

The U.S.-China Relations and Their Possible Reflection on the World Economic Order

Nika CHITADZE*

Abstract

The paper explores the analysis of the economic potential of the two leading economic powers in the world – the United States of America and China. Particularly, what was and is the level of economic growth in both countries, what will happen if the volume of GDP of USA and China gets equal or China surpasses USA? More concretely, how will all those factors influence the world political and economic order, etc.?

Furthermore, the research paper pays attention to the connection between USA-China trade relations and the volume of the world trade and further development of the world economy.

Keywords: China, Economy, GDP, Trade, USA

Introduction

Because of ideological differences, the majority of American scientists consider China to be the main geopolitical opponent of the USA. The famous scientist, Samuel Huntington, in his famous work “The clashes of civilizations”, viewed China and Islamic nations as the most immediate opponents of the West and, first of all, USA. It should be emphasized that in the economic sense, Chinese economic growth prevails over the US economic growth and the trade balance rises in favor of China. However, despite the negative balance of USA within US-China economic relations and establishment of the trade barriers for the Chinese products on American market, China still depends on the US richest market for exporting its products.

Purpose and tasks of the research. The purpose of the research is interrelated to the analysis of the USA-China relations on the basis of the economic growth of both countries and determination of possible consequences of the world political and economic order related to the economic potential of two states in the short-term and long-term periods.

Methodological base of the research. Important role in the construction of the research methodology was played by the theory of International Economic system itself: approaches, having been worked out in the framework of the complex interdependence theory, where the role of economy in the international relations is clearly presented. In this theoretical frame, the private methods of the research have been already used: on the first stage, the method of the analysis of the scientific publications on this topic, collection of the statistical data related to the volume of GDP and economic growth in USA and China etc. Later, the problematic-logical method of the data analysis was used with the purpose of presenting the analysis of the possible consequences for the International Relations and International economic relations.

*Affiliated Prof. Dr., Director of the Center for International Studies, International Black Sea University. President of the George C. Marshall Alumni Union, Georgia – International and Security Research Center, Tbilisi, Georgia. E-mail: nchitadze@ibsu.edu.ge

The findings of the research are connected to the complex review of the GDP growth in USA and China from the period of 1979 – the start of the reforms in the field of development of market relations in China till contemporary period.

Also, analysis of the prognosis of economic growth in both countries for the future period, Particularly:

1. It is deeply analyzed how the USA-China trade relations reflect on the international trade and economic growth of the world;
2. There are reviewed various scenarios of the situation development based on the determination of the speed of GDP growth in both countries;
3. Comparative analysis of the economic potential of USA and China is presented.

Main Characteristics of Trade Relations between USA and China

In contemporary world politics, USA remains the only superpower from the political, economic, defense and security, cultural, educational etc. point of views. At the same time, the issue being discussed is whether international system in the “post-cold war” period is unipolar or multipolar. On the one hand, if we take into consideration that, for example, the volume of US Defense budget for 2019 prevails 716 billion USD, which is about 40% of the Defense expenditure in the world, it can be argued that US leadership in the world in the field of defense and security is present (Foreign Policy, 2019).

With regard to economy, there are several economic centers, namely, North America (on the example of NAFTA), European Union and East Asia. Thus, if we consider the World Economy, from this standpoint the world is more multipolar.

Analyzing the economy in East Asia, first of all, the role and place of China should be considered, which is gradually becoming the strong economic power and, at the same time, geopolitical and geo-economic rival of the USA. Furthermore, analyzing the US-China trade war, it should be taken into account that new high custom tariffs have been introduced for Chinese goods of the volume of \$300 billion by the United States (China Briefing, 2019).

At the same time, there are negotiations conducted between two countries on economic and other issues, also there are held bilateral meetings within the framework of G20. The context of negotiations raises many questions related to further relations between two powers and how those relations will be reflected on world economy and international security.

In the beginning of 2019, World Bank published the report, where it was mentioned about the risks standing before the global economy. Among the main risks there is the weakening of international trade named, first of all, the threat of the deepening of US-China trade confrontation. As it was calculated by the World Bank, 2.5 percent of global trade has already been affected by the growth of tariff barriers between the US and China within last year. The US and China create 40 percent of global GDP and 20 percent of the world trade (World Bank, 2019). Accordingly, the authors of the World Bank report think that if the economies of these countries are affected, it will influence the whole world.

Main Aspects of the GDP Growth in USA and China

Based on the above-mentioned realities, the fact related to the speed of economic development of USA and China is of great significance, namely, how these factors will be reflected on the world political and economic order in the short-term, mid-term and long-term perspectives. In this regard, the following should be mentioned.

The US economy is the largest in the world since the last quarter of the 19th century till contemporary period, but unless any political or economic process of major importance takes place, China from the 1920s of the 21st century can partly overtake the US in terms of leadership in the field of economy.

