

The US-China Trade Rivalry and The Quest for Diplomatic Harmony in The Paradigm of Political Liberalism

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Abstract

This study explores the intricate dynamics of the trade war between China and the US, focusing on the quest for diplomatic harmony amid mounting tensions. Emphasizing historical diplomatic endeavors and diverse models employed in Sino-US relations, the research employs a qualitative approach to analyze thematic insights from existing literature and comparative case studies. Applying the theoretical framework of Political Liberalism, the study aims to propose strategies for conflict resolution and foster global stability. Historical analyses unveil sustained efforts in diplomatic relations despite occasional disruptions, highlighting key milestones in their relationship. The application of Political Liberalism underscores the relevance of democratic principles and transparency in conflict resolution, offering insights into potential pathways for fostering diplomatic harmony. In conclusion, this study presents an in-depth analysis of Sino-US trade politics while emphasizing the role of diplomatic engagements and theoretical frameworks in proposing strategies for conflict resolution and enhancing global stability.

Key Words: US-China Relations, Trade Rivalry, Diplomatic Engagements, Political Liberalism, Conflict Resolution, Global Stability

1 INTRODUCTION

After The trade relations between China and the US have evolved into a complex interplay of economic competition, strategic divergence, and diplomatic negotiations. At the heart of this relationship lies a dynamic trade rivalry that has garnered global attention and significantly influenced the geopolitical landscape of the 21st century. The multifaceted nature of this rivalry reflects not only the economic stakes but also the broader geopolitical and strategic ambitions of both nations (Lippert and Perthes 2020a).

Since the economic reforms initiated in China in 1978, the nation has undergone a profound transformation, ascending from an agrarian society to a

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global economic powerhouse. Its rapid growth and integration into the global economy have positioned China as a pivotal player in shaping the contemporary world order. Simultaneously, the US remains a key influencer in international trade and politics holding a historically dominant position in shaping international relations.

The structure of bilateral trade between the U.S. and China was significantly redefined when China entered the World Trade Organization (WTO) in the year 2001. This perceived attempt from China led to its integration into the global trading system, promising economic reforms and a commitment to adhere to international trade rules. However, what followed was not merely a trajectory of mutual economic prosperity but rather a nuanced interplay of competition, cooperation, and contention (Lu 2018).

2 STRUCTURE OF THE EARLY PHASES OF US-CHINA TRADE RELATIONS

As Despite significant political tensions marked by the Tiananmen Square crackdown in 1989 and the NATO bombing of China's embassy in Belgrade in the year 1999, the U.S. supported China's accession to the WTO in 2001. This decision reflected a broader strategic vision of integrating China into a rules-based international economic system, with the hope of promoting economic reform, stability, and a deeper alignment. The U.S. consistently backed China's bid for WTO membership, aiming to integrate China into a system governed by established trade norms. In the initial years following China's inclusion in the World Trade Organization, Sino-U.S. trade relations ventured into uncharted territory. The United States' primary objective revolved around monitoring China's adherence to its WTO commitments. During this phase, the U.S. refrained from engaging in trade disputes with China, offering the nation leeway to implement its WTO obligations. This period witnessed China's substantial reduction in tariffs and a significant opening of its market, leading to a surge in U.S. exports to China (Caliendo and Parro 2023).

3 TRANSITIONING DYNAMICS AND EMERGING CHALLENGES

As China's phase-in period for meeting its World Trade Organization commitments concluded in the year 2006, the nature of the trade relationship underwent a transformative shift. The focus moved from overseeing the fulfillment of earlier obligations to addressing the more intricate and demanding commitments China had yet to meet. This evolving approach was largely fueled by domestic pressure within the United States, with several interest groups and Congressional bodies attributing America's significant trade deficit with China to alleged 'unfair trade practices. The intensifying trade rivalry between China and the US became increasingly apparent in subsequent years. Issues like intellectual property theft, restricted market access, accusations of currency manipulation, and state subsidies further complicated an already tense relationship. These issues not only fueled economic tensions but also assumed greater significance in the broader strategic competition between the two nations (Lu 2018).

