

China-U.S. Economic Cooperation: One Year Later

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Introduction

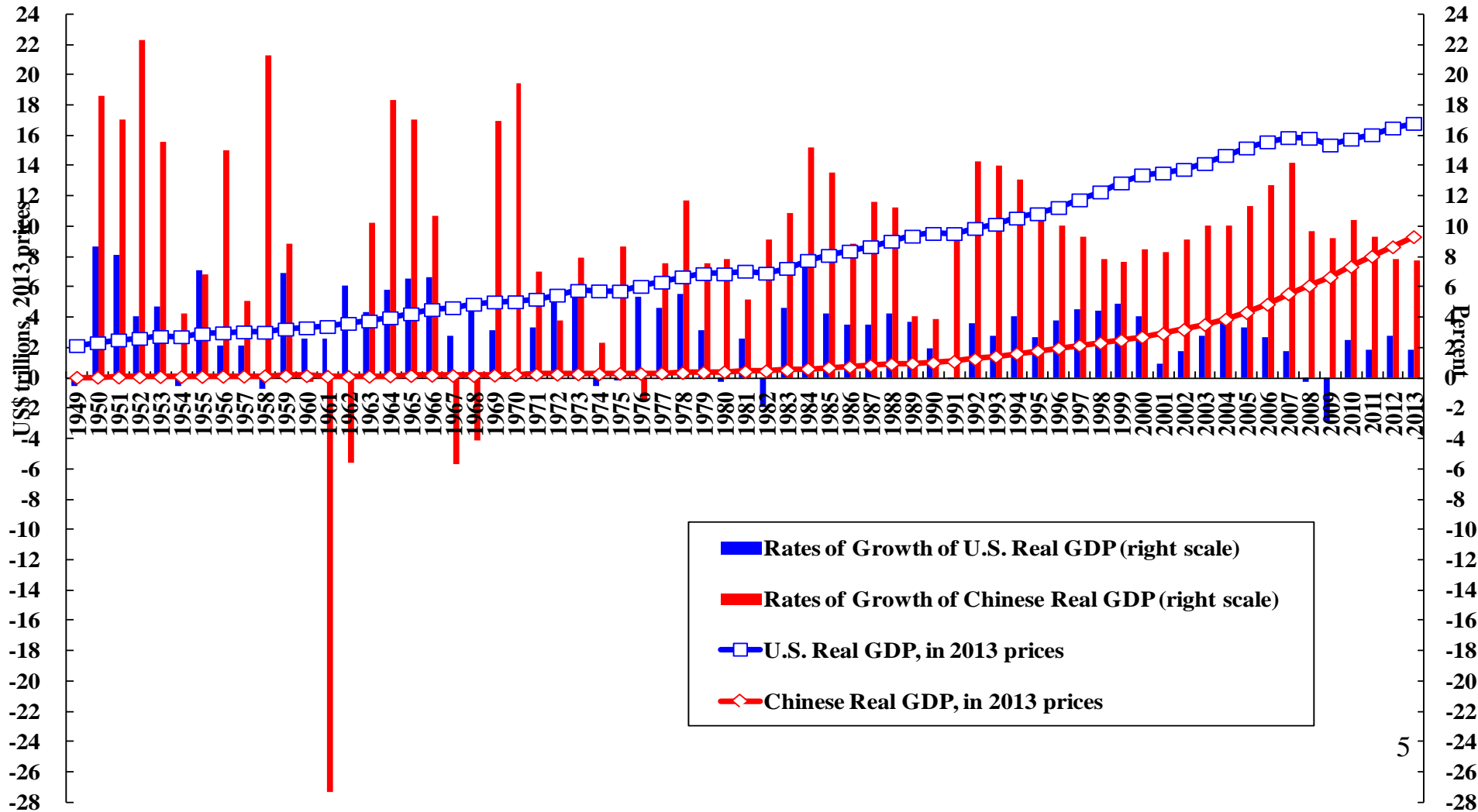
- ◆ The study, US-China Economic Relations in the Next Ten Years, was published approximately a year ago.
- ◆ The study makes a number of proposals for China-U.S. economic cooperation.
- ◆ Historically, neither China nor the U.S. have had to treat other friendly countries as true equals.
- ◆ In particular, the study advocates a new kind of major power relationship—based on mutual respect, mutual recognition of each other’s core interests, as well as mutual benefits.
- ◆ China-U.S. economic cooperation can be win-win; and only win-win cooperation can be durable and sustainable.
- ◆ It is not pre-ordained whether China and the U.S. will become “friend” or “foe”, but such expectations can be self-fulfilling. That is why not only current interactions but also expectations of the future must be carefully managed.

