International Journal of Humanities and Applied Social Science (IJHASS)
E-ISSN: 2471-7576
E-mail: editor@ijhassnet.com
http://ijhassnet.com/

DANGERS FOR CHINA IN TRADE TALKS: MORE THAN JUST TRADE?

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ABSTRACT

This paper raises the question whether there is more to the trade dispute between the People's Republic of China and the United States than just trade. In seeking an answer to this question, the paper considers both sides of the arguments put forth relating to China's efforts to dramatically expand its exports through the Belt and Road Initiative, which may be seen as a further expansion of its policy of creating "Socialism with Chinese Characteristics." The paper discusses issues relating to trade in the larger context of China's attempt to transform its economy, focusing on efforts to modernize its competition law regime. The paper raises several ominous signs for China in areas relating to performance of state-owned industries in the economy, the role of the Chinese Communist Party and recent trends in party leadership, finance, debt, economic growth, and demographics that may prove problematic in the future. At the same time, the paper considers U.S. concerns relating to the theft of its intellectual property and other aspects of forced technology transfer which characterize the Chinese market that are at the core of the dispute between two superpowers with very different aspirations and perspectives.

KEYWORDS: Socialism with Chinese Characteristics; Belt and Road Initiative; Trade War; Asian Infrastructure Investment Bank; Monopoly; State Central Planning

1. Introduction

There is a real conflict in perspectives between two major world economic and political rivals: The People's Republic of China (China) and the United States. Economist Robert Samuelson (2019) frames the issue as follows: "The United States is trying to protect its position as the most important super power; and China is serving notice that it covets that status for itself."

Bernard, Sr. and Bernard (2019, p. 35) note that "The Chinese economy surpassed Japan's in 2009, the second largest in the world at the time…. By 2018, China had the second largest economy with a GDP estimated at $14 trillion…. However, assuming that current growth trends hold, China will surpass both the US and Europe within seven years." Rachman (2017) states that if GDP is measured in terms of purchasing power, China became the largest economy in the world in 2017. Citing Goldman Sachs, Martin (2012) predicted that by 2050, the Chinese economy will be "almost twice the size of the U.S. economy," and that presupposes perhaps an unrealistic growth rate in the United States of 4.5%.

In addition, in order to boost exports of Chinese goods, China has aggressively promoted the New Silk Road Initiative, referred to as "One Belt One Road" (OBOR) or alternatively as the "Belt and Road Initiative" (BRI) (Du, 2016; Johnston, 2018). Bernard, Sr. and Bernard (2019, p. 37) explain that the initiative is an "ambitious multi-continental effort spearheaded by China to develop networks of interdependencies that will help participating countries promote collective interests such as economic growth, energy cooperation, infrastructure investment, among other common endeavors." Brienza (2017) comments that following the proposal of President Xi Jinping to revive the Ancient Silk Road, "China has taken concrete actions in creating an international platform which focuses on five goals: cultural exchange, cooperation in different fields, policy coordination, connectivity and unimpeded trade."

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Hurley, Morris, & Portelance (2018, p. 1) reported: "As envisioned, BRI spans at least 68 countries with an announced investment as high as $8 trillion for a vast network of transportation, energy, and telecommunications infrastructure linking Europe, Africa, and Asia. It is an infrastructure financing initiative for a large part of the global economy that will also serve key economic, foreign policy, and security objectives for the Chinese government."

Recent events place the conflict between the United States and China in its proper perspective. According to U.S. government estimates cited by Bruns (2017), "industries sensitive to intellectual property concerns directly and indirectly support 45.5 million American jobs, about 30 percent of all employment in the United States." Many of these jobs are involved in industries or sectors of the American economy where protecting the intellectual property rights of American multinational corporations is of paramount importance (Luo, 2018). Trade relations with China seem to be especially problematic.