The U.S.-China trade rivalry transcends mere economic competition; it intertwines with wider geopolitical implications, amplifying the strategic rivalry

between the two economic giants. The trade dispute became a key element of the broader strategic rivalry, reflecting a battle for influence and dominance across multiple fronts, including technology, security alliances, and regional influence. The quest for technological dominance and innovation, particularly in sectors like artificial intelligence, telecommunications, and semiconductors, underscores the competitive aspect of the trade rivalry. Both nations seek to gain a technological edge, recognizing its critical role in shaping global economic supremacy and national security. The intertwined economic interdependence between China and the US amplifies the strategic complexities. While the economic ties between the two nations foster mutual dependence, they also pose vulnerabilities and risks that can be exploited for geopolitical leverage (Lippert and Perthes 2020b).

Amidst the backdrop of escalating trade tensions and strategic competition, the quest for diplomatic harmony assumes paramount significance. The trajectory of U.S.-China relations necessitates a delicate balance between competing interests and the pursuit of cooperative engagement. Finding common ground amidst divergent economic and strategic objectives becomes imperative in fostering stability and global prosperity (Zaidi and Saud 2020).

This study aims to delve deeply into the multifaceted dimensions of the U.S.-China trade rivalry, unraveling its economic intricacies, geopolitical implications, and the quest for diplomatic reconciliation. By providing a comprehensive analysis encompassing historical contexts, policy frameworks, and contemporary developments, this research endeavors to shed light on the evolving dynamics of this crucial relationship and explore potential pathways toward achieving diplomatic harmony.

In subsequent sections, this study will explore the historical milestones, policy frameworks, and evolving dynamics of the U.S.-China trade rivalry. It will delve into the key areas of contention, the impact on global trade dynamics, and the strategic implications for both nations and the international community. Moreover, this research will examine potential avenues for mitigating tensions and fostering a more cooperative and stable U.S.-China relationship in the realm of trade and beyond.

The United States faces significant challenges to its economic dominance due to the rise of China. Since initiating economic reforms in 1978, China has achieved remarkable growth in both its economy and foreign trade. Now the world's second-largest economy, China holds the largest foreign exchange reserves, amounting to approximately USD 3.12 trillion. China's growing influence on the global stage became especially clear during the recent financial crisis, as seen in its prominent role at the G-20 summit and its call for greater voting power within the International Monetary Fund (IMF). This surge in China's global standing highlights the increasing importance of U.S.-China relations, positioning the two nations as key players in shaping the future of the world in this new era.

(Lu 2018).

The United States has long aimed to integrate China into a structured global economic system governed by clear rules, making China's accession to the World

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Trade Organization (WTO) a strategic priority. Despite major political upheavals, such as the Tiananmen Square crackdown in 1989 and the NATO bombing of the Chinese embassy in Belgrade in 1999, Washington remained steadfast in its support for China's bid to join the WTO. Upon China's entry into the WTO in 2001, the dynamic of the China-U.S. trade relationship entered a fresh phase wherein the U.S. aimed to oversee China's compliance with its WTO commitments. During this initial period, the United States refrained from initiating trade disputes against China, opting instead to afford China the necessary flexibility to fulfill its overarching WTO obligations (Ostry 1998). Ultimately, China honored its commitments by significantly reducing tariffs and opening up its market, resulting in a substantial surge in U.S. exports to China. However, as the phase-in period for China to meet most of its WTO obligations concluded in 2006, the China-U.S. trade relationship transitioned to a subsequent stage. At this juncture, the United States shifted focus towards addressing the remaining, more challenging obligations yet to be fulfilled by China. This shift in approach, progressively becoming more assertive, primarily stems from domestic interest groups and Congressional entities perceiving America's substantial trade deficit with China as a consequence of purportedly 'unfair trade practices' by China (Ostry 1998).

There is a common perception among the pessimist realist authors and scholars in the discipline of International Relations that disputes between China and the US have already reached a point of no return, and that military conflict is inevitable between both. However, there are clear patterns in history where diplomacy played a very vital role in resolving disputes between contesting rivals. The 100 years of relative peace in Europe (1814-1914) was only achieved due to multi-trek diplomacy in the Concert of Europe. The present study attempts to propose a comprehensive diplomacy model aimed at facilitating peaceful resolution of disputes between China and the US, contributing to international stability and cooperation.