Comparison of the Chinese and U.S. Economies

- ◆ China has made tremendous progress in its economic development since it began its economic reform and opened to the World in 1978. It is currently the fastest growing economy in the World—averaging 9.8% per annum over the past 36 years.
- ◆ In 1978, U.S. real GDP (US\$6.7 trillion in 2013 prices) was 18.7 times Chinese real GDP (US\$356.5 billion). Between 1978 and 2013, Chinese real GDP grew more than 26 times to US\$9.32 trillion (in 2013 prices), to become the second largest economy in the World, after the U.S. with its GDP of approximately US\$16.8 trillion.

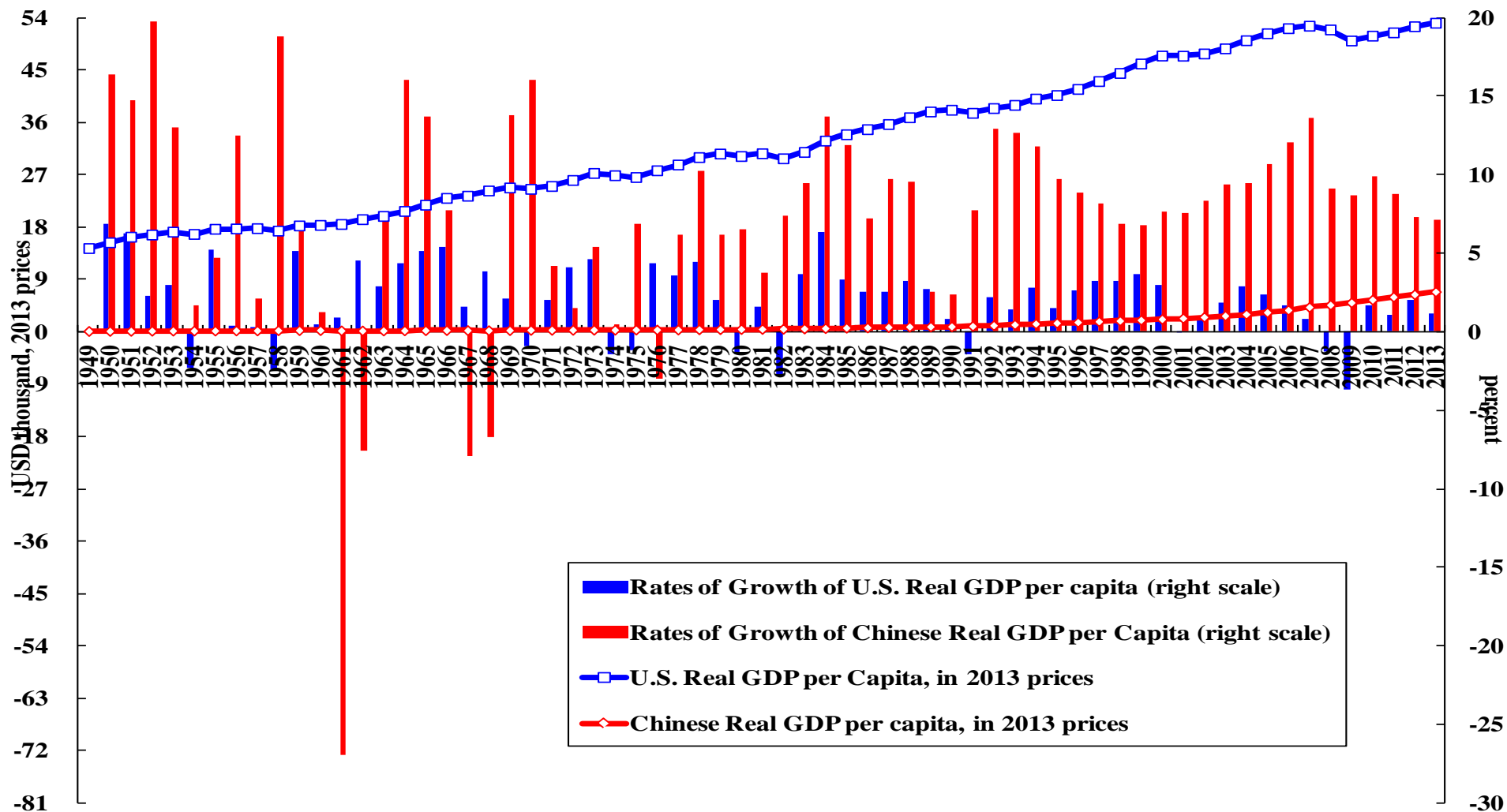
Chinese and U.S. Real GDPs and Their Rates of Growth (2013 US\$) since 1949

