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MINISTRY OF HIGHER EDUCATION AND SCIENTIFIC RESEARCH
AMAR THELIDJI UNIVERSITY OF LAGHOUAT
FACULTY OF LETTERS AND LANGUAGES
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*The Influence of China's International Economy
on the United States' Economic Dominance after
the Cold War*

*A Dissertation Submitted to the Department of English in Partial Fulfilment of
the Requirements for
Master Degree in English Teaching, Literature, and Civilization*

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2017-2018

Dedication

I dedicate this work to:

My loving parents, for all of their love and support.

My brothers: TahaYacine, Ismail, and Badreddine.

My sisters: Soumia, Sanaa, and Sara.

All of my friends and family.

Brichi Abir

Dedication

This humble dissertation and all my academic achievements are dedicated to:

My beloved parents Abderrahim Mohamed and RougabKalthoum who are the

light of my life

My sisters Halima,Ibtissam, Chaima,Sabrina,Batima, Imane, and Fatima for

their love

My second family: Zozo, Abdeallah, and KhaltiKheira for their encouragements

My dearest Grandmother El Alya, my GrandfatherLahcen, my AuntsFatna,

Yamina, Dalila , and my Uncles Mohamed, Ismail, Mourad, and Ilyes for their

affection and support

My friends and beloved ones: Abir, Siham, Kanza, Hiba, Houda, and Khadidja

for their love and friendship

My sweet cousins: Lamine, Ali, Yasmine, Salma, Rayan, and Abdelghafour

My supervisor Mr. Mihoubi for his guidance and inspiration

Abderrahim Rouguia Nour El Houda

Acknowledgments

We would like to express our sincere gratitude for Allah for giving us the blessing and ability to achieve this dissertation.

We also would like to thank Mr. Mihoubi, our dear supervisor, for his permanent guidance, invaluable efforts, and precious advice and remarks throughout the development of our work.

We devote our sincere gratitude to the honourable jury members for reading and evaluating this humble piece of work.

Great thank of our hearts goes to our English department teachers for their memorable efforts.

Abstract

This dissertation aims at discussing whether China will become the new leader of the world because of its current powerful economic status. To fulfil this aim, statistics and data will be described, compared, and analysed. The analysed data indicate that the US is stronger and more dominant than China in the field of international economy, although China is the world's largest exporter. When it comes to the US and China's bilateral trading system, none of them imposes their ideology, policy, or principal on the other because they trade according to the World Trade Organization laws and regulations. The findings of the dissertation show that China's international economy will not be stronger than the US's.

List of Abbreviations

AQSIQ: General Administration of Quality Supervision, Inspection and Quarantine

ASEAN: Association of Southeast Asian Nations

BRICS: Brazil, Russia, India, China

CBP: Customs and Border Protection

CED: U.S.-China Comprehensive Economic Dialogue

CCL: Commerce and Control List

DDTC: Directorate of Defense Trade Controls

ECCN Code: Export Control Classification Number

ECO: Export Control Organization

EAR: Export Administrative Regulations

EDA: Economic Department Administration

FDI: Foreign Direct Investment

EGA: Environmental Goods Agreement

GATT: General Argumentation Tariffs and Trade

GDP: Gross Domestic Product

GNP: Gross Nation Product

IMF: International Monetary Fund

ITA: International Trade Administration

ITA: Information Technology Agreement

ITAR: International Traffic of Arms Regulations

JCCT: Joint of Commission on Commerce and Trade

MOFCOM: Ministry of Commerce

NTB: Non-Tariff Barriers

OECD: Organization for Economic Cooperation and Development

OFAC: Office of Foreign Assets Control

OPEC: Organization of the Petroleum Exporting Countries

PRC: People's Republic of China

S&ED: Strategic Economic Dialogue

TiSA: Trade in Services Agreement

TPA: Trade Promotion Authority

TPP: Trans-Pacific Partnership

TRTA: Trade-Related Technical Assistance

UITs: Unit Investment Trusts

USML: United States Munitions List

VAT: Value Added Tax

WB: World Bank

WTO: World Trade Organization

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General Introduction

Since the foundation of the People's Republic of China (PRC) in 1949, there existed numerous differences between the Chinese and the American economies. The Chinese economy witnessed huge and various changes during the two decades following its foundation; such as, the substantial growth in its gross domestic product (GDP) which affected its economy in a positive way. A large share of the country's economic output was directed and controlled by the state which set production goals, controlled prices, and allocated resources throughout most of the economy which was a very successful strategy. On the other hand, in the United States, the 1950s was a decade of prosperity because of the rise of the Consumerism culture. However, inflation was a problem which threatened the American economy in the 1950s as the US witnessed two major waves of inflation back then. The first wave followed the end of the Second World War, and the second one took place during the Korean War. In addition to inflation, the Second World War had also caused an economic recession that lasted until the second quarter of the 1950s.

After the end of the Second World War in 1945, the Cold War took place and lasted until the end of the 20th century. During that period, both the US and China devoted their efforts for improving their economic status and position in the world. On one hand, the US focused on making agriculture and industry stronger because the Second World War made the US more dominant economically. Furthermore, the Cold War played a major role in strengthening the American economy as it made the US target the European markets which directly affected the American industrial policies. On the other hand, China followed the same path because it worked that period on improving its economy in every possible way in order to guarantee having a strong position in the global economy. In order to achieve its goals,

China initiated economic reforms which are the main reason behind its current strong position in the international economy.

Several studies show that China does not want to take the US's economic position. Zachary Karabell in his book *Superfusion: How China and America Became One Economy and Why the World's Prosperity Depends on It*, discusses the idea of the existence of the interdependence and integration between China and the US economies. The author addresses this fusion as a mean for solving the conflicts of the global economy. Furthermore, it makes the Chinese and the Americans worried about their sovereignty. The scholar Thomas J. Christensen claimed in his book *The China Challenge Shaping the Choices of a Rising Power* that the powerful Chinese economic status cannot replace the American one. The reason behind this claim is that China focuses only its efforts on its economy rather than the global one. He suggests that China should be an effective member in the international economy development and improvement because of its magnificent economic strength.

On the other hand, others share exactly the opposite view and ensure that China will overtake the US's economic position. The CRS Report for Congress: *Is China a Threat to the US Economy* by the congressional Research Services covers the reflections of China's recent economic growth on the US's position and on the world. It shows that China's super economic power threatens the American economy by examining the effects of the Chinese and American trade on the American jobs, wages, commodities, and other economic activities. In addition to this report, the article *China and the United States: Tale of Two Giant Economies* by Malcolm Scott and Cedric Sam shares a similar view. The writers compare GDP, shares of world economy, world trade, and exports, imports, and investments rates to defend the idea that China will be the most dominant economic power in the world in the next decade.

This dissertation has several aims. The first aim is providing an understanding for several important concepts which the dissertation is based on. The second aim is studying both of the US's and China's international economies. This study implies comparing and contrasting several important findings and statistics. The third aim is analyzing the mechanism which the US and China apply while trading with each other. Above all, the main and most important aim is finding out which country is more powerful and more dominant economically.

This dissertation has one main question in addition to several sub-questions. The main question is: Is China able to be the new leader of the world because of its current powerful economic status? Furthermore, the sub-questions are:

- Is the Chinese international economy more powerful than the American one?
- Is China able to influence and threaten the American international economic position?
- What is the nature of the Chinese and the American economic relations? And which economic policy do they follow?
- Does one of them impose its ideology on the other one?
- Can China be the strongest economic power in the globe?

To find an answer to these questions, this research is conducted according to a precise methodology and varied approaches. The method of this research is a combination of the descriptive, the comparative, and the analytical methods. The descriptive method is used in describing the status of the American and the Chinese international economies. In addition, the comparative and the analytical methods are applied in gathering the relevant statistics and compiling the needed data in order to compare them than analyze it. Moreover, this research is conducted under a quantitative approach as well as a qualitative one. On one hand, the quantitative approach is used in gathering the needed data. On the other hand, the qualitative approach is used in developing an analysis for the collected data.

This dissertation is divided into three main sections. The first chapter represents the theoretical part that provides the necessary background to understand the topic and the following sections of the work. The second chapter provides a detailed comparison between the Chinese and the American international economic statuses. In addition to that, it contains different detailed statistics concerning both of the American and the Chinese economies. The third chapter studies the American-Chinese international economic relations. Furthermore, it sheds light on the policy they follow when they trade with each other.

Chapter I: An Overview of International Economics

1.1 International Economics

Introduction

Economy plays an important role in the development of countries. It is one of the elements which make countries dominant in the world because the more powerful economically a country is, the more dominant it gets. Furthermore, the global economy can influence the world's economies. So, economists managed to study it through the science of international economics. Hence, understanding the meaning, theories, and concepts of this science is very curtail.

1.1.1 Definition of International Economics

International economics can be defined as an economic scientific field. It explores the reasons and repercussions of the various international economic transactions. They are processed either individually or globally. More precisely, it is a branch of economy that focuses on the followed policies of trade and finance between nations. In other words, international economics is a specified area of study which emphasizes the different external trading relationships between the world's countries. Moreover, it sheds light on the implications of international trade concerning goods, services, and investments (Dwivedi⁵, 6).

1.1.2 The Role of International Economics

Broadly speaking, this field of economics addresses many serious economic issues and conflicts which can induce enormous damages on the global economy and on the domestic

ones. These issues cover poverty, trade barriers, unemployment, economic and health crises, global imbalance, methods of regulating trade, unequal distributions of gains, protectionism...etc. So, all the nations of the world ought to find solutions for these conflicts (Kumar 10, 11, 12). Additionally, international economics sets the essential principles and standards for international trade and international finance. Mainly, numerous international organizations are responsible for finding solutions such as: World Trade Organization (WTO), International Monetary Fund (IMF), and World Bank (WB). They try to control both the international flow of goods and services in addition to the international flow of finance and money (Dwivedi 3, 4). (Salvatore 13)

1.1.3 The Origin of International Economics

This science has emerged and evolved through time especially during the nineteenth and the twentieth century. Multiple famous economists have contributed to its emergence and development; such as, Adam Smith (father of Economics), David Ricaredo, John Stuart Mill, Alfred Marshall, John Maynard Keynes, and Paul Samuelon. The scientific study of international economics is based on theoretical, empirical, and descriptive theories and data. Mostly, this concept was originated in Western Europe by a simple theory¹ concerning international trade; in addition, this theory was created because of the increased foreign trade in the world (Dwivedi7).

1.1.4 Sub-Categories of International Economics

International economics is divided into two large sub- categories. These sub-categories are international trade and international finance. International trade is based on the

¹Theory of foreign trade later developed to absolute advantage theory by Adam Smith

microeconomics level. Meanwhile, international finance envelops macroeconomics models. Hence, international trade is concerned with the production of goods of a given country which are bought by another one, and international finance focuses on studying money transactions and resulting from this process (Kumar2).

1.1.4.1 International Trade

International trade is a branch of economics. It is used to understand the economy of the world. This field is related to economic relations between government, consumers, factories owners, and firms. Moreover, these relations are analysed under the basis of microeconomics samples. In other words, this field of economics identifies ways of production, trade, and investment. It also analyzes the different trade policies and the effects of multilateral trade negotiations. This branch includes analyzing the effects of market distortions, firms, and consumers' behaviors. All countries carry out trading among each other which highly influences the global economy. These trading exchanges are constantly changeable due to several reasons .Firstly, transactions affect the ways the global economy is controlled and managed. Secondly, people always engage in foreign investments directly. Finally, the rapid integration of international economic markets plays a cardinal role in the study of international economics (Suravonic6).

Microeconomics is the study of the economic behavior of industry and not of the aggregated economy. It is concerned with several points and issues. An example of these points is the factors which affect individual economic choices, and how these choices are coordinated by markets. Furthermore, it sheds light on the effect of changes in these factors, their relation with the individual decision makers, and how price demands are determined in individual markets (Kumar5).

1.1.4.2 International Finance

International finance is also a branch in economy. To understand the global economy, this field relies on macroeconomics models. These models study the interrelations of economy. Additionally, internal relations between economic variants are the main focus in this field. It also maintains the effects of financial flow between countries. International finance covers many issues; such as, trade imbalance, exchange rates, fiscal policies, and government monetary effects. Unlike international trade, international finance is based on macroeconomics models. International finance and monetary transactions are important to the world. Furthermore, this category especially focuses on the balance and imbalance of payments concerning international money; such as, currency crises, debts, and international financial markets problems. This led to follow new models of modern theories of macroeconomics (Suravonic9).

Macroeconomics is the study of the behavior of whole aggregate economies or the economic systems instead of the behavior of individuals and individual firms or markets. Macroeconomics deals primarily with the analysis of major economic factors in order to show predictable patterns and trends, and how these factors are related by comparing them to one another because these relations help economists to enhance international exchanges. Furthermore, these factors include levels of employment or unemployment, gross national product (GNP), balance of payment positions, and prices (deflation or inflation). Macroeconomics also studies fiscal monetary policies, economic growth, consumption rates, and investment levels (Kumar 5).

1.1.5 The Importance of International Economics

International economics encompasses all the economic operations between the world blocks. However, the quick increase of these economic and financial transformations has resulted in many economic problems on the domestic and international levels. For instance, the rise of neoliberalism, globalization, and financialization has affected the world economy in every single component. Therefore, studying the global economy became very important. Economists and specialized agents are working to achieve this global goal for a better world (Dwivedi13, 14).

Today, the world economy has been deteriorated due to huge problems. In fact, leaders of the world must firstly diagnose both the nature and consequences of these economic issues. In addition, people need to be mobilized about the best interest of the global economy. Economists try to have a total and comprehensive understanding of these obstacles nationally and internationally. Domestically speaking, all the countries of the world are suffering from harmful conflicts which can affect their economic side negatively. First, the unequal distribution of wealth will worsen the relations of developed and underdeveloped nations .Second, the imbalance of international economics may lead to low trade rate. Third, financial and economic crises of one country will shake the balance of the other countries. Fourth, the formation of currency blocks and economic organizations will result in more regionalism (agreement to facilitate the free flow of trade and to combine foreign economic policies among nations). Finally, the existing economic problems may affect trade patterns and regulations. Globally speaking, the international economy identifies a group of issues that can cause ruinous harm. Firstly, all countries are suffering from different economic problems. Secondly, the internal and external policies made between nations can cause problems. Thirdly, countries policies can affect their economies and foreign trade. Finally, the global economic mechanisms (reforms) shall affect badly the international economy (Kumar11, 12).

Above all, the importance of international economics lies in many points. Firstly, the major aim of international economics is to provide welfare and wealth for the nations of the world. This is achieved by conducting projects of trade, credits, investments, banks, transportation which will definitely enlarge the world economy. Secondly, international economics focuses on formulating suitable policies of trade under coherent macroeconomics samples. Thirdly, international trade samples aim at framing and selecting appropriate trade theories in order to ease the flow of international trade. Fourthly, international economics ensures both the maintenance and power of the global economy. In other words, this science tries to find solutions concerning the existing difficulties in economy and enhance its ways and amounts of gain (Dwivedi13, 14).

