МИРОВАЯ ЭКОНОМИКА И МЕЖДУНАРОДНЫЕ ОТНОШЕНИЯ, 2025, том 69, № 6, сс. 92-102
WORLD ECONOMY AND INTERNATIONAL RELATIONS, 2025, vol. 69, no. 6, pp. 92-102

DOI: 10.20542/0131-2227-2025-69-6-92-102 **EDN:** YODHPE

ESCALATION OF CONTRADICTIONS BETWEEN CHINA AND UNITED STATES AND PROSPECTS FOR BILATERAL ECONOMIC RELATIONS[1]

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Received 17.02.2025. Revised 03.03.2025. Accepted 31.03.2025.

Abstract. The article evaluates the current state and prospects of economic relations between China and the United States. The US share in China's foreign trade is gradually decreasing. China's position looks stronger. The expansion of domestic demand allows China to overcome the effects of reduced exports due to US restrictive measures. At the same time, Chinese products also enter the American market through other countries. China is not critically dependent of exports, as well as imports from the US but is dependent on US technology. Foreign capital is important for China as it attracts new technologies. The China's economic policy is not related to mercantilism. China gradually reduces import tariff protection, applies national treatment to foreign manufacturers, attracts foreign direct investment and actively invests abroad. At the same time, China uses well-known protectionist methods in foreign economic activities. The main contradictions between China and the United States relate to the US trade deficit; US prohibitive measures against Chinese supplies of high-tech products; restrictions on supply of US advanced technology and equipment to China; China's restrictions on imports of US commodities, etc. The economic contradictions between China and the United States have caused a trade war and a mutual increase in import duties. However, both sides have so far refrained from drastic measures. The trade war with China has become a political tool of the US administration to constrain China's development, primarily in the field of technology. Under any U.S. authorities, tensions in Sino-American trade and economic relations will remain, as well as the predominance of a policy of containment and severe measures against China on the US side.

Keywords: import tariffs, China, direct investment, private consumption, Mercantilism, advanced technologies, semiconductors, protectionism, trade deficit, trade wars, USA, TikTok, growth factors, exports.

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ОБОСТРЕНИЕ ПРОТИВОРЕЧИЙ МЕЖДУ КНР И США И ПЕРСПЕКТИВЫ ДВУСТОРОННИХ ЭКОНОМИЧЕСКИХ ОТНОШЕНИЙ

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Статья поступила 17.02.2025. После доработки 03.03.2025. Принята к печати 31.03.2025.

Аннотация. Расширение внутреннего спроса позволяет Китаю преодолевать последствия сокращения экспорта из-за ограничительных мер США. При этом китайская продукция также поступает на американский рынок через третьи страны. Китай критически не зависим от экспорта и импорта из США, однако зависим от американских технологий. Нынешняя экономическая политика КНР не связана с меркантилизмом. Китай проводит открытую внешнеэкономическую политику и при этом использует протекционистские методы во внешнеэкономических связях. Несмотря на взаимное повышение импортных пошлин, КНР и США пока воздерживаются от радикальных мер. Торговая война с Китаем стала политическим инструментом США для сдержива-

[1] This article is based on the presentation delivered by the author on 28 October 2024 at the Asian Seminar of the Primakov National Research Institute of World Economy and International Relations under the Russian Academy of Sciences chaired by RAS Academician V.V. Mikheev.

ния его технологического развития. При любой администрации США сохранится преобладание политики сдерживания и жестких мер против Китая.

Ключевые слова: импортные тарифы, Китай, прямые инвестиции, личное потребление, меркантилизм, передовые технологии, полупроводники, протекционизм, торговый дефицит, торговые войны, США, TikTok, факторы роста, экспорт.

With China's rise to the forefront of the global economy, economic relations between China and the United States have become a subject of close attention for specialists. Currently, China ranks first in the world in terms of foreign trade turnover and exports. Its share in world trade in goods reached 12.8% by 2022, including 14.4% in exports and 10.6% in imports, where China is second only to the USA [source 1]. This paper attempts to assess the state and prospects of economic relations between China and the United States against the background of the aggravated contradictions between these countries and D. Trump's return to power. The scope of the study is limited to seven years (2018–2024), encompassing the terms of office of US Presidents D. Trump (first term) and J. Biden.