The Real GDP and Its Annual Rates of Growth of China and the U.S.
(trillion 2013 US\$)



Chinese and U.S. Real GDP per Capita and Their Rates of Growth (2013 US\$) since 49

Real GDP per Capita and their Annual Rates of Growth of China and the U.S.,
(thousand, 2013 US\$)



Comparison of the Chinese and U.S. Economies

- ◆ China is currently the second largest trading nation in the World, after the U.S.
- ◆ It has also become the largest exporting nation in terms of goods and services (US\$ 2.425 trillion in 2013), followed by the U.S. (US\$2.271 trillion). It has also become the largest exporting nation in the World in terms of goods alone, followed by the U.S.
- ◆ The U.S. is the largest importing nation in terms of goods and services (US\$2.75 trillion), followed by China (US\$2.19 trillion).
- ◆ The U.S. is the largest exporting as well as importing nation in terms of services, followed by respectively the United Kingdom and Germany.

Chinese and U.S. International Trade and Their Rates of Growth (US\$) since 1970

The Value of International Trade and Its Rate of Growth:
A Comparison of China and the U.S.



Is It a G-2 World?

- ◆ China is still very much a developing country. It still lags behind the U.S. significantly in science and technology and in innovation and national defense capabilities. The talk of a G-2 group of countries consisting of China and the U.S. leading the World is premature.
- ◆ However, very few countries want to be on the wrong side of both China and the United States at the same time. For example, Russia is the wrong side of the United States, but is very friendly to China. Japan arguably is on the wrong side of China, but continues to be friendly to the U.S. Vietnam is beginning to be friendly to the U.S. again after years of enmity. It may be advantageous for North Korea to try to be friendly to both China and the U.S. Thus, many global problems can be solved if the two countries can cooperate and work together.

Economic Complementarities between China and the U.S.

- ◆ Factor Intensities
- ◆ Energy
- ◆ Science and Technology
- ◆ Saving Rates
- ◆ Demographic Developments

Our Proposals-Adopted and Implemented

- ◆ Climate Change
- ◆ World Trade Tariff Reduction
- ◆ Tourism
- ◆ Strengthening of Intellectual Property Rights
- ◆ Negative Lists on Direct Investment