2. Literature Review

The paper builds on prior research into issues relating to the transformation process of socialist economies (Hunter & Ryan, 1998) and trade issues specifically relating to China (Hunter, forthcoming 2019). The paper considers issues raised by economist Paul Samuelson (2019) relating to trade and relies upon the expansive work of Bernard, Sr. and Bernard (2019) to provide the proper context and background into the Chinese economy and efforts at economic and political transformation. In discussing the development of "Socialism with Chinese Characteristics," we rely upon the explications of Chinese President Xi Jinping (2014) to understand the Chinese perspective and Szamosszegi and Kyle (2011) for a discussion of state capitalism. From the American viewpoint, the authors look to the findings of the Office of United States Trade Representative (2018) relating to technology transfer and the theft of the intellectual property in the context of updating the seminal research conducted by Blodgett, Hunter, and Hayden (2009) and Harris (2006) concerning China's competition law regime. The research of Wilson (2003) and Liang (2007) provide insights relating to deficiencies in the Chinese legal system. In discussing current political and economic issues, the paper relies on Goldstein and Goldstein (2006) and Zhou (2018) relating to demographics; Mohan (2018) relating to China's debt; and Osnos (2018) relating to Chinese political leadership.

3. "Socialism with Chinese Characteristics"

China has certainly come a long way from its past, rooted in orthodox state central planning (Kanbur & Zhang, 2004; He & Sun, 2014), and today practices what has become known as "state capitalism," based on a framework called "Socialism with Chinese Characteristics." President Xi Jinping (2014, pp. 6-14) has himself outlined its main characteristics which are important to understand, *at least from the Chinese perspective* (Bernard, Sr. & Bernard, 2019, pp. 45-47).

First, the concept is an evolving one, being "shaped and reshaped over time" in light of various external and internal challenges and realities" from the Communist Party's "three generations of collective leadership." The current formulation is based on Mao Zedong's "material and theoretical basis of the regime," through Deng Xiaoping's reform efforts commencing in 1989, into today's conceptions shaped by former leaders Jiang Zemin (1989-2003), Hu Jintao (2003-2012), and Xi Jinping himself.

Second, "socialism with Chinese characteristics" combines "path, theory, and system," emphasizing efforts to reach official goals and identifying specific institutions which will manage collective efforts to achieve those goals. Third, is the unique role of the Chinese Communist Party, whose mission has been to "put forth inspirational goals in line with the will of the people and the needs of our development and lead the people in achieving those goals."

The fourth component is that the Chinese system must reflect the will (and aspirations) of the Chinese people who fundamentally fear "disorder and instability." Implicit in this concept has been the goal of improving "the nation's well-being, an objective on which the Party has concentrated in the post-Mao period" (Bernard, Sr. & Bernard, 2019, pp. 46-47).

3.1. Political and Economic Impacts of "Socialism with Chinese Characteristics"

It is certainly true that from the political perspective, China is a much different country from that of its founding. It is interesting to note that former leader Jiang Zemin set an important precedent for his successors when

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he voluntarily stepped down as the General Secretary of the Communist Party in 2002, as President in 2003, and as Commander-in-Chief of the military in 2004. Shirk (2018, p. 29) noted: "It was the first time that any ruler of a communist nation had left office without dying or being deposed by a coup…." Recent events, however, may call this precedent into question (Editorial Board of the Wall Street Journal, 2018).

In the economic sphere, although professing to practice capitalism or its variant of "socialism with Chinese characteristics," China is still a country where the government owns or effectively controls many of the largest firms [See Appendix I] and decides which industries or sectors of the economy will receive critical governmental subsidies mainly in steel, glass, paper, and auto parts production (Haley & Haley, 3013). China also continues to employ a wide variety of market protections, and to guaranty loans to favored Chinese entities from major Chinese banks which are a part of the Chinese mono-banking system (Lin & Zhang, 2009; Turner, Tan, & Sadeghian, 2012) in order to prop up distressed or failing Chinese companies.

In this situation, two characteristics of Chinese "state capitalism" have become readily apparent. First, China has adopted both formal and informal rules that in effect coerce the transfer of new technologies and sensitive business plans from foreign entities to Chinese businesses (Branstetter, 2018), often through intricate joint-venture arrangements (Wagner, 1990; Png, 1992; Beamish & Zhang, 2018). Lee Branstetter, a professor of economics and public policy at Carnegie Mellon University, writes: "A broad range of experts and market observers agree that China has repeatedly forced foreign multinational corporations (MNCs) to transfer technology to indigenous firms as a condition for market access and that China has persistently failed to protect the intellectual property of foreign firms doing business in China" (Branstetter, 2018, p. 1).

Second, rules, on the order of sophisticated "golden share" practices (generally, Omarova, 2017), which discriminate against foreign companies in favor of Chinese enterprises, place American firms in a position of a permanent disadvantage (Lin, 2010; Szamosszegi & Kyle, 2011).