CHINA-US TRADE DYNAMICS

The trade between China and the United States is developing unevenly (Table 1). In 2019, its volumes fell by 15% as a result of US restrictive measures. In the next two years, trade grew, surpassing 2018 figures. The trade growth, especially in 2021, was fuelled by the 2020 agreement and the arrival of J. Biden's team in power. In 2022, trade reached a historic high of $ 759 billion, but it fell by 13% in 2023 following an increase in US customs duties and reduced external demand. The US trade deficit with China narrowed to $ 336 billion. The 2024 figures suggest a slight increase in trade (around 4%). Generally, one can observe the stabilisation of trade volumes at $ 660–760 billion (China's exports – $ 500–580 billion, imports – $ 160–180 billion, US deficit – $ 300–400 billion).

The US share in China's foreign trade is gradually declining (11.2% in 2024). Although the USA ranks first among China's trading partner countries ($ 688 billion in 2024), it is second to integration associations: the Association of Southeast Asian Nations (ASEAN) ($ 982 billion) and the EU ($ 786 billion). They are followed by the Republic of Korea (ROK), Hong Kong, Japan, Taiwan, Vietnam, Russia, Malaysia, Australia, and Germany [source 2].

The US share in the total volume of China's exports is decreasing (14.7% in 2024). The USA is second to ASEAN ($ 587 billion) and slightly ahead of the EU ($ 516 billion) by this indicator. Hong Kong, Vietnam, Japan, the Republic of Korea, India, Russia, Germany, and Malaysia (with a turnover of more than $ 100 billion) follow at a wide margin [source 2]. The commodity structure of Chinese exports consists of high-tech goods produced by Chinese multinational corpo-

Table 1. Dynamics of PRC-USA trade, 2018–2024

Years	Turnover		Exports		Imports		Balance, $ billion
	$ billion	%[1]	$ billion	%[1]	$ billion	%[1]	
2018	633.52	8.5	478.42	11.3	155.10	0.7	323.32
2019	541.39	–14.5	418.67	–12.5	122.71	–20.9	295.96
2020	586.72	8.4	451.81	7.9	134.91	9.9	316.90
2021	755.65	28.8	576.11	27.5	179.53	33.1	396.58
2022	759.43	0.5	581.78	1.0	177.64	–1.1	404.14
2023	664.45	–12.5	500.29	–14.0	164.16	–7.6	336.13
2024	688.28	3.7	524.66	4.9	163.62	–0.1	361.04

[1] Increase from the previous year.

Compiled from: [source 2].

rations and joint ventures with foreign investment: machinery and equipment (half of the volume), telecommunications, computers, consumer electronics, chemical products, as well as agricultural goods and food. Many goods previously supplied to the USA from East Asia now come from China, to which export-oriented manufacturing has shifted. The ratio of exports supplied to the US vs. China's GDP is relatively low, at 2.8% in 2024 [sources 2, 3].

Similarly to exports, the US share in the total volume of China's imports is also decreasing (6.3% in 2024). The US lags not only behind ASEAN ($396 billion) and the EU ($269 billion) in this indicator, but also behind Taiwan ($218 billion) and the ROK ($182 billion). On par with the USA is Japan, followed by Australia, Russia, Brazil, and Malaysia (with a turnover of more than $100 billion) [source 2]. China's trade surplus with the US is about 40% of its net exports[2]. The commodity structure of US imports to China comprises agricultural products, soybeans, power engineering, automotive, agricultural equipment, spare parts and components, aircraft, chemical fertilisers, timber, energy sources, cotton, and metals. It should be noted that although Chinese imports from the US are stagnating, sales of products manufactured by US-China joint ventures in the Chinese market are growing. The ratio of imports from the US to China's GDP was only 0.9% in 2024 [sources 2, 3].

According to US statistics, the figures for trade with China are 10–15% lower than those presented by China: trade turnover in 2024 amounted to $582.5 billion, China's exports to the US – $438.9 billion, and China's imports from the US – $143.5 billion. It should be noted that if one includes trade in services herein, the data will be almost identical to China's figures. After 16 years of leadership in the supply of goods to the US market, China receded to third place in 2023, making way for Mexico and Canada, but in 2024 it managed to overtake Canada ($412.7 billion). China accounts for 11% of total US foreign trade. China's share in US exports is 6.9%, and in imports 13.3% (it was 22% in 2017). China accounts for 24.4% of the total US trade deficit [sources 4, 5].