1.2 The World Trade Organization

1.2.1 The WTO's Definition

The World Trade Organization (WTO) is the only organization in the world that deals with rules of trade on the international level. It is headquartered in Geneva, Switzerland. The organization was established on January 1st, 1995. It includes 164 member countries with a secretarial staff of 640 workers. Robert Azevêdo has been the general director of the WTO since his election in 2013 (World Trade Organization).

The WTO was established in 1995; however, it was not the first time that countries of the world worked together in order to organize the world trade. Countries used to follow the rules of the General Argumentation Tariffs and Trade (GATT) since 1949. Later on, GATT became an unofficial organization which used to organize meetings devoted for solving disputes and facilitating trade with goods among nations. The Uruguay round was the last GATT round which was held from 1986 to 1999 resulting in the WTO creation (World Trade Organization).

1.2.2 The WTO's Role

The WTO has several important duties and activities. It is used by different nations to solve the problems which face them in the field of international economics. In addition to that, it is responsible for drafting as well as issuing different agreements and regulations among countries. Furthermore, the WTO targets the implementation of the free trade and the liberization of the international economic exchanges by limiting the existing different obstacles and barriers. All of the WTO aims are realized by negotiation. It is the adopted policy to achieve a complete understanding, solving of all disputes, and monitoring policies countries adopt. Not only does the WTO ensure the regulations of the trade between countries, it also provides the help for developing countries by providing them with training, helping them in finding a way to pay their debts, and providing them with the most suitable ways for using technology effectively (World Trade Organization).

1.2.3 The WTO's Principles

The WTO was founded on the basis of several important principals. The first principal is the no-termination principle as the organization applies equality among the different countries without paying any attention to the domination or strength of any country. The second principal is targeting any unfair competition among the countries of the world which uses unacceptable policies; such as, reducing the prices in order to control and monopolize the international markets. The third principal is the assurance of keeping tariffs and different trade barriers under control to assure the easiness of trade for the different countries and companies. The fourth principal is facilitating trade for the developing countries to help them in becoming a part of the world trade. The last and most important principle that the WTO adopts is considering negotiation as the direct way to solve problems (World Trade Organization).

1.2.4 The WTO's Membership

Joining the WTO has become a goal which all the countries of the world have sought since its establishment. The 160 WTO members had to fulfill specific the WTO conditions in order to obtain their membership. All of the member countries had to go through negotiation with the organization in order to become a member. On one hand, joining the organization guarantees different numerous rights and offers many privileges. On the other hand, it comes with several obligations and commitments (World Trade Organization).

1.2.5 The Main Steps to Join the WTO

There are four steps to become a member of the WTO. The first step is handing out a detailed report by the applying government concerning its trade policies. The WTO has a working party devoted for examining all of the reports. The second step is participating in bilateral negotiations in which the new member has to point out what it can offer to other WTO members in term of exports. Furthermore, there are complicated and long negotiations about tariffs and trade barriers. The third step is drafting a report by the WTO working party in which it states the protocol of accession as well as a list of the new member's obligations. Finally, the general council of the WTO or the Ministerial Conference receives all of the report, the protocol, and the list of commitments. Only if the vote of the WTO members' precedes 2/3 majority, does the applicant country get to sign the protocol and be a member. However, these steps do not make joining the WTO final because the protocol of accession is sometimes rejected to be signed by the applicant country in case it does not accept its terms (World Trade Organization).

1.3 Protectionism and New Protectionism

1.3.1 Protectionism Policy

It is a policy that affects trade in goods by several instruments. This policy enables governments to protect and monitor their international trade. Furthermore, it results in intensifying competition among countries, reducing prices, and improving the domestic trade. Not only does protectionism aim at protecting the international trade, it focuses also on protecting jobs and different industries. This is achieved by applying different measurements by policy makers. However, protectionism might cause several negative consequences; such as, reducing trade discrimination which results from favoring domestic operators over foreign economic operators. As a result of these negative consequences, there are several international institutions which monitor protectionism policy; such as, the WTO.

The late years, the world economy has witnessed a lot of changes among of which is adopting the free trade market. However, this policy can cause negative consequences on nations. When governments do not prohibit imports from and exports to other countries the latter will lead to a reduction in the welfare of state. As a result, the policy of protectionism was embraced by countries. It advocates the protection of domestic and national goods by limiting and reducing the foreign imported goods and services. Governments will achieve so by the help of the imposed tariffs, taxes, quotas, dumping, and subsidies on domestic goods and services. Moreover, a battle happened between the free trade and the protectionism policies due to the increase in tariffs. Protectionist nations embrace a method for measuring the degree of this policy efficiency which is known as a verge tariff rate policy for a better protection in trade (Kommerskollegium8, 9).

1.3.2 New Protectionism Policy

Throughout history, the most important trade restriction has been tariffs. However, it is not the only way to protect trade and limit the free trade policy. These other measures are

known as the non-tariff barriers or the new protectionism. This new protectionism has several forms. The most important one among them is the quota which directly restricts the amount of the imported commodities. In addition to quota, there are five other non-tariff barriers (NTB) that affect the international trade directly. The first NTB is the voluntary export restraints which is used when an exporting country reduces its exports of certain commodity after being asked to do so by the importing country in order to avoid extra trade restrictions. The second NTB is represented in different technical administrative laws and other regulations, which come in a form of safety and health regulations and labeling requirements. The third NTB is the international cartels which refer to an organization of suppliers of a commodity like the Organization of the Petroleum Exporting Countries (OPEC). These suppliers aim at maximizing their profit by limiting the amount of exports in order to keep the prices high. The fourth NTB is dumping which refers to exporting commodities cheaper than they are sold domestically in order to monopolize the market. The fifth NTB is the export subsidies which is illegal and means giving the exporters or potential exporters loans or direct payments in order to stimulate economy (Salvatore 257).

Conclusion

International Economics is a science of economy which revolves around the study of international trade and finance. In addition, it stresses the importance of the international economy and aims at finding solutions to all of its problems. The WTO is the only organization in the world which is responsible about regulating and monitoring the international trade. In addition to that, the WTO aims at spreading free trade and limiting protectionism by all its forms.

Chapter II: Study of the Chinese and the American International Economies

Introduction

International trade is the act of buying and selling goods and services across international boundaries. Hence, imports, exports, and investments are the three main elements of the international economy. They are considered as the fuel that strengthens the world's economy. Therefore, all countries focus on these elements in order to maintain a powerful positions in the world.

2.1 Exports

2.1.1 Definition and Importance of Exports

To begin with, the word “export” refers to a function in trade (Investopedia). It encompasses products or services which are sold abroad. Exports can be resources, services, or goods (intermediate and final goods) (Oxford Dictionaries). In order to export, people need a permit or a license (USA.gov). On one hand, different goods are produced in one country and exported to other countries with benefits (a given sum of money). On the other hand, these products can be exchanged by other products or services (Investopedia). The origin of this concept was taking from a Latin word “exportare” which means “ex”: out and “portare”: carry. It is dated back to the late fifteenth century (Oxford dictionaries).

The domain of exportation is very important for several reasons. First, It is the main key for foreign economic exchange earning (Harris 1). Second, the growth of exports rate can raise the production efficiency. Third, the rate of exports can reflect the rate of economic

growth positively or negatively. Fourth, it adds to nations' productive gross output. Finally, exportation aims at improving both of the domestic and global affairs (FAYE ENSERUM CHEMEDA 1).

2.1.2 The Chinese and American Exportation Rankings

2.1.2.1 The US

In 2015, the US has become the world's second largest exporter. However, the US has retreated to the third world exporter after China and the European Union in 2016. The United States has 68, 1% (more than two-third) of the global exports value. Its exportation rate has rose to 0.4% which is around 191, 0 billion million dollars in May 2017. In the year of 1995, the United States had exported products in a value of 34% to Asia, 28% to North America, 28% to Europe, 6, 4% to South America, 2, 1% to Oceania, and 1, 9% to Africa. In the year of 2008, the United States had exported products in a value of 30 % to Asia, 32% to North America, 27% to Europe, 6, 5% to South America, 2, 1% to Oceania, and 2.6% to Africa. The rate of exports to Asia and Europe had decreased due to the Economic Crisis of 2008. In the year of 2015, the United States had exported products in a value of 30 % to Asia, 33% to North America, 24% to Europe, 6.2% to South America, 2% to Oceania, and 2% to Africa. In May 2017, the United States has exported goods in a value of 127205 million dollars (The Observatory of Economic Complexity).

2.1.2.2 China

China is regarded as the largest exporter of the world in 2015. The Chinese economy succeeded in exporting about 1, 19 trillion million dollars around the globe. In May 2017, the

Chinese rate of exports has rose to 8, 7% about 182 billion million dollars. In the year of 1995, China had exported products in a value of 56% to Asia, 22% to North America, 18% to Europe, 1, 1% to South America, 1, 6% to Oceania, and 1, 3% to Africa. In the year of 2008, China has exported products in a value of 40% to Asia, 24% to North America, 27% to Europe, 3, 8% to South America, 2, 2% to Oceania, and 3, 1% to Africa. In the year of 2015, China has exported products in a value of 44% to Asia, 25% to North America, 21% to Europe, 3, 8% to South America, 2, 4% to Oceania, and 4, 3% to Africa (The Observatory of Economic Complexity).

2.1.3 The US's and China's Main Export Commodities

2.1.3.1 China

Chinese exportation rate is considered as a curial basis for its GDP and economy growth. China export products are numerous and various (Workman, 24 September 2017). Yet, they are grouped into top categories. First, electrical machineries and equipment, this category includes electrical transformers, integrated circuits, semiconductor devices, electric heaters, and insulated wires. Second, machineries, it includes computers, office machine parts, broadcasting equipment, and telephones. Third, furniture, this category includes beddings, lightings, sings equipment, and prefab buildings. Fourth, knit and crochet clothing and accessories, they include knit and crochet clothes and accessories. Fifth, clothing and other accessories, they include clothes other than knit and crochet clothes and accessories. Sixth, optical, technical, and medical apparatus, they include data processing equipment, optical instruments, and medical equipment technologies. Seventh, plastics, this category includes plastic articles and products. Eighth, vehicles, they include vehicles, seats, and other vehicle parts. Ninth, Iron and steel, they include articles of iron and steel. Finally, footwear,

this category includes shoes of leather, rubber tires, and rubber footwear (The Observatory of Economic Complexity).

2.1.3.2 The US

The US is the world's number one economic power. In 2016, the United States' GDP was amounted to 18,562 trillion dollars. So, its exports have increased to 7, 8% of its total economy (The Observatory of Economic Complexity). The American exports are also divided into leading categories. First, machineries, this category includes tractors, computers, telephones, internal engine combustions, gas turbines, air and gas pumps, and valves. Second, electrical machineries and equipment, this category includes insulated wires and integrated circuits. Third, aircrafts and spacecraft, this category includes planes, helicopters, air and spacecraft. Fourth, vehicles, this category includes automobiles, trucks delivery, and vehicles. Fifth, mineral fuels, this category includes oil and refined petroleum. Sixth, optical, technical, and medical apparatus, this category includes medical and optical instruments. Seventh, plastics, this category includes plastic products (Reyhan). Eighth, gems and precious metals, this category includes gold only (Tsuji). Ninth, pharmaceuticals, this category includes packaged medicaments. Finally, organic chemicals, this category includes fatty acids, synthetic organic alcohols, bulk pesticides, ethyl alcohol, synthetic flavors, cyclic crudes, chemical products, and gum and wood chemical products (Workman, September 25, 2017).

2.1.4 The American and Chinese Main Export Destinations:

The key of success of the American and Chinese economic powers is simply exportation. They managed to expand their goods and services to the whole world. Generally

speaking, the United States and China have exported their products to all of the world’s destinations (see fig. 1) (see fig. 2). In other words, American and Chinese products are sold or exchanged into Arab States, Latin America, Asia, Sub Saharan Africa, the OECD, the BRICS, the rest of the European Union, and the rest of the world (International Trade Center).

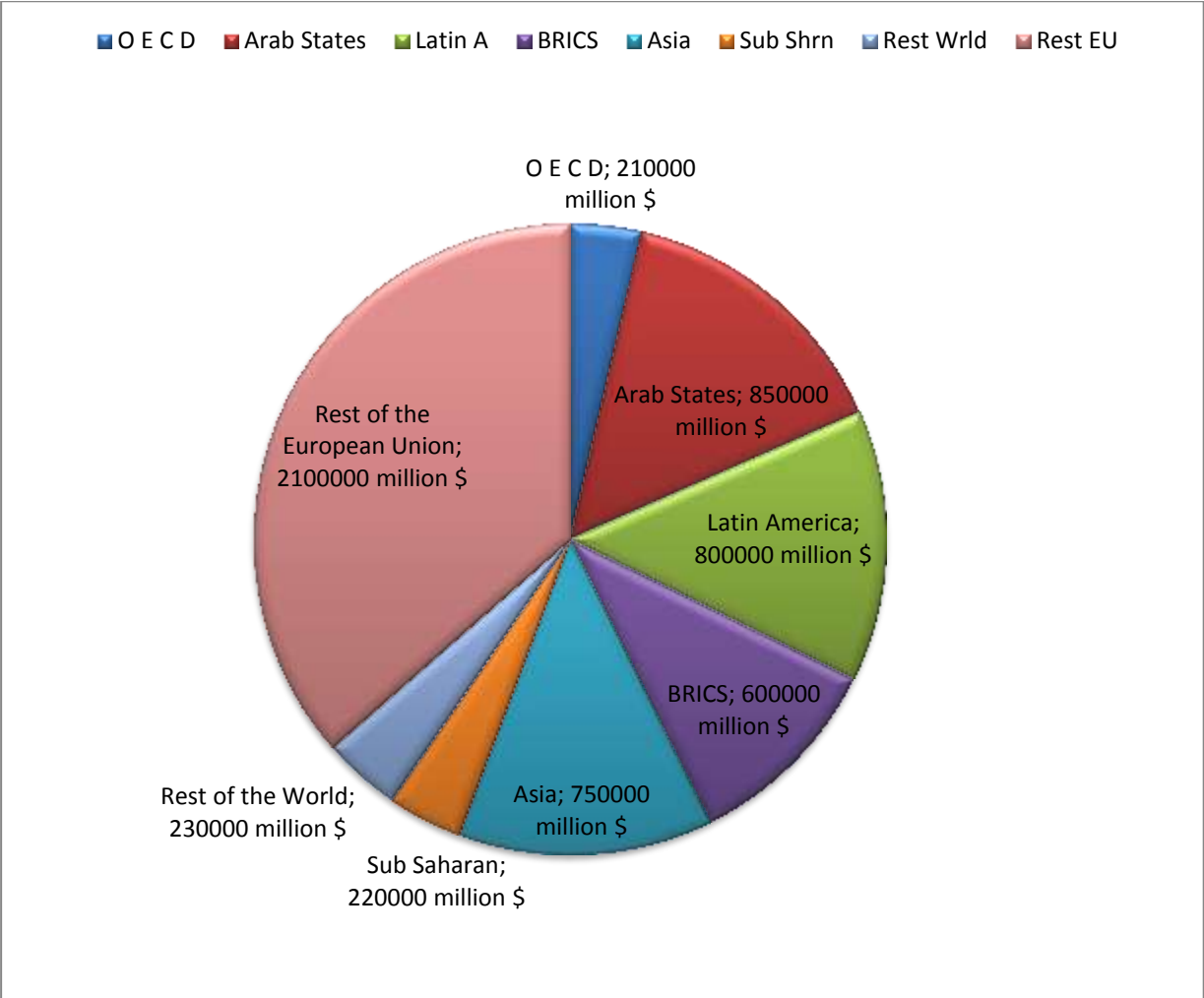


Fig.1.TheChinese Exports by Destinations 2013.Graph from International Trade Center.