It is in this context that America and China have engaged in protracted trade negotiations and have found themselves in what may best be described as a "stalemate." China often protests that acceding to American demands relating to rigorous enforcement of what it considers to be essentially unfair capitalist protections for American intellectual property or permitting a deep opening of China's markets to largely unrestricted foreign (mainly U.S.) investment would require an abandonment of its core economic model and a violation of its economic and political sovereignty.

4. U.S. China Trade War (adapted from Hunter, 2019)

Are our current difficulties with China the beginning of a serious trade war (Luo, 2018; Tiezzi, 2018), a high-stakes poker game scenario, or a symptom of a far greater problem for the United States and Chinese relations?

What are the facts? Swanson (2018) reported that the overall United States trade deficit in goods and services "widened 12.1 percent to $566 billion last year, the largest gap since 2008. The gap between Chinese goods imported to the United States and American goods exported to China rose to $375.2 billion last year, up from $347 billion in the prior year." The trade deficit with China is without a doubt the largest recorded with any of our trading partners.

On June 20, 2018, the U.S. Trade Representative (2018) gave the required notice of an initial action in a Section 301 investigation of the "acts, policies, and practices of the Government of China related to technology transfer, intellectual property, and innovation." As a result, the United States imposed an additional 25 percent *ad valorem* duty on products from China with an annual trade value of approximately $34 billion. The duty took effect July 6, 2018. The June 20 notice also sought "public comment" on the possibility of further actions in the form of an additional 25 percent *ad valorem* duty on products of China with an annual trade value of approximately $16 billion. To no one's surprise, China was not pleased. On July 6, 2018, China responded by imposing additional duties on goods from the United States. China's new tariffs will be levied at rates of 5% or 10%, depending on the product. Mullen (2018) further reports that "more than 5,000 US goods will be affected, including meat, nuts, alcohol, alcoholic drinks, chemicals, clothes, machinery, furniture, and auto parts."

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In light of China's decision to respond to the investigation by imposing duties on U.S. goods, the U.S. Trade Representative proposed a modification of the action taken in the initial investigation to maintain the original $34 billion action and the proposed $16 billion action, and to impose an additional 10 percent *ad valorem* duty on products from China with an annual trade value of approximately $200 billion. The U.S. automobile market has been especially affected. Quoting Carl Tannenbaum, chief economist at Northern Trust in Chicago, Tompor (2019) reports that "The trade battle with China is probably the No. 1 risk we're going to monitor."

The statement of proposed actions and reactions by China and the United States provides a fitting backdrop to the creation and evolutionary role of the United States Trade Representative in creating and carrying out the trade policies of the United States. In addition, these actions and reactions provide the basis for an analysis of two of the most important responsibilities of the USTR the annual promulgation of the *Out of Cycle Review of Notorious Markets* (generally, Masterson, 2004; Strong, 2016) and the *National Trade Estimate Report on Foreign Trade Barriers* (Office of U.S. Trade Representative, 2017) under Section 301 of the Trade Act of 1984 which are especially relevant in discussing U.S.-China trade relations.

There has been one additional "blow back" from these actions. In writing for *FDI Intelligence*, Conley (2019) has reported that "Chinese FDI into the US fell to a six-year low last year as Washington and Beijing lock horns over trade and investment." In fact, Chinese FDI into the United States dropped to $5bn in 2018, from $29bn a year earlier, after reaching a peak of $45bn in 2016. Conley cites a Baker-McKenzie study that "continued restrictions on outbound transactions in China, tighter US foreign investment reviews, and a tense bilateral relationship between both countries."

5. Economic Transformation and Reform

Even in light of the deep divide between the United States and China on trade issues, China has come a very long way in its process of economic transformation and reform in its competition regime even though not as far or as fast as the United States had hoped for. When China's President Deng Xioaping launched his economic reforms in 1978 and embarked on policies which have been described as "capitalism with Chinese characteristics," state-owned enterprises (SOEs) clearly dominated the Chinese economy. However, changes were widely anticipated. The Chinese Constitution was amended in 1988 and 1999 to incorporate the concept of a "socialist market economy," rather than one based solely on state central planning, which would permit the operation of private enterprises in the Chinese economy. The initiatives carried out were a part of a pursuit of "Four Modernizations" in the areas of industry, agriculture, science and technology, and the military (Baum, 1980; Berring,2000). Rajah (2017) reaffirmed the original idea of Premier Deng and stated that President Xi Jinping's version of capitalism, now referred to as "*socialism with Chinese characteristics for a new era*," will now be officially incorporated into the preamble of China's Constitution (Buckley, 2018). During this transition period, China has become more and more reliant on international trade and foreign investment for its growth. How would these changes in perspective be reflected in changes in official policy?