The question is, how can diplomatic models be employed to navigate the multifaceted dimensions of the U.S.-China trade rivalry, aiming to achieve harmony amidst escalating tensions for the sake of global stability and prosperity?

This research proposes a comprehensive diplomacy model aimed at facilitating peaceful resolution of disputes between China and the US, contributing to international stability and cooperation. In the face of complex and multifaceted challenges in the China-US relationship, including economic competition, territorial disputes, and differing ideologies, this model seeks to provide a structured framework that can potentially not only address the immediate conflicts but also foster an effective environment of trust, cooperation, and mutual understanding. By examining historical diplomatic efforts, drawing insights from international relations theories, and engaging with stakeholders, this research aims to offer practical policy recommendations that can guide both nations toward more constructive and peaceful interactions on the global stage. Ultimately, the proposed diplomacy model seeks to mitigate tensions, reduce the risk of conflict, and promote collaboration between China and the US, thus contributing to a more stable and harmonious international order.

4 METHODS AND PROCEDURES

The research centers on a qualitative approach, encompassing diverse diplomatic models historically employed, along with comparative case studies from existing literature showcasing effective dispute resolutions. The analysis will adopt a thematic approach to the collected data. This methodology aims to offer a holistic comprehension of the intricate dynamics between China and the US, examining their historical diplomatic endeavors and identifying potential pathways for resolving disputes peacefully.

The proposed design of research approaches to the problem in hand with a review of existing literature and Identification of key historical disputes between China and the US. This step also includes a detailed examination of diplomatic efforts and their outcomes. The second step (or the one that goes hand in hand with the first step) is an assessment of successful diplomacy models and case studies in international conflicts. Here, the adaptation of best practices to the China-US context is also selected.

The next step (or the one that goes hand in hand with the first step) is the identification of barriers and opportunities for diplomacy in US-China relations. Finally, upon data analysis using thematic analysis (Bryman 2016), the development of a comprehensive diplomacy model tailored to China-US disputes in taken theoretical frameworks. This model emphasizes communication, confidence-building measures, and dispute resolution mechanisms, and suggests recommendations for policymakers in both countries and international organizations.

5 LITERATURE REVIEW

5.1 Historical Diplomatic Endeavors between China and the US

Throughout history, the diplomatic relations between China and the US have undergone significant shifts, shaping their trade interactions and global influence. Exploring this theme allows for an in-depth examination of pivotal historical events, diplomatic strategies, and their impact on the evolving U.S.-China trade rivalry. The historical trajectory of Sino-U.S. diplomatic relations is a complex tapestry woven with diverse episodes. Initially characterized by isolation and minimal engagement during the early periods, their interactions gained momentum following the opening up of China's economy in 1978. The forging of formal diplomatic ties between the two nations in the late 20th century marked a watershed moment, leading to multifaceted engagements in trade and cooperation (Zaidi and Saud 2020).

Key milestones, such as China's accession to the World Trade Organization (WTO) in 2001, signified a significant shift in their economic relations. The subsequent years saw an upsurge in bilateral trade, with the United States emerging as a major trading partner for China. However, this period was also marked by occasional friction, including trade disputes and allegations of unfair trade practices, which underscored the complexities within the relationship (Caliendo and Parro 2023).

Understanding the historical underpinnings of diplomatic efforts between the U.S. and China provides valuable insights into the evolution of their relationship.

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It elucidates the trajectory of their trade rivalry, identifies patterns in diplomatic approaches, and unveils the challenges and opportunities for achieving harmony in their interactions.

5.2 Diplomatic Models for Resolving Trade Disputes

This theme focuses on exploring various diplomatic models employed in resolving trade mistrust and disputes between China and the US. By analyzing historical and contemporary case studies, this theme aims to evaluate the efficacy of different diplomatic approaches and their applicability in mitigating tensions and fostering cooperation. The Sino-US trade rivalry has been punctuated by recurrent disputes and disagreements, necessitating diplomatic interventions to maintain equilibrium. Various diplomatic models have been utilized in attempts to resolve conflicts and steer the relationship toward a more cooperative stance.