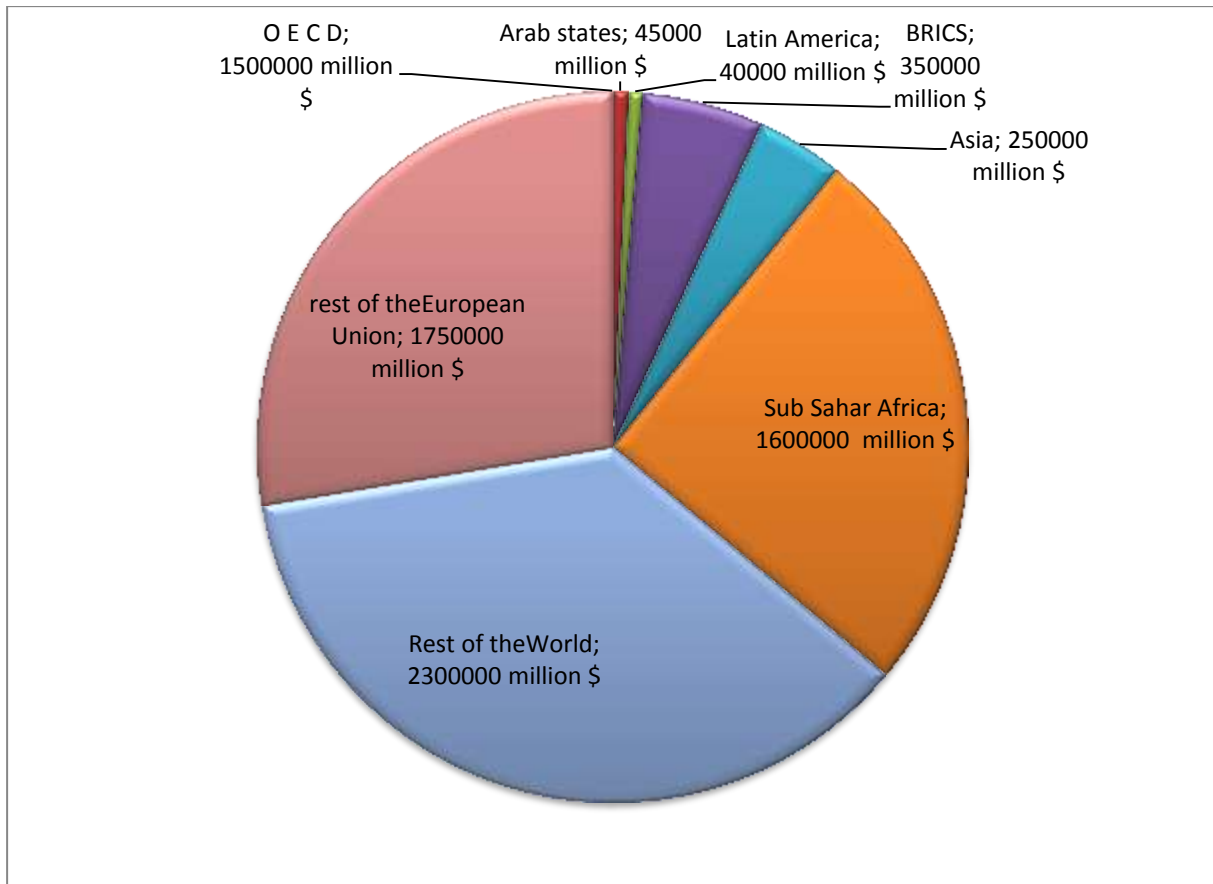


Fig. 2. The American Exports by Destination 2013. Graph from International Trade Center.

Specifically speaking, both of China and America have top export destinations. According to the statistics of 2017 of the United States' Census Bureau, America's top export partners are Canada (18.3%), Mexico (15.6%), China (7.9%), Japan (4.4%), the United Kingdom (3.6%), Germany 3.4%), South Korea (3.2%), Netherlands(2.8%), Hong Kong (2.8%) ,France(2.3%), Brazil (2.2%), Belgium (2%), Singapore (2%), Taiwan (1.8%), and Australia (1.6%). The leading export partners of china are Japan (6.4%), South Korea (14.2%), United States (11.5%), Germany (4.1%), Australia (11.0%), India (17.5%), New Zealand (11.2%), ASEAN countries (11.2%), EU countries (8.1%), Russia (22.0%), Brazil (35.4%), South Africa (15.9%), and Taiwan (7.4%) (Trading Economics).

2.1.5 Exports Regulations of China and the US

2.1.5.1 The United States

The US exported products and services must be subjected to the laws of the Export Administrative Regulations (EAR) which is administrated by the Bureau of International Security. In addition, the International Traffic of Arms Regulations (ITAR) is administrated by the Department of State's Bureau of Political Military Affairs Directorate of Defense Trade Controls (DDTC)(A Resource on Strategic Trade Management and Export Controls). These two laws are an important American export controller of legislations by which the United States can control sales, industries, and technologies (Rouse). They aim at protecting national security, promoting regional stability, taking into consideration human rights, preventing proliferation of weapons and technologies, and complying with international commitments (A Resource on Strategic Trade Management and Export Controls).

In 1979, the Export Administration Act has enacted the EAR (A Resource on Strategic Trade Management and Export Controls). This law regulates goods and technologies that have double use: technical data and technical assistances. These regulations are designed for civil, military, and national security objectives which can have some military applications; such as, hardware and software containing certain encryption algorithms. The EAR, referenced as 15 CFR chapter VII, subchapter C, §§ 730-774, contains an alphabetical list which covers all the controlled items by its laws (Cornell Law School) (MIT Office of Sponsored programs). Each item is identified by an Export Control Classification Number (ECCN code). This list is called the Commerce and Control List (CCL) (MIT Office of Sponsored programs). It is divided into ten categories: nuclear materials, facilities and equipment, and miscellaneous, materials, chemicals, microorganisms, and toxins, materials processing, electronics, computers, telecommunications and information security, lasers and

sensors, navigation and avionics, marine, and propulsion systems, space vehicles, and related equipment (MIT Office of Sponsored programs).

If any product is included in the CCL, a license for exportation will be provided depending on the wanted destination (A Resource on Strategic Trade Management and Export Controls). However, licenses will be denied if there are applied exemptions or exclusions because of the embargoed countries by the Office of Foreign Assets Control (OFAC) Sanctions Program. If any product is subjected to the EAR without being mentioned in the CCL, it will go under the category of EAR99 under the reference of 15 CFR§734 (a). This category does not need any license. Unless the exported product is directed to embargoed countries and to an end user or prohibited end –use (denied persons list), suppliers will need to have a license for exportation (MIT Office of Sponsored programs).

In 1976, the US had implemented the Arms Export Control Act regulations under the ITAR (A Resource on Strategic Trade Management and Export Controls). The International Traffic in Arms Regulations, referenced 22CFR Chapter I, Subchapter M, §§ 120-130, controls three things: defense articles (mock-ups, models), defense services (trainings, collaborations, operations, repairs), and technical information (drawings, assembly restrictions, manuals of maintenance) which have military designs, purposes, and applications (Cornell Law School) (The University of Kansas). These laws set out licenses and authorizations for exports of defense articles and services .In addition, the ITAR encloses an enumerated list known as the United States Munitions List (USML). This list includes 22 categories: firearms, close assault weapons, and combat shotguns, guns and armament, ammunition/ordnance, launch vehicles, guided missiles, ballistic missiles, rockets, torpedoes, bombs, and mines, explosives and energetic materials, propellants, incendiary agents, and their constituents, vessels of war and special naval equipment, tanks and military vehicles, aircraft and associated equipment, military training equipment and training, protective

personnel equipment and halters, military electronics, fire control, range finder, optical and guidance and control equipment, auxiliary military equipment, toxicological agents, including chemical agents, biological agents, and associated equipment, spacecraft systems and associated equipment, nuclear weapons, Design and testing related items, classified articles, technical data, and defense services not otherwise enumerated, directed energy weapons, gas turbine engines, equipment, submersible vessels, oceanographic and associated equipment, and miscellaneous articles (MIT Office of Sponsored Programs).

According to the ITAR, exported items, services, or information must be included in the USML. Then, exporters need to register first with the DDTC. Once registration is finished, suppliers can apply for either defense articles and services or technical data licenses. There exist ITAR exemptions which have authorized licenses. Additionally, they need to have specific record keeping which must be approved by the ECO (The University of Kansas)

2.1.5.2 China

The Ministry of commerce (MOFCOM) allows only state foreign companies to have the right of exportation with approved licenses. In order to gain a license for exportation, the exported product must be mentioned in the Catalogue of Export Commodities with the Export Commodities Measures. This catalogue has 138 categories of goods with Quota License. Moreover, it contains 114 categories which require obtaining license. There are two types of licenses: general and special licenses. On one hand, a state foreign company needs to have a valid license for financial transformations under a general license. On the other hand, special licenses are obtained if exporters want to export restricted goods (Consumer Electronics Global Sources).

Chinese exportations are managed by the Ministry of Commerce, the Chinese Customs Bureau, and the State Council and Central Military Commission (Bureau of Industry and Security U.S Department of Commerce). The State Council and Central Military Commission had issued four export control laws. First, the administration of Arms Exports law which contains thirty articles those ensure the organization and improvement of the exportation of arms. Second, the missiles and missile-related items and technologies focus on preserving national security and both social and public affairs. Third, the dual-use of biological agents and related equipment and technologies which controls safety regulations of exported biological items (The National People's Congress of The People's Republic of China). Finally, nuclear dual-use items and related technologies enact to protect people from nuclear terrorism and proliferation (Ministry of Commerce People's Republic of China). Chinese exported items must be included in the export controls lists. First, the Administrative List of Military Products, it contains specific military goods which can be exported. Second, the Index of Management of Import and Export Permits of dual-use items and technologies, this list identifies different goods alongside with nuclear, biological, chemical, and missile-related dual-use products (Bureau of Industry and Security U.S Department of Commerce).

2.2 Imports

2.2.1 Definition of Imports

Imports refer to all goods and services bought from a foreign country. These goods and services might be bought by companies, government, or even by individuals. The way foreign goods are brought to a country does not matter. As long as, they had been produced in a foreign country, they are considered as imports (Amadeo April19,2017).

Even though imports boost economy, most governments aim at minimizing their rate as

much as possible. The main reason, is the high rate of imports which affects economy negatively in addition to resulting in several negative dangerous consequences. First, a country which imports more than it exports faces a trade deficit. Second, it deprives the country from its economic independence as a result of relying on other countries to provide necessary goods. Third, it affects the value of the country's currency because paying for imports is done using hard currency, which makes the local currency lose its value. Finally, it makes it difficult for the local products to compete with the imported ones resulting in the bankruptcy of many companies and losing jobs. Hence, for these reasons most of the governments adopt the policy of minimizing the rate of imports as much as possible in an attempt to protect economy and improve it (Amadeo April 19, 2017).

2.2.2 The Chinese and American Importation Rankings

2.2.2.1. The US

In the year of 1991, the US had imported products in a value of 41% to Asia, 28% to North America, 22% to Europe, 5, 1% to South America, 1, 2% to Oceania, and 3, 1% to Africa. In the year of 2008, the United States had imported products in a value of 38 % to Asia, 28% to North America, 21% to Europe, 6, 3% to South America, 0, 71% to Oceania, and 5, 6% to Africa. The rate of exports to Asia and Europe had decreased due to the Economic Crisis of 2008. In the year of 2015, the United States had imported products in a value of 45 % to Asia, 28% to North America, 22% to Europe, 4, 0% to South America, 0, 73 % to Oceania, and 1% to Africa (The Observatory of Economic Complexity).

2.2.2.2 China

In the year of 1991, China had imported products in a value of 55% to Asia, 18% to North America, 21% to Europe, 1,9% to South America, 3,0% to Oceania, and 0,68% to Africa. In the year of 2008, China has imported products in a value of 58% to Asia, 9,7% to North America, 16% to Europe, 6,2% to South America, 3,9% to Oceania, and 5,6% to Africa. In the year of 2015, China has imported products in a value of 52% to Asia, 12% to North America, 19% to Europe, 6, 06% to South America, 5, 5% to Oceania, and 4, 7% to Africa (The Observatory of Economic Complexity).

2.2.3 The US's and China's Main Import Commodities

2.2.3.1 The US

The United States is ranked as the second biggest importer in the world. The goods which the United States imports are varied with different percentages. The first main imported commodity is the capital goods by 29%. The second imported commodity is consumer goods by 26%. The third commodity is industrial suppliers by 24%. The fourth commodity is automobile, vehicles parts, and engines by 15%. The fifth main imported commodities are foods and beverages by 5% (Trading Economics).

2.2.3.2 China

Due to its large population, China is the largest consumer of commodities in the world. Even though it is a huge production force, its importation commodities are diverted. The first highly imported commodities are mechanical and electrical products (34%). The second highly imported commodities are technologies goods (23%). The third highly imported

commodity is crude oil. The fourth highly imported commodities are iron ore, copper and aluminum (2%). The fifth highly imported commodities are Agricultural products (5%)(Trading Economics).

2.2.4. The American and Chinese Main Import Destinations

2.2.4.1 The US

The total amount of the US's imports has reached, in 2017, 550.1 billion dollars. These huge sums of money indicate the important role and the significant reliance of the United States on imports even though its economy is one of the largest in the world (see fig. 3). The United States' first Importer is China by 108.3 billion dollars with a percentage of 19, 7% from the total imports. The second main importer is Mexico with 75, 4 billion dollars and with a percentage of 13, 7%. The third main importer is Canada with 73, 3 billion dollars and a percentage of 13, 4%. The fourth main importer is Japan with 33, 4 billion dollars with a percentage of 6, 1% followed by Germany with 27, 5 billion dollars and a percentage of 5% from the total of imports. The United States has imported from these five main importers together 318.1 billion dollars and 57, 9%. These five main importers which are the source of more than half of the exportations followed by South Korea, Ireland, United Kingdom, India, and France (Trading Economics).