Blodgett, Hunter, & Hayden (2009, p. 205) noted that "With the development and growth in international trade and international investment, China recognized a need to ensure that its domestic market would be perceived to be free from price fixing, monopolization, and the effects of invidious agreements between suppliers and/or competitors that restricted competition." There was also a strong perception that China would need to transform poorly performing state-owned-enterprises (SOEs) into fully-functioning private enterprises. Attorney Stephen Harris (2006, p. 173) noted: "These policies and many subsequent structural reforms have been pursued in an avowed effort to transform China's centrally planned economy, dominated by state-owned-enterprises, to a system that embodies free market characteristics but retains certain socialist attributes."

An early attempt at reform was the enactment of the *Enterprise Act* of 1988 (generally, Clarke, 2003). This law promised that factories would no longer be able to depend on state subsidies and state support and would face the real prospect of "bankruptcy if they failed to adapt to market competition" (Harris, p. 173). This law, seen as revolutionary in its time, was described by Zhang Yanning, Deputy Minister of the State Commission for

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Restructuring the Economy, as moving away from direct control of central government departments or authorities over industries toward a system in which "the state regulates the market, which in turn guides the enterprises," in large part by making enterprise managers responsible for profits and losses. However, the effect of this law was problematic. Harris (2006, p. 173) notes that "it [was] broadly agreed that entrenched government monopolies and local and regional protectionism have hampered any wholesale transition to market competition."

5.1 Transformation and Monopolistic Conduct (adapted from Blodgett, Hunter, & Hayden, 2009)

China also engaged in a wholesale revamping of its legal system in areas dealing with monopolistic conduct (generally, Liang, 2007). Wilson (2003, p. 1009) has identified three major characteristics relating to Chinese legal institutions: "(1) the lack of a cohesive "system"; (2) pervasive vagueness in the language of statutes and administrative rules; and (3) difficulty of enforcing judgments once they are obtained."

However, as noted by Subrata Bhattacharjee (2008) of the American Bar Association's Antitrust Section, "since the enforcement of antitrust law is a relatively new phenomenon [for China], judges may not have the requisite level of knowledge to produce decisions that conform to international practice and reflect micro-economic analysis, an observation admittedly common to many jurisdictions." In addition, "in the context of China's current legal system, it has been suggested that the Chinese judiciary lacks independence" (see also Backer, 2017). Bhattacharjee (2008) continues:

> *The current structure of China's court system and the process for selecting and promoting judges allows local governments to influence decisions regarding personnel, as well as financial and material resources. Accordingly, even if a party exercises its right to judicial review, some would argue that it is unlikely that a court will come to a different decision from the one made by the Authority, which may result in interpretations that are not based on economic principles.*

One of the first laws enacted in the anti-monopoly sphere was the *Law Against Unfair Competition* (Yu, 1993/1994). This law, enacted in 1993, would be administered by the State Administration of Industry and Commerce (SAIC). The major significance of this legislation was that while it prohibited a broad range of anticompetitive acts, in practice, the law only applied to the protection of trademarks and trade secrets (see Birden, 1996, pp. 447-449). Huo (2008/2009) and Wu and Liu (2012) have characterized this legislation as a "Tiger without teeth."

The next significant piece of legislation was the *Price Law*, which became effective in 1997, and would be administered by the National Development and Reform Commission (NDRC). Similar to the *Law Against Unfair Competition*, this legislation had a broad scope namely to outlaw price fixing. Yet, in a similar fashion, the *Price Law* was applied in a more narrow fashion. In particular, the *Price Law* "merely provided local authorities with the power to control prices and thus served goals other than ensuring free competition" (Blodgett, Hunter, & Hayden, 2009, p. 207. Harris (2006, p. 176) posits that the purpose of the law was to establish a new pricing system "compatible with the requirements of a socialist market system."

In addition, China enacted other laws, such as the *Protection of the Rights of Consumers Act* (1993) and the *Company Law* (1994) but these laws were also narrowly construed. General confusion seemed to reign among the various governmental agencies as to which agency would enforce which laws, different remedies were provided for the same underlying actions, and perhaps most importantly, it was evident that Chinese officials lacked the expertise to fully appreciate the complexities of market forces and the harmful effects that certain other seemingly minor actions might have on the creation of an otherwise competitive market.