The ratio of trade flows between the two countries demonstrates mirrored interdependence: imports from China are important for the USA, while exports to the United States are important for China. At the same time, China's position looks stronger. The expansion of domestic demand makes it possible to overcome the consequences of reduced exports caused by the US restrictive measures quite painlessly. In turn, it is much more difficult for the USA to find alternative sources of imports, or even more difficult to establish import-substituting production. As a result, in the face of reduced exports to the USA, Chinese products are entering the US market via third countries (Mexico, Vietnam, Taiwan, Malaysia, etc.).

DYNAMICS OF MUTUAL INVESTMENTS

In terms of the scope of attracted investments, globally China is second only to the USA, with a share of 15% [source 6]. The overwhelming flow of investments (73%) comes to mainland China from Hong Kong[3], Asian countries (Singapore, the Republic of Korea, and Japan), offshore territories such as the Virgin Islands and the Cayman Islands, as well as from the Netherlands and Germany [source 7]. In fact, to a great extent, these are investments by Chinese companies, as well as overseas ethnic Chinese (Huaqiao), which until recently enjoyed privileges for foreign investors; even after the national regime in the PRC was extended to foreign capital, they continue to invest in the country through Hong Kong and offshore territories.

The USA ranks only ninth in the total volume of foreign direct investment (FDI) in China; the annual amounts attracted reach $2–3 billion (Table 2), or about 2% of all Chinese FDI[4]. The US share in accumulated FDI in China is about 3% [source 7]. A total of 320 large corpo-

[2] Net exports represent the difference between respective export and import parameters.

[3] Hong Kong is a special administrative region within the PRC; it enjoys a special tax and customs regime and is accounted for separately from mainland China.

[4] The total amount of FDI attracted by China was $163.3 billion in 2023 [source 3].

Table 2. Dynamics of cross-border non-financial capital flows between the China and the United States, 2017–2023

Year	Volume of US direct investment attracted to China		Volume of Chinese direct investment exports to the USA	
	$ billion	%[1]	$ billion	%[1]
2017	2.649		6.425	
2018	2.689	1.5	7.477	16.4
2019	2.686	– 0.1	3.807	– 49.1
2020	2.305	–14.2	6.019	58.1
2021	2.467	7.0	5.584	–7.2
2022	2.215	–10.2	7.292	130.6
2023	3.360	51.7	6.913	–5.2
Cumulative investments	94.870 (by 2022)		83.694 (by 2023)	

[1] An increase in the corresponding indicator compared to the previous year.
Compiled from: [sources 3, 7].

rations out of more than 3,000 US companies operate in China in the spheres of manufacturing, wholesale trade, finance, and insurance [1, p. 226]. In recent years, due to the cancellation of the preferential regime for foreign investment in China, sales of US shares in joint ventures to Chinese partners have increased. According to US statistics, US direct investment in China totalled $ 126.9 billion by 2023 [source 8].

The US share in total Chinese direct investment exports was 3.9% in 2023[5]. In addition to the established investment channel through Hong Kong, China made efforts to actively invest in the USA directly in the form of mergers and acquisitions ($ 5–7 billion annually). However, China failed to achieve significant results, as many deals were rejected by the US authorities "for reasons of national security". According to US data, cumulative direct Chinese investments in the USA totalled $ 28 billion by 2023 [source 8]. About 5,000 Chinese companies operate in the US market – in manufacturing, real estate, and finance [source 9]. Comparing Chinese and US statistics on investments, it can be noted that the host country's indicators are much lower than those of the investing party. Chinese and US methods of calculating investments vary significantly, which leads to considerable discrepancies in figures.

[5] China's total FDI exports amounted to $ 177.3 billion in 2023 [source 3].

In general, FDI does not play a significant role in China as a source of capital investment. Its share in total capital investment decreased from 10% at the beginning of this century to 2–3% in the last five years [2, p. 63]. The reciprocal capital flow indicators for the PRC and the USA are 100–200 times smaller than those for commodity flows. Importation of US capital to China is dominated by direct investments, which form joint ventures' commodity flows. At the same time, their role is noticeably decreasing: joint ventures in China account for only one-third of foreign trade turnover, and this share is steadily declining – from 59% in 2006 to 33% in 2022 [source 7]. Foreign capital is important for China as a channel for attracting new technologies, experience, and managerial knowledge.