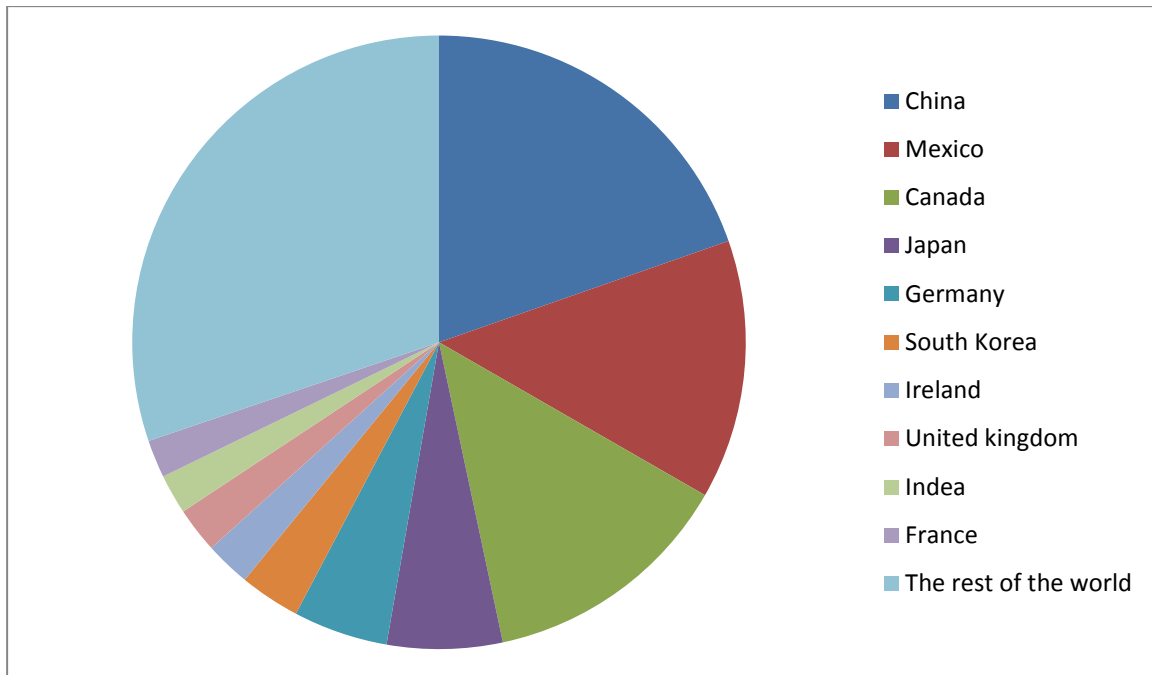


Fig. 3. The US's Main Importers 2016. Graph from Trading Economics.

2.2.4.2 China

China's imports are witnessing a continuing increase since the 1980s. As a result of this positive growth, China has developed International trading relationships with many countries. China's main importing partners are as follows: the first importing partners are the European Union (12%). The second is ASEAN countries (12%). The third one is South Korea (10%). Fourth one is Japan (9%). The fifth is Taiwan (9%). The sixth one is the United State (9%). The seventh is Australia (4%) (Trading Economics).

2.2.5 Laws and Regulations of Imports

2.2.5.1 China

In the Post-Cold War era, the Chinese market became more open to different kind of imported goods and services; however, the Chinese government controls and monitors the importation process using several laws and regulations. These laws are very strict and include all kind of goods without any exceptions. The Chinese importing laws are general, yet in some specific cases they might be very detailed and precise. All the imported goods ought to pass a customs clearance process otherwise they get either returned or destroyed because costumes controls and supervises everything entering or leaving the country (EUSME Centre 1).

Customs divide the imported goods to five main categories. First, goods which are prohibited from being imported into china, this category includes goods; such as, firearms or parts of, gambling devices, dangerous goods...etc². Second, this category includes goods which may be imported under quota restriction. Third, this category includes goods which may be imported under tariff quotas. Fourth, this category includes goods which may be imported under licensing restrictions. Finally, this category includes goods which may be imported under authorization given by the state- owned trade administration (EUSME Centre 4).

In order to import a specific good into the Chinese soil, there are several procedures the importer ought to fulfill (see fig. 4). The importer must either be a Chinese qualified importer or a private importer having his/ her own importing company without the need for any intermediate by being a foreign trade operator. The whole importing process depends on getting the Chinese customs clearance which can be granted only after accomplishing eight important steps. The first step is the customs registration. This step means that the importer

²The Ministry Of Commerce Website Provides Lists For Each Category Of The Five.

must declare the nature of commodities he/she is importing in addition to getting the approval of the Chinese customs. It is very crucial that the importer gets registered at the Chinese custom authorities and consequently gets a registration code before the declaration of the goods. The second step is the commodity inspection. The importer must register on the website of the General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ) and get an online inspection declaration. Furthermore, the imported commodities go under an inspection by the Chinese customs. The third step is the customs declaration. This declaration is electronic and must be submitted within fourteen days after the end of the commodity inspection. Otherwise, the importer has to pay a fee for each day of delay. The fourth step is the document submission. The importer receives a notice entitled "tendering documents" or "tendering documents to discharge" and within ten days he/she has to submit the customs declaration along with other documents; otherwise, he/ she might be subjected to paying a fee as consequence of his /her delay. The fifth step is the commodity examination. Customs examine the imported commodity on-site and the importer must facilitate the process by providing the needed work stuff. Then, the importer must sign a report which includes the examination result after which customs provides the importer with a payment certificate. The sixth step is the payment of taxes and other fees. The importer must pay taxes or customs will not release the imported commodities because import tariffs and imported-related value added tax (VAT) are imposed by China. The seventh step is the release. Customs releases the imported commodities once the importer completes all the above mentioned formalities. The eighth and final step is the foreign exchange control. The payment for the imported commodities is monitored in order to prevent any possible illegal money transaction (EUSME Centre9).

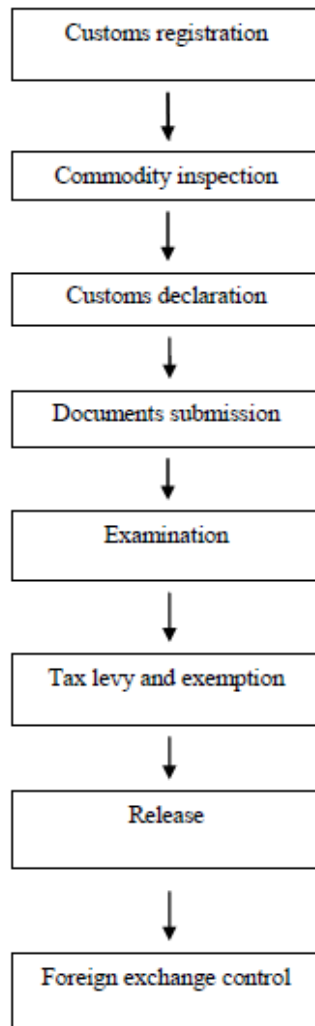


Fig.4. Steps of Customs Registration.Diagram from EUSME Centre.

2.2.5.2 The US

Importing goods and services into the US soil is a highly regulated and complicated process. The United States' Customs and Border Protection (CBP) is an agency which was created on March 1, 2003, by the Department of Homeland Security to control not only the importing process, but the whole international trade. Before the creation of CBP, Custom Services, Immigration and Naturalization Services, Border Patrol, and Animal and Plant Health Inspection Service were responsible about monitoring and facilitating the importation process, providing help and guidance for importers in addition to collecting the international

trade duties. The main reason behind this change is the United States' continuing efforts to preserve its national security by making sure to prevent any terrorist threat. CBP's relationship with importers is based on the Mod Act which implies two acts: the Trade Act of 2002 and the Customs Modernization Act of 1993 (U.S Customs and Border Protection 1).

In order to import any kind of commodities into the US, there are several steps to follow. The first step is the entry of commodities. This step might be done by the importer, the purchaser, their designated customs broker who must be licensed by the CBP, or by a consignee. The CBP does not require any specific license or permit; however, certain commodities require special certificates. The second step is the filing of the entry documents within 15 days. There are two kinds of entry documents: the first kind is filed to guarantee the release of commodities by the CBP, and the second kind of the filed documents persists of estimating the required duties and providing the needed statistics. The third step is filing the entry summary documentation within 10 days from the entry of the commodity. The sixth step is the immediate delivery after its examination by the CBP. The seventh step is paying the required duties. The importer has the chance of keeping his imported commodities in the warehouses of the CBP which he may claim after paying the required duties if he/she wishes to (U.S Customs and Border Protection 11, 13).

2.3 Investments

2.3.1 Definition

Investment is the process of putting money into another thing in order to gain profits and benefits (Cambridge Dictionary). Economically speaking, investment is defined as the creation of goods and capitals that are able to produce other goods and services. There are two categories for investments: Variable Income Investments; such as, property and business ownerships and fixed income investments; such as, fixed deposits, shares, bond...etc

(Business Dictionary). The word “investment” is derived from the verb “invests” which is originated from the Latin word “investire”. This term is dated back to the mid sixteenth century. It means “in”: into or upon and “vestire”: clothe (Oxford Dictionaries).

2.3.2 Investments in the US and China

Due to their high rate of GDP, exports, and, imports, the US and China are among the world’s most super economic powers. In addition to the mentioned parameters, investments play a major role in their economic prosperity. Investments can be divided into two main kinds. The first one is the inside investments which are funded by local companies or individuals. The second kind is known as the Foreign Direct Investments (FDI).

2.3.2.1 The US

In order to invest inside the US, American investors and investment companies must register first to start this process under the Securities Act of 1933 and the Investment Company Act of 1940. These companies become responsible for the managements of tradable financial assets. The Securities regulation in the United States which contains both federal and state-level regulatory agencies has divided these companies into four types: Open-End Management Investment Companies (mutual funds), Closed-End Management Investment Companies (closed-end funds), UITs (Unit Investment Trusts), and Face-Amount Certificate Companies. These companies manage any investment done inside the United States. Thus, they can influence the growth of economy and local and global markets (U.S Securities and Exchange Commission). The US Economic Development Administration (EDA) is responsible about the approval of investment in the United States’ lands. EDA grants its approval to investments only if they contribute in the development of the American economy

and meet its priorities. These priorities are: the collaborative regional innovation, the public/private partnerships, the national strategic priorities, the global competitiveness, the environmental-sustainable development, and the underserved communities (U.S Economic Development Administration). Moreover, the International Trade Administration (ITA) helps the US companies to get foreign markets to increase the rate of investments and to promote trade (International Trade Administration).

The US's inside investments had prospered because of its policies and priorities. America had succeeded in getting 19.2 trillion dollars in assets investments in the end of 2016. As a result, the American stock market was increased because of the dollar asset values had raised. The American investments companies had held 13% of the United States Treasury and government agency securities at the end of 2016. At the end of 2016, the total amount of inside investments was valued in about 19.215 billion dollars. This value is divided between the four types of the American investments companies. First, the mutual funds companies 'total assets had valued in about 16.344 billion dollars. Second, the closed funds companies 'total assets had valued in about 262 billion dollars. Third, the value of the ETFs companies 'total assets were 2.524 billion dollars (Investment Company Institute 8, 9).

The US is the world's biggest investor and largest recipient of foreign direct investment (K.Jackson1). "Invest in America" is part of the U.S. Department of Commerce's International Trade Administration . It is the Unites States' main promotion strategy of the FDI. In addition, it aims at creating jobs, encouraging innovation, and emphasizing competitiveness. The United States tries always to encourage and support foreign investors. It provides a smooth basis for investments with various characteristics: predictable and transparent legal system, low taxes, outstanding infrastructure, and access to the world's most lucrative consumer market. This strategy promotes the American open investment policy; that is why; the US is the best atmosphere for investments (International Trade Administration).

The US's investments grow strongly every year (see fig. 5). The total stock of the American FDI grew at an average annualized rate of 6 % from 2009-2013. However, the US FDI' rate was decreased in about 16% from its annual amount because of mostly the weak worldwide economy. The flows of FDI managed to break more than 320 billion dollars in 2015. Thus, America is ranked as the world's top market for investments (see fig. 6) (see fig. 7). In 2016, the inflows of the FDI were recorded in about 380 billion dollars. Whereas, the US direct investment abroad was recorded also in about 380 billion dollars (Economics and Statistics Administration U.S of Commerce).

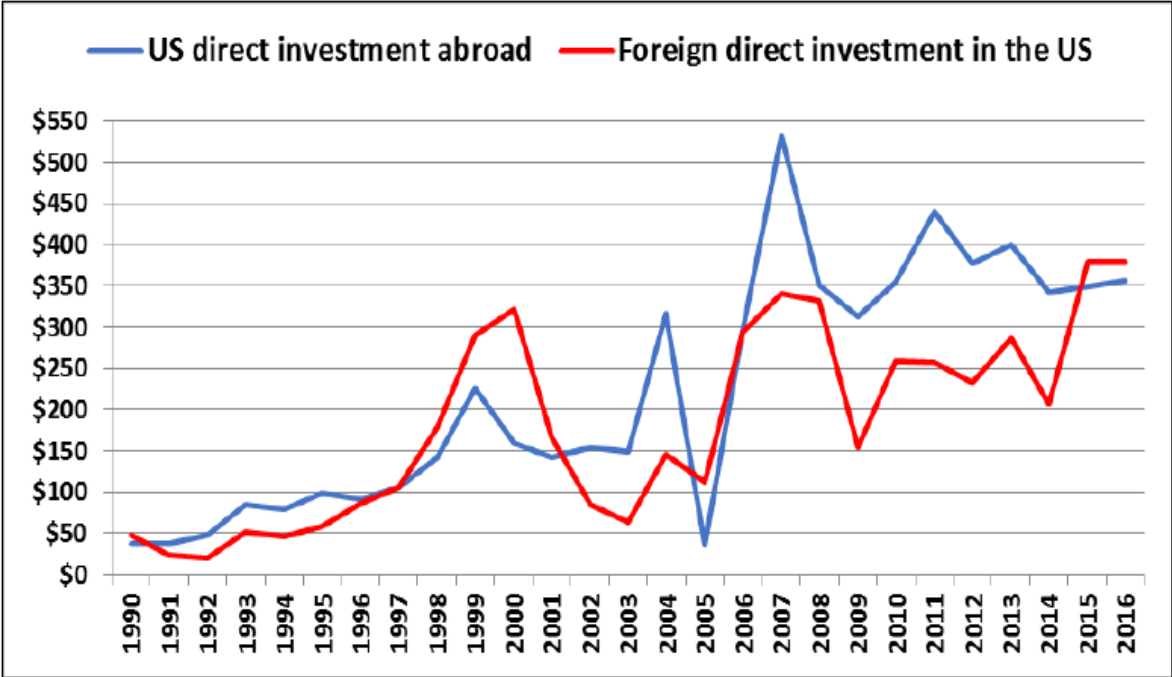


Fig. 5. US Direct Investment Abroad and Foreign Direct Investment in the United States, Annual Flows, and 1990-2016. Graph from K. Jackson, 2017.