Our Proposals—In Progress

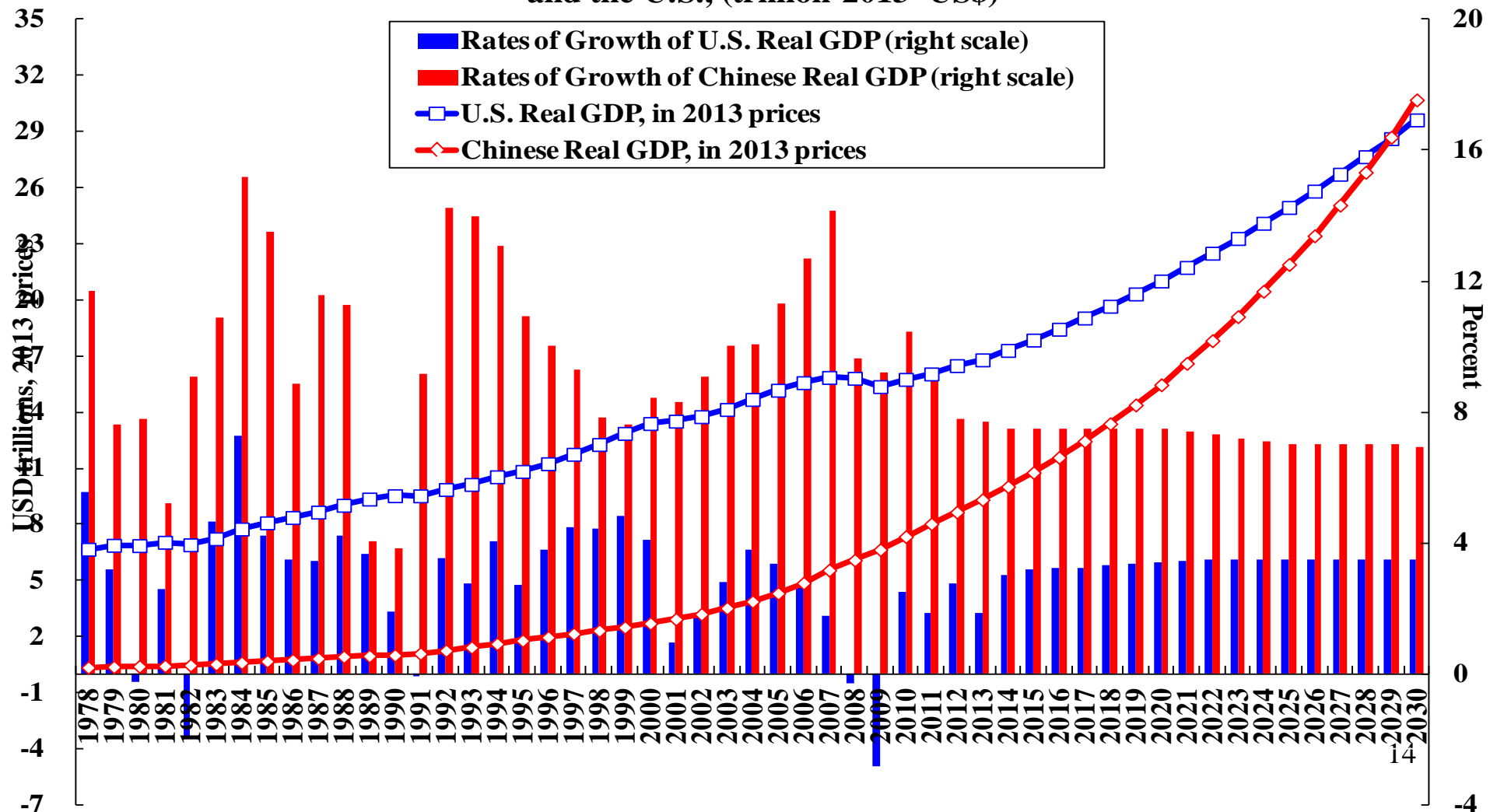
- ◆ Bilateral Investment Treaty
- ◆ Infrastructural Investment
- ◆ Agricultural Trade
- ◆ The China-U.S. Free Trade Area

Projections of the Future

- ◆ If current economic trends continue, the Chinese economy is projected to grow at an average annual rate of around 7% and the U.S. economy is projected to grow at an average annual rate of around 3.5%. It will then take another 15 years or so, say 2030, for Chinese real GDP to catch up to the level of the U. S. real GDP. In the meantime, the U.S. economy will still be the largest in the World.
- ◆ By that time, the Chinese real GDP per capita is projected to exceed US\$21,000 (in 2013 prices), and thus above the “middle-income trap,” but which would still be just a quarter of the projected then U.S. real GDP per capita of US\$83,600. It will take a further 30 years, until around 2060, for China to reach the same level of real GDP per capita as the United States.