Against this background, China's portfolio investments in US securities seem impressive. The total volume of Chinese assets in US Treasury bonds reached $ 1.3 trillion in 2013. In fact, China's purchase of US bonds subsidized consumer demand for Chinese goods and supported low interest rates in the USA. This benefited the export sectors of the Chinese economy, although at the expense of its non-export sectors. Increased domestic consumption in China redirects savings and earnings to the domestic market and reduces the need to invest them abroad. As a result, in recent years China has been gradually selling off its US bond portfolio (and buying gold). By mid-2024, it had shrunk to $ 775 billion, and China ceded its primacy in holding US debt to Japan [source 10].

MAIN BUNDLES OF CONTRADICTIONS

The Sino-American contradictions have been evident since the expansion of economic cooperation in the late 1970s. The most tangible among them are the growing US trade deficit, limited access of goods and services to the Chinese market, restrictions on Chinese textile exports to the USA, anti-dumping investigations by the US side with countervailing duties on imports from China, restrictions on exports of advanced machinery and technologies to China, and violations of intellectual property rights in China, etc. [3, pp. 104-115; 4, pp. 158-176].

At the current stage, the contradictions between China and the United States have reached a new level. It is necessary to highlight the main ones.

1. The US trade deficit respective to Chinese goods, which is formed largely due to the transfer of deficit from the countries of South and Southeast Asia. This transfer arises due to China's active inclusion in global value chains, US companies' conveyance of final production stages to China, as well as the assembly of products in China using components from neighbouring Asian countries, with subsequent delivery of finished products to the USA and other countries. With China's transition to mass production of expensive high-tech products, the growth rate of its exports to the United States began to significantly outpace US exports. The US trade deficit with China reached a record high of $404 billion in 2022. Over the last two years, however, it has declined by 10–15% (see Table 1).

As admitted by US economists, "...all the problems that are now faced by the US would have persisted in the absence of China. In fact, China has taken a much larger share of the US market from other countries than that of US domestic production. The only convincing explanation for the growing US trade deficit with China is that it reflects the concentration of the final, assembly stage of Asian production chains in China" [5, p. 56, 137]. At the same time, in recent years, part of production has been shifted from China to India and South-East Asian countries. Some of these countries have significantly increased their exports to the USA, but their imports of intermediate products from China far exceed their exports to the USA [source 11].

2. US prohibitive measures against Chinese supplies of high-tech products. In particular, citing the possibility of surveillance by Chinese intelligence agencies, the USA imposed a ban on imports of *Huawei's* fifth-generation (5G) software and network communications equipment in May 2019, also detaining its CFO Meng Wanzhou in Canada. A number of Chinese companies allegedly producing dual-use products were delisted from US stock exchanges.

In February 2023, US President J. Biden banned the installation of the Chinese social media platform *TikTok* on all government devices, and in April 2024 he signed a law mandating its takeover by a US company, with the threat of a ban on the platform's operation in the USA[6]. The subject of banning the Chinese network was broached on 17 January 2025 in a telephone conversation between US President D. Trump and Chinese President Xi Jinping. On 19 January 2025, D. Trump, who won the election, issued an executive order postponing the ban on *TikTok* for 75 days to formalize control over its activities in the USA.

3. Restricting the supply of US advanced technology and equipment to China (semiconductors, microchips and equipment for their production, artificial intelligence, and quantum computing) through licensing and export control of dual-use products.

4. China's restriction of imports of US agricultural products, transport vehicles, energy supplies, medications, etc.

5. Limited access to the Chinese financial services market.

6. Subsidising state-owned PRC enterprises producing electric cars, semiconductors, green technologies and software[7].

7. Inadequate protection of intellectual property rights in China (with respect to pharmaceuticals, e-commerce, etc.).

[6] There are about 170 million *TikTok* users in the USA [source 12].

[7] Main exports come from Chinese transnational corporations which are not state-owned, although their activities are controlled by the government.

8. Manipulating the yuan exchange rate, and its undervaluation. In the 1990s and early 2000s, US economists considered China's exchange rate policy to be nearly the most important factor in the formation of the US trade deficit [5, pp. 140-143]. However, the subsequent strengthening of the yuan-dollar exchange rate did not lead to a reduction in the US trade deficit.

THE COURSE OF THE TRADE WAR

The contradictions between China and the United States have caused a trade war over the past seven years, as well as a mutual increase in import duties. The first restrictions on trade with China were imposed by D. Trump in July 2018—25% duties on $ 34 billion worth of Chinese imports, followed by 25% duties on another $ 16 billion in August; 10% duties in September – already on $ 200 billion, later increased to 25% in June 2019, and subsequently 15% duties on an additional $ 102 billion worth of Chinese imports in September, reducing the latter to 7.5% in contemplation of the January 2020 agreement.

