The china-us economic relationship

China and the United States, as the two largest economy groups in today's world who own more than 30 percent of the world's GDP, have the ability to decide and change the destiny of world economy.

The United States has been dominating the world's economy for a long time as the only superpower after World War II. It has the most powerful currency, US-dollar. The US dollar is the world's main reserve currency and settlement currency. Most of the oil trading is done by USD, and USD is the only currency that links to gold. The world's new-star of economy, China, rose since the ending of last century. China has surpassed Japan and become the second largest economy of the world in 2010, two years after its achievement of becoming the largest holder of U. S. debt in September 2008. It is now the largest goods producer of the world, and also a hypo-power in East Asia. The financial crisis last during last four years has proved that it is unsafe to let only one country determine how the world economy should go. China and the U. S. should be working together to ensure the stability of world economy.

The relationship between the United States and China is strong, and they are all depending on each other. Chinese goods are demanding greatly by U. S. customers because of its low prices. As the result of the global financial crisis, the U. S. had to lower the value of its debt to due to the bad economy, but this also made the relationship between China and U. S. became unstable. Economists suggest that the relationship has contributed a lot to both countries. In 2010, the U. S. goods trade relation with China hit a record high of $273. 1 billion. (Roya and Christopher)

China as a large but not well-developed country, while rich in labor and resource but lack of capital and the technological capacity, seeks foreign investment and technologies to help its development. US have the most advanced technologies in the world and a large capital flow in the market. The US and China was naturally a perfect match. US can provide the financial and tech support in exchange for China's cheap products and resources. Both sides have benefited in this arrangement.

For China, the benefit is not only in the direct investments made by American companies and firms, but also in the massive amount of daily products that are sold to most American people. The growth of China's economy is majorly from exporting. For China's rising in last thirty years, it is fair to say that the U. S. has played an important role and contributed a lot through trade. From 3% in 1990, the imports from China has grown dramatically for the U. S., 19. 1% of U. S. imports in 2010 were from China. And automatically, China became indispensable as an import source for the U. S, from eighth in 1990, to fourth in 2000, to second in 2004-2006, and then to the first in 2007-2012 (Morrison). Chinese trade has grown tremendously, from $20. 6 billion and 0. 8% of the world total in 1978 to $2. 97 trillion and about 7. 8% in 2010. Compare to Germany, Japan, and the United States, China has huge advantages on its low-cost labor, growing technology and undervalued currency. These advantages let Chinese goods have much lower prices than the others. That is the reason why China became the world's largest manufactured goods exporter. (Brown) As for US, the benefit is obvious. China's relative low-cost advantage makes it focusing on producing labor-intensive goods, and thanks to the vast, seemingly unlimited Chinese work force, people in US can purchase Chinese made shirt for a fraction of the price of a US made shirt at a relatively same quality, and it’s not only the shirts, it’s almost everything. And for most American companies it was good too. Many companies can benefit from the huge Chinese labor force and Chinese markets.

“ U. S. imports of low-cost goods from China greatly benefit U. S. consumers, and U. S. firms that use China as the final point of assembly for their products, or use Chinese-made inputs for production in the United States, are able to lower costs and become more globally competitive.” (Morrison)

All in all, it would seem like a win-win for both China and America.

While China is getting many jobs from companies from United States, U. S has been experiencing high unemployment rate for years. There are voices from some of the media or even politicians claim that outsourcing to China is one of the major causes for high employment. But in fact, outsourcing actually sustains American jobs in a long run (Zhu). This can be illustrated by a simple example. If China can make a cellphone more cheaply, it makes more sense to import cellphone from China than make it domestically. Such transaction actually is good for both sides, brings real incomes, with added growth in the exporting country, and lower prices in the importing country (Economist). When the price of cellphone becomes cheaper, there will be more people can afford them than before, which is good for the market. Consequently, more cellphone related jobs such as maintenance and communication services are created. Therefore, more free trade between China and the U. S. can increase jobs instead of decreasing them (Yi). By analyzing trade and industry data, statisticians have discovered some fact. They find that job dislocation is not majorly because of outsourcing and offshoring in the manufacturing and service. They find the " real causes of job losses were weak domestic demand, rapid productivity growth, and the dollar's strength which dampened U. S. exports" (Baily and Lawrence). U. S. consumers has greatly benefited from importing low price goods from China, their purchasing power has been increased. This also helped the United States maintain at a low inflation rate. Actually, trade with China has helped directly or indirectly to create jobs in the United States, and this is much more important.

The U. S. merchandise trade deficit has increased from $1. 7 billion in 1986 to $295 billion in 2011 (US Census Bureau), because U. S. imports from China have risen much faster than U. S. exports to China. The U. S. trade deficit with China has kept growing rapidly during the last quarter century. At present, trade imbalance is huge between China and U. S, 43% of the U. S. trade deficit is accounted for by China. And it is one of the major concerns in U. S. – China relation. The U. S. deficit with China is the major part of U. S deficit.

" It was larger than the combined U. S. trade deficits with the Organization of the Petroleum Exporting Countries (OPEC), the 27 nations that make up the European Union (EU27), and the 10 nations that make up the Association of Southeast Asian Nations (ASEAN)." (Morrison)

The connection between China and U. S will be even stronger in the future. They will continue to benefit from each other. They are both the most important market to each other. Trades between these two countries will increase even more and create more great opportunities for businesses in both countries. As the two strongest economic powers in the world, if China and U. S keep the win-win strategy, they can ensure the growth of global economy.

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