



The U.S.-China Economic Conflicts: Focusing on the Trade War and Theories of Economics and Politics

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Executive Summary

This article reflects the reality of the United States-China trade war in theories. Theories of international economics examine the world of trade in three different dimensions. Traditional trade theories, which are based on economic interests and focused on bilateral relations, show that protectionism infringes on the economic interests of the very state that implements such policies. But states continued to practice protectionism, and after the Second World War, International Trade Organization (ITO) was proposed as the first system-level solution in history. In this dimension, economic interests are infringed on the system level by the new concept of unfair trade practices. In the third dimension, analysis of the relationship between trade and political influence shows that trade is also a part of economic activities and that economics and politics are not separate in terms of influence.

Applying these theories to the U.S.-China trade war, it is revealed that the logics of all three dimensions are projected in their economic relationship over time. While at the beginning of the conflict, the main point of dispute was China's trade surplus with the U.S., over time the debate was expanded into the issue of unfair trade practices, especially in regards to technology. Soon, China's challenge against the U.S.—the former's various economic and political activities that might topple the latter's ideal—was problematized. Such unfolding of events discredited the traditional trade theories

based on economic analysis. Now the view that the U.S.-China trade relationship is beyond the scope of mere bilateral economic interests is gaining support. In a similar vein, many experts agree that the competition for economic hegemony between the U.S. and China is the true nature of the ongoing economic affairs between the two.

In order to avoid catastrophe, the U.S.-China trade talks began in January 2019 upon China's request. It was expected that they would reach a settlement by May at the latest, but as the analysis in this paper suggests, the negotiation broke down. The assessment that simple compromise and repair based on economic interest do not address the essence of U.S.-China economic relationship proves to be more persuasive. As indiscriminate retaliations upon trade partners came into reality, the range of unfair trade practices has expanded. Taking the variable of strategic competition into account, one can easily comprehend how difficult it would be to reach a settlement in the trade negotiation between the two countries. Therefore one may say that, despite the expectation of a settlement by May, the rupture of U.S.-China trade talks had long been anticipated. ❀

※ Translator's note: This is a summarized unofficial translation of the original paper which was written in Korean. All references should be made to the original paper.

※ This article is written based on the author's personal opinions and does not reflect the views of the Sejong Institute.