As reciprocal mirror measures, China imposed an import tariff of 25% on $ 34 billion worth of US products in July 2018; in August, on $ 16 billion worth of products; and in September, 5% and 10% on $ 60 billion worth of products. In May 2019, China raised the tariff from 10% to 25% on a number of goods from the same basket; in September, imposed a 10% tariff on $ 75 billion worth of products; in December, reduced the tariffs on a number of US agricultural and chemical products [6, p. 77].

In accordance with the first phase of the China—US agreement, which was signed in January 2020 by President D. Trump and Liu He, Vice Premier of the PRC and member of the Political Bureau of the CPC Central Committee, China agreed to increase imports from the United States in 2020—2021 to at least $ 200 billion, including agricultural products worth $ 40 billion, energy supplies worth $ 50 billion, industrial goods worth $ 65 billion, and services worth $ 35—40 billion [7, p. 12]. The agreement also contained Chinese commitments to admitting the USA to the financial and insurance markets. Most of the import tariffs previously imposed by the US remained in force, with an average tariff level of 19.3% on two-thirds of Chinese imports [8]. Further reductions of import duties were expected as the result of the second phase of the agreement. The US side intended to continue negotiations on the access of US companies to the Chinese services market, protection of intellectual property, technology transfer, and the termination of export subsidies to Chinese state-owned companies.

It should not be overlooked that "...for the first time in modern history, China was forced to purchase, in a non-alternative manner, goods of one single country in a strictly specified amount. This largely complied with the Western countries' policy of the semi-colonial past period" [1, p. 238]. This was, naturally, a forced step, since China is dependent not so much on commodity markets as on the technology market as well as international foreign exchange and payment systems.

China failed to meet its commitments to increase imports from the USA because of pandemic restrictions. In 2020—2021, imports should have totalled $ 508 billion if one counts from the 2017 baseline of $ 154 billion. In fact, imports exceeded $ 308 billion – not by $ 200 billion, but only by $ 6 billion (see Table 1).

Subsequently, the trade war escalated in full force. On 7 October 2022, the J. Biden Administration announced comprehensive export controls prohibiting US export of advanced semiconductor chips and equipment necessary for their production, as well as semiconductor manufacturing technologies. In August 2023, a new mechanism was launched to screen US investments in the PRC in semiconductors, microelectronics, artificial intelligence, and quantum computing. In October, expanded export controls were enacted, affecting more types of microchips and equipment.

In May 2024, the USA imposed new tariffs on Chinese goods worth more than $ 18 billion (about 4% of imports). J. Biden stated that these measures aimed to counteract China's "unfair trade practices", accentuating the industries where the USA was strengthening its domestic production[8]. In

[8] Duties on electric cars were raised from 25 to 100%, on semiconductors from 25 to 50% (effective from 2025), solar panels to 50%, medical syringes to 50%, lithium-ion batteries from 7.5 to 25%, graphite and polarised magnets

July 2024, duties were imposed on Chinese steel and aluminium shipped to the United States via Mexico. Under the new rules, if steel coming from Mexico is not melted and tanked in Mexico, it will be subject to a 25% duty [source 14]. On 2 December 2024, the USA announced restrictions on supplies of chip manufacturing equipment to China, including equipment produced by foreign companies using US technologies. A total of 140 Chinese companies, including chip equipment manufacturer Naura Technology Group, fell under the restrictions. The restrictions affected the shipment of high-bandwidth memory chips, which form an important component of AI chips[9].

China is retaliating by raising duties on US goods that can be easily obtained from other sources, such as grain and lobsters (though not pharmaceuticals or aircraft). In addition, on 3 December 2024, China imposed a ban on exports of gallium, germanium, antimony, and ultra-hard materials to the United States, and strengthened export controls on shipments of dual-use products to the USA, particularly end-use graphite products[10]. In 2023, China imposed restrictions on exports of gallium and germanium to the USA, which resulted in a nearly twofold rise in prices for these materials in Europe[11].

On 4 February 2025, an additional 10% duty on all imports from China came into effect through US President D. Trump's enactment. In response, effective from 10 February 2025, China imposed duties on imports of US coal and liquefied natural gas (at a rate of 15%), crude oil, automobiles, and agricultural equipment (10%), as well as restrictions on exports of tungsten and other metals to the USA. An anti-monopoly investigation was launched against *Google*, while China announced its intention to apply to the WTO to challenge the tariffs imposed by the USA [source 16].