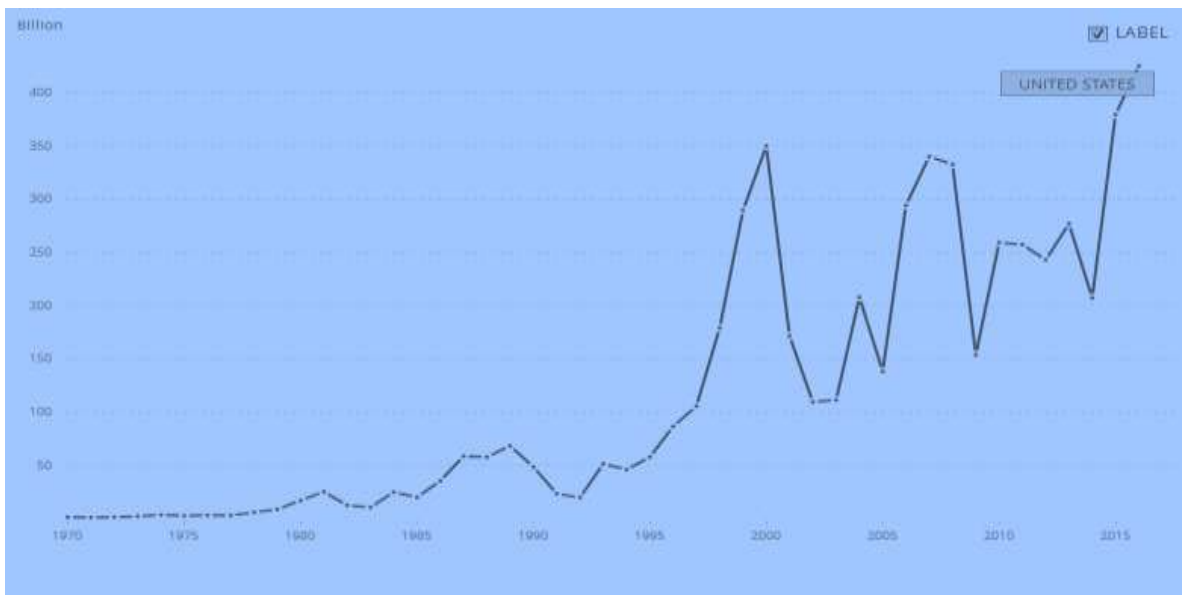


Fig. 6. The United States' FDI Values from 1970- 2015. Graph from the World Bank.



Fig. 7. The United States' FDI Values 2014-2016. Graph from Trading Economics.

2.3.2.2 China

The Chinese economy is one of the globe's powerful ones. China is the world's biggest exporter and the second largest importer of merchandise goods (World Economic Forum). Nevertheless, the sector of investment is highly contributing to this Chinese phenomenon. Since 1978, China had enacted several banking reforms to rebuild its economy and transform it from a centrally planned economy to a market based one. As a result, inward and outward investments had grown with a rapid rate (C.Shih 2, 3)(Nation Master).

Indeed, all the countries of the world focus on both inbound and outbound investments. Yet, China encourages foreign investors and gives a big importance to the FDI (Wang 1). In 1999, China had created the "Go Out" or "Going Out" financial policy in order to promote, support, and facilitate foreign and overseas investments. This policy aims at easing China's global economic rise, reducing economic risks, achieving a diversified product market, contributing to trade friction, and increasing the rate of the investment abroad. Moreover, this strategy faces some challenges; such as, the impact of the "Go Out" policy on the Chinese political economy, the hardships of adapting a foreign environment for investment, the retreat of Chinese companies competitiveness, and the non-organized procedures of this strategy (The Central People's Government of The People's Republic of China).

China's foreign investment stocks are smaller comparing to Europe and North America economies (China Power). However, it tries always to improve its power. Since the 1990, China became the World's largest trading country, the second largest provider and receiver of foreign investments, a major FDI-originating nation, and a big foreign exchange dealer (Cambridge University). Furthermore, between 2005 and 2016 China's total global investment and construction activities were valued in about 1.2 trillion US Dollars. In 2000, China's in stocks investment were totaled in about 27.786.39 million dollars and its out stock in about 129.348 million dollars (China Power). In 2010, China's in stocks were totaled in

about 587.817 million dollars and the out stocks were totaled in about 317.210.6 million dollars. In 2015, the in stocks were valued in about 1.220.903 million dollars and the out stocks in about 1.010.202 million dollars. Between the year of 2013 and 214, China’s FDI inflow had reached 116 billion dollars. Meanwhile, its FDI outflows had reached 129 billion dollars (see fig. 8). In October 2016, the Chinese FDI was totaled in a value of 1260.01 billion dollars which marked a huge success to China (see fig. 9). Despite this success, the Chinese FDI’s value was retreated to 650.74 billion dollars in June 2017 (Trading Economics).

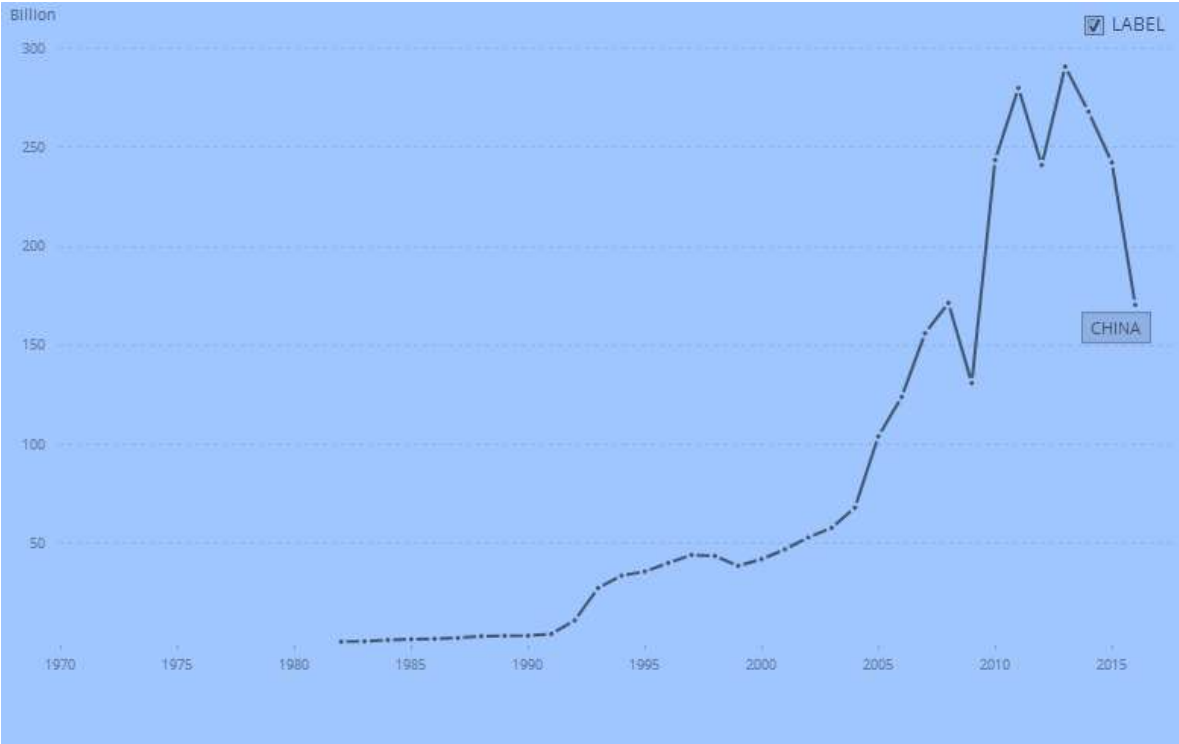


Fig. 8. China’s FDI Values 1970-2015. Graph from the World Bank.



Fig. 9.China’s FDI Values 2016-2017. Graph from Trading Economics.

Conclusion

To conclude, imports, exports, and investment amounts have contributed a lot to the economic raise of the US and China. Hence, the variation of the international Chinese and the American economies have strengthened their positions among the globe. Both of them have different imports and exports regulations, commodities, and destinations. Yet, they are rated as the world’s two super economic powers. Moreover, the drastic rate of investments especially the FDI ones for both nations have reflected the efficiency of the followed fiscal policies.

Chapter III: Analysis of the Trade between China and the United States

Introduction

The power of global economy is highly tied with the international trade (see fig. 10). Thus, international trade serves as an important influence on the economies of nations of the world. Today, the rate of trade volume is always increasing due to different factors (see fig. 11). First, the phenomenon of globalization had helped in establishing more international markets, so countries will raise trading rate with each other (Globalization for Development: The International Trade Perspective vii). Second, trade liberalization had positively impacted the international trade amounts (Ministry of Commerce of People's Republic of China 25). Third, the drastic flows of FDI had contributed also to the global trade volume. (Globalization for Development: The International Trade Perspective vii). Moreover, international trade is monitored and controlled by the WTO in a freeway and with less trade barriers. It aims at regulating global trade and nations' economic relations under certain principles and laws (World Trade Organization).

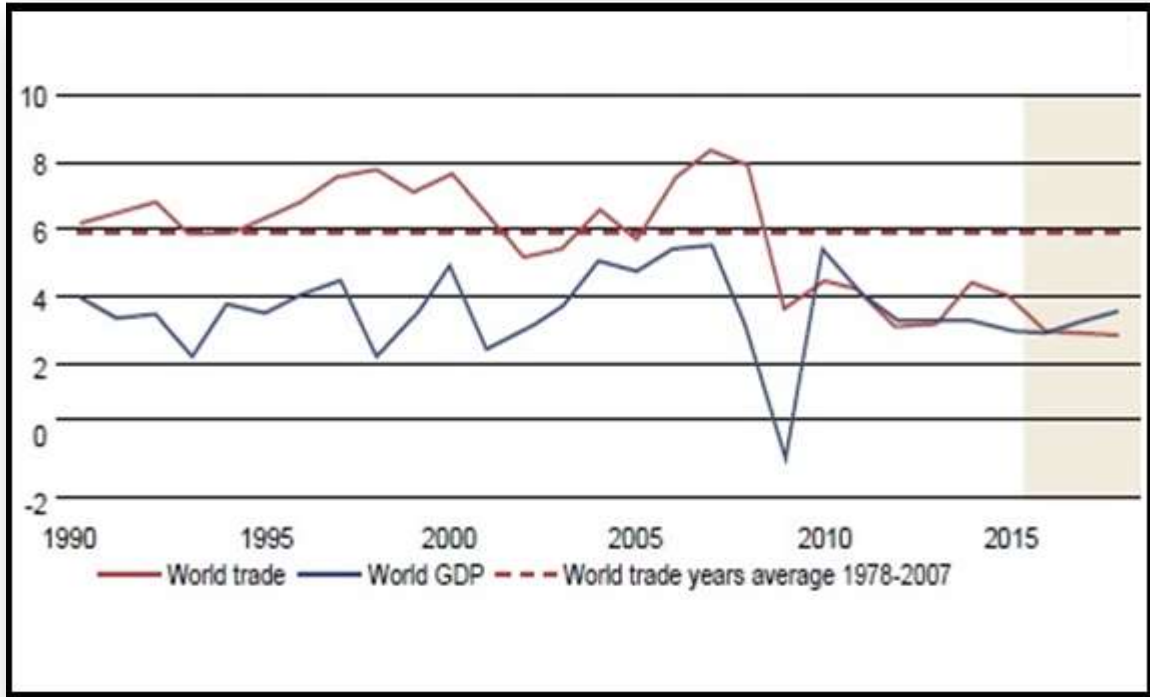


Fig. 10. World Trade and GDP Growth. Graph from OECD.

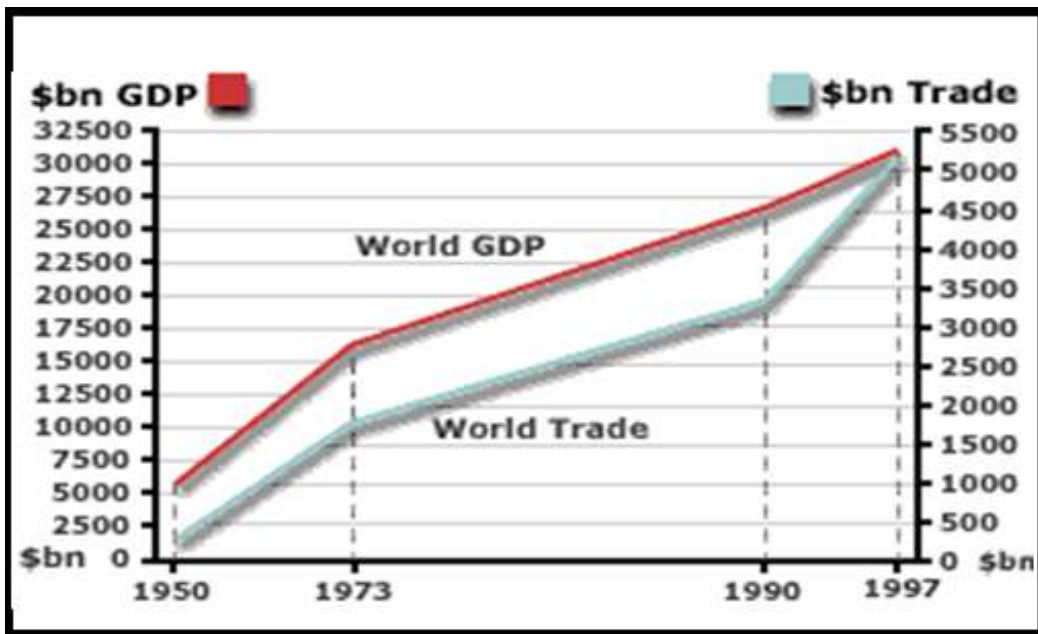


Fig. 11. The Development of World Trade. Graph from World Trade Organization.

3.1 An Overview on the Sino-American Economic Relationship

Since the twentieth century, the United States and the People's Republic of China had developed strong international relations especially concerning economy. They are referred to as US-Chinese, Chinese-US, or Sino-American relations. Both nations are gigantic economic blocks. Therefore, China and the US had started trade between each other by resuming economic cooperation since the late 1978. Their economic relations are specified by interdependence and complementarities (Ministry of Commerce of People's Republic of China 27). In other words, China is the first largest trading partner, the largest source of imports, the third largest export market, and the second largest debt holder of the United States. The US is China's second largest trading partner, the fourth source of imports, and the largest export market (Embassy of the People's Republic of China in the United States of America). Furthermore, this US- Chinese trade is based on various mechanisms in order to prosper. First, the Sino-U.S. Joint Economic Committee, it is a forum to discuss bilateral, regional, and global economic issues (U.S. Department of Treasury). Second, the Joint of Commission on Commerce and Trade (JCCT), it is an annual dialogue to address commercial and trade conflicts (The U.S Department of Commerce). Third, the Strategic Economic Dialogue (S&ED), it is a discussion forum in order to address and solve the Sino-American economic issues. Finally, the U.S.-China Comprehensive Economic Dialogue (CED), it is a dialogue to resolve the American and the Chinese conflicts (U.S Department of Treasury).

On one hand, the trade between the two countries has several goals and obstacles. First, China and the US work to strengthen the economic policies cooperation. They try to expand their economic influences by cooperating together to dominate the global economy. Second, Chinese and American governments need to enhance global cooperation and economic governance. They desire to obtain strong and sustainable economic trade power and balance with high amounts of GDP, exports, imports, and investments rate. Third, these economic

blocks look for financial markets stabilities. They ought to modernize the reforms of international financial institutions, strengthen global financial regulations, and safeguard the stable international monetary environment. Fourth, both countries want to promote open trade and investments (Xuren) (Shan). On the other hand, the US-Chinese trade had resulted in many obstacles. First, the United States suffers from a trade deficit with China. This trade deficit has been an issue of concern for economists and policymakers because it can have harmful consequences on both economies. Second, the Chinese government kept its currency undervalued internationally. After the reform policy of the Chinese currency in 2015, this matter had contributed to the US trade deficit. Third, China had faced obstacles to be a part of the WTO. Although the US had considered China's entry to the WTO as an economic threat, it managed to get to an agreement between them so China will have an access to the WTO. Fourth, the US is worried because of the Chinese domestic products safety the reason behind that is that the Chinese products are violating the WTO regulations of safety (The Library of Congress).