6. Effects of the Transformation in the Competition Regime

Since the introduction of changes in its competition laws, China has certainly become more and more reliant on international trade and foreign investment for its growth."China regained its position as the world's largest exporter in 2017, when it exported $2.2 trillion of its production. The EU briefly took the No. 1 spot in 2016. It now is second, exporting $1.9 trillion. The United States is third, exporting $1.6 trillion. China is the world's second largest importer. In 2017, it imported $1.7 trillion. The United States, the world's largest, imported $2.3 trillion" (Amadeo, 2018).

In the past two decades, the export-based growth model (Los, Timmer, & de Vries, 2015) has lifted many Chinese citizens, especially those living in rural areas, out of poverty (Liu, Liu, & Zhou, 2017). Los, Timmer, & de Vries (2015) noted that between 2001-2006, "foreign demand [for Chinese goods] added 70 million jobs, mainly for workers with only primary education." Yet, Rattner (2018) also points out that despite all its public indications of FDP growth and reform, over half of China's population "still live on $5.50 per day or less." According to the website of the International Monetary Fund (2017/2018), China's GDP (PPP) stood at $16,624 (ranking 79th) on a per capita basis.

Today, while Lardy (2019) estimates that private firms account for roughly *70 percent* of China's gross domestic product, there seems to have been a reversal of emphasis by the Chinese government. The reversal has become more pronounced since Xi Jinping assumed leadership of the Chinese Communist Party in 2012 and took on the largely ceremonial position of President of China in 2013. In fact, Lardy (2019) argues forcefully in *"The State Strikes Back: The End of Economic Reform in China*" that "China's future growth prospects could be equally bright but are shadowed by the specter of resurgent state dominance, which has begun to diminish the vital role of the market and private firms in China's economy."

What has become apparent was the President's position favoring state-owned firms, especially in terms of securing business loans from government sources or directly from state-owned banks. For example, in 2013, 57 percent of loans went to "private" firms and 35 percent were awarded to state-owned or state-controlled forms. By 2016, the process had been reversed dramatically: state-owned or state-controlled firms received 83 percent of loans, while 11 percent went to private firms.

7. The Triumph of Politics over Policy?

It may be true that China has reached a point of cyclical economic reality. So, what is different at the start of 2019? It now appears that China has exploited many of the advantages that it enjoyed from the earlier period of success, as it has nearly exhausted the benefits of existing technologies gleaned from its interactions with developed western economies albeit often from the misappropriation or outright theft of intellectual property. There are two other factors which are dictating economic reality: The Chinese government has taken on too much debt (generally, Zhu, Lin, Wu, & Qin, 2018). Scott and Sam (2016) reported that in 2016, "China's total debt is now about two and a half times the size of its economy. It takes almost a third of gross domestic product just to service it. Corporations are by far the biggest debtors, especially state-owned enterprises." In fact, Mohan (2018, p. 1) noted that "Recently, the IMF head cautioned countries across the globe against the nature of rising debt levels in China and the possibility of China 'exporting its debt' to other countries through infrastructural projects (via the One Belt One Road initiative)." Secondly, at the same time, China is confronted by a rapidly aging population (Goldstein & Goldstein, 2006; Zhou, 2018) which has hampered the needed growth in its labor force.

There are several other ominous signs on the horizon. Despite predictions from Bernard, Sr. and Bernard (2019) and Martin (2012), there has been a decline in China's growth rate in the period immediately preceding the 2007-2009 Great Depression from 10 percent to the range of 6 to 7 percent. Samuelson (2019), however, is less optimistic that China can continue even on this decelerated pace, predicting growth in a more moderate 2 to 4 percent range. Lardy (2019) notes that the Chinese government must "force into bankruptcy more long-lived zombie firms, mostly state-owned, that survive by borrowing ever increasing amounts from state-owned banks." In this environment, it is apparent that the main motivation is protecting state-owned firms may have little to do with economics and much more to do with politics. If this is true, then Lardy's point may indeed be correct. The real motivation behind this strategic change may be to bolster the position of the Chinese Communist Party because of fear that "social unrest, unemployment, and financial instability" would weaken the Communist Party's grip on political power.