The technological war between the United States and China, aimed at domination in future technologies – in particular semiconductors and artificial intelligence – has already cost China almost $ 150 billion in lost exports to the USA, resulting in the restructuring of trade flows and the diversification of Chinese exports to Mexico, Taiwan, and Vietnam. However, despite the growing tensions, economic cooperation remains important for both countries. Over the past decade, US companies have generated 54% of the global electronics industry's profits. Nearly one-third of US exports of semiconductor manufacturing equipment are shipped to China. At the same time, imports of US electronics via third countries (Vietnam, Taiwan, and Mexico) include a significant share of Chinese components [source 17]. This demonstrates the importance of China in the global value chains of electronic products as both a supplier and a consumer.

Both sides have so far been refraining from radical measures. The new duties restrict imports of a relatively small number of goods or envisage low rates. According to Chinese experts, "at present, US threats to close its market to Chinese products are unlikely to cause serious damage to the Chinese economy since China has begun to actively develop its domestic market (which, incidentally, involves 1.4 billion people), although possible sanctions may cause a serious blow to the Chinese banking sector, which operates, among other areas, in the US market" [9, p. 219].

CHINA'S "MERCANTILISM"

Joan Robinson, a famous British economist, explaining the term "new mercantilism" in her work "Contribution to Modern Economics" (1978), notes the desire of all governments to secure their countries' development, namely, to increase the share of their products in the world

to 25%, to take place over the next two years, and on rare earth metals – at 25% [source 13].

[9] AI chips (artificial intelligence chips) are special processors capable of processing a huge amount of data simultaneously and much faster than conventional ones. The main world manufacturers are US companies *NVIDIA*, *Google*, *AMD*, *Intel*, and *Apple*.

[10] These materials are used in the production of chips and batteries, as well as in components for military and communications equipment; gallium and germanium are used in semiconductors. Germanium is also used in infrared technologies, fibre optic cables and solar cells, while antimony is used in munitions, infrared missiles, nuclear weapons, night vision devices, batteries and photovoltaic equipment. Graphite is the most widely used component of electric vehicle batteries.

[11] In particular, in January-November 2024, prices for antimony trioxide in the Rotterdam stock exchange rose by 228% – to $ 39,000 per metric tonne. China is the world's largest producer of antimony (48%), refined germanium (59%) and refined gallium (99%) [source 15].

market, to ensure the increment of export revenues, a trade surplus and rising reserves – not only for paying for imports but also for investing abroad [10, pp. 201-212]. This is quite an understandable economic policy for many countries that have taken the path of catch-up development. It differs from the classical mercantilism of the 16th-18th centuries, which considered the domain of circulation as well as foreign trade and a favourable trade balance as sources of wealth, attracting precious metals to the country. In this regard, Thomas Mun and other economists of that period developed a system of measures to impose high tariffs on imported goods, develop import-substituting production, and oust foreign traders from the national market. Adam Smith and his followers, adherents of the free trade concept, subjected the theory of mercantilism to devastating criticism and opposed protectionism in foreign trade. Since then, the term *mercantilism* has been perceived as an outdated concept associated with harmful economic policies that hinder economic growth.

As viewed by the author of this paper, the use of the term mercantilism in relation to the PRC's current economic policy tends to serve merely political purposes. Labelling China as mercantilist is intended to form an opinion of its economic policy as unacceptable, violating the generally accepted norms of global economic relations, being the source of problems for the world economy, and therefore subject to "fair" restrictive measures. In this regard, it is not surprising that according to the global ranking of countries in terms of mercantilism undertaken in 2014 and 2019 by the US Information Technology and Innovation Foundation (I), China steadily ranked first [11, p. 20].

China's current economic policy, in the author' opinion, is hardly related to this concept. China has an active foreign trade balance with the rest of the world, which is perhaps the only feature similar to countries adhering to classical mercantilism. However, China uses its positive trade surplus not to accumulate foreign exchange reserves (which, incidentally, have decreased in recent years) but to import necessary raw materials and, most importantly, to purchase up-to-date equipment, component materials, and technologies. China is gradually reducing its tariff shelter against imports, extending the national treatment principle to foreign producers, attracting foreign direct investments, and actively investing abroad. At the same time, it also uses generally accepted protectionist methods in its foreign economic relations. Its trade policy should be assessed on the basis of the existing world trade norms within the framework of functioning international economic institutions, without labelling it as "mercantilist" and launching trade wars.

