

# In an environment of supply chain reshaping and political confrontation between China and the United States, where does China's trade go from here?

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## Abstract:

Looking at the comparison of Sino-US trade over the past decade, the trade relationship between China and the United States has become more and more unstable under the influence of political factors, so does China need to choose new trading partners in the future to protect itself? This paper adopts two methods: historical review and indicator analysis, the historical review selects the trend and trade dynamics of China-US relations during the tenure of Obama, Trump, and Biden, and selects the trade competitiveness index, export foreign trade dependence and trade surplus to analyze the current situation of China-US trade. Results: The trade competitiveness index and trade surplus generally fluctuated and increased, and only the overall trend of export foreign trade dependence fluctuated and decreased. Therefore, whether from the perspective of the world economic environment or the policy confrontation between China and the United States, the Sino-US trade relationship will only gradually drift apart, and it is imperative for China to accelerate the search for new partners to resist the isolation of the United States.

**Keywords:** Sino-US trade, U.S.-China relations, Throughout the decade, New partners

## 1. Introduction

In the 08 financial crisis, the countries that suffered a serious blow in order to protect their own trade and disregard the interests of other countries to build a trade wall, so that anti-globalization began to flourish, in this process the most hurtful is naturally the developing countries, developing countries can pro-

duce cheap goods, but the trade wall makes it difficult for goods to enter the more purchasing power of developed countries, the most obvious confrontation is the trade between China and the United States. Although the two superpowers can complement each other's advantages, China and the United States still have great differences in trade concepts.

## 2. The attitudes of the three US presidents who held office from 2008 to 2024 towards Sino-US trade

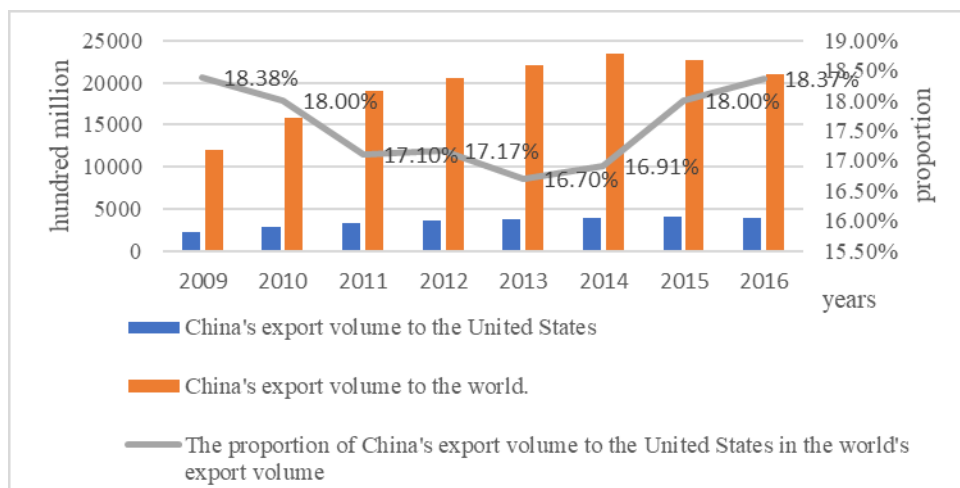
presidencies.

### 2.1 A glimpse of the clue

We will divide it based on the overall periods of U.S.



**Figure 1 China's export growth rate to the United States**



**Figure 2 China's export volume to the world. The proportion of China's export volume to the United States in the world's export volume**

(Note: All the data are from the total import and export volume of China's customs with other countries (regions) in the foreign economic and trade of China Statistical Yearbook)