3.2 The Relations of China and the US with the WTO

3.2.1 China and the WTO

Indeed, the joint of the WTO was not easy for China, yet it succeeded to achieve so. In November 1995, China had requested to join the WTO. In December 2001, China was accepted and became officially the 143th member of the WTO (World Trade Organization). China had developed a smooth and unified policy under the WTO standards: administrative laws, department rules, and specific trade regulations at "China Foreign Economic and Trade Gazette". The Chinese government had established the "China WTO Notification and Inquiry Centre" and the "Central People's Government" website (World Trade Organization,

2011;14). China had supported trade liberalization, opposed trade protectionism, helped developing nations, and contributed to the multilateral trading systems. In addition, it had participated in the different WTO activities (World Trade Organization, 2011; 17).

China's accession to the WTO was a clever decision to make. The WTO had aided the Chinese nation to explore new areas, improve the internal system, enhance economic factors, and promote prosperity, reforms, and innovation (World Trade Organization 2011; 40). China had scored many achievements as a WTO member. First, China is the first largest merchandise exporter and the second largest merchandise importer. Second, China is the fourth largest commercial services exporter and the third concerning commercial services importer. Third, China is the second largest economy in GDP amounts. Fourth, China is the first destination for inward FDI and the first investor for outward FDI for developing nations (World Trade Organization 2011; 7).

3.2.2 The US

Unlike China, the US became a member of the WTO since January 1995. The US GDP rate is increasing year after year; however, it has slowed down lately (World Trade Organization). The liberalization and openness of the US investments are very noticeable to the whole world, however; certain transactions may be subjected to the US Committee on Foreign Investment and the program which is known as 2011 Select USA. Furthermore, the American fiscal policy suffers from different problems; as a result, policies were regulated to avoid a further future fiscal deficits. For example the "Normalization Process Policy" was created to raise federal funds rate and reduce federal reserve securities in order to protect the US monetary policy (World Trade Organization, 2016; 8, 9).

The US trade policy is one of the most successful policies in the world. It focuses on promoting growth, encouraging well-paying jobs, strengthening middle class conditions, liberating trade with the Environmental Goods Agreement (EGA) and Trade in Services Agreement (TiSA), and supporting agreements concerning trade facilitation; such as, Information Technology Agreement (ITA) and Trans-Pacific Partnership (TPP) Agreements. These agreements are implemented under the International Trade Data System. In 2015, the new Trade Promotion Authority (TPA) was enacted. It aims at establishing state-owned and state-controlled enterprises, ensuring the effective operations of the trading partners' laws, localizing trade barriers, solving currency problems, and preserving transparency and good governance (World Trade Organization 8, 9).

The US has taken the leadership of the WTO. Therefore, it has a unique position in it. The WTO follows a multilateral trading system which the US deeply encourages and promotes (Harte1). The American contributions as a WTO member are numerous. For instance, multilateral preferences for developing countries were managed and supervised by the US under various programs (World Trade Organization, 2016; 9). In addition to that, the US has donated 1 million dollars for the Trade-Related Technical Assistance (TRTA) in the WTO. This donation had really aided the WTO to develop and assist the developing nations. The US had agreed to sign and support the WTO's trade facilitations (Tradewinds).

The US has obtained numerous privileges as a WTO member. First, the US has the lower trade barriers: fewer tariffs and subsidies. Second, the US exports have the right to be accessed in any open market. Third, The WTO dispute settlement process ensures the protection of both of the American workers and companies' rights. As a result, whenever they encounter disputes they will be heard and their rights will be guaranteed. Fourth, the WTO stresses the application of its democratic values, rules, and standers especially for the American nation. Finally, the WTO provides the US nation with a wide range of good

economic and living conditions; such as, higher living standards, improved job qualities, and better economic chances (United States Representative Executive Office of the President).

3.3 Trade Policies between the US and China

China and the US are trading according to the WTO rules; like lower tariffs, quotas, subsidies, dumping, and agreements; such, the three China-US joint communiqués, Maritime Transport and the Consular Convention, Avoidance of Double Taxation, and the Prevention of Tax Evasion agreements. The WTO guarantees a fair trade with secured rights for both China and the US while trading with each other. Their trade relations and investment activities are based on bilateral ties within the multilateral trading system of the WTO. Under the WTO's framework, China and the US cooperate to promote global trade liberalization and facilitations, deal with frictions, dispute in bilateral economic and trading relations, cope with the existing economic challenges, build new international economic system, and improve the multilateral trading system in order to prevent any trade disorder. The US and China became important members of the G20, an international forum for economic cooperation, since their economic cooperation had proved to be the best example for bilateral trading partners alongside with the supervision of the WTO. To conclude, the US had signed many trade agreements with different nations in the world, yet when it comes to the US- Chinese trade they trade under the basis of the WTO regulations and agreements (Research Report on China-US Economic and Trade Relations 23, 24, 25, and 26).

3.4 The American-Chinese Trade Statistics

The Sino-American bilateral economic ties had prospered and increased in a positive way. These developed blocks managed to break the record of international trade in goods, services, and investments (see fig. 12). Their GDP rates are considered to be the hugest in the

world. China’s and the US’s amounts of imports and exports are very large and varied. In addition to that, the American and Chinese inward and outward FDI flows are in a constant increase. According to U.S. trade data, total trade between the two countries grew from 5 billion dollars in 1980 to 592 billion dollars in 2014 (Morrison, 1).

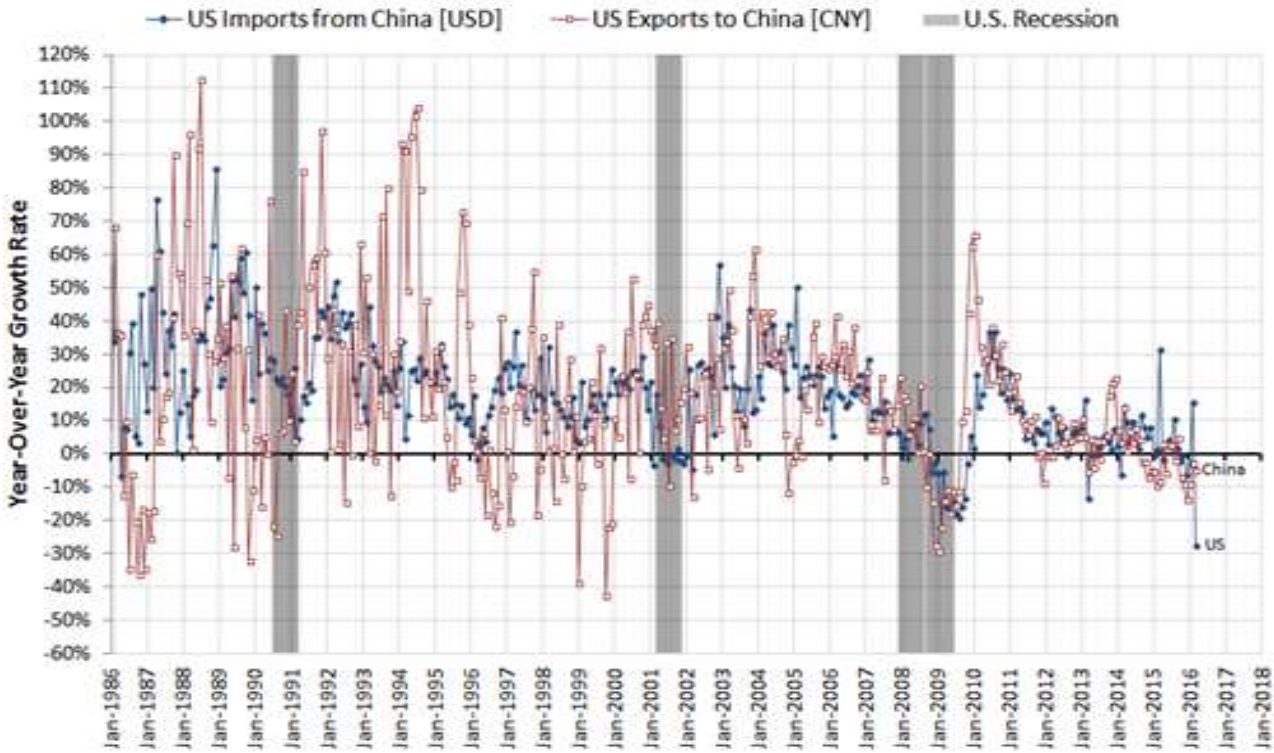


Fig. 12. Year over Year Growth Rate of Exchange Rate Adjusted US-China Trade in Goods and Services, January 1986-Present.Graph from US Census Bureau.

3.5 Economic Statistics of China and the US

China and the US are considered as major global economic blocks. This is shown in their economic indicators statistics due to several reasons. The Chinese fast growth of economy is tied with two fundamental factors. The first factor is the large-scale of capital investments which is financed by large domestic savings and foreign investment. The second

factor is the rapid productivity growth which was boosted by governmental improvements (Morrison 7). Meanwhile, the US economy continues to grow due to three main factors. The first factor is the rebalance of the US policies; the US had boosted investments with long-term benefits and improved both fiscal and monetary policies. The second factor is strengthening productivity growth; the American government had worked to raise FDI flows and industries diversity to increase its productivity rate. The third factor is making development more sustainable by trying to reduce social inequalities (OECD 12).

3.5.1 GDP

The GDP is the value of the economic incomes in a stipulated period. It is equal to the total costs for all final goods and services produced within a given country in a specific period of time (Business Dictionary). In 2016, the GDP amount of China represents 18.06 % of the world economy (see fig. 14). The US GDP is amounted 24.95% from the world economy in 2016 (see table 1). The Chinese GDP had valued 1790.50 billion dollars and the US GDP with a value of 6770.94 billion dollars from 1960 until 2016 (see table 2). The US had scored a high GDP average of 18569.10 billion dollars; while, China had scored a high GDP rate value of 11199.15 billion dollars (see fig. 13). However, their GDPs over the years were not always high. The US had recorded a low rate of GDP amounted in about 543.30 billion dollars in 1960. In 1962, China's GDP had a low value in about 47.21 billion dollars (see fig. 15) (Trading Economics).

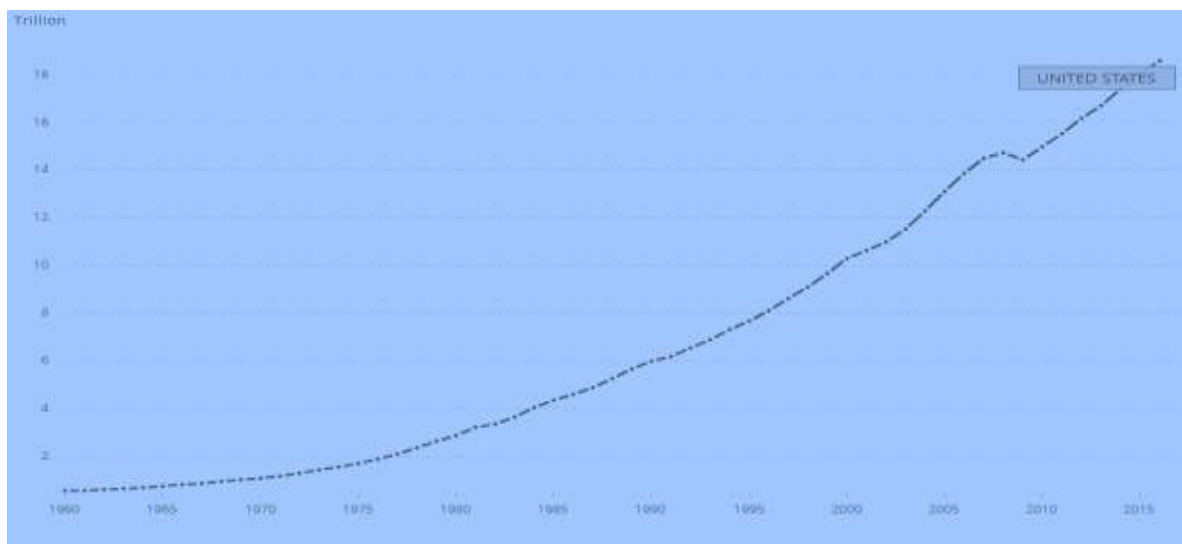


Fig. 13. The United States' Amounts of GDP from 1960-2015. Graph from World Bank.

Table1

2016's Economic statistics of America

United States of America				
GDP (Million Curent US\$, 2016)	18 569 100	Rank in World Trade, 2016	Exports	Imports
GDP Per Capita (US\$, 2014-2016)	56064	Merchandise	2	1
Curent Account Balance (% GDP, 2016)	-2.6	Excluding intra-EU Trade	3	1
Trade per Capita (US\$, 2014-2016)	7 820	Commercial Services	1	1
Trade (% GDP, 2014-2016)	13.9	Excluding intra-EU Trade	2	2

Source.World Trade Organization.

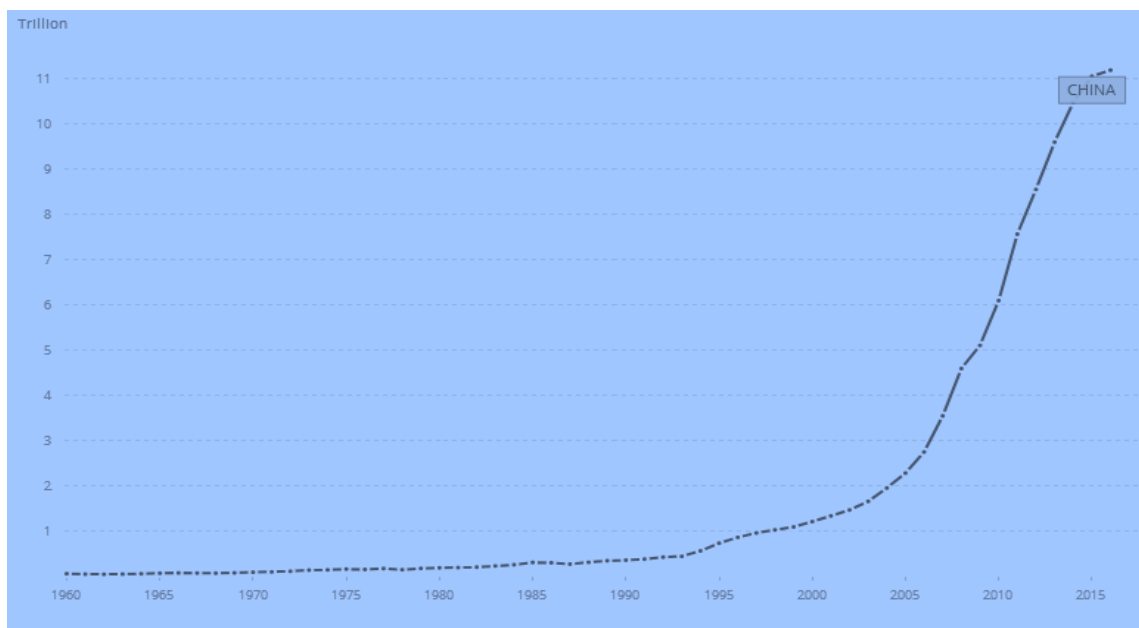


Fig. 14. China's Amounts of GDP from 1960- 2015. Graph from World Bank.