One prevalent diplomatic model involves bilateral negotiations, where both nations engage in direct talks to address trade imbalances, market access, and intellectual property issues. These negotiations often serve as the primary avenue for dispute resolution, showcasing both successes and limitations. Case studies highlighting instances of successful negotiations, such as agreements reached during high-level dialogues, offer insights into effective diplomatic strategies. Multilateral approaches, exemplified by engagements within international organizations like the WTO, also play a significant role. These forums provide a platform for multilateral discussions, where trade disputes are addressed through established legal frameworks. Analyzing cases where such forums have facilitated successful dispute resolutions contributes to understanding the strengths and weaknesses of multilateral diplomatic models (Brunner and Sharkey 1987).

Additionally, a comparative analysis of diplomatic strategies employed during periods of heightened tensions, such as tariff escalations or technology disputes, unveils the adaptability and effectiveness of diplomatic models. Examining instances where innovative diplomatic measures have de-escalated conflicts or prevented further deterioration of relations provides valuable lessons for future dispute resolutions. Instances where innovative diplomatic measures successfully de-escalated conflicts or averted further deterioration of relations between China and the US serve as noteworthy case studies, shedding light on effective diplomatic models for dispute resolution.

One such example involves the strategic use of high-level dialogues and summit meetings. Throughout history, scheduled bilateral meetings between the leadership of both nations have often served as platforms to defuse tensions and foster dialogue. For instance, the Mar-a-Lago summit in 2017 between President Xi Jinping and President Donald Trump offered an opportunity for candid discussions, contributing to a temporary ceasefire in trade hostilities. These face-to-face interactions allowed for a personal rapport to develop between the leaders, enabling informal discussions that went beyond traditional diplomatic channels (Caliendo and Parro 2023).

Moreover, the employment of shuttle diplomacy by third-party intermediaries has played a pivotal role in facilitating communication and reconciliation. Skilled diplomats or envoys, often operating discreetly, have

engaged in backchannel negotiations to navigate sensitive issues and bridge communication gaps. In certain instances, the involvement of respected diplomats or mediators has provided a conducive environment for constructive dialogue, enabling breakthroughs in conflict resolution without the pressure of public scrutiny.

Furthermore, the utilization of economic cooperation frameworks has proven instrumental in alleviating tensions. Initiatives promoting mutually beneficial economic collaboration, such as joint investment projects or trade agreements focusing on specific sectors, have served as confidence-building measures. These initiatives not only demonstrate a commitment to cooperation but also create interdependencies that discourage confrontation. Additionally, the exploration of unconventional diplomatic approaches, including track-two diplomacy involving academic, business, and civil society exchanges, has provided alternative avenues for dialogue. These initiatives, operating independently from official government channels, have offered opportunities for open dialogue and idea exchange, fostering mutual understanding and trust (Ov 2006).

The success of these innovative diplomatic measures in de-escalating conflicts or preventing further deterioration of relations underscores the importance of flexibility and creativity in diplomatic engagements between China and the US. Employing a combination of formal and informal diplomatic approaches tailored to specific contexts and issues at hand offers valuable insights for crafting effective strategies in future dispute resolutions.

Political Liberalism and US-China Conflict Resolution

Political Liberalism in the case of conflict resolution between the United States and China, the theoretical framework offers a comprehensive approach that addresses the complexities of their relationship. Democratic governance and participation among parties is one of the subjects of political liberalism. In the context of U.S.-China conflicts, promoting democratic governance principles aligns with fostering open dialogue and participatory mechanisms. Both nations can establish platforms involving diverse stakeholders, including civil society groups, businesses, academics, and policymakers. These forums can facilitate discussions on trade disputes, intellectual property rights, and market access, encouraging mutual understanding and joint problem-solving (Lee 2018).

Secondly, the theoretical framework stresses individual human rights and the importance of international laws. Political Liberalism underscores the importance of respecting human rights and adhering to established legal frameworks. Applying these principles to U.S.-China conflicts involves addressing concerns related to fair trade practices, intellectual property rights protection, and compliance with international trade laws. Emphasizing mutual adherence to rules and regulations can form the basis for resolving disputes and maintaining a rules-based trading system (Jisi and Ran 2019).