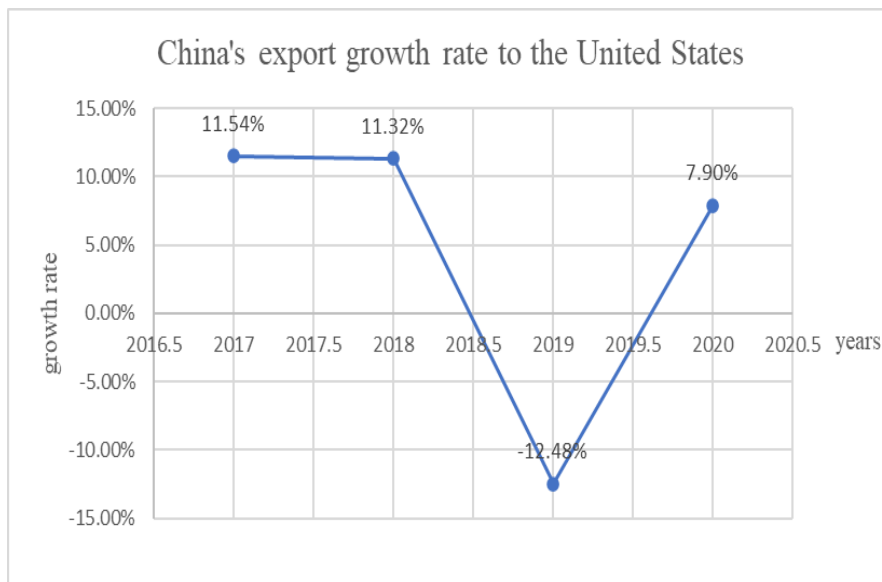
Overall trend: During Obama's presidency, the overall trade situation between China and the United States was good, and the export volume of foreign trade basically continued to grow, and the United States was a strong partner of China.

As the United States realizes that China's influence is expanding westward, threatening the regional and global balance of power, it has responded with an understandable but unjustified response – Obama will shift from the Middle East to the Western Pacific. The new thinking of the United States aims to divide the transcontinental and transoceanic regions that China and other countries want to integrate, while encouraging "encirclement of China" alliances from India and Singapore to Australia and Viet-

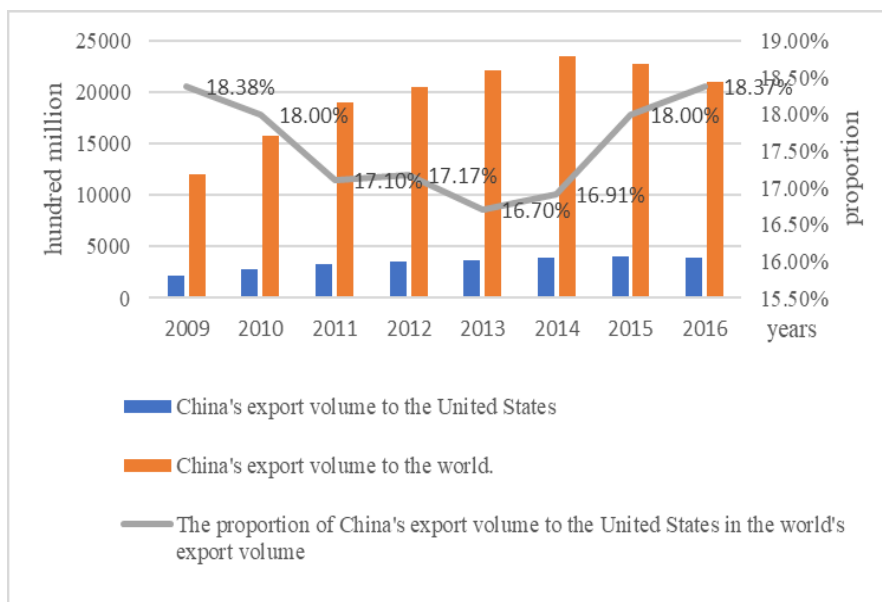
nam, as well as the Philippines, Japan and South Korea. Objectively speaking, the U.S. government's attempt to push China to further open up its market through various channels can find tangible common ground of common ground for both sides, and the bilateral trade volume between China and the United States has increased significantly in a relatively stable environment. However, the trade relationship between the two sides has not been smooth, with a large number of cheap Chinese goods sold to the United States, which has caused the United States to increase its trade deficit with China year by year,

which is closely related to the trade war after Trump took office, and the Obama administration wants to use the promotion of the renminbi to reduce the competitiveness of Chinese goods in the American market. In general, the two sides have mainly focused on common development, supplemented by local frictions, and the China-US trade relationship has experienced a period of cooperation and challenges.