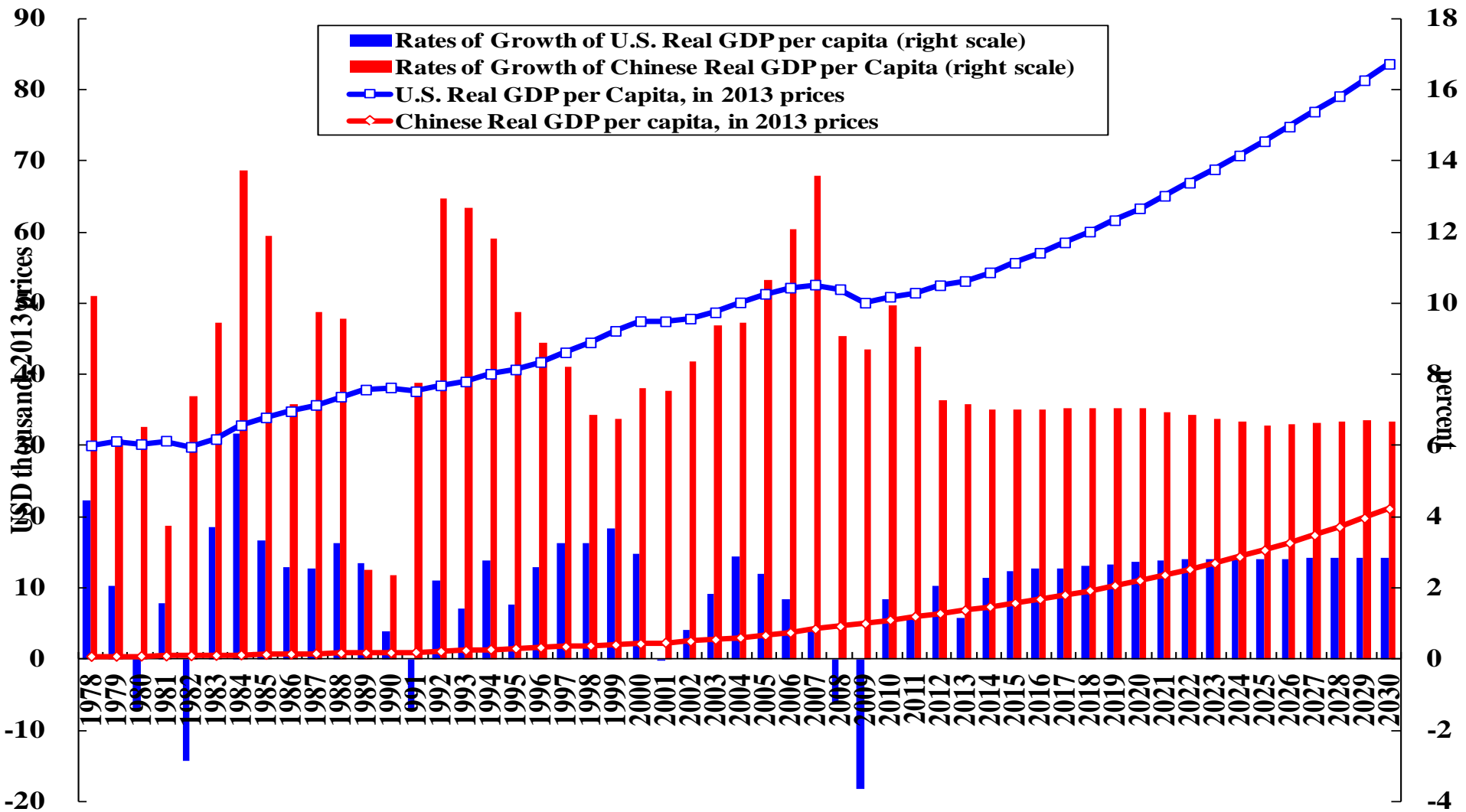
Actual and Projected Chinese and U.S. Real GDPs and Their Rates of Growth

Actual and Projected Real GDPs and their Annual Rates of Growth of China and the U.S., (trillion 2013 US\$)



Actual and Projected Chinese and U.S. Real GDP per Capita's and Rates of Growth

Actual and Projected Real GDP per Capita and their Annual Rates of Growth of China and the U.S., (thousand, 2013 US\$)



Concluding Remarks

- ◆ There are huge opportunities for economic cooperation between China and the U.S.
- ◆ However, relations between the two countries must be carefully managed.