Additionally, transparency and accountability are important tools of political liberalism. Transparency in trade negotiations and dispute settlements is vital in the U.S.-China context. By promoting transparency, both nations can build

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trust and minimize suspicion. Establishing mechanisms for accountability in trade agreements and commitments ensures that both parties fulfill their obligations, reducing the likelihood of misunderstandings and conflicts (Perthes, 2021).

Liberal perspectives emphasize the influence of domestic governance on foreign behavior. Democracies, driven by popular support, align their foreign policies with public interests. The argument posits that democracies, rooted in the will of the people, are less prone to engage in wars, as such conflicts are deemed inefficient for the common good. With the increasing prevalence of democracies globally, the logical inclination towards war as a means of pursuing public interests has markedly decreased (Elman 2001). Liberal optimists contend that China is undergoing democratization, propelled by economic development and a growing embrace of free trade. Beyond political aspirations, economic development is seen as a precursor to political liberalization. Liberal optimists argue that political freedoms, essential for economic flourishing, are contingent on the rule of law, legal contracts, and a reliable justice system. The prediction is that China, in its pursuit of societal well-being akin to advanced industrialized democracies, will inevitably undergo democratization.

Liberal thinkers remain hopeful that China's eventual transition to democracy could pave the way for peaceful relations with the United States, creating a shared "zone of peace." While they acknowledge that this transformation might take time, they envision a future where a democratic China fosters a relationship with the U.S. as cooperative and stable as the one between the U.S. and the European Union (Thomas, 2018). Even leaders like U.S. President Bill Clinton, who initially tied China's access to U.S. markets to improvements in human rights, eventually embraced a policy of engagement. This strategy, later supported by his successor, President George W. Bush, reflected the belief that trade promotes social equality and, in turn, democracy. In a 1999 campaign speech, Bush expressed this idea clearly, saying, "Economic freedom creates habits of liberty, and habits of liberty create expectations of democracy. Trade freely with China, and time is on our side." (Peters 2018).

Liberal optimists believe that increased economic ties create shared interests that encourage nations to maintain good relationships. They argue that as trade and investment grow, both sides develop strong incentives to avoid conflict and work toward peace. For example, they point to the dramatic rise in economic exchange between the United States and China after China began its market reforms in the late 1970s. Between 1978 and the end of the 20th century, trade between the two countries skyrocketed, jumping from just \$1 billion to nearly \$120 billion a year (Caliendo and Parro 2023).

By 2004, this amount had doubled, reaching an estimated \$245 billion. U.S. investors have steadily increased capital flows into China, demonstrating a significant annual commitment of resources. With China's entry into the World Trade Organization (WTO) and its growing openness to foreign goods and investments, economic ties between the United States and the People's Republic of China (PRC) are expected to deepen further. Advocates of liberal economic theory suggest that this interdependence has already fostered a strong mutual interest in maintaining peace between these two major Pacific powers. They believe that

barring major disruptions, economic forces will likely continue to draw the U.S. and China closer, helping to reduce and manage potential conflicts (Lee 2018).

6 RESULTS AND DISCUSSION

The study identified a range of diplomatic models historically utilized in U.S.-China relations, including bilateral negotiations, multilateral forums, economic cooperation initiatives, and unconventional track-two diplomacy. Each model showcased varying degrees of success in resolving conflicts and fostering cooperation. Analysis of historical events highlighted key milestones and disruptions in U.S.-China relations. Despite occasional strains due to political incidents, sustained efforts were observed from both nations to advocate for dialogue and integrate China into the global economic order.

The present study found that trade disputes between the U.S. and China have escalated recently, showcasing challenges related to intellectual property rights, market access, and unfair trade practices. However, periods of negotiation and compliance with WTO commitments resulted in notable improvements in trade relations as well. Applying Political Liberalism offered insights into the importance of democratic governance, human rights, transparency, and pluralism in conflict resolution. The framework highlighted the potential for these principles to guide diplomatic strategies for fostering cooperation.

The study analyzed the Sino-U.S. trade rivalry while emphasizing the significance of diplomatic engagements in resolving conflicts. Historical analyses unveiled sustained efforts in diplomatic relations despite occasional disruptions. The application of Political Liberalism as a theoretical framework showcased the relevance of democratic principles and transparency in fostering diplomatic harmony

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