## 2.2 Tear off the mask



**Figure 3 China's export growth rate to the United States**



**Figure 4 China's export volume to the world. The proportion of China's export volume to the United States in the world's export volume**

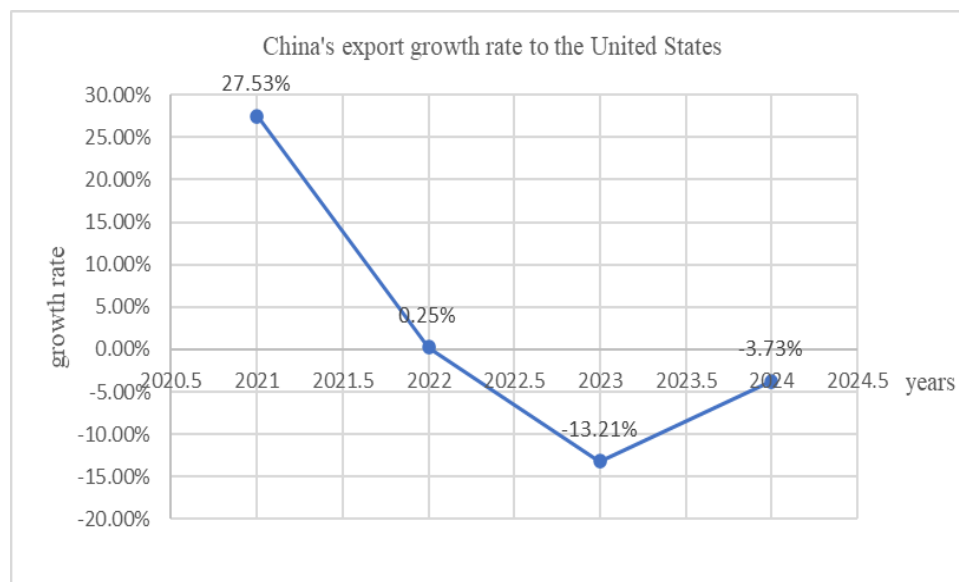
(Note: All the data are from the total import and export volume of China's customs with other countries (regions) in the foreign economic and trade of China Statistical Yearbook)

Overall trend: Since the start of the trade war in 18 years, the export volume and growth rate of Sino-US trade have fallen off a cliff, but the United States is still a strong partner of China's exports.

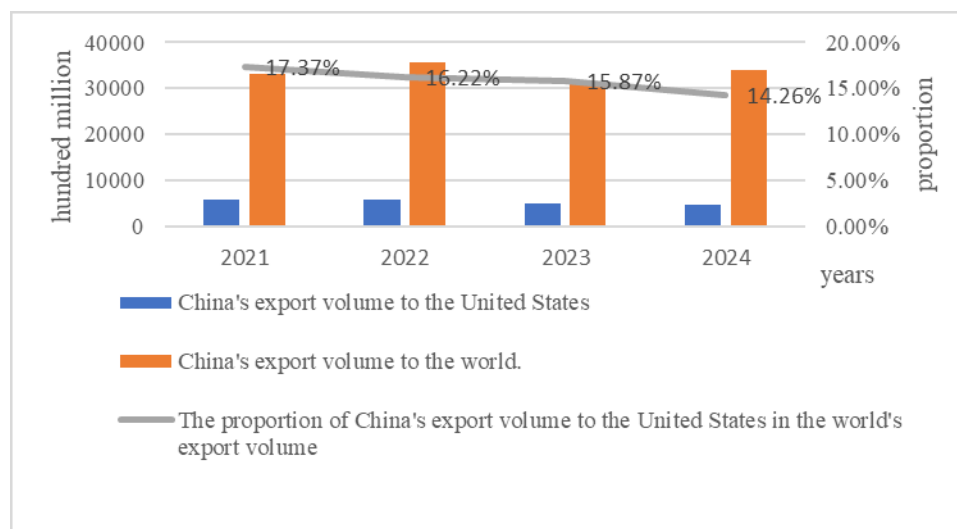
After Trump became president of the United States, he tried his best to point the root cause of American social problems at the so-called unfair policies of foreign governments. The White House has introduced a series of policies with the label of "America First", including trade policy, industrial policy, energy policy, and employment policy. These are billed as America-First policies [ Zhang Jianxin. (2018) Imagination and Reality: The Political Economy of Trump's Trade War[J].International Politics Research,(05),93-119.], he believes that many international agreements do not fully protect the national interests of the United States, but constitute restrictions on the American economy and sovereignty, so the Trump admin-