Table 2

2016's Economic Statistics of China

China				
GDP (Million CurrentUS\$, 2016)	11 218 281	Rank in World Trade, 2016	Exports	Imports
GDP per Capita (US\$, 2014-2016)	7 995	Merchandise	1	2
Current Account Balance (% GDP, 2016)	1.8	Excluding intra-EU Trade	1	3
Trade per Capita (US\$, 2014-2016)	1 601	Commercial Services	5	2
Trade (% GDP, 2014-2016)	20.0	Excluding intra-EU Trade	3	3

Source.World Trade Organization.

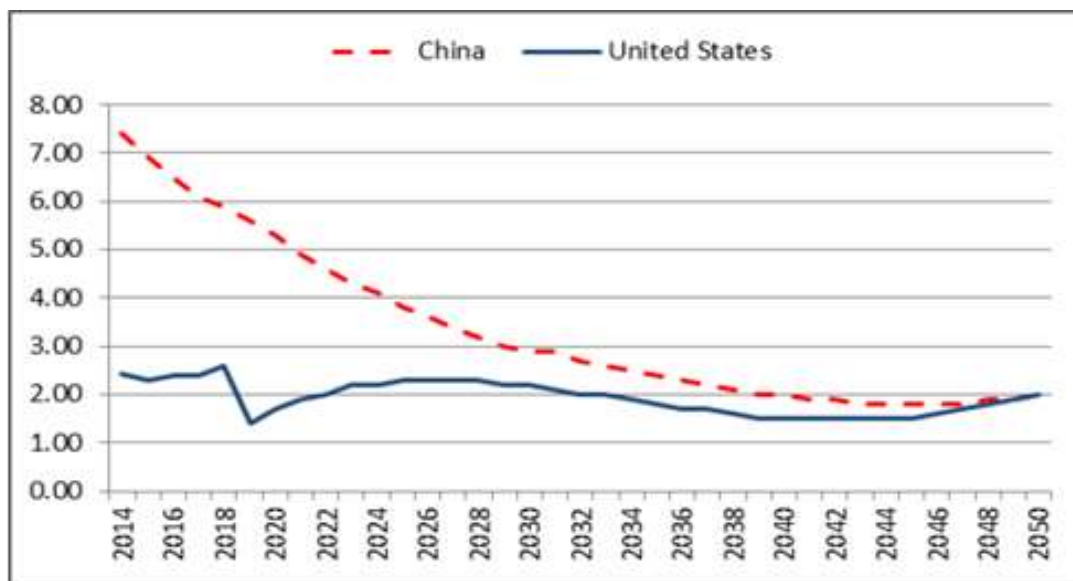


Fig. 15. The United States and China’s GDP Rate Expectations. Graph from Morrison.

3.5.2 Capital Flow

Capital flow is a term which refers to the movements of money for the purpose of production, investments, or trade in and out of nations (Cambridge Dictionary). International trade is interrelated with international capital flows; it is considered to be the financial side of the global trade (Ott). From 1998 until 2017, the Chinese flows of capital are valued in about -305.21 million dollars (see fig. 17), and the American flows of capital are amounted in about 21521.32 million dollars (see fig. 16). Both China and America had reached high values of capital flows: the United States in about 272938 million dollars in 2008 and China in about 464.08 million dollars in 2016. In addition to that, the Chinese capital flows were amounted with a low average in about -1305.58 million dollars in 2008. The American capital flows had scored a low record in about -205366 million dollars in 2016. The US Gross Fixed Capital Formation is valued in about 2891.40 billion dollars in 2017 (see fig. 18). The value of the

Chinese Gross Fixed Capital Formation is amounted in about 47.808.65 billion dollars in 2016(see fig. 19) (Trading Economics).

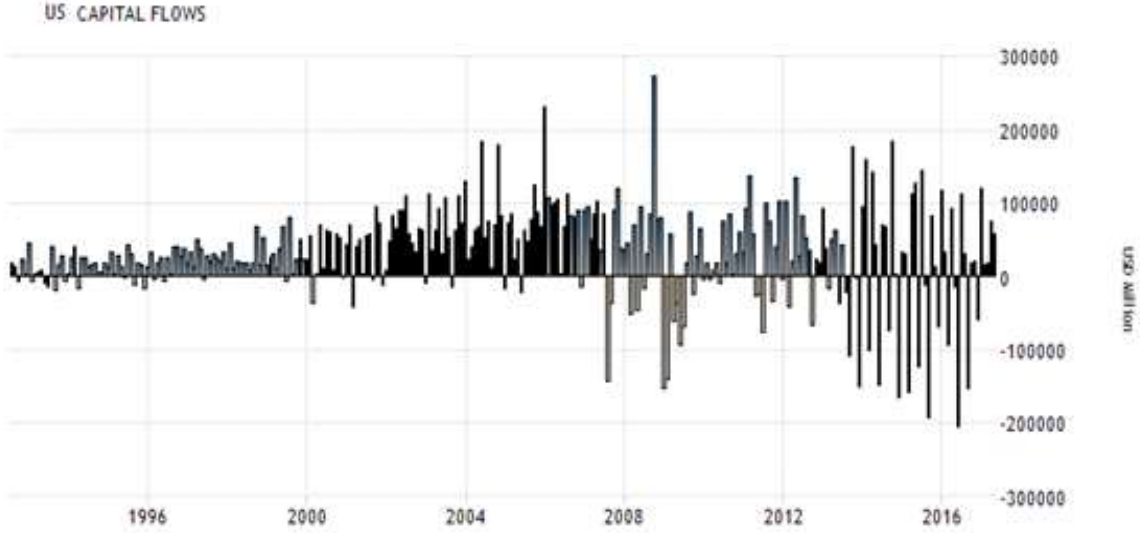


Fig. 16. American Capital Flows 1996-2017. Graph from Trading Economics.

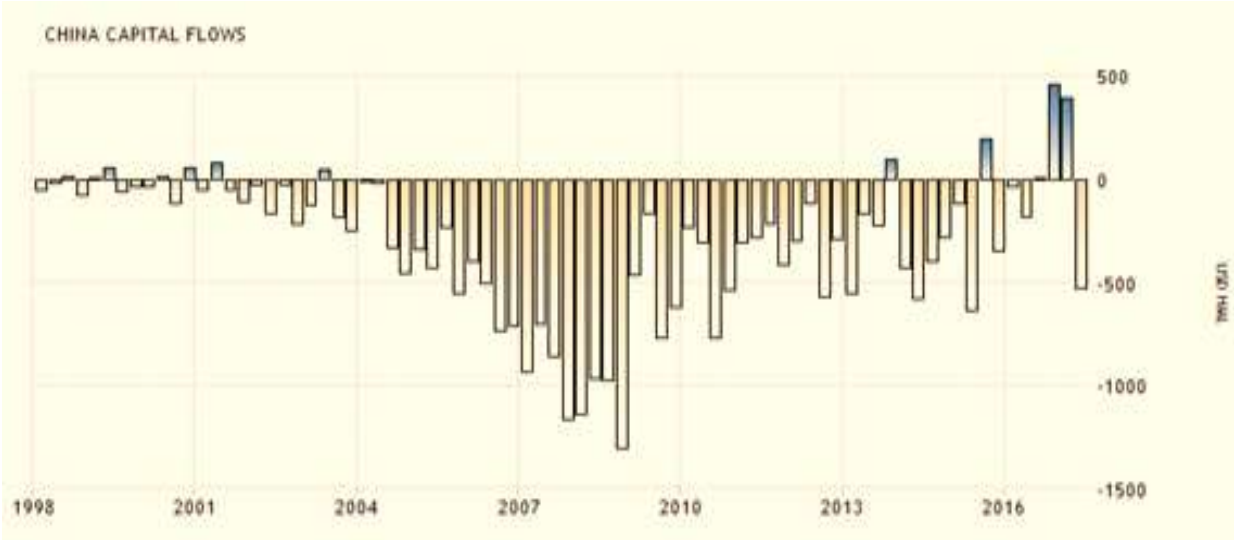


Fig. 17. Chinese Capital Flows 1998-2017. Graph from Trading Economics.

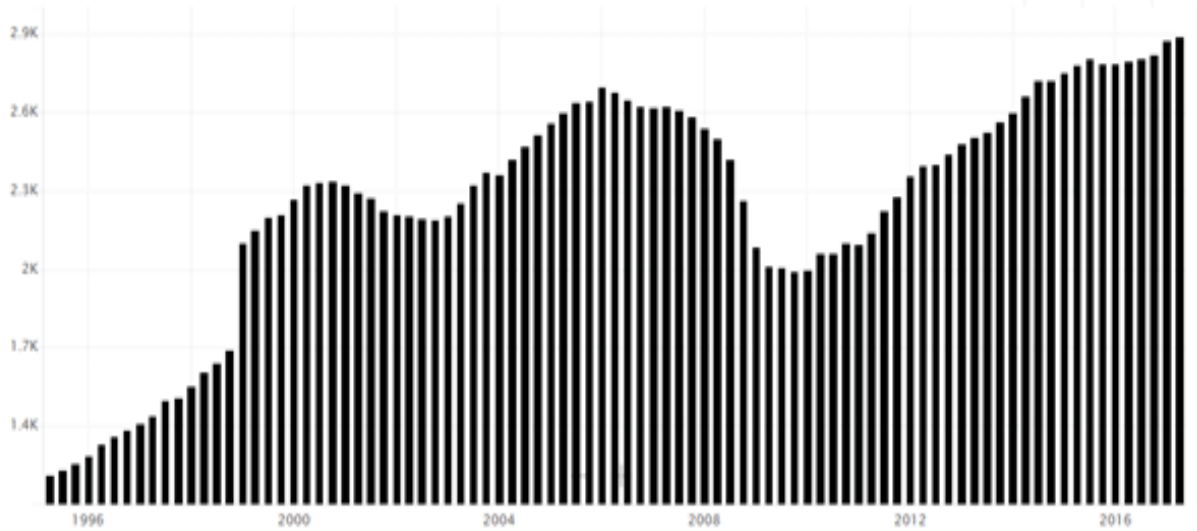


Fig. 18. The US Fixed Capital Formation 1996-2017. Graph from US Bureau of Analysis.

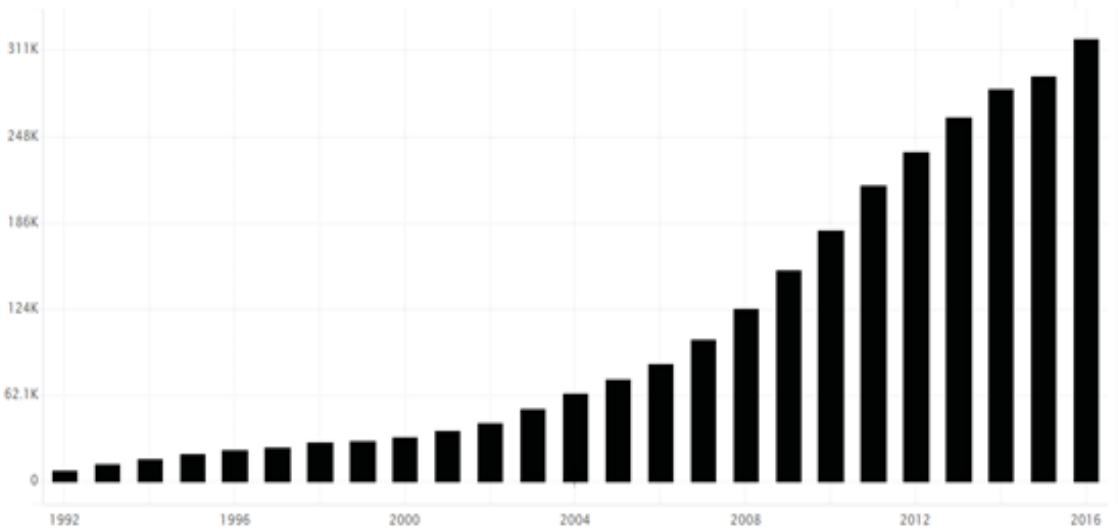


Fig. 19. The Chinese Gross Fixed Capital Formation 1992 -2016. Graph from National Bureau of Statistics of China.

3.5.3 National Debt

National or public debt is the fiscal obligation of governments that is resulted from deficit in spending. In other words, it is the direct liabilities of the government. Governments' financial systems are influenced by the national debt because it indicates the extent of government security (US Department of the Treasury). It is the total of both of the internal of national creditors and the external foreign creditor's borrowing from the federal government. Public debt is divided into three categories. First, floating debt, it is a short term borrowing; such as, banks credits and treasury bills. Second, funded debt, it is a short term debt which is converted into a long term one. Third, unfunded debt, it includes premium and saving bonds, repayable securities of foreign exchange, and national saving certificates (Business Dictionary). From 1995 until 2017, the Chinese national debt has averaged 29.10% from its GDP (see fig. 21). From 1950 until 2017, the US national debt has amounted 61.14% from its total GDP (see fig. 20). In 2016, the high value of the US national debt had averaged to its GDP 106.10% in 2016 and the Chinese one in about 46.20% .In 1997, China's national debt had scored a low value to its GDP in about 20.40%. The US national debt had also recorded a low value to its GDP in about 253400 million dollars in 1951 (Trading Economics).

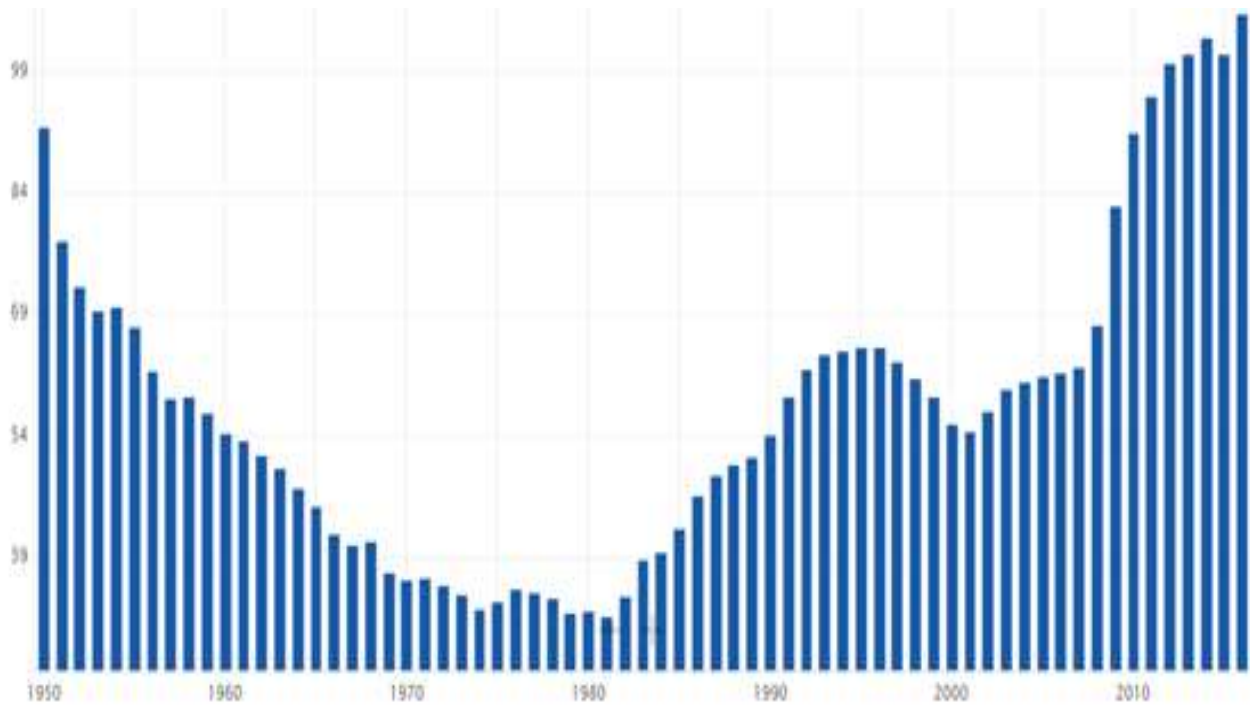


Fig. 20. The American Debts Percentage to its GDP 1996-2016. Graph from US Bureau of Public Debt.