At present, contrary to the conclusions of a number of domestic experts [11, p. 20], China no longer relies on the export (or "mercantilist") model of growth. The main factors of its growth are personal and state consumption (54% of GDP by final use) and investment with a 43% share. Net exports account for about 3% of GDP [2, pp. 57-60]. The high accumulation and investment rates persist (China performs the role of the world's main production shop), but households' personal outlay and their share in GDP are gradually growing; their contribution to GDP growth now outstrips that of investment and exports[12].

RESULTS AND CONCLUSIONS

Economic contradictions between China and the United States in recent years have caused a trade war and a mutual increase in import duties. Bilateral economic relations have entered "...a new phase characterised by a decline in cooperation, which has led to a breakdown of some established production chains" [13, p. 30]. The instability of Sino-American trade and its dependence on the global political and market situation has heightened. However, both sides have not yet resorted to radical measures. China does not specifically intend to reduce exports to the USA, while the USA does not extend sanctions to the financial sector of the Chinese economy.

[12] In this regard, the calculations of the contribution of households' private consumption to China's economic growth made by a Russian scientist E.Y. Arapova are indicative. In particular, "...its average annual contribution to the economic growth rate turned out to be higher than the share of consumption in GDP", and "...the growth of GNI (gross national income. – **M.P.**) per capita provides not only for a significant positive increase in private consumption in absolute terms but also for an increase of its share in the GDP structure" [12, pp. 54-55].

The trade war with the PRC has become US political tool to restrain China's development, primarily in the sphere of technological progress and related standards; it also aims to counteract the consolidation of Chinese multinational corporations in world markets and to constrain commodity exports to the PRC.

The USA is trying to exclude China from global production chains and transfer their links to Canada, Mexico, the EU, India, and other Asian countries. In response, China, while maintaining its foothold in these chains, is gradually extending them to Asian countries for subsequent imports to the USA (via third countries) or to the markets of those Asian countries themselves. The curtailment of the US trade deficit with China reflects the reorganisation of supply chains.

China is not critically dependent on export revenues or imports from the USA; however, it depends on US technologies, advanced scientific knowledge, and technical expertise. This dependence is exacerbated by US monopoly position in the monetary and financial sphere: the US dollar as the world's settlement and payment currency, controlled by the *SWIFT* banking payment system, and its financial infrastructure (banking, insurance, lending, rating institutions, etc.). This situation sets the stage for grave contradictions and economic wars.

Tensions in Chinese-American economic relations, as well as the prevailing containment policy and harsh measures against China by the US side, will persist under any US presidential administration. The Taiwan factor (official contacts of the USA with Taiwanese representatives and arms sales to Taiwan) serves as an additional tool of US pressure on China in bilateral economic relations.

The Sino-American contradictions have aggravated the countries' competition in the East Asian market. The protectionist policy of the US administration has played to the benefit of China, which actively joined the emerging regional integration groupings and took a dominant, proactive position in the absence of the USA. Starting in January 2022, the Regional Comprehensive Economic Partnership Agreement (RCEP), composed of 15 members including China, came into effect. Against the background of the escalating trade war with the USA, the RCEP membership is expected to help China diversify its foreign economic relations and overcome barriers to trade and investment. It is not coincidental that in 2021 China applied to join the Comprehensive and Progressive Trans-Pacific Partnership, an interregional integration project capable of strengthening China's global position.

Compared to previous years, this seems to be a new moment in Sino-American relations; the parties' economic interdependence does not guarantee the absence of acute conflicts between them, or a crisis, or even a political breakdown in relations. China is not (yet) challenging US global dominance. It is not ready for this in terms of its scientific, military, and technical potential and is not contemplating taking the place of the USA in world governance. At the same time, China is steadily moving towards economic leadership by way of trade and investment expansion (for instance, through the One Belt One Road Initiative) and through the development of its own technologies, preparing for rivalry and confrontation with the USA. It is making concessions aimed at curtailing its trade deficit and liberalising financial markets as long as it needs access to advanced US technologies, goods, and services to bring its economy to the forefront of the world. At the same time, as it builds up its technological strength toward becoming the world's leading economic power, China-US contradictions will inevitably escalate in the future.

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