istration withdrew from a number of international treaties and pursued unilateralism. At the same time, in order to contain China's development and consolidate its hegemony, the Trump administration officially launched a trade war against China for the first time on March 22, 2018, and after a year of confrontation, the two sides finally reached a consensus on suspending new tariffs in Buenos Aires, Argentina on December 1, 2018, after which China and the United States announced mitigation measures at different times, and on January 15, 2020, China and the United States signed the first phase of the economic and trade agreement in Washington, D.C., and some areas became agreements. But the trade friction has not completely disappeared. Overall, this trade war is the first battle of the superficial rupture of Sino-US relations, but it is only superficial turbulence, and it can be seen from the chart that Sino-US trade is extremely elastic, and in addition to political influences, Sino-US trade still has strong complementarity.

### 2.3 New Cold War



**Figure 5 China's export growth rate to the United States**



**Figure 6 China's export volume to the world. The proportion of China's export volume to the United States in the world's export volume**

(Note: Because the year-end data for 2024 has not been released, the export data of China in the first half of the year of the General Administration of Customs is used first, and then multiplied by two to forecast the annual export data)

(Note: All the data are from the total import and export volume of China's customs with other countries (regions) in the foreign economic and trade of China Statistical Yearbook)

(Note: The unit is in US dollars)

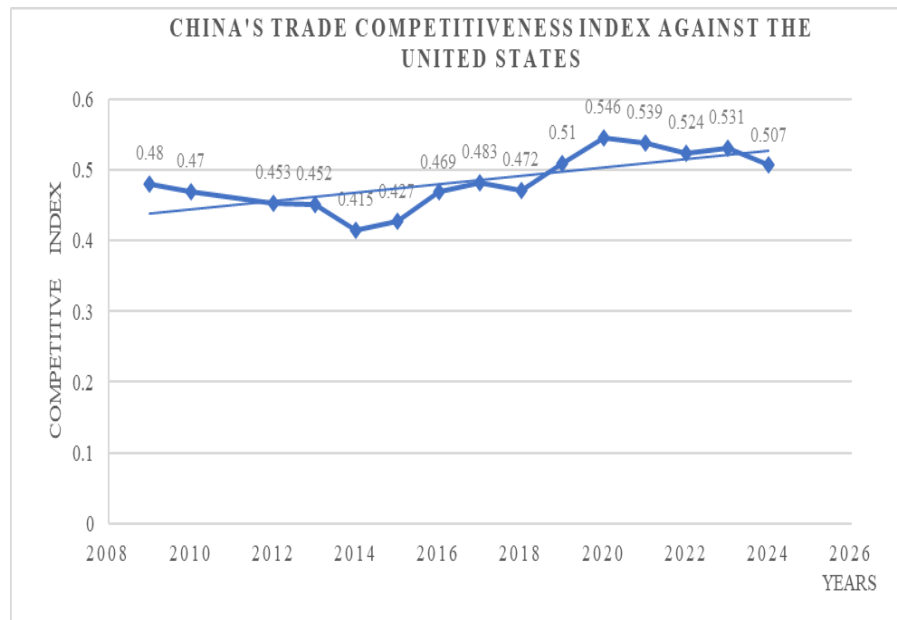
**Overall trend:** The overall situation of Sino-US trade is poor, the growth rate has fallen sharply, and the proportion of China's foreign trade exports to the United States in the world's foreign trade exports is declining, and China is "estranged" from the United States

To ensure the United States maintains its absolute advantage in the global technology sector, the Biden administration adheres to a "small courtyard, high walls" strategy. High-tech sectors deemed crucial to US national security, such as semiconductors and chips, are considered the "small courtyard" within this policy. In contrast, collaboration and communication with China are allowed in other high-tech fields, moving away from the previous administration's unilateral and comprehensive decoupling strategy. Instead, the Biden administration emphasizes an

alliance system based on multilateralism and a selective decoupling approach (Yin Nannan & Liu Guozhu, 2021, "Tools for Shaping Great Power Competition—The Biden Administration's Technology Alliance Strategy," *International Political Studies*, (05), 109-129+7).