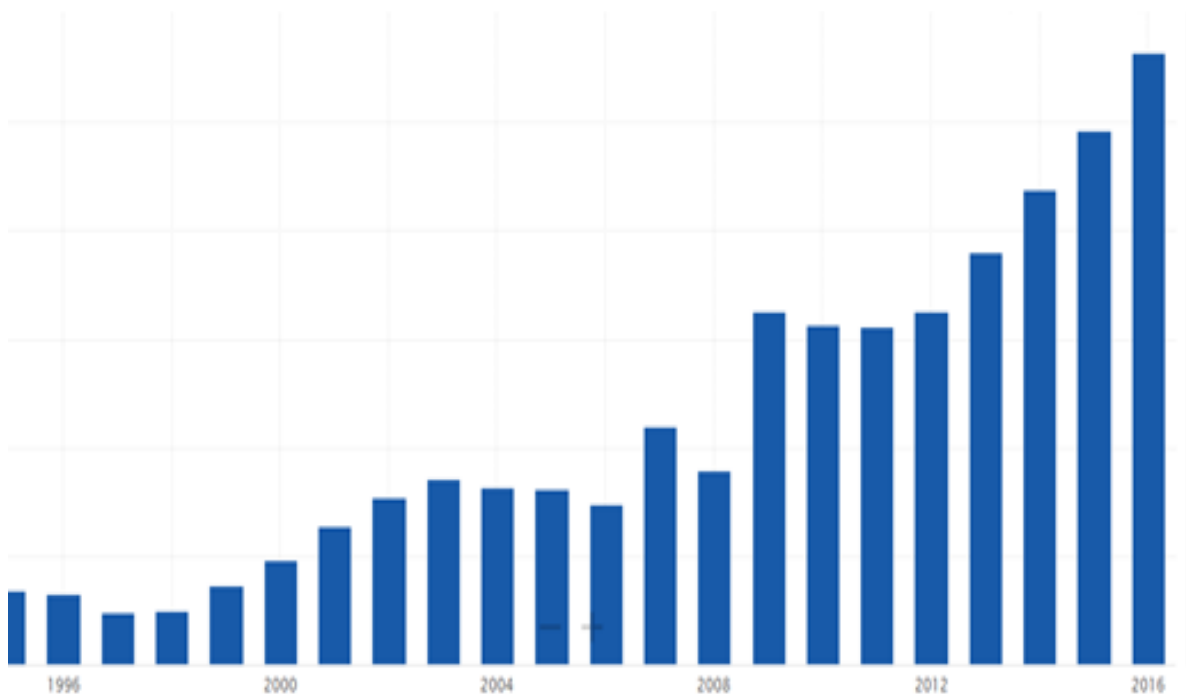


Fig. 21. The Chinese Debts Percentage to its GDP 1996-2016. Graph from International Monetary Fund.

3.5.4 Trade Balance

The trade balance is the international trade position of a given country's goods and services (Business Dictionary). It is the difference between the value of imports and exports of a given country in a specific period. If a nation exports more than it imports, it has a trade surplus. When the opposite occurs, the nation will face a trade deficit. The balance of trade aids countries to determine the power of their economies and their international trade flows between nations (Amadeo May, 2017). The balance of payment, all international financial transactions made by a country's residents with non-residents, is interrelated with the trade balance (see fig. 22). It is the tool for whether countries can be able to import financially or not (Amadeo June, 2017)

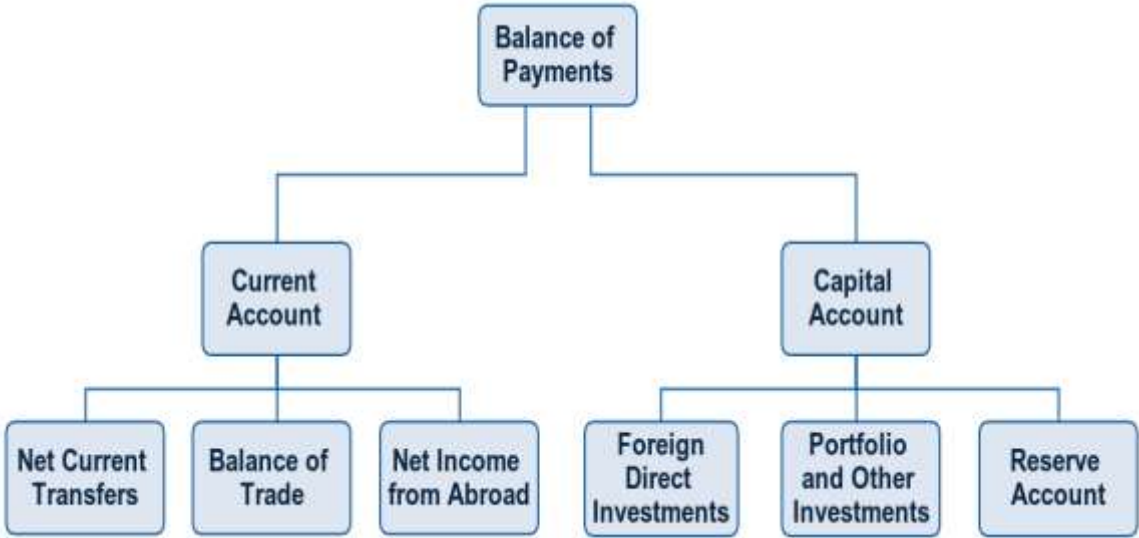


Fig. 22. The Relation between the Balance of Payment and Trade

Balance.Diagram from Binary Tribune.

The US suffers from trade deficits; whereas, China records trade surpluses. The balance of trade in the US has amounted -13790.22 million dollars from 1950 to 2017. The US has highly imported oil and consumer products since 1976. Thus, it had exposed to too many

trade deficits (Trading Economics). The US largest trade deficits were accounted with China (-319.3 billion dollars), Japan (-62.4 billion dollars), Germany (-59.6 billion dollars), Mexico (-58.8 billion dollars), and Ireland (-32.7 billion dollars). These deficits affect the US GDP, rate of unemployment, rate of change, rate of inflation, living standards, dependency on foreign countries, and national security(Zhao 5). However, the US economy had scored several trade surpluses with Hong Kong (25.1 billion dollars), Netherlands (22.1 billion dollars), the United Arab Emirates (17.2 billion dollars), Belgium (14.1 billion dollars), and Australia (11.5 billion dollars) (see fig.23) (US Census Bureau).



Fig. 23. The US Trade Balance 1984-2017. Graph from Trading Economics.

China's balance of trade had averaged 93.39 billion dollars from 1983 until 2017. The Chinese economy had scored constant trade surpluses. China's biggest trade surpluses were recorded with Hong Kong, the US (521 billion dollars), the Netherlands, India, the United Kingdom, Vietnam, Singapore and Indonesia. China also has trade deficits with Taiwan, South Korea, Australia, Germany, Brazil, and South Africa (see fig. 24) (Trading Economics).



Fig. 24. The Chinese Trade Balance 1995-2017. Graph from Trading Economics.

Trade between China and the US had resulted in a dangerous phenomenon. Due to the low value of US exports (116 billion dollars) to China and the higher value of Chinese exports (463 billion dollars) to the United States, the US suffers from a trade deficit with China (see Table 3, 4, and 5). The US goods trade deficit with China was 347.0 billion dollars (Amadeo August 15, 2017). The US has a services trade surplus in about 37 billion dollars. So, US goods and services trade deficit with China was 309.6 billion dollars (Office of the United States Trade Representative).

Table 3**The US and China's Trade Deficit Values in 1993**

Month	Export	Import	Balance
January 1993	620.7	2.187.6	-1.566.9
February 1993	683.8	1.862.4	-1.178.6
March 1993	621.6	2.083.2	-1.461.6
April 1993	728.4	2.226.3	-1.497.9
May 1993	586.2	2.376.3	-1.790.1
June 1993	754.8	2.754.2	-1.999.4
July 1993	711.6	2.981.1	-2.269.5
August 1993	766.5	3.223.3	-2.456.8
September 1993	836.2	3.338.7	-2.502.5
October 1993	623.8	3.277.6	-2.653.8
November 1993	781.8	2.899.6	-2.117.8
December 1993	1.047.5	2.329.6	-1.282.1
Total 1993	8.792.9	31.539.9	-22.777.0

Source: US Census Bureau.

Table 4**The US and China's Trade Deficit Values in 2010**

Month	Export	Import	Balance
January 2010	6.898.4	25.215.9	-18.317.6
February 2010	6.840.2	23.342.8	-16.502.6
March 2010	7.400.8	24.292.2	-16.891.4
April 2010	6.600.7	25.920.2	-19.319.5
May 2010	6.755.3	29.052.4	-22.297.2
June 2010	6.733.7	32.843.1	-26.109.4
July 2010	7.339.3	33.266.8	-25.927.6
August 2010	7.209.7	53.375.3	-28.165.6
September 2010	7.114.3	35.196.7	-28.082.4
October 2010	9.417.3	35.083.3	-25.666.0
November 2010	9.475.8	34.564.3	-25.088.4
December 2010	10.125.6	30.799.6	-20.674.0
Total 2010	91.911.1	364.952.6	-273.041.6

Source: US Census Bureau.

Table 5**The US and China's Trade Deficit Values in 2016**

Month	Export	Import	Balance
January 2016	8.218.3	37.159.3	-28.940.9
February 2016	8.055.1	36.088.6	-28.033.5
March 2016	8.913.4	29.838.3	-20.924.9
April 2016	8.670.6	32.945.8	-24.275.3
May 2016	8.537.3	37.530.5	-28.993.2
June 2016	8.838.3	38.556.2	-29.717.8
July 2016	9.125.3	39.461.8	-30.336.5
August 2016	9.369.1	43.230.2	-33.861.2
September 2016	9.507.1	42.026.9	-32.519.8
October 2016	12.616.0	43.793.5	-31.177.5
November 2016	12.069.8	42.608.9	-30.539.1
December 2016	11.681.8	39.378.2	-27.696.4
Total 2016	115.602.1	462.618.1	-374.016.0

Source:US Census Bureau.

Conclusion

China and the US devote a great effort to increase the volume of trade either domestically or globally. This fact is reflected when examining the amount of trade between these two trading partners. Therefore, China and the US give trading a huge priority due to its magnificent benefits. Both of them have developed big national and international trading averages under the WTO supervision. This organization helped China and the US to preserve

their powerful positions concerning international trade. In addition, the two nations still trade with each other despite the fact of the high amount of their trade deficit.

General Conclusion

This dissertation had several aims. The first aim was providing an understanding for several important concepts which the dissertation is based on. The second aim was studying both of the US's and China's international economies. This study implied comparing and contrasting several important findings and statistics. The third aim was analyzing the mechanism which the US and China apply while trading with each other. Above all, the main and most important aim was finding out which country is more powerful and more dominant economically.

International economy revolves around three major sectors. These sectors are exports, imports, and investment. Hence; measuring, comparing, and analysing their values in the Chinese and the American economies is one of the parameters which helps in indicating the most powerful one among them in the international economic scene. The analysed data about these three parameters reveal three important findings. The first important finding is that China is the first and the US is the third largest exporter in the world. The second important finding is that the US is the second and China is the first largest importer in the world. The third important finding is that the US's foreign direct investment is gigantic in comparison to the Chinese one.

The US and China share a strong trading relationship with each other as the US is China's largest trading partner and vice versa. It is true that these two economic blocks are in a continuous competition in order to dominate the global trade, yet their bilateral economic relation is based on a mutual understanding and cooperation. Although the US and China follow different ideologies, when it comes to the Sino-American economic relations, none of these countries imposes its ideology on the other, but they trade according to the WTO's agreements and regulations. As a result, neither the US nor China is considered the influencer

or the influenced in terms of their adopted trading mechanism. Despite the high Sino-American trade volume, the US suffers from a huge trade deficit unlike China. In other words, the US imports from China more than it exports.

Indeed, China is the largest exporter in the world as a result of the conducted economic reforms. However, China faces numerous problems in the economic field; such as, the poor quality of products, the low wages of workers, and the violation of the WTO's safety measures. Furthermore, its dominance over the international exports is mainly due to its high population because they have the ability to produce more than other countries and consequently export more than them. On the opposite, the US's economic dominance on the international economic scene is a reflection of its economic power, its strong economic background, and its effective adopted economic policies. Consequently, China is not likely able to be the next leader of the world instead of the US, to dominate the global economy, nor to implement its ideology in the world. In other words, the US is the world's number one economic power. Therefore the US's economy and economic position are not threatened by the Chinese economic power.

Based on the finding of this dissertation, it seems that the Chinese international economy will not grow to be larger than the US's. In addition, trade between China and the US contributes to the growth of the international economy. So, they can affect the flow of international economy either positively or negatively. Due to their large trade volume, their economies are highly interrelated. This is reflected in their annual rates of exports, imports, and investments.

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المخلص

تهدف هذه الأطروحة إلى مناقشة ما إذا كانت الصين ستصبح الزعيم الجديد للعالم بسبب وضعها الاقتصادي القوي الحالي أو لا . لبلوغ هذا الهدف، سيتم وصف ومقارنة تحليل الإحصاءات والبيانات. تشير البيانات التي تم تحليلها إلى أن الولايات المتحدة الأمريكية أقوى وأكثر هيمنة من الصين في مجال الاقتصاد الدولي، على الرغم من أن الصين هي أكبر مصدر في العالم. عندما يتعلق الأمر بنظام التجارة الثنائية بين الولايات المتحدة الأمريكية والصين، لا تفرض أي منهما على الأخرى إيديولوجيتها، سياستها، أو مبادئها لأن التجارة بينهما تتم طبقاً لقوانين و تشريعات المنظمة العالمية للتجارة. تظهر نتائج هذه الأطروحة إلى أن الاقتصاد الخارجي للصين لن يكون أقوى من الاقتصاد الخارجي للولايات المتحدة الأمريكية.