as on strategic fronts.

Opening of Chinese markets with low tariff structure, elimination of quota restrictions, and ever expanding Chinese markets benefited American business community in the form of increased exports. This also affected the employment conditions inside the US positively, producing a softer image of China. In its report, United States International Accession to WTO and the following commitments by China to facilitate the multinationals on foreign trade and distribution rights, which included wholesaling, retailing, maintenance, after-sale services, and transportation,.

China's joining the WTO on 11 November 2001 was the advent of a new chapter of relations with the outside world. It made this region more attractive than any other place in the world. Pushed by its need to be part of

WTO China agreed to certain terms and conditions which were required for membership. It had to remove the trade barriers and open its market to the outside world from the very beginning of its accession. Other WTO members were provided access to Chinese markets virtually for all the products and services. While supporting these steps China also agreed to undertake, develop and modify its legal framework to introduce more transparency and predictability in business dealings. It also agreed to assume the obligations of more than 20 existing multilateral WTO agreements covering a wide range of trade areas. The main areas of China's concern were: MFN treatment, transparency and availability of independent review and administrative decisions. Other important issues could be found in the areas of agriculture, technical barriers to trade, trade-related investment measures, customs valuation, import licensing, rules of origin, sanitary measures, subsidies, antidumping and countervailing measures, trade-related aspects of intellectual property rights and services. For some of its commitments in these areas, China was allowed nominal transition periods where it considered essential. Under the WTO accession protocol, the US agreed to China's existing economic system based on State-owned enterprises, (SOEs). The conditions China agreed to included: MFN principle and right to trade leading to full national treatment to foreign companies in three years which implies elimination of dual pricing, and designated trading practices; liberalization of the services sector (telecommunication, banking, and insurance) with increase in share from 25 per cent to 49 per cent in three years and abolition of all geographical restrictions on foreign services, removal of export subsidies under the Agreement on Subsidies and countervailing measures including those for the agriculture sector (Article 12), in three years as well as reduction of domestic support in the agriculture sector to 8.5 per cent.

China had already reduced its tariffs significantly before its accession to WTO. Its simple and weighted tariffs rates were more than halved between 1993 and 1998. Further tariff cuts were made at the time of accession in 2001 on parts and components for processing/manufacturing sector. The reduction in China's weighted average tariff rates that came with the accession is quite significant.

### **Dispute over trade**

China joining the WTO in December 2001, reduced tariff barriers so much that it had the lowest protection among the developing countries in the world. By mid-2002, it had abolished or amended 2600 legal statutes and regulations that were not consistent with its WTO accession agreement and had passed legislation on issues such as intellectual property rights. China was so determined to join the WTO that it even accepted terms which violated fundamental WTO principles, such as China's agreement to be considered a non-market economy by other WTO members.

However, differences over specific Chinese trade practices have also been on the rise. The most recent example of a trade dispute between the US and China is the steel war which started in March 2002 and still continues to protect

the American steel industry, which has lost not only 20,000 of a total 175,000 jobs but also some of its competitiveness to cheaper foreign steel imports. In March 2002, president Bush approved tariffs on most of the steel imports into the United States. Tariffs ranging from 13 to 30 per cent were introduced on certain types of steel imported from 15 countries, including China.<sup>(15)</sup>

The US also imposed anti-dumping duties on Chinese furniture and colour TV exporters on the pretext of 'unfair trade practices.' China made 40 per cent of the furniture sold in the American market.

With millions of manufacturing jobs evaporating in the US, its increasing trade deficit with China, swelling federal budget gap, has angered many politicians, manufacturers and labour representatives. They have pounced on China, accusing it of keeping the yuan undervalued by pegging it to the dollar, of exporting deflation by selling its products abroad at unfair prices, of violating the rights of workers by keeping labour costs low, and of failing to meet its commitment to the WTO. Most of these charges have little merit. An appreciation of China's currency would have a negligible effect on the overall trade balance and manufacturing jobs at home although it will boost the competitiveness of the US exports. As for trade deficit, almost 60 per cent of Chinese exports to the United States are produced by firms owned by foreign companies, many of them American. China is not to blame for this trade deficit. The biggest rise in the US deficit over the last five years has come not with China but with the European Union. It is in fact a shortfall in exports rather than a boom in imports that has been more responsible for the growing US trade gap.<sup>(16)</sup>

In so far as there is a real problem with China's trade policy, it has to do with the implementation of some specific commitments. An especially thorny issue is the rampant piracy of intellectual property, which costs the US business 2.5 to 4.0 billion dollars a year. The "Right Laws" are in practice, but China has shown little inclination to crack down on patent, trademark and copyright infringements, or even outright theft of brands and technology by Chinese companies.

The progress made by China and US in developing bilateral trade in other socio-economic sectors demonstrates the desire of both states to increase cooperation manifold for mutual economic benefits. Their bilateral trade relationship has neither been affected by the tides of disputes which did arise in the past nor are they likely to be affected in future. The relations are likely to grow stronger in future.<sup>(17)</sup>

## **Conclusions and suggestions**

Summing up, 1980 to the end of the Cold War was an optimistic period in Sino-US relations. The Tiananmen Square incident had a serious impact while the end of the Cold War changed the nature and dynamics of their bilateral ties.

The tragic event of 9/11 brought a substantial change in the bilateral relations. Cooperation accompanied with competition has been increasingly evident and China's position in the bilateral ties has improved.

Trade and economic cooperation has been the area where Sino-US relations have seen anomalous growth since the 1970s. However, the subsequent years have also unfolded opportunities for both nations. Whereas China offers a big consumer market with people having a fast rising income, it also provides competitively cheap labour for industry and business. On the other hand, the US offers leadership in the technological field and development of competitive business entrepreneurship and organizational structure. However, the trade balance remains a major issue and only political will and strength could help on this specific issue. What stands out as an undeniable fact is that both the countries have benefited from mutual trade and economic cooperation. There are some facts to be considered for further improving the Sino-US relations:

- The top leaders of China and US need political as well as strategic vision to build a new constructive and cooperative relationship to adapt to the changes in the economic situation.
- It is impossible to envisage a long-term constructive partnership in the future if either side is indifferent to the core interests of the other.
- Both countries need to have better appreciation and take into consideration the core interests of the other side in their specific actions.

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