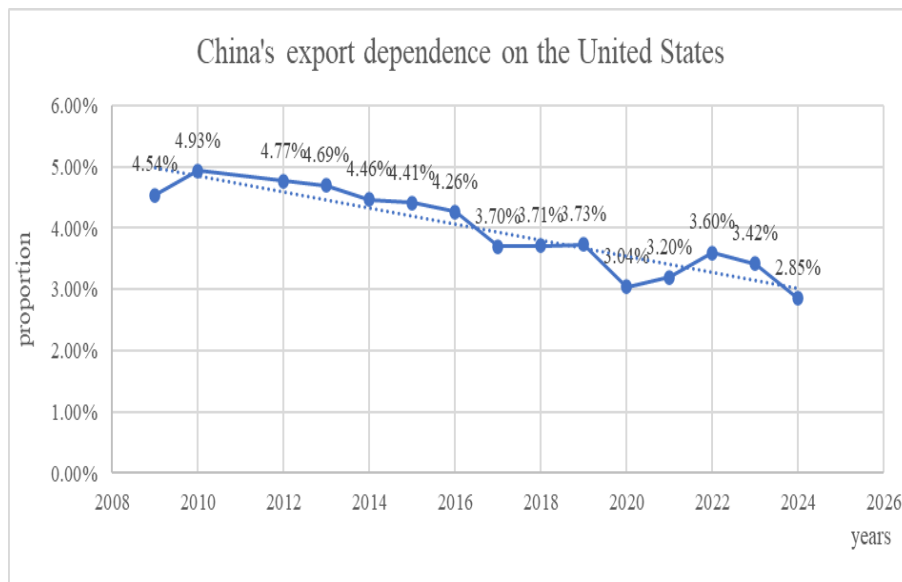
For instance, the Biden administration has implemented export controls and sanctions on certain Chinese high-tech companies, particularly applying technological blockades in the semiconductor and chip sectors. The US "CHIPS and Science Act of 2022" aims to restrict the flow of these technologies and production capacities to China. Following this, the US established the "Chip Four Alliance" to enhance its competitiveness in the global semiconductor industry. The Biden administration also attempts to use geopolitical pressure against China, leveraging the US's "security" role by establishing a "small multilateral" mechanism in the Asia-Pacific region to strengthen allies' awareness of "countering China," addressing issues like Taiwan and the South China Sea. The US encourages its allies and partners to "de-China" and reorganize supply chains that exclude China, thereby reducing dependence on Chinese production.

3. Throughout the comparison of more than ten years Trade Competitiveness Index:



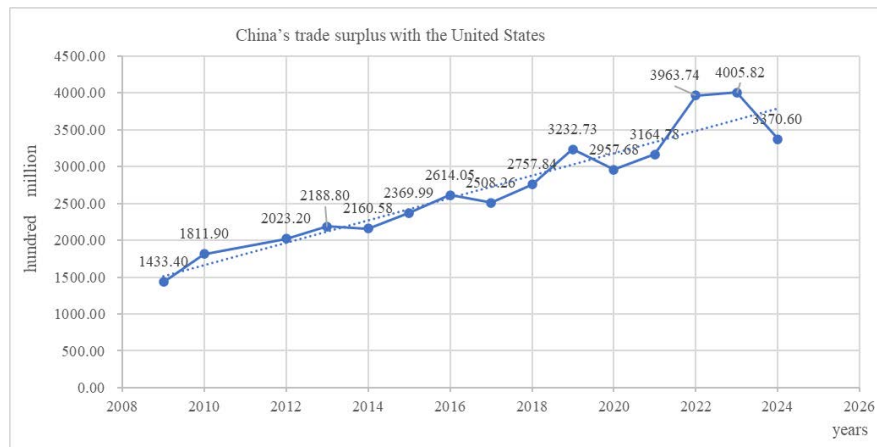
**Figure 7 China's Trade Competitiveness Index against the United States**

export dependence:



**Figure 8 China's export dependence on the United States**

trade surplus:



**Figure 9. China's trade surplus with the United States**

(Note: All the data are from the total import and export volume of China's customs with other countries (regions) in the foreign economic and trade of China Statistical Yearbook)

(Note: The unit is in US dollars)

