

# **Maine Voices: After trade war, it's unclear if Beijing, Washington can forge productive relationship**

The U.S. can't stop China's rise, but it can compete on innovation – and it should join forces to address transnational problems.

BY **JOSEPH W. MCDONNELL** SPECIAL TO THE PRESS HERALD APRIL 19, 2019

The United States and China are under pressure to resolve their trade dispute, but even an agreement will leave unsettled the relationship between the world's two largest economies.

President Trump and President Xi Jinping have each disrupted the unspoken long-standing compact between the two countries. It will take more than an end to the trade war to forge a productive relationship.

President Trump scapegoated China during the 2016 presidential campaign by blaming China for the loss of manufacturing jobs, then fostered an adversarial relationship by unilaterally imposing tariffs on Chinese products.

President Xi directly challenged the United States' supremacy with his China 2025 and Belt and Road initiatives, the former to position China as the world leader in the industries of the future and the latter to widen China's sphere of influence throughout Asia, Africa and Eastern Europe.

U.S. grievances over China's industrial policies – including requiring technology transfers to access China's markets, favoring state-owned companies over foreign competitors, failing to protect intellectual property and exporting

more goods to the U.S. relative to imports – ostensibly prompted the trade dispute. Beijing sees the tariffs as an effort by the U.S. to prevent China from becoming a rival power.

Differences of opinion about China's status underlie these grievances. Should China be considered a developed country with its domestic markets open to international competition, or an emerging country? Its undeveloped regions arguably provide legitimacy for both perspectives, although its policies reflect those typically seen in emerging economies.

China's economy has slowed recently largely from mounting debt and a stalled global economy. The trade dispute has exacerbated its economic decline by hurting exports and disrupting supply chains. Its slowing economy gives China incentive to resolve the trade dispute.

The damage to the Chinese economy may already have accomplished the tariffs' unstated goal and the relatively stronger U.S. economy has given the Trump administration bargaining power. Some companies are shifting their manufacturing to Southeast Asia or even back to the United States.

But the U.S. is also under pressure to end the tariffs from soybean growers in Iowa, chip makers in Texas, auto manufacturers in Michigan, pig farmers in Missouri, lobstermen in Maine and an ever-worried Wall Street. The Trump administration has to not only end the dispute but also obtain sufficient concessions to justify its trade war.

Despite the tariffs, \$660 billion of goods went back and forth last year between China and the U.S. Trade with China has kept inflation in check, saved Americans millions of dollars and expanded the market for U.S. goods and services.

While the U.S. may want to keep a potential rival from rising, the two countries have a mutually dependent relationship. If China's economy stumbles badly, the world and the U.S. economies will surely decline. Even assuming the U.S. obtains significant concessions, where does that leave the U.S.-China relationship? Will we continue to see China just as an adversary? Or will we develop a more nuanced policy that draws China closer as a partner on areas of common interest and brings allies together to apply pressure on disputed issues? The Cold War approach with our largest trading partner does not serve U.S. interests, especially considering China's strong trading relationship with both our allies and emerging countries.

China will surely rise over the 21st century. As it rises, the U.S. ought to join forces with China to address transnational problems: climate change, terrorism, human migration and economic development in the emerging economies.

Forty years ago Deng Xiaoping recognized that China had to become a market economy and the manufacturing engine for the world. Today, Xi Jinping sees innovation and an expanded sphere of influence as the keys to China's future. Innovation and influence rather than trade will likely become the source of both cooperation and rivalry.

The United States cannot stop China's rise, but it can compete on innovation by investing in scientific research, promoting entrepreneurship and inviting the best and brightest from all corners of the globe to make U.S. the world's innovation leader. A healthy rivalry with China, engaging with it as both partner and adversary, can move the relationship forward for the benefit of both countries and the world.

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