7.1 Prospects for the Future

Providing income for increased domestic consumption seems to be the key for the future and for continuing the dominance of the Chinese Communist Party. However, increasing domestic consumption is far easier said than done. The *13th Five-year Plan 2016-2020* (Central Committee of the Communist Party of China, 2016), ratified by the

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National People's Congress in March of 2016 (see Koleski, 2017), focused in some measure on social reform in China (KPMG, 2016) and, according to Maiza and Bustillo (2016), includes measures "to lift 55 million people out of poverty, create over 50 million jobs in urban zones, raise education levels, and expand coverage for pensions, health insurance, and unemployment insurance."

However, a part of this plan which includes increasing wages has forced many cheap labor-intensive companies to shift production to lower-wage countries, such as Pakistan, Indonesia, and Vietnam. Meanwhile, an aging population (Tao, Liu, La, Liang, & Gao, 2017; Chen, Zhang, & Gong, 2018), a lack of confidence in the viability of pension and healthcare systems (Liang, Chen, & Gu, 2004; Liu, Liu, & Zhou, 2017), as well as the continued income disparity between the rural and urban populations (Liu, Liu, & Zhou, 2004), has inflated the Chinese saving rate to a disproportionate percentage in relation to wages (Maiza & Bustillo, 2016). Chen, Chen, & He (2018, p. 2) report that household savings in China increased "significantly" over the past decades. They note that "Between 1978 and 2008, the rural household savings rate rose from 15% to 32%, and the urban savings rate from 15% to 28%." At best, the widespread poverty still evident in rural areas of China will impede further economic expansion that could be gained from an increase in domestic spending. This will cause added pressures on China's expected 6%+ growth rate, making it that much more difficult for private industry to survive without continued government intervention and assistance.

At the same time, China has been projecting its international economic imprint, most notably in the creation of the Asian Infrastructure Investment Bank or AIIB, the Asian counterpart to the IMF and World Bank (Liao, 2015). Created in 2015 and headquartered in Beijing, the AIIB now has 85 world-wide members. China enjoys the largest share of voting power ensuring its dominance in decision-making. It is important to note that the United States has not joined the AIIB, and "instead has been a vocal opponent of it. Its efforts to dissuade its close allies from joining the bank have failed, leaving it and Japan as the only two remaining great economic powers outside of the organization" (Bernard, Sr. & Bernard, 2019, p. 40).

On the political front (Osnos, 2018), it would also be important to note that in February of 2018, "decades after Deng Xiaoping warned against 'the leadership of a single person,' China ended a two-term limit on the Presidency, perhaps reflecting President Xi's core beliefs—"his impatience with affectations of liberalism, his belief in the Communist Party's moral superiority, and his unromantic conception of politics as a contest between force and the forced."

As Osnos (2018) puts it, is China "reentering a period in which the fortunes of a fifth of humanity hinge, to an extraordinary degree, on the visions, impulses, and insecurities of a solitary figure. The end of Presidential term limits risks closing a period in Chinese history, from 2004 to today, when the orderly, institutionalized transfer of power set it apart from other authoritarian states."

8. Final Comments

Berring (2000, p. 443) noted that China is indeed a very different country from the one established in its 1949 revolution when "Chairman Mao mounted Tiananmen and declared the founding of the People's Republic of China." Lee (2008, p. E13) may have effectively summarized the high stakes as perceived by the Chinese:

> *[Three hundred] million people have escaped poverty in less than a generation, and millions are migrating from the countryside to places like Chongqing, where the juggernaut of capitalism is powering a rapid transformation…. In the past one saw the occasional car, now the nation is putting 25,000 new vehicles on the road every day…. People talked openly about wanting to get rich, a desire once verboten."*

Yet, according to Wei (2019), the trade dispute between the United States and China is having a negative effect in the Chinese economy, "reducing new orders for business and forcing factories to cut production and delay decisions on investing and hiring."

For China, trade talks and its vision of China's every increasing importance on the world stage pose significant opportunities as well as threats that must be carefully balanced as it "negotiates" with its main rival. As Samuelson (2019) notes, at this point in time, it might be necessary for the United States to abandon its larger aim of achieving a wholesale change in China's market perspective in favor of a more limited goal and accept China's

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promises to at least purchase more American imports. Perhaps it is true that above all else, the Chinese are concerned about disorder and instability and the preservation of their political system.

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E-ISSN: 2471-7576
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