After China further opened its market, Chinese products, known for their high quality and low prices, have shown an overall upward trend in competitiveness against American goods. During Obama's presidency, there were multiple attempts to reduce the competitiveness of Chinese products; however, contrary to his efforts, the trade surplus between China and the US continued to rise steadily before 2016. During this time, China actively sought new partners, such as the China-Central and Eastern European Countries Cooperation Mechanism, the Belt and Road Initiative, and the Regional Comprehensive Economic Partnership (RCEP)—all of which are multilateral organizations. These new cooperative markets gradually reduced China's reliance on trade with the US. Since Trump took office, the trade surplus has continued to expand, and the competitiveness of Chinese goods has fluctuated upward. In order to protect domestic producers, Trump imposed tariffs on Chinese imports, attempting to block Chinese products from entering the US market. However, in contrast, American products did not appeal to US consumers, demonstrating that Trump's isolationist policies could not sustain this "independent ecosystem." Nevertheless, after 2018, the fluctuations in trade surplus became more pronounced, suggesting that future US-China tensions may continue to escalate. In summary, at this point, the US remained a significant partner for China's exports, with intricate connections in US-China trade that could not be severed by a trade war. During Biden's administration, the competitiveness of Chinese products declined, and the fluctuations in the trade surplus were greater than before. Biden advocated for "de-China" policies, encouraging the relocation of production lines to Southeast Asia as a

"new world factory" to reduce reliance on China. One of the goals of this approach was to address the concerns of multiple countries regarding global uncertainty. In light of the experiences from the COVID-19 pandemic, countries recognized the urgency of supply chain issues, providing an opportunity for the rise of trade with countries like India and Mexico. Additionally, the Biden administration aimed to attract allies under the banner of "multilateralism," attempting to create rifts between China and other countries in their trade relationships. As shown in the data, by the end of 2023, China's trade dependency on the US had dropped to 2.85%. Given the broader global economic context and US policies towards China, it is inevitable that US-China trade relations will continue to grow distant and that China will accelerate its efforts to seek new partners to counter US influence.

#### 4. US Election

Trump represents the "anti-establishment" faction. On one hand, he firmly believes in his anti-establishment principles and claims to formulate policies for the working class. On the other hand, he attributes the root of social problems in the US to the so-called unfair policies of foreign governments (Zhang Jianxin, 2018, "Imagining and Reality: The Political Economy of Trump's Trade War," *International Political Studies*, (05), 93-119). The "Agenda 47" indicates that Trump plans to impose "universal" tariffs on the majority of imported goods, widely accepting world elites to contribute to American development while internally committing to protect American workers from unfair foreign competition. Through protectionist policies, he aims to revive American manufacturing, striving to "completely eliminate dependence on China in all key sectors." In reality, this may involve bringing critical supply chain industries back to the US; however, achieving complete "de-China" is unlikely. Nonetheless, Trump is



likely to pursue his own principle of “small courtyard, high walls.”

## 5. Discourse

### 5.1 Gradually Reduce Trade Dependence on the US

China aims to gradually lower the proportion of trade with the United States, minimizing trade friction and increasing trade share with pro-China and neutral countries to dilute the impact of lost trade volume. The US-Mexico-Canada trade bloc is currently the most critical trade area for the United States, with agreements like TPP and FTAs playing a significant role in its trade strategy. Mexico and Southeast Asia are likely to emerge as new manufacturing hubs. Mexico’s geographical advantage is likely to be leveraged by the US, turning it into a production base, with the future possibility of US encroachment on Mexico’s sovereignty, potentially using it as a bargaining chip. Meanwhile, pro-US countries in Southeast Asia can become “factories” due to their low labor costs, which could also help contain China. Additionally, the large Asian market is viewed as a significant opportunity by the US. In the future, the US may adopt a two-pronged approach, but China possesses a relatively complete and highly developed industrial system, while Southeast Asian countries have weak industrial foundations. Therefore, displacing China’s status as the “world’s factory” will not be an overnight task. In this context, the multilateral organizations established by China can be seen as a trade market centered around China, using ASEAN as the main axis to share market shares with Southeast Asia. This can facilitate economic exchanges as well as deeper cultural and political interactions, gradually strengthening collaborations with other organizations. Proximity can often be more valuable than distant relations; thus, cooperation should emphasize geographical advantages. Initiatives like the Belt and Road Initiative, the Shanghai Cooperation Organization, and the Asian Infrastructure Investment Bank are heavily oriented towards neighboring countries, providing unique advantages for national security and trade facilitation. Other organizations should maintain close ties, seeking points of mutual interest to expand common benefits.