For example, in 1978, before the coming of Deng Xiaoping to power and start of massive economic reforms, the volume of GDP in the country featured by largest population in the world - 960 million people – was \$150 billion, and it was less than the volume of GDP of such a small country as Netherlands. At that time, the volume of US GDP was \$2.36 trillion, which prevailed the GDP volume of China by 15.7 times (Media to Business, 2019).

The radical change of the situation began in the 1980s. Deng Xiaoping has gradually legalized private property. Because of cheap labor force, the world's developed countries moved their industry to China. For example, there was an industrial city of Shenzhen, where economic growth reached 40%. Since 1997, at first, Hong Kong has been delivered to China by UK and, in 1999, Macau came under the jurisdiction of China. As a result of this, China first overtook Italy, later Britain and France, in 2008 Germany, in 2010 even Japan, and has obtained the second place in the world according to the GDP volume (Media to Business, 2019).

The challenge remains the 1st place, which is likely to be reached by 2030. According to Bloomberg, in 2018 the US GDP reached \$ 20.5 trillion, while that of China's was \$13.4 trillion. Under current economic growth, the economy of the two countries will be equal to \$25.5 trillion in 2029, and in 2030 the dominance of China will begin. In 2040, China's total economy should exceed by 1.5 times the economy of United States and reach \$ 48 trillion (Media to Business, 2019).

While China will become the Number 1 in the world according to economic indices, it will no longer be the first by the number population, because India will have overtaken China by 2025.

There is a correlation between economic strength and political influence, but it is not the direct correlation. The United States surpassed Britain's economy in 1880, but gained real political championship only 40 years after the ending of the First World War.

Today, despite the fact that the economies of Japan, Germany, and Britain are much stronger than the economy of Russia, still Russia's geopolitical influence is higher. In addition, Europe is culturally and mentally closer to the US than China. At the same time, the language barrier may be overcome by technologies, but it will be very hard to replace Hollywood by its Chinese analogy.

It also should be pointed out, that by 2040, GDP per capita in China will be much less, about half of the GDP per capita in USA.

Thus, in the medium term, China has a greater chance to replace Russia than the US by its political influence and military strength.

With regard to Russia, as a potential ally of China, due to economic sanctions from the western countries and capital outflow, Russian economy will depend more and more on Chinese investments and realization of the gas pipeline project "SilaSibiri", capacity of which will be up to 61 Billion cubic meters of natural gas per year (The Siberian Times, 2019).

Due to rapid economic development of China, Chinese demand on energy resources will be increased. In this regard, the exploitation of its own gas resources can play the decisive role, particularly, according to estimations

of experts, potential reserves of shell gas of China prevails 21 Trillion cubic meters (China Daily, 2019). Production of its gas resources will accelerate the economic development of China even more, and this country can become the main competitor of USA in gas production too.

Conclusion

Sino-US relations, especially in the economic field, are arguably the most important bilateral relationship in the world today. These are relationships between the superpower and a potential superpower.

In this regard, it is necessary to point out that before the start of the trade war between two countries, trade relations were developing dynamically in spite of ideological differences. For example, the volume of trade between two countries reached \$500 billion in 2012 (Terra America, 2013).

At the same time, the annual human exchange between two countries in 2011 was about 3 million people. Weekly, 110 passenger flights were flying between the two coasts of the Pacific Ocean. At the beginning of 2011, about 120 thousand Chinese students studied in the USA and more than 20 thousand Americans studied in China (CRI Online, 2012).

Later, according to the results of 2018, the trade turnover between the United States and China increased by 28.5% - up to 633.5 billion dollars. At the same time, Chinese export to the United States grew by 11.3% and amounted to 478.4 billion dollars, while imports from the USA to China fell by 0.7%, to 155.09 billion dollars. Thus, the trade imbalance in 2018 grew to 323.3 billion dollars from 275.8 billion in 2017 (RIA Novosti, 2019).

At the same time, due to the adoption of new custom barriers on the way of trade relations, the turnover between the United States and China on the basis of the backdrop of continuing protracted trade war between the two largest economies in the world has been decreased within this year. Thus, according to the results of eight months of 2019, trade volume amounted to \$ 355.6 billion, which is by 13.9% lower than the same period in 2018 (RIA Novosti, 2019).

According to Chinese customs service, Chinese export to the United States during the reporting period decreased by 8.9%, amounting to 275.53 billion dollars, while the United States' export to Chinese market decreased by 80.07 billion dollars, which is by 27.5% less than in January-August of the last year (RIA Novosti, 2019).

Thus, it can be assumed that, taking into account that 2.5 percent of global trade has already been affected by the growth of tariff barriers between the US and China, trade-economic relationships between two countries have a serious impact on the globalization processes because, at the examples of USA and China, it is possible that some other countries can also review their trade policy in favor of mercantilism – protection of their own markets instead of deeper involvement into global trade processes.

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