### 5.2 Strengthening Trade Cooperation with Neutral Countries or Those Moving Towards Other Partners

This essentially represents a covert cold war, where the choice of camps is crucial. On one hand, China continuously increases its engagement with neutral countries,

forcing the United States to compete with China, leading to a win-win cooperation for the Chinese side. If the U.S. wins, it is reluctant to bear the promised preferential benefits for third countries, and the long-term cooperative relationship between both sides is bound to eventually break down. Cooperation with China is a complementary advantage, and the Chinese side will not interfere with the sovereignty of other countries, whereas the U.S. does otherwise. From the last century to today, two East Asian countries—South Korea and Japan, along with some countries in South America—have ultimately become lambs at the mercy of the U.S. The U.S. continues to use the benefits it gains from them to attack other countries. It is precisely because the U.S. is powerful enough to dictate terms to other nations that the dangers it brings in bilateral trade can permeate into the core interests of the other country, including politics, security, and society. However, in the face of absolute power, most countries can only express anger but dare not speak out. Therefore, neutral countries or those forced to trade must be more vigilant in choosing their partners.

### 5.3 Increasing Profits to Enhance Productivity or Reduce Internal Operating Costs

To improve the new productivity in China, it is necessary to enhance the bargaining power upstream, establishing long-term and stable cooperative relationships with suppliers, while also improving efficiency downstream. This involves further developing the national transportation network and promoting the digitization and automation of the supply chain to reduce costs and increase efficiency. Initially, the eastern coastal regions can develop inland along the Yangtze and Yellow Rivers. The rise of shipping routes can drive the extended development of the central region, especially in the key areas of Wuhan and Zhengzhou. This is undoubtedly an excellent strategy for boosting the economy of the central and western regions. Once a transportation network pattern that evolves from points to lines and from lines to areas is established, the coordinated efficiency of the upstream, midstream, and downstream will be significantly improved. Furthermore, the smart management of Zhoushan Port in China exemplifies supply chain automation. By incorporating big data and cloud computing technologies, automated information systems can achieve real-time monitoring and intelligent scheduling, optimizing transportation routes. Autonomous transport vehicles and cranes at the port operate efficiently according to algorithm-generated routes, greatly enhancing cargo handling capacity. China can gradually advance the pilot construction of supply chain automation and gradually expand the scope of artificial intelligence in the



supply chain.”

#### 5.4 .Domestic Market Saturation Driving Enterprises to Expand Overseas

The saturation of the domestic market compels companies to expand their supply chains internationally, facilitating positive transformation and upgrades. Simultaneously, the Chinese government is establishing a dual circulation strategy, promoting the “going out” initiative to encourage companies to diversify their international presence and reduce reliance on a single national market. This shift is necessary due to the inability of the Chinese market to accommodate such significant production capacity. Enhancing risk resilience is crucial; for instance, domestic e-commerce platform JD.com is developing a logistics system in Europe and Southeast Asia as part of its efforts to tap into overseas markets. JD.com has already achieved its anticipated targets in the planning stage. Additionally, the electric vehicle manufacturer BYD has solidified its presence in Europe and South America. Emerging markets like new energy represent blue ocean opportunities, allowing companies to establish a foundation domestically before quickly entering international markets to capture market share. However, expanding overseas also entails certain risks, particularly concerning political issues that can be complex and challenging. For example, TikTok faced a ban in the United States, with evident political biases emerging during the interrogation of its CEO, Shou Zi Chew, by the US government. Additionally, Huawei, established in the US, has faced unfounded and continuous pressure from the US government since 2018. The ideological stances of trading countries can significantly impact the operations of companies venturing abroad. Therefore, businesses need to carefully consider a range of factors before making decisions about international expansion.

### 6. Conclusion

Economic globalization is a movement in line with historical trends, leading to increased interdependence in the world economy. Unilateralism is destined to be abandoned, and the formation of a global supply chain system requires mutual trust and cooperation among countries. With the new US president, succeeding Trump, the ideological differences between China and the US are likely to widen further, potentially leading China-US trade relations to a freezing point, which would put China in a more passive position. To break this impasse, China needs

to take action in two areas: first, maintaining a certain level of friendly contact with the US, and second, urgently seeking new trade partners. Building good relationships with neighboring countries and enhancing connections are essential; by fostering ties with distant allies, finding common ground, and continually expanding the network of mutually beneficial partnerships, China can strengthen its position